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# Procurement in education in other jurisdictions

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This paper considers arrangements for procurement in education across England, Scotland and Wales and Ireland. Procurement has been identified as a key area of focus for efficiency savings in each of the jurisdictions. Recent and planned reforms to procurement tend to focus on centralisation as a means of achieving better value for money.



## Key Points

- This paper considers arrangements for procurement in education across England, Scotland, Wales and Ireland.
- Procurement has been identified as a key area of focus for efficiency savings in each of the jurisdictions.
- Recent and planned reforms to procurement have tended to focus on centralisation as a means of achieving better value for money by leveraging the combined buying power of the public sector.
- In each of the jurisdictions, schools have significant autonomy around how they procure goods and service.
- Schools can often avail of established contracts or frameworks for goods and services in order to achieve better value for money.
- In terms of capital works, local authorities have responsibility for procurement in England, Scotland and Wales, and the Department of Education and Skills carries out capital procurement in Ireland.
- Consideration could be given to the procurement services available to schools in other jurisdictions, for example:
  - E-procurement websites allowing for comparison between local and national contracts;
  - Established contracts and frameworks that schools can avail of; and
  - The use of public sector buying organisations for high volume items.
- Another area for consideration could include the recent review of capital procurement in education in England, particularly its recommendation that a central body should act as an 'expert client' procuring school buildings on behalf of local authorities and implementing national contracts.
- Consideration might also be given to efforts to bring about centralisation in procurement across the public sector in other jurisdictions.



# Executive Summary

## Introduction

This research paper outlines educational procurement structures in England, Scotland, Wales and Ireland: an overview of the arrangements is provided in Table 1.

Procurement has been identified as a key area of focus for efficiency savings in each of the jurisdictions. Recent and planned reforms to procurement have tended to focus on centralisation as a means of achieving better value for money.

## Key features of educational procurement

In England, Scotland and Wales, local authorities delegate money to schools who have significant autonomy around how they procure goods and services. Schools in Ireland receive a series of grants from the Department of Education and Skills throughout the year, and have choice and flexibility around procurement matters. In each of the jurisdictions, schools can often avail of established contracts or frameworks in order to achieve better value for money.

Significant procurement reform is underway in England, with a newly established Efficiency and Reform Group aiming to achieve significant savings in procurement through increased centralisation across the public sector. It has also been suggested that schools there could save up to £1bn through smarter procurement and back office spending.

In Wales, a collaborative and centralised approach is encouraged, for example, the Value Wales arm of the Government uses the collective buying power of the public sector to provide better procurement arrangements and to help achieve economies of scale, and purchasing consortia act on behalf of a number of unitary authorities.

## *Capital procurement*

Local authorities have responsibility for capital procurement in England, Scotland and Wales. In the South of Ireland, the Department for Education and Skills manages and procures capital works.

A major review in England recommended a step change in capital procurement, suggesting that a central body should act as an 'expert client', procuring major capital projects on behalf of local areas and putting in place a small number of new national contracts that can drive quality and value.

In Wales, capital funding is no longer allocated to local authorities on the basis of a formula; rather it is allocated to local authorities who have a good track record of investment and robust plans.

Table 1 overleaf provides an overview of educational procurement arrangements in the other jurisdictions.

**Table 1: Overview of educational procurement in the other jurisdictions**

	Procurement of goods and services	Examples of procurement services available	Capital procurement
<b>England</b>	<ul style="list-style-type: none"> <li>• Schools have significant choice and flexibility in procurement matters</li> <li>• Principals play a key strategic role in financial management, often working with governors and business managers</li> </ul>	<ul style="list-style-type: none"> <li>• Councils offer many traded services that schools can ‘buy back’ such as catering and caretaking</li> <li>• Schools make extensive use of public sector buying organisations for high volume items</li> <li>• Council and departmental e-procurement systems available allowing schools to access and compare local and national contracts and frameworks</li> </ul>	<ul style="list-style-type: none"> <li>• Local authorities carry out capital procurement</li> <li>• Wide variation exists in procurement models used (e.g. frameworks or one-off procurements)</li> <li>• A recent review of capital funding found that the current system is complex, expensive and opaque</li> <li>• The review recommended that an expert central body take responsibility for procuring all major capital projects</li> </ul>
<b>Scotland</b>	<ul style="list-style-type: none"> <li>• Schools may choose to procure goods and services directly with suppliers, through councils or through national contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Scotland Excel is the procurement centre of expertise for local authorities, and has a contract register covering a wide range of school needs</li> <li>• Some local authorities have implemented e-procurement systems where schools can avail of contracts with one or more suppliers established by the authority</li> </ul>	<ul style="list-style-type: none"> <li>• Local authorities are responsible for setting local, strategic and investment plans and for prioritising and deploying resources as they see fit</li> <li>• The Scottish Futures Trust, an independent, ‘arm’s length’, company established by the Scottish Government will coordinate and manage delivery of a new school building programme</li> </ul>

	Procurement of goods and services	Examples of procurement services available	Capital procurement
<b>Wales</b>	<ul style="list-style-type: none"> <li>• Schools can procure goods and services directly with suppliers or through regional or national frameworks</li> </ul>	<ul style="list-style-type: none"> <li>• Schools can trade electronically with registered suppliers through the national xchangewales e-procurement programme</li> <li>• Schools may also use the Welsh Purchasing Card, a business payment card used by public sector organisations across Wales</li> </ul>	<ul style="list-style-type: none"> <li>• Local authorities are responsible for capital investment in the schools estate</li> <li>• Under the current schools buildings programme, capital investment for school buildings is allocated only to local authorities with a good track record of investment</li> <li>• Some local authorities have established framework contracts with a range of contractors over a prescribed period</li> </ul>
<b>Ireland</b>	<ul style="list-style-type: none"> <li>• Schools have significant autonomy in the procurement of goods and services</li> <li>• However specific grants are sometimes made to schools with prescribed rules on how they are to be spent</li> </ul>	<ul style="list-style-type: none"> <li>• A number of frameworks are in place that schools can avail from in order to achieve best value for money</li> <li>• Plans are underway to introduce central procurement arrangements for ICT resources</li> </ul>	<ul style="list-style-type: none"> <li>• Major capital works are procured and managed centrally</li> <li>• The Department of Education often uses Public Private Partnerships (PPPs) for large capital schemes</li> </ul>

## Conclusion

Procurement has been identified as a key area of focus for efficiency savings in each of the jurisdictions. Recent and planned reforms to procurement tend to focus on centralisation and leveraging collective buying power as a means of achieving better value for money.

Areas for consideration could include the procurement services available to schools in the other jurisdictions, for example, e-procurement websites allowing for comparison between local and national contracts, the use of public sector buying organisations for high volume items and established frameworks for goods and services.

Consideration might also be given to the work of the Efficiency and Reform Group in England in centralising procurement across the public sector and reducing costs in this area. The more centralised approach taken elsewhere may also be of interest, for example the national procurement organisation Value Wales, which aims to use the collective buying power of the public sector to establish better arrangements with suppliers.

In regard to capital procurement for education, consideration could be given to the recent review in England which recommended that a single central body should act as an 'expert client' procuring school buildings on behalf of local authorities.



