



Northern Ireland
Assembly

Research and Information Service Research Paper

January 2012

Caroline Perry

Procurement in education: summary paper

NIAR 907-11

This Research Paper summarises a number of key issues in regard to procurement in education here, based on a series of papers recently produced for the education committee on this issue.

Key Points

- Procurement in education here is currently carried out by a range of bodies: this approach has been described as fragmented;
- ELBs were awarded Centre of Procurement Expertise (CoPE) status in 2002. CoPE status is independently reviewed on a periodic basis - the ELBS failed their assessment in 2005 but were re-accredited in 2006 in a decision to support improvement;
- In February 2011 a unit was established within the Department with the aim of designing and implementing a new CoPE for education; it is planned that a procurement strategy will be developed for the entire sector once CoPE arrangements have been implemented;
- A number of issues have been identified in regard to procurement in education. For example, the first PEDU report highlighted significant variation in the costs of similar goods and services across ELBs and no major drive towards bulk buying;
- A series of investigations into serious procurement issues pointed to a lack of robust procurement leadership, procedures and inadequate levels of skills and expertise;
- Procurement reforms elsewhere have tended to focus on centralisation and leveraging collective buying power, although schools generally retain autonomy and choice around how they procure goods and services;
- A range of approaches can support SME access to procurement, e.g. dividing contracts into lots; setting proportionate requirements; and improving information;
- These findings suggest a range of areas that could be considered further, such as:
 - How plans for procurement modernisation will be resourced, particularly in regard to the currently limited levels of procurement expertise in the sector;
 - Advantages and disadvantages of greater centralisation and aggregation in procurement for education (and potentially across the wider public sector);
 - The extent to which departmental procurement modernisation plans are likely to support SME access to opportunities in education;
 - How the effectiveness of new procurement arrangements and practices will be monitored and evaluated, including implementation of the PfG commitment to include social clauses in all public procurement contracts;
 - Interim arrangements prior to the establishment of the single CoPE, for example, to what extent will arrangements address the reported lack of robust procurement procedures, leadership and inadequate levels of expertise in the sector?

Executive Summary

Introduction

This paper summarises a number of key issues in regard to procurement in education here, based on a series of research papers recently produced for the education committee on this issue.

Overview of procurement in education

Procurement in education is currently carried out by a range of bodies in Northern Ireland, depending on which body the goods, services or capital works are being procured for. This approach has been described as fragmented and as making a coordinated approach difficult.

CoPE status

The Education and Library Boards were awarded Centre of Procurement Expertise (CoPE) status in 2002. A CoPE provides a procurement service to public bodies and contributes to the development of policies and best practice. This status is awarded through a third-party accreditation exercise assessing the extent to which an organisation meets high standards of good practice.

CoPE status is independently reviewed on a periodic basis. Evidence to the Public Accounts Committee indicated that the ELBs failed their independent assessment in 2005, but were reaccredited in 2006 as a result of a decision to work with them to support improvement. A decision was taken not to review the status of the ELBs pending the establishment of ESA. They were allowed to retain their CoPE status and will keep this until the establishment of ESA.

Procurement modernisation

In February 2011 a unit was established within the Department of Education (the Department) charged with designing and implementing a new CoPE for education following a series of investigations into serious procurement issues. The Department has stated that it plans to establish a delivery model that ensures CoPE arrangements for the entire sector, and subsequently, a procurement strategy will be developed for the sector.

Procurement practices and issues

A number of issues around procurement in education have been highlighted in the literature. These issues tend to centre on the largely fragmented approach in place and point to a lack of coordination in procurement.

For example, a joint efficiency review underway by the Department and the Performance and Efficiency Delivery Unit (PEDU) identified a range of issues at ELBs including:

- Significant variation in the costs of similar goods and services across ELBs;
- No major drive towards bulk buying or consolidation of contracts identified; and
- A continued prevalence of small value transactions.

Investigations

A series of investigations into procurement issues and subsequent 'healthcheck' reviews within the ELBs and the Council for the Curriculum Examinations and Assessment were released between 2009 and 2011. The findings of these reports were varied, with some good practice identified. However, where deficiencies were identified, common themes included:

- A lack of robust procurement strategies or procedures;
- A lack of strategic procurement leadership; and
- Inadequate levels of staff skills, experience and qualifications.

Practice elsewhere

Procurement has been identified as a key focus for efficiency savings in England, Scotland, Wales and Ireland. Reforms in these jurisdictions have tended to prioritise centralisation and leveraging collective buying power to achieve cost savings.

Schools in each of the jurisdictions have significant autonomy around how they procure goods and services, and can often avail of established contracts or frameworks, including through e-procurement and public sector buying organisations.

Responsibility for capital works lies with local authorities in England, Scotland and Wales; however, a recent report in England recommended that a central body should instead procure school buildings on behalf of local authorities. In Ireland, the Department of Education and Skills carries out major capital procurements.

Supporting SME access to public procurement opportunities

The vast majority of VAT registered businesses in Northern Ireland are small and medium-sized enterprises (SMEs). Some concerns around the levels of access that SMEs have to public procurement opportunities have been raised, particularly in light of the trend towards greater centralisation.

However, the literature highlights a range of approaches that can work to support their access to opportunities. These tend to focus on simplifying the procurement process and making it more accessible to SMEs who may not have the capacity or experience to bid for large contracts with demanding qualification criteria:

- Dividing contracts into lots;
- Improving access to information;

- Setting proportionate requirements;
- Encouraging collaboration; and
- Building capacity.

Alternatives to conventional PPPs/ PFIs in capital procurement

There is limited evidence on the extent to which social enterprises participate in Public Private Partnerships (PPPs) or Private Finance Initiatives (PFIs); however the available evidence suggests that they have not become significantly involved in such projects. It is possible that the high degree of risk associated with capital projects presents a barrier to the participation of social enterprises, which are typically micro-businesses.

Another approach is through the inclusion of 'social clauses' or requirements in procurement contracts. Social requirements allow for the inclusion of social and economic matters in procurement contracts. The draft *Programme for Government* (PfG) includes a commitment to include social clauses in all public procurement contracts for supplies, services and construction.

Conclusion

This summary paper has highlighted a range of issues in regard to procurement in education here, including the largely fragmented approach currently in place, the limited levels of procurement expertise within the sector and the effectiveness and transparency of current procurement practices. The evidence suggests a number of areas that could be further considered in regard to procurement in education, including:

- How plans for procurement modernisation will be resourced, particularly in light of the reportedly limited levels of procurement knowledge and expertise currently in the sector, and with regard to the likely financial constraints;
- The advantages and disadvantages of greater centralisation and aggregation in procurement for education (and potentially across the wider public sector);
- The extent to which procurement modernisation plans are likely to support SME access to opportunities in education;
- How the effectiveness of new procurement arrangements and practices will be monitored and evaluated, including monitoring the education sector's implementation of the PfG commitment to include social clauses in all public procurement contracts;
- The interim arrangements for procurement prior to the establishment of a single CoPE for education. For example, how do arrangements seek to address previously reported issues such as a lack of robust procurement strategies and leadership and inadequate levels of staff skills, experience and qualifications in the sector?

Contents

Key Points 1

Executive Summary.....3

Contents

1 Introduction.....9

2 Overview of procurement in education.....9

3 Findings on procurement practices 11

4 Public procurement practices in other jurisdictions 13

5 Supporting SME access to public procurement opportunities 14

6 Alternatives to conventional PPPs/ PFIs in capital procurement 15

7 Conclusion 16

1 Introduction

The Northern Ireland Assembly Research and Information Service has produced a series of papers on the issue of procurement in education for the Education Committee, namely:

- [Procurement in education;](#)
- [Procurement in education in other jurisdictions;](#)
- Supporting SME access to public procurement opportunities; and
- Alternatives to conventional PPPs/PFIs in capital procurement.