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# 1 Introduction

This research paper considers procurement arrangements for education in England, Scotland, Wales and Ireland. Further information on educational procurement in Northern Ireland can be found in [research paper 63/11: Procurement in education](#).

## Background

Within the EU all public procurement is subject to the principles of the Treaty on the Functioning of the European Union (TFEU, formerly known as EC Treaty). The key principles of the Treaty are: equal treatment; non-discrimination; mutual recognition; proportionality; and transparency. The UK, as a member state, retains overall responsibility for the negotiation and development of EU legislative proposals in relation to devolved administrations, and as a result, there is a strong read across in procurement policy matters. In Ireland, procurement must also comply with the EU Directives.

# 2 England

Procurement in England is currently undergoing reform with a view to reducing procurement spending significantly over the coming years. Increasing the levels of centralisation in procurement is a key aspect of this reform, particularly with the establishment of the Efficiency and Reform Group within the Cabinet Office in 2010 and recent independent proposals regarding educational capital.

## Legislation and policy

Public sector procurement in England is governed by the UK regulations (the Public Contracts and Utilities Contracts Regulations 2006). These regulations implement the current EU procurement directives.

A report by HM Treasury in 2007 stated that the Government had improved the public sector's track record in procurement project delivery since 1997. Recognising a need to deliver further improvements in public procurement, a new Government strategy, *Transforming Government Procurement*, was launched in 2007. The Office of Government Commerce (OGC) was tasked with delivering this transformation and given stronger powers to set and monitor procurement practices. The key elements of the Government's plans to deliver the vision included:<sup>1</sup>

- Raising the level of procurement skills across government;
- Raising procurement capacity within departments;
- Better scrutiny and support for complex projects;

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<sup>1</sup> HM Treasury (2007) *Transforming government procurement* London: The Stationery Office

- Making greater use of the Government's collective buying power; and
- Giving the OGC strong powers to drive these improvements from the centre.

Currently, the Efficiency and Reform Group within the Cabinet Office has a remit to improve efficiency in central government and support wider reform of the way public services are provided, including a focus on procurement. At the time of writing, the group was in the process of developing plans that are more detailed.<sup>2</sup>

### **Key roles and responsibilities for procurement in England**

A number of bodies have or have had involvement in procurement in England, although there is currently a drive for greater centralisation.

#### ***HM Treasury and the former OGC***

HM Treasury sets private finance initiative (PFI) policy and approves projects over contracting authorities' delegated authority levels.

The OGC was an office of HM Treasury until it was transferred to the Cabinet Office in June 2010, along with the public sector procurement agency *Buying Solutions*. The Minister for the Cabinet Office, Francis Maude, stated that these bodies would form part of the Efficiency and Reform Group (ERG), and that the move would bring together all the cross-government operational functions, including procurement, project management, IT and Civil Service workforce and reform functions.<sup>3</sup>

OGC had been responsible for ensuring that public procurement policy throughout the UK complied with regulations and it took the lead in representing UK interests in Europe and internationally. In April 2011 the Cabinet Office confirmed that the OGC had ceased to function as a distinct entity, with all of its functions being taken on by the ERG.<sup>4</sup>

#### ***Efficiency and Reform Group***

In May 2010 an Efficiency and Reform Group within the Cabinet Office was announced with the remit of improving efficiency in central government and supporting wider reform of the way public services are provided.<sup>5</sup>

The Minister for the Cabinet Office stated that the group will have a strong mandate at the centre of government to ensure departments work together to tackle waste and improve accountability across the functions within its remit. The group's work is

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<sup>2</sup> NAO (2011) *The Efficiency and Reform Group's role in improving public sector value for money* National Audit Office

<sup>3</sup> *Whitehall shake-up in drive for efficiency* [online] Available at: <http://www.cabinetoffice.gov.uk/news/whitehall-shake-drive-efficiency>

<sup>4</sup> *Cabinet Office confirms end of OGC* [online] Available at: <http://www.guardian.co.uk/government-computing-network/2011/apr/13/cabinet-office-confirms-end-of-ogc>

<sup>5</sup> NAO (2011) *The Efficiency and Reform Group's role in improving public sector value for money* National Audit Office

overseen by an Efficiency Board, co-chaired by the Minister for the Cabinet Office and the Chief Secretary to the Treasury.<sup>6</sup>

Procurement is a key part of the group's remit as it seeks to help bring about a new approach that changes the culture of government procurement and spending. While the group is still in the process of developing detailed plans, the Government's efficiency strategy includes the areas summarised in the following table. In particular, it focuses on centralising procurement practices and reducing spending in this area.<sup>7</sup>

**Table 2: Examples of actions within the Efficiency and Reform Strategy**

Timeframe	Examples of actions
Short term	<ul style="list-style-type: none"> <li>• Negotiations with biggest suppliers</li> <li>• Major projects review</li> </ul>
Medium term (By end of 2011)	<ul style="list-style-type: none"> <li>• Centralised procurement processes implemented</li> <li>• Major contracts renegotiated</li> <li>• Major Projects Authority acting effectively</li> </ul>
Long term (By 2014-15)	<ul style="list-style-type: none"> <li>• Procurement spend on common items down by 25%</li> <li>• Strategic, collaborative relationship with suppliers and more efficient delivery methods</li> <li>• Savings delivered on major projects and fewer go off track</li> <li>• Public bodies deliver continuous process improvements</li> </ul>

In a recent report into the ERG's work, the National Audit Office (NAO) welcomed the introduction of a centralised procurement process, although it stated that it is too soon to assess the effectiveness of the ERG in improving the value for money of government overall.<sup>8</sup>

### **Government Procurement Service**

The Government Procurement Service is an executive agency of the Cabinet Office. Formerly called *Buying Solutions*, it was transferred to the Cabinet Office in June 2010 along with the OGC to form part of the Efficiency and Reform Group. Working primarily with procurement professionals across central government, its overall priority is to

<sup>6</sup> *Whitehall shake-up in drive for efficiency* [online] Available at: <http://www.cabinetoffice.gov.uk/news/whitehall-shake-drive-efficiency>

<sup>7</sup> NAO (2011) *The Efficiency and Reform Group's role in improving public sector value for money* National Audit Office

<sup>8</sup> NAO (2011) *The Efficiency and Reform Group's role in improving public sector value for money* National Audit Office

provide procurement savings and to deliver centralised procurement for central government departments.<sup>9</sup>

### ***Departmental Finance Units***

Departmental Finance Units are responsible for the implementation of PFI policy in the context of the Departmental Investment Strategies, providing strategic management of the department's portfolio of PFI projects.<sup>10</sup>

### ***Major Projects Review Group***

The Major Projects Review Group is a scrutiny committee for major central government projects that aims to deliver better value for money (VFM) by challenging projects on deliverability, affordability and VFM. It comprises a pool of government commercial experts from which scrutiny committees are selected and it subjects departments' most significant projects to enhanced scrutiny.<sup>11</sup>

### ***Contracting authorities***

Contracting authorities, through their accounting officers, are responsible for achieving value for money (VFM) in public procurement, normally through competition. Office of Government Commerce (OGC) guidance states that authorities should collaborate with each other in order to ensure VFM, unless they can demonstrate that better value can be achieved in another way.<sup>12</sup>

### ***Local government procurement structures***

Local authorities in England frame their own procurement priorities and strategic objectives within a policy and legal context that includes procurement law; local government finance; best value; community well-being and sustainability.<sup>13</sup>

The *National Procurement Strategy for local Government* urges all single tier and county councils in England to establish a corporate procurement team led by the professional head of the procurement function. The authority's procurement centre acts as a focal point for suppliers who would like to do business with the authority and provides procurement advice and support on commercial issues to staff involved in procurement projects.<sup>14</sup>

Guidance from the Improvement and Development Agency states that authorities should aggregate requirements to take advantage of their purchasing power. It notes that this can be done through framework agreements or via purchasing consortia

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<sup>9</sup> *About Government Procurement Service* [online] Available at: <http://www.buyingsolutions.gov.uk/aboutus/>

<sup>10</sup> OGC (2008) *An Introduction to Public Procurement* Office of Government Commerce

<sup>11</sup> OGC (2008) *An Introduction to Public Procurement* Office of Government Commerce

<sup>12</sup> OGC (2008) *An Introduction to Public Procurement* Office of Government Commerce

<sup>13</sup> IDeA *Procurement essentials* London: Improvement and Development Agency

<sup>14</sup> IDeA *Procurement essentials* London: Improvement and Development Agency

(which set up framework agreements on behalf of a number of authorities). It states that framework agreements should be open for use by all public sector bodies.<sup>15</sup>

## **Procurement in education**

### ***Funding source and allocation***

Money designated by the Government as spending for schools is divided by the Department for Education into numerous grants. The core element of this is the Dedicated Schools Grant (DSG), which is the primary source of funding for teacher and support staff salaries, school running costs, and other non-pay items such as books and equipment.<sup>16</sup>

The Department apportions this grant to local authorities, and each local authority then allocates the money to its schools using a locally agreed formula. The current calculation of the DSG allocation is based on a method called “spend-plus”:

- The “spend” element gives each local authority a per pupil amount, uplifted each year, originally based on spending in 2005-06; and
- The “plus” element consists of top-ups based on ministerial priorities.

The Department uses this approach to determine a Guaranteed Unit of Funding (GUF) for every local authority for each year of the funding settlement: this is the amount the authority knows it will receive for each of its pupils. Differences will roughly reflect the level of educational disadvantage in each area, area costs, and sparsity.<sup>17</sup>

### ***Overview of procurement practices in education***

Schools are able to decide how their budget will be spent. As such, they have significant choice and flexibility about the services they procure to improve outcomes for their pupils, when they procure them and where they procure them from.<sup>18</sup> The Organisation for Economic Cooperation and Development (OECD) has reported that English secondary schools are the second most autonomous of 25 countries in terms of decision-making.<sup>19</sup>

Within schools, principals play a key strategic role in financial management, often working with others such as business and finance managers, vice principals and governors. To achieve efficiencies, many schools establish systems to support their

<sup>15</sup> IDeA *Procurement essentials* London: Improvement and Development Agency

<sup>16</sup> *How school funding is apportioned throughout the country* [online] Available at: <http://www.education.gov.uk/aboutdfe/foi/disclosuresaboutschoools/a0065048/how-school-funding-is-apportioned-throughout-the-country>

<sup>17</sup> *How school funding is apportioned throughout the country* [online] Available at: <http://www.education.gov.uk/aboutdfe/foi/disclosuresaboutschoools/a0065048/how-school-funding-is-apportioned-throughout-the-country>

<sup>18</sup> *Education Services – Traded Services* [online] Available at: [http://www.manchester.gov.uk/a\\_to\\_z/service/2315/education\\_services-traded\\_services](http://www.manchester.gov.uk/a_to_z/service/2315/education_services-traded_services)

<sup>19</sup> OECD (2008) *Improving School Leadership: Volume 1 Policy and Practice* Paris: Organisation for Economic Cooperation and Development

work, including access to local and national sources of information. Some schools also establish partnerships to achieve economies of scale in procurement.<sup>20</sup>

Procurement has been identified by the Government as a key area for making efficiency savings, and it has been suggested that schools could save up to £1bn through smarter procurement and back office spending, for example on learning resources, catering, administration and energy.<sup>21</sup>

### ***Councils' traded services***

While schools have significant autonomy over procurement, councils offer many services that schools can 'buy back', such as catering, caretaking and school transport. Schools can choose to purchase all of the services available from their local council, or to act more autonomously.

The Audit Commission states that in many, but not in all, cases, schools will achieve good value for money by procuring traded services. It warns that schools will get poor value for money if they either:<sup>22</sup>

- Fail to take advantage of the economies of scale that councils can secure; or
- Default to councils' traded services due to familiarity, when cheaper or better alternatives are available.

### ***High volume items***

Schools purchase many of their goods in competitive markets, particularly high-volume goods, for example administrative supplies and learning resources. The Audit Commission states that there are usually a number of suppliers in these markets, and as such, it is easier to compare prices and products. It states that schools make extensive use of public sector buying organisations for such items.<sup>23</sup>

The Commission also notes that a number of ICT systems are in use to support efficient procurement in these markets. These include individual council e-procurement systems and the Department for Education's Online Procurement for Educational Needs (OPEN) system, which enables schools to access local contracts and to compare these with wider regional and national contracts that may offer better value for money. The Commission reports that these systems can widen access to providers for schools, and that schools have remarked on their ease of use and accessibility.

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<sup>20</sup> National College (2010) *Securing the best for less: making resources go further* Nottingham: National College for Leadership of Schools and Children's Services

<sup>21</sup> DfE (2011) *Improving Efficiency in Schools* London: Department for Education

<sup>22</sup> Audit Commission (2009) *Valuable lessons: Improving economy and efficiency in schools* London: Trident Printing Services

<sup>23</sup> Audit Commission (2009) *Valuable lessons: Improving economy and efficiency in schools* London: Trident Printing Services



## Capital procurement

### *Allocation of funding*

Department for Education capital funding was distributed through over 20 funding streams in 2010-11. These funding streams can be grouped into three distinct types of allocation:<sup>24</sup>

- **Building Schools for the Future (BSF):** Launched in 2003, this programme aimed to rebuild or refurbish all secondary schools in England by 2020. The Government ended the programme in July 2010, although several hundred schools will still be rebuilt or refurbished until 2015;
- **Devolved Programmes:** There are a variety of funding streams devolving money to Local Authorities, and money given directly to schools is called 'Devolved Formula Capital'; and
- **Targeted Programmes:** The remainder of the budget is spent on targeted programmes reflecting ministerial priorities; some of these funds are allocated on the basis of one-off formula, while others required schools or Local Authorities to bid for them.

A recent review of educational capital (*The James Review*) found that these funding routes are flawed, and that the current system is complex, expensive and opaque.<sup>25</sup>

### *Capital procurement processes*

Wide variation exists in the type of procurement models used to deliver education capital investment projects. For example, a mapping exercise of 88 Local Authorities has shown that there is a minimum of 229 different frameworks and strategic partners that could be used to deliver capital schemes for education. Each of these arrangements has different terms and conditions, and some Local Authorities and schools conduct one-off procurements rather than establishing or calling-off frameworks.<sup>26</sup>

### *BSF: issues around procurement processes*

BSF was found to have extremely lengthy and costly pre-procurement and procurement processes for Local Authorities. In some Local Authorities it took four years for any construction work to begin.<sup>27</sup>

The procurement phase of BSF required the development of a Local Educational Partnership (LEP): a procurement practice unique to BSF involving a Local Authority selecting a private sector partner to establish the LEP and deliver the first schools in

<sup>24</sup> James, S. (2011) *Review of Education Capital* Department for Education

<sup>25</sup> James, S. (2011) *Review of Education Capital* Department for Education

<sup>26</sup> James, S. (2011) *Review of Education Capital* Department for Education

<sup>27</sup> James, S. (2011) *Review of Education Capital* Department for Education

the area. The aim was to establish a framework through which future projects could be procured more quickly and subsequent schools were delivered through an exclusive arrangement with the LEP lasting for ten years.