This Research Paper provides a summary of the key issues in regard to procurement in education outlined in these papers, providing an overview of current practice, describing public procurement practices in other jurisdictions and discussing SME access to procurement and approaches to capital procurement.

2 Overview of procurement in education

Procurement is currently carried out by a range of education bodies in Northern Ireland. The literature suggests that this approach is fragmented and makes a coordinated approach to procurement difficult.¹ The following table provides an overview of the main roles and responsibilities for procurement in education.

Table 1: Overview of roles and responsibilities for procurement in education

Organisation	Roles and responsibilities
Controlled schools	<ul style="list-style-type: none"> • Education and Library Boards (ELBs) procure goods, services and major, minor and maintenance works
Grant-aided schools outside the controlled sector	<ul style="list-style-type: none"> • Trustees or the Board of Governors of each school procure goods and services and major and minor capital works • ELBs carry out maintenance work for maintained schools • Voluntary grammars and grant-maintained integrated schools are responsible for their own maintenance arrangements
Arm's length bodies*	<ul style="list-style-type: none"> • Have access to ELB goods and services contracts, though the majority make their own arrangements

*For example the Council for Catholic Maintained Schools, The Council for the Curriculum Examinations and Assessment and the Northern Ireland Council for Integrated Education.

¹ For example: McAdam, R. et al. (2010) "Establishing ex ante public construction supply chain guidelines in the public procurement of schools' estate" in *International Journal of Public Sector Management* Vol. 24 No. 3, pp. 250-273

Centres of Procurement Expertise

Seven CoPEs exist to provide a procurement service to public bodies and to contribute to the development of policies and best practice. They operate under the direction of the Procurement Board for Northern Ireland and are responsible for the implementation of procurement policy in their area.

CoPE status is granted by the Procurement Board following a third-party accreditation exercise assessing the extent to which CoPEs meet high standards of good practice. The Education and Library Boards have CoPE status in education for goods and services procurement (not for capital spend). CoPEs employ procurement professionals and are subject to independent accreditation to validate their procurement expertise on a periodic basis. The agreed criteria for assessment include:²

- Responsibility for awarding contracts with an annual value of £80m averaged over a three year period;
- Procurement expertise evidenced by the qualifications, training and development of staff;
- Successful track record of achieving best value for money, regulatory compliance and application of best practice;
- Accredited (or equivalent) Quality Assurance Systems in operation; and
- Adequate mechanisms in place to provide assurance that the conditions of contract are adequately monitored and pursued.

The ELBs became Centres of Procurement Expertise (CoPE) in 2002. The procurement functions of the five Boards operate as separate CoPEs, negotiating their own contracts with one Board often taking the lead for a specific contract enabling other ELBs to call off the contract.³

CoPE status is independently reviewed on a periodic basis. Evidence to the Public Accounts Committee indicated that the ELBs failed their independent assessment in 2005, although were reaccredited in 2006 as a result of a decision to work with them to support improvement. All CoPEs were due to be reassessed by April 2010: however a decision was taken not to review the status of the ELBs pending the establishment of the Education and Skills Authority (ESA). The ELBs were allowed to retain their status as Centres of Procurement Expertise and will do so until the establishment of ESA.⁴

The previous Committee for Finance and Personnel's 2010 inquiry into public procurement highlighted a number of issues across CoPEs, including around

² Central Procurement Directorate (2011) *Northern Ireland Public Procurement Policy Handbook* Belfast : Department of Finance and Personnel

³ DE and DFP (2011) *DE and DFP Joint Efficiency Review Stage One Report*

⁴ Public Accounts Committee (2010) *Report on the Investigation of Suspected Contract Fraud*

consistency and governance.⁵ In order to address these issues, the Department of Finance and Personnel reports that a training programme is being developed by the Central Procurement Directorate for procurement practitioners across all CoPEs. In addition, proposals for a new accreditation model have been submitted for consideration to the Procurement Board.⁶ The Department states that this 'rigorous' new accreditation process will be implemented for all CoPEs in 2014.⁷

3 Findings on procurement practices

The evidence has highlighted a number of issues pertaining to procurement in education. Many of these relate to the largely fragmented approach in place and point to a lack of coordination in procurement.