Concerns have been raised that this long-term arrangement could reduce the ability to negotiate better deals and remove the incentive for contractor and client to work together creatively to achieve better quality and better value.<sup>28</sup>

### ***Devolved capital funding procurement issues***

Once funding that has not been ring-fenced is devolved to local government or schools, they can choose to use it as they wish and local authorities could potentially use Department for Education funding for other areas. No information is collected on capital maintenance spend at school level, and many Local Authorities do not collect information about how their schools spend devolved capital, making it difficult to assess value for money. A further implication is that it is difficult to take full advantage of scale when data is not collected.<sup>29</sup>

These concerns have also been raised in a report by the Audit Commission which states that while it supports the delegation of financial and operational decision-making to frontline services, this needs to be balanced by appropriate accountability to ensure that value for money is achieved. It states that the accountability framework in regard to value for money in schools is weaker than for other sectors, and that schools are not subjected to a robust assessment of their use of resources.<sup>30</sup>

The James Review notes that maintenance work is not undertaken collectively at a Local Authority Level on a systematic basis, and remarks that while the schools estate has a replacement cost of £110bn, it has no central professional property maintenance strategy or function.<sup>31</sup>

The Review supports the principle of devolving most capital prioritisation to Local Authority areas, and then using a specific local process involving all responsible bodies and hosted by the Authority to prioritise how the budget should be used. A central body would then provide a finished building or major works for the Local Authority based on the priorities it has identified. It notes that the following conditions should be in place if this is to work effectively:

- Capital funding should be allocated on the basis of accurate data and consistently-applied criteria;
- There is accountability for how money is spent;
- There is support from the centre in achieving the benefits of economies of scale; and

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<sup>28</sup> James, S. (2011) *Review of Education Capital* Department for Education

<sup>29</sup> James, S. (2011) *Review of Education Capital* Department for Education

<sup>30</sup> Audit Commission (2009) *Valuable lessons: Improving economy and efficiency in schools* London: Trident Printing Services

<sup>31</sup> James, S. (2011) *Review of Education Capital* Department for Education

- Local priorities are agreed by responsible bodies in every Local Authority area as a local investment plan.

### ***Proposed changes to capital procurement***

With regard to streamlining capital procurement, the James Review proposes that a new, expert central body should take responsibility for procuring all major capital projects and put in place a small number of new national procurement contracts that can drive quality and value.

It also suggests that the Department should include contracts for routine, small-scale maintenance and annual building inspections that can be called upon locally. These would be established centrally, but chosen and appointed by the responsible body locally. Funding for these smaller works would go directly to the local level. There is scope to appoint a local contractor, provided they are willing to agree to the terms of the national contract. The following are examples of the potential benefits of this approach that are identified in the Review:<sup>32</sup>

- The benefit of scale from a national development pipeline is exploited;
- Procurement will be quicker, simpler and cheaper and will not require a new procurement vehicle to be established locally in every case;
- Expert contract managers are available with the skills to deal with large companies;
- Cost and quality data is captured and shared, supporting better value for money; and
- There will be a simpler pre-qualification process for all contractors.

The Review advocates a culture shift whereby the central body retains funding for large projects identified in Local Authority area investment plans, and procures and contract-manages the projects on behalf of local areas. It would effectively act as an 'expert client' on behalf of local areas, while they retain responsibility for prioritising capital spending in their area. For example, the Department for Education would provide the responsible body (for example, a local authority or school) with a finished building, rather than with the funding to procure the building themselves.

As well as being responsible for procuring major works and national contracts with suppliers, the James Review recommends that the central body also:

- Collect and analyse pupil number and condition data and allocate funding to local areas on the basis of this data;
- Sign off the local area development plan;

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<sup>32</sup> James, S. (2011) *Review of Education Capital* Department for Education

- Ensure maximum value for money by sharing knowledge and negotiating with combined scale;
- Oversee the establishment of a database on the condition of the schools estate;
- Monitor the performance of contractors and responsible bodies; and
- Work with the industry supply chain to drive down cost and time and improve quality.

## Summary

Procurement in England is undergoing a period of change. The Efficiency and Reform Group established in 2010 will play a key role in procurement policy and practice, with a view to moving to increased centralisation and achieving significant savings in procurement.

With regard to education, schools have a great deal of autonomy in deciding how their budget will be spent, what services they procure and how they procure them. They can choose to avail of existing contracts or frameworks through councils' traded services or the services of public sector buying organisations, or to make their own arrangements in line with Department for Education guidance.

In terms of capital procurement, funding is typically provided to Local Authorities or schools and a wide range of procurement arrangements are in place, for example the use of frameworks or use of one-off procurements. There are some concerns around the lack of data and inadequate accountability arrangements for current capital spending by schools.

A consultation is underway to discuss proposals for a radical overhaul of education capital arrangements proposed in the James Review. If accepted, this would mean a culture change whereby the Department for Education acts as a central, expert client for all major capital procurements. For example, it would provide a school building, rather than the funds for the Local Authority to procure the building.

## 3 Scotland

### Legislation and policy

Unlike England, Northern Ireland and Wales, Scotland has made its own regulations governing procurement, although it must also comply with EU obligations and directives. These directives are given effect in Scottish law by the Public Contracts (Scotland) Regulations 2006 and the Utilities Contracts (Scotland) Regulations 2006 which came into effect on 31<sup>st</sup> January 2006.

In 2006, the McClelland Review found that there was considerable scope for improvement in public procurement in Scotland, citing a fragmented approach, poor

utilisation of scarce procurement skills and poor delivery of cost savings from aggregated spend.<sup>33</sup> Significant reform of procurement structures was undertaken in response to this review.

## **Key roles and responsibilities for procurement in Scotland**

### ***Scottish Procurement Directorate (SPD)***

SPD is responsible for developing and issuing central strategy, policy and guidance, including the Procurement Policy Handbook and ad hoc guidance on specific policy issues.<sup>34</sup>

### ***Policy Forum***

The remit of the Forum is to identify areas of existing procurement policy where there is a need for further guidance or training, and to consider future developments in procurement policy. It also makes recommendations to the SPD on policy implementation and seeks to ensure that policy developments are communicated to contracting authorities.<sup>35</sup>

### ***Centres of Expertise***

The McClelland Review recommended that Centres of Expertise should be set up, not on a geographical basis, but on a commodity-by-commodity basis, operating as follows:<sup>36</sup>

**Table 3: Proposed Centres of Expertise (McClelland Review)**

<b>Category</b>	<b>Explanation</b>
A: National contracts	<ul style="list-style-type: none"> <li>• A small number of high-value commodities and services provided by a national contract</li> <li>• The national contracts should be established centrally (by SPD) and used on a mandatory basis by all public authorities</li> </ul>
Category B: Sector-specific contracts	<ul style="list-style-type: none"> <li>• Centrally established sector-specific contracts</li> <li>• Aimed to prevent individual sectoral organisations performing the same function multiple times without procurement volumes</li> <li>• Examples suggested were the wider Scottish Executive, Local Authorities, Scottish Health Service and Tertiary education</li> </ul>

<sup>33</sup> McClelland, J.F. (2006) *Procurement in Scotland Report and Recommendations* Edinburgh: Scottish Executive

<sup>34</sup> Scottish Government (2008) *Public Procurement Reform Programme: Scottish Procurement Policy Handbook* Edinburgh: Scottish Government

<sup>35</sup> Scottish Government (2008) *Public Procurement Reform Programme: Scottish Procurement Policy Handbook* Edinburgh: Scottish Government

<sup>36</sup> McClelland, J.F. (2006) *Procurement in Scotland Report and Recommendations* Edinburgh: Scottish Executive

Category	Explanation
Category C: General contracts	<ul style="list-style-type: none"> <li>• All contracts not categorised as A or B would fall into category C and be conducted within the remit of a single organisation</li> <li>• The Review states that this would provide opportunities for local suppliers to compete to win business within this category</li> </ul>
Category C1: Local/ regional contracts	<ul style="list-style-type: none"> <li>• This allows items that are not categorised as A or B to be consolidated within a region</li> <li>• Aims to maximise purchasing power and optimise resources and suggests that use of regional consortia or other methods of collaboration between Local Authorities</li> </ul>

There are five Centres of Expertise in Scotland. These are responsible for representing sector specific interests in the development of national policy and for the development and dissemination of policy and guidance issues unique to their sector:<sup>37</sup>

- **Procurement Scotland:** responsible for all national contracts (Category A);
- **Central Government Centre of Procurement Expertise:** the procurement centre of expertise for central government departments, its agencies and non-departmental public bodies;
- **Scotland Excel:** the procurement centre of expertise for local authorities, it has a strategic procurement team responsible for a procurement strategy for Category B commodities and for managing contracts for all member councils;
- **National Procurement, NHS National Services Scotland:** the procurement service for all NHSScotland organisations; and
- **Advanced Procurement for Universities and Colleges:** the procurement centre of expertise for Scotland's 62 universities and colleges.

An Audit Scotland report in 2009 examined the reform of public procurement that began in response to the McClelland Review. It found that significant savings could be attributed to the reform programme, and that the wider impact was positive, helping purchasing in a number of ways (for example, developing purchasing skills and improving cross-sector working).<sup>38</sup>

<sup>37</sup> Scottish Government (2008) *Public Procurement Reform Programme: Scottish Procurement Policy Handbook* Edinburgh: Scottish Government

<sup>38</sup> Audit Scotland (2009) *Improving Public Sector Purchasing* Edinburgh: Audit Scotland

## Procurement in education

### *Funding source and allocation*

The majority of the budget for schools in Scotland is contained within the Local Government settlement which provides for local authority delivery of education in schools. As such the majority of funding for expenditure on school education in Scotland comes from local authorities and they are also responsible for deciding on priorities for capital expenditure on the schools estate.

Local authorities decide how much of the grant will be given to education, and the funding is then delegated to schools to spend as they wish. Control of the budget is at the school level and decisions are largely made by the head teacher in consultation with staff and the school board.<sup>39</sup>

### Overview of procurement practices

Devolved School Management (DSM) gives headteachers control of at least 80% of the school's budget, although the local authority passes control of the budget to the headteacher through a detailed scheme laying out clear spending requirements. In general, headteachers have control over monies including:<sup>40</sup>

- Furniture, fixtures and fittings;
- Property related costs (such as fuel bills and some maintenance costs); and
- Supplies and services (such as books and equipment).

Schools may procure goods and services directly with suppliers, through councils or through national contracts via Scotland Excel. Scotland Excel's current contract register contains contracts for the following areas (it notes that other commodities are procured directly by local authorities):<sup>41</sup>

- Classroom activity materials;
- Early learning materials;
- Education software;
- Exercise books;
- Musical instruments;
- Science equipment;
- Sports equipment; and

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<sup>39</sup> *The schools system in Scotland: funding and regulation* [online] Available at:

[http://tsn.custhelp.com/app/answers/detail/a\\_id/901/~the-schools-system-in-scotland%3A-funding-%26-regulation](http://tsn.custhelp.com/app/answers/detail/a_id/901/~the-schools-system-in-scotland%3A-funding-%26-regulation)

<sup>40</sup> Scottish Parent Teacher Council (2011) *A Simple Outline of Devolved School Management* Edinburgh: SPTC

<sup>41</sup> *Contract FAQs* [online] Available at: <http://www.scotland-excel.org.uk/home/KnowledgeBank/FAQs/faqContracts.aspx?#WhatGoodsServices>

- Text books.

There have been cases reported of local authorities directing schools only to procure particular items (such as textbooks) through such national contracts, rather than directly with suppliers.<sup>42</sup>

### ***E-procurement***

Some local authorities<sup>43</sup> have also implemented e-procurement systems where schools can avail of contracts with one or more suppliers established by the authority. In Aberdeenshire, these include stationery, cleaning materials, printing and ICT supplies, and headteachers are encouraged to use the system in order to achieve best value for money.

### **Capital procurement**

*Building Better Schools: Investing in Scotland's Future* was published in 2009 and acts as the Scottish Government's and local authorities' overarching capital education strategy. The strategy states that the Scottish Government will continue to give strategic focus to the overall programme of capital improvement and investment, including providing support (both financial and other). At a local level, local authorities have a responsibility to set local, strategic and investment plans and then to prioritise and deploy resources as they see fit.<sup>44</sup>

The Scottish Futures Trust (SFT) is an independent company set up by the Scottish Government in 2008, working 'at arm's length' from government with public sector bodies. It aims to improve the efficiency and effectiveness of infrastructure investment in Scotland and will coordinate, facilitate and manage delivery of a new school building programme.

In particular, the Trust will develop, recommend and implement approaches for the school building programme across Scotland, helping local authorities achieve better value for money than might be achieved by each authority working separately. It is reported that a number of local authorities have sought assistance from the Trust to support aspects of their wider school investment programmes.<sup>45</sup>

### **Summary**

A review of procurement in 2006 led to significant reform of overall public procurement structures in Scotland. In particular, five Centres of Expertise were established: not on a geographical basis, but representing sector-specific interests. Scotland Excel is the

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<sup>42</sup> *Book buying in a straitjacket* [online] Available at: <http://www.tes.co.uk/article.aspx?storycode=6065733>

<sup>43</sup> For example, Aberdeenshire: *E-procurement and corporate contracts* [online] Available at: <http://www.highland.gov.uk/learninghere/supportforschoolstaff/devolvedschoolmanagement/12.eprocurement-corporatecontracts.htm>

<sup>44</sup> Scottish Government and COSLA (2009) *Building Better Schools: Investing in Scotland's Future* Edinburgh: Scottish Government

<sup>45</sup> Scottish Government and COSLA (2009) *Building Better Schools: Investing in Scotland's Future* Edinburgh: Scottish Government



Centre of Expertise for local authorities (which provide funding for schools). An evaluation of the overall reform found that significant savings had been made, and that it had helped areas such as developing purchasing skills.

The majority of funding for schools is provided within the Local Government settlement. Under Devolved School Management, headteachers of schools have control over much of the school's budget, and can procure goods and services directly with suppliers, or through contracts in place through the local authority or Scotland Excel. With regard to capital procurement, local authorities have a responsibility to set local, strategic and investment plans and prioritise and deploy resources as they choose.

## 4 Wales

### **Legislation and policy**

Public sector procurement in Wales is governed by the UK regulations (the Public Contracts and Utilities Contracts Regulations 2006) that also apply in Northern Ireland and in England.<sup>46</sup>

Welsh Assembly Government publications have set out procurement as a key area where savings are to be made, particularly through 'smarter procurement' practices. For example, a 2006 strategy set out plans to establish a collaborative capacity to support improvement in the procurement of school buildings.<sup>47</sup>

### **Key roles and responsibilities for procurement in Wales**

#### ***Value Wales***

Value Wales is part of the Welsh Assembly Government and has responsibility for procurement. It awards and manages framework agreements on an all-Wales basis, and provides support and advice on procurement to public sector organisations. The arrangements are developed with the support of individuals across Wales who represent their sector in customer focus groups.<sup>48</sup>

Value Wales aims to use the collective buying power of the public sector to set up better arrangements with suppliers, and has a wide range of agreements for goods and services such as IT equipment, stationery and paper, educational material, media advertising, printing and photocopiers.<sup>49</sup>

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<sup>46</sup> *Procurement Policy and Application of EU Rules* [online] Available at:

[http://www.oqc.gov.uk/procurement\\_policy\\_and\\_practice\\_procurement\\_policy\\_and\\_application\\_of\\_eu\\_rules.asp](http://www.oqc.gov.uk/procurement_policy_and_practice_procurement_policy_and_application_of_eu_rules.asp)

<sup>47</sup> *Making the Connections: Delivering Better Services for Wales* (2004) Welsh Assembly Government and *Making the Connections: Delivering Beyond Boundaries* (2006) Welsh Assembly Government

<sup>48</sup> *Adding value* (2009) Welsh Assembly Government

<sup>49</sup> *Improving Schools Procurement – Getting Better Value for Money through 'buy4wales'* [online] Available at:

<http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/improvingschoolsprocurement/jsessionid=TtTTMyHBRrnqyPIBFB3NTMhvTf6nQIFMMMjBtKST28DNWMyTKd!741275934?lang=en>

Buy4Wales acts as the national procurement website for public sector organisations in Wales. Any public sector organisation can use the website to advertise upcoming contracts to a large database of registered suppliers.<sup>50</sup>

### ***xchangewales e-procurement tool***

Part of the Value Wales division of the Welsh Government, the xchangewales programme was introduced in 2008 with the aim of creating efficiencies in procurement and stimulating greater collaboration between customers and suppliers. The programme provides tools and web-based services allowing buyers to source, tender, evaluate, order and pay for goods and services online. It offers e-trading for public sector organisations, including for schools.<sup>51</sup> A recent report found that a number of local authorities are now electronically trading through xchangewales.<sup>52</sup>

### ***Local Government: Regional Partnership Boards***

The Welsh Local Government Association (WLGA) formed four Regional Boards in 2006 with responsibility for initiating, promoting and evaluating collaborative activity within their region. A key part of this includes sharing the procurement of goods and services, in particular jointly developing and managing markets and supply chains. The Boards also play a key role in supporting the joint delivery of services where economies of scale can be obtained.<sup>53</sup>

### ***Purchasing Consortia***

Collaborative procurement in local government is managed by two consortia on behalf of Unitary Authorities in Wales. The consortia and their main functions are:<sup>54</sup>

- **The Welsh Purchasing Consortium** (on behalf of 16 Unitary Authorities in Mid and South Wales): coordinates activities within its membership; procurement is organised in strategic categories, managed by nominated procurement leads and undertaken by the agreed lead authority; and
- **The North Wales Procurement Partnership** (for the six Unitary Authorities in North Wales): a procurement resource with an agreed portfolio of collaborative contracts which it tenders on behalf of the partners.

One study notes that the fundamental differences in the approach of the consortia reflect varying local priorities and the nature of the procurement resource available to member authorities.

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<sup>50</sup> *xchangewales* (2009) Welsh Assembly Government

<sup>51</sup> *xchangewales* (2009) Welsh Assembly Government

<sup>52</sup> *Adding Value II* (2010) Welsh Assembly Government

<sup>53</sup> *Regional Boards* [online] Available at: <http://www.wlga.gov.uk/english/regional-boards-networks/>

<sup>54</sup> *Collaborative Procurement in Wales: Case Study* Welsh Local Government Association

### ***Collaborative Procurement and Commissioning Board***

The Collaborative Procurement and Commissioning Board (CPCB) was established in 2010 to help address challenges through collaborative working. The Board has agreed to secure £200m savings through collaborative procurement and commissioning by 2013, working to achieve this by using processes that are more efficient, reducing duplication and working more intelligently with the supply base. The Board has also commissioned a Procurement Taskforce to carry out a capacity and capability review and make recommendations for the Board to consider.<sup>55</sup>

### ***Procurement Taskforce***

The Procurement Taskforce was commissioned by the CPCB to support its work. The Taskforce's role includes reviewing public sector procurement experience, analysing data and gathering evidence from stakeholders. It is intended that the results of this work will help to shape public procurement in Wales.<sup>56</sup>

### **Procurement in education**

#### ***Funding source and allocation***

The Welsh Government provides funding to local authorities for pre-16 provision in schools in Wales, mainly through the Revenue Support Grant (the local government revenue settlement). The other main sources of funding for local authority education budgets are council tax income and non-domestic rates income. Funding for post-16 provision in schools is by specific grant from the Welsh Government.<sup>57</sup>

The Revenue Support Grant is distributed by means of a formula which aims to be fair and objective across all 22 local authorities. The underlying principle of the RSG is that funding is not earmarked for particular services; as such, local authorities are responsible for deciding how they spend their allocation of RSG on the services for which they have responsibility, including schools.<sup>58</sup>

The Welsh Assembly Government does not set targets for local authority expenditure on schools. Local authorities are required to distribute funding to schools in the form of an annual delegated budget. Schools can then decide how to spend their budget.<sup>59</sup>

The Welsh Government also provides capital funding for schools (apart from voluntary-aided schools) including the school building improvement grant (SBIG), disabled

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<sup>55</sup> *Adding Value II* (2010) Welsh Assembly Government

<sup>56</sup> *Adding Value II* (2010) Welsh Assembly Government

<sup>57</sup> *School funding* [online] Available at:

<http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/?lang=en>

<sup>58</sup> *School funding* [online] Available at:

<http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/?lang=en>

<sup>59</sup> *Revenue Funding* [online] Available at:

<http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/revenuefunding/?lang=en>

access to schools, school premises issues and school playing fields.<sup>60</sup> The Welsh Assembly Government makes grants available to local authorities and governing bodies of Voluntary Aided schools grant for capital investment.<sup>61</sup>

### **Overview of procurement practices in education**

Schools can procure goods and services directly with suppliers or through regional and national frameworks. For example, individual schools can trade electronically with registered suppliers through the *xchangewales e-trading for schools portal* to procure goods and services.<sup>62</sup>

Schools may search online catalogues of regional and national suppliers to compare items in order to ensure best value for money through the *xchangewales e-trading system*. This service also allows organisations to review and analyse procurement trends and make informed decisions on procurement strategies. A recent report found that four local authorities have implemented this electronic procurement system in their schools.<sup>63</sup>

Schools may also use the Welsh Purchasing Card, a business payment card used by public sector organisations across Wales. Payments are processed through suppliers' existing card terminals and systems. The Audit Office has reported an average saving of £28 per transaction for the acquisition of a broad range of goods and services. The card allows authorised buyers to easily and quickly obtain goods and services with full accountability and a clear audit trail. Financial limits and blocking can be applied to the card, and a monthly invoice payment covers all purchases.<sup>64</sup>

### **Capital procurement**

#### ***Roles and responsibilities***

Local authorities are responsible for planning and delivering the building of new schools and the refurbishment of existing schools buildings in their area (with the exception of voluntary aided schools). Responsibility for the provision, repair and maintenance of voluntary aided schools is shared between school governors and the local authority.<sup>65</sup>

While responsibility for repairs and maintenance expenditure is devolved to schools, a recent report by the Wales Audit Office found that schools tend to use the local authority's property services to manage aspects of the work on their behalf:<sup>66</sup>

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<sup>60</sup> *School funding* [online] Available at:

<http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/?lang=en>

<sup>61</sup> *Capital funding* [online] Available at:

<http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/capitalfunding/?lang=en>

<sup>62</sup> *xchangewales* (2009) Welsh Assembly Government

<sup>63</sup> *Adding Value II* (2010) Welsh Assembly Government

<sup>64</sup> *Welsh Purchasing Card* [online] Available at: <http://www.xchangewales.co.uk/benefits/epurchasing/welsh-purchasing-card>

<sup>65</sup> Body, G. (2010) *Capital Investment in Schools* Cardiff: Wales Audit Office

<sup>66</sup> Body, G. (2010) *Capital Investment in Schools* Cardiff: Wales Audit Office

- Schools pay for the authority's support from their delegated budgets;
- The level, nature and cost of the local authority support vary; and
- Schools are largely free to arrange their own contractors and local authority support for procurement is available to them.

### ***Current capital investment programme***

The current programme of investment in school buildings is the 21<sup>st</sup> Century Schools Programme, a collaboration between the Welsh Assembly Government (WAG), Welsh Local Government Association (WLGA) and local government. It aims to make education facilities in Wales fit for purpose, and was formally launched in 2010.<sup>67</sup>

Under this programme, specific capital funds for school buildings will no longer be allocated to local authorities on the basis of a formula. Rather, they will be allocated by the Welsh Government on the basis of local authorities having a good track record of investment, and producing robust strategic investment plans targeted on need. Grant funding is now targeted to specific projects before being released to local authorities.<sup>68</sup>

The 21<sup>st</sup> Century Schools Programme requires local authorities to undertake a robust appraisal of the options for procuring schools projects and state which type of procurement they wish to pursue in a business case. Some local authorities have established framework contracts with a range of contractors over a prescribed period, and a number of authorities may collaborate on particular frameworks.<sup>69</sup>

### **Summary**

In line with the other jurisdictions, the Welsh Assembly Government has identified procurement as a key area where savings are to be made. A more collaborative and centralised approach is encouraged in Wales. For example, the Value Wales arm of the Government uses the collective buying power of the public sector to provide better procurement arrangements with suppliers and to help achieve economies of scale, and purchasing consortia act on behalf of a number of unitary authorities.

Schools can procure goods and services directly with suppliers or through regional and national frameworks. The recent introduction of e-trading allows schools and other organisations to procure goods and services online, and this service is in use across a number of schools throughout Wales.

Local authorities have responsibility for capital procurement for the majority of schools. However, a number of changes to capital procurement have been introduced with 21<sup>st</sup> Century Schools, the current programme of investment in schools. For example, capital funding will no longer be allocated to local authorities on the basis of a formula; rather

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<sup>67</sup> *About us* [online] Available at: <http://21stcenturyschools.org/aboutus/?lang=en>

<sup>68</sup> Body, G. (2010) *Capital Investment in Schools* Cardiff: Wales Audit Office

<sup>69</sup> *Procurement for 21<sup>st</sup> Century Schools* [online] Available at: <http://21stcenturyschools.org/21schoolstandard/procurement/?lang=en>

they will be allocated to local authorities who have a good track record of investment and produce robust investment plans.

## 5 Ireland

### **Legislation and policy**

The Public Sector Procurement Regulations 2006 and the European Communities (Award of Contracts by Utility Undertakings) Regulations 2007 govern procurement and implement the relevant EU directives in the South of Ireland. The National Public Procurement Policy Framework sets out the overarching policy objective for public procurement and the aims of national procurement policy.<sup>70</sup>

The organisation of the Irish education system is highly centralised: for example, funding for schools, the sanction of teaching posts and conditions of employment and legislative accountability all fall under the control of the DES. At the same time, schools have a significant amount of autonomy with regard to a number of areas, for example the selection of personnel and how money is spent (due to the private ownership of most schools).<sup>71</sup>

### **Key roles and responsibilities for procurement in Ireland**

#### ***Department of Finance***

The Department of Finance is responsible for the implementation of EU Directives and EU Treaty principles. It has an overall objective of ensuring that Ireland's public procurement regime is open, competitive and regulated in compliance with those Directives and principles.<sup>72</sup>

#### ***National Public Procurement Policy Unit (NPPU)***

The NPPU was established in the Department of Finance in 2002 with responsibility for developing public sector procurement, policy and practice through a process of procurement management reform. The reform process comprises:<sup>73</sup>

- Capacity building: to strategically manage procurement effort to maximise savings and benefits;
- Training and education: to develop competencies among employees to support measurable improvements in procurement;
- Procurement aggregation: to reduce cost through leveraging public sector demand in certain markets; and

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<sup>70</sup> Policy/ Legislation [online] Available at: [http://www.etenders.gov.ie/guides/guides\\_list.aspx?Type=61](http://www.etenders.gov.ie/guides/guides_list.aspx?Type=61)

<sup>71</sup> OECD (2007) *Improving School Leadership: Country Background Report Ireland* Paris: OECD

<sup>72</sup> FAQs on NPS [online] Available at: <http://www.procurement.ie/faqs/faqs-nps>

<sup>73</sup> National Public Procurement Policy Unit *National Public Procurement Policy Framework* Dublin: the Stationery Office

- E-procurement: to improve efficiency through the use of cost effective technologies to support various aspects of procurement.

### ***National Procurement Service***

The National Procurement Service (NPS) was established in 2009 with the aim of ensuring efficiency in the public procurement of goods and services and is responsible for operational procurement matters. The Minister of State at the Department of Finance with responsibility for the Office of Public Works chairs the Board of the NPS.<sup>74</sup>

The National Procurement Service is situated within the Office of Public Works and has responsibility for centralising public sector procurement arrangements for common goods and services for all public bodies e.g. office equipment, fuel, energy, printing, ICT consumables, transport fleets, advertising and legal advice.<sup>75</sup> Its other key areas of responsibility include:

- Organising the procurement of common goods and services across the public service;
- Establishing networks of procurement practitioners across the public service through which areas of collaboration can be identified;
- Providing procurement guidance to the public service and assisting with specialist procurement undertaken directly by public service bodies;
- Ensuring the availability of targeted and accredited procurement training, development and education measures;
- Establishing appropriate links with public procurement structures in Northern Ireland and other international jurisdictions;
- Operating the etenders system and further developing and deploying appropriate and cost effective eprocurement systems; and
- Integrating all Government policy issues (e.g. SME's, environment, sustainability) in public procurement practice.

### **Procurement in education**

#### ***Funding source and allocation***

The primary source of all funding for schools in Ireland is the Department of Education and Skills (DES). The majority of schools receive their funds directly from DES by means of a series of designated grants throughout the year. In addition, the salaries of teachers and other specified members of staff are paid directly by the Department.<sup>76</sup>

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<sup>74</sup> FAQs on the NPS [online] Available at: <http://www.procurement.ie/faqs/faqs-nps>

<sup>75</sup> About us [online] Available at: <http://www.procurement.ie/about-us>

<sup>76</sup> OECD (2007) *Improving School Leadership: Country Background Report - Ireland*



DES pays a direct capitation grant per student to each primary and post primary school. Capitation grants are used for the day-to-day running of schools and for teaching materials and resources. The DES Planning and Building Unit provide funding for school maintenance and minor works.<sup>77</sup>

### **Overview of procurement practices in education**

Boards of Management in schools are expected to ensure that all monies provided to the school under the capitation grants are made available for the purchase of appropriate resources and materials. Schools are also required to keep records and receipts of all materials or resources purchased with the grant, as they may need to be produced at a later stage for inspection by officers of the Department.<sup>78</sup>

Decisions regarding the spending of funds for school running costs are made locally by schools, although OECD reports that increasingly, specific grants are made to schools with prescribed rules as to how they will be spent and accounted for. As such, the system is centralised, in terms of prescription, but devolved to the extent that schools can implement policy in the context of local needs.<sup>79</sup>

A number of frameworks are in place that schools can avail from in trying to achieve best value for money, for example, ICT frameworks for the purchase of resources from qualified suppliers, even for small quantities.<sup>80</sup> However, there are plans underway to introduce central procurement arrangements for ICT, with a view to aggregating demand and improving value for money.<sup>81</sup>

### **Capital procurement**

Major capital works within DES, such as the annual School Building Scheme, are managed and procured centrally. Responsibility for minor projects, such as emergency repairs and maintenance, are devolved to individual schools.

In both cases, the DES procurement procedures follow the Capital Works Management Framework (CWMF) and, as such, the Department places a requirement on school authorities to use a standard Public Works form of contract for all school building projects. In line with government policy, contracts can only be awarded following a competitive tendering process.

### ***PPP approach***

In 1999 the Irish Government began trialling the Public Private Partnership (PPP) procurement method for large capital schemes in education, transport and

<sup>77</sup> Department of Education and Skills (2011) *Part 4 Services to Schools and VEC* [online] Available at: <http://www.education.ie/robots/view.jsp?pcategory=17216&language=EN&ecategory=37551>

<sup>78</sup> *Capitation grants* [online] Available at: <http://www.into.ie/ROI/SchoolAdministrationPolicies/SchoolFunding/CapitationGrants/>

<sup>79</sup> OECD (2007) *Improving School Leadership: Country Background Report - Ireland*

<sup>80</sup> Department of Education and Science (2009) *Smart schools = Smart Economy* ICT Ireland

<sup>81</sup> *16 November, 2009 - Taoiseach launches €150m plan for 'smart schools'* [online] Available at: <http://www.education.ie/home/home.jsp?maincat=&pcategory=10861&ecategory=10876&sectionpage=12251&language=EN&link=link001&page=1&doc=46554>



environment.<sup>82</sup> A pilot scheme for the provision of three new schools was approved and a Consortium was appointed to design, build, finance and maintain the schools through a 25 year contract.<sup>83</sup>

The PPP procurement process was centrally managed by the National Development Finance Agency (NDFA), who was responsible for all aspects of delivering the procurement of the projects with input from DES.<sup>84</sup> A review of the pilot was positive, although it was noted that the outcomes could only be truly measured over the lifetime of the contract.

Subsequently, a Schools PPP project involving the construction of further schools was announced and tendering for further 'bundles' of schools has since been undertaken. Under the PPP process, the State retains ownership of the assets throughout the contract period. At the end of the contract period, the sponsoring Government agency assumes responsibility for the ongoing maintenance and operation of the assets.<sup>85</sup>

## Summary

While the organisation of the Irish education system is highly centralised, schools have significant autonomy in a range of areas, including the procurement of goods and services. However, specific grants are sometimes made to schools with prescribed rules as to how they will be spent and accounted for.

For some goods and services, schools can procure goods through frameworks of qualified suppliers. Plans are underway to introduce central procurement arrangements for ICT, with a view to aggregating demand and increasing value for money. Major capital works are managed and procured centrally. The Department of Education and Skills often uses Public Private Partnerships to procure new school buildings.

## 6 Conclusion

This paper has explored arrangements for procurement in education across England, Scotland, Wales and Ireland. It has found that procurement has been identified as a key area of focus for efficiency savings in each of the jurisdictions. Recent and planned reforms to procurement have tended to focus on centralisation as a means of achieving better value for money by leveraging the combined buying power of the public sector.

Consideration could be given to the procurement services available to schools in the other jurisdictions, for example, e-procurement websites allowing for comparison

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<sup>82</sup> Dempsey welcomes C&AG report as an important resource for development of Public Private Partnerships. [online] Available at: <http://www.education.ie/robots/view.jsp?pcategory=10861&language=EN&category=40264&link=link001&doc=26122>

<sup>83</sup> Comptroller and Auditor General (2004) *Value for Money Examination 48: The Grouped Schools Pilot Partnership Project*. Available at: <http://audgen.gov.ie/viewdoc.asp?DocID=765&CatID=5&StartDate=1+January+2011>

<sup>84</sup> National Development Finance Agency (2010) *Extension of functions* [online] Available at: <http://www.ndfa.ie/home.html>

<sup>85</sup> Government of Ireland (2010) *Report of the Comptroller and Auditor General on the Accounts of the Public Services – 2009*. Available at: [http://audgen.gov.ie/documents/annualreports/2009/ReportVol1\\_09\\_rev4.pdf](http://audgen.gov.ie/documents/annualreports/2009/ReportVol1_09_rev4.pdf)

between local and national contracts, the use of public sector buying organisations for high volume items and established frameworks for goods and services.

Another area for consideration could include the recent review of capital procurement in education in England. In particular, its recommendation that a central body should act as an 'expert client' procuring school buildings on behalf of local authorities, and putting in place a small number of new national contracts that can drive quality and value, could be considered. Consideration might also be given to the work of the Efficiency and Reform Group in England in centralising procurement across the public sector and reducing costs in this area.

A final area for consideration could be the more centralised approach taken elsewhere, for example the national procurement organisation Value Wales, which aims to use the collective buying power of the public sector to establish better arrangements with suppliers.