Schools estate

The Department of Education (the Department) established a Programme Delivery Support Unit to deliver procurement frameworks for the schools estate following recommendations from an independent review in 2005. However, a legal challenge was taken against the Department resulting in a judicial decision that the procedures adopted did not comply with regulations. The court ordered the framework to be set aside and plans for capital procurement strategy have been subsumed into wider plans for the ESA.⁸

In addition, a 2010 article relating to procurement for the schools estate highlighted the challenge of taking a coordinated approach to procurement across five ELBs in different geographic locations. It also identified a number of problems relating to the supply chain, including:⁹

- **Procuring works individually:** the procurement of each scheme individually does not comply with the latest government guidance on procurement or with best practice;
- **Lack of coordinated procurement expertise:** limited expertise across the ELBs and limited personnel to perform governance roles in some sectors;
- **Complicated approvals process:** multiple approval processes requiring the Department's involvement at various stages; and
- **The length of time taken to procure and complete schemes:** 'inevitable delays' caused by the number of procurement exercises at multiple ELBs.

⁵ Committee for Finance and Personnel (2010) *Report on the Inquiry into Public Procurement in Northern Ireland* [online] Available at: http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_19_08_09R.htm#2

⁶ DFP - Progress Update on the Recommendations Arising from the Committee's Inquiry into Public Procurement 1st March 2011 [online] Available at: http://archive.niassembly.gov.uk/finance/2007mandate/inquiries/Public_Procurement/dfp_progress_update.htm

⁷ Information request response from Department of Education, 11th January 2012

⁸ Information request response from Department of Education, 17th June 2011

⁹ McAdam, R. et al. (2010) "Establishing ex ante public construction supply chain guidelines in the public procurement of schools' estate" in *International Journal of Public Sector Management* Vol. 24 No. 3, pp. 250-273

PEDU Efficiency Review

A Joint Efficiency Review is underway by DE and the Performance and Efficiency Delivery Unit (PEDU), aiming to consider where efficiency savings could be made in education. The first stage report was published in March 2011, focusing on the efficiency of education administration and support services. The second stage report will seek to outline particular areas that could be taken forward to deliver the identified efficiencies.¹⁰

The review highlights a number of potential issues identified from a high level analysis of invoice trends at Education and Library Boards, including:

- It is likely that there was 'no major drive' towards further bulk buying or consolidation of contracts or payments between 2004 and 2008;
- Invoices indicate a continued prevalence of small value transactions;
- Variation in the average value per invoice may suggest that some Boards are not fully using their buying power to influence supplier prices.

It also highlights significant variation in the costs across Education and Library Boards for similar goods and services, raising further questions around whether current procurement practices are achieving best value for money. Examples of the areas identified by the Review are outlined in Table 2.

Table 2: Examples of key findings identified by the PEDU Stage One Report

Area	Key findings
School transport	<ul style="list-style-type: none"> • Significant variation in the scale of the rise in costs across the five Boards, particularly in Unit Costs for Board Owned Vehicles • Some 'odd or unexplained' variations on comparative spending on Taxis and the Daily Allowance
Catering (school meals)	<ul style="list-style-type: none"> • 'Significant and unexplained variations' in the average cost of providing school meals between Boards • Diseconomies of scale identified (for example, the average cost of a meal generally increases with the number of schools in the Board)
Cleaning services	<ul style="list-style-type: none"> • Results suggest material differences in the efficiency and productivity of different Boards • Greater efficiency and productivity is achieved when a school manages its own cleaning service, rather than being part of ELB arrangements

¹⁰ DE and DFP (2011) *DE and DFP Joint Efficiency Review Stage One Report*

Stage 2 of the PEDU review, yet to be published at the time of writing, considered the potential for savings in the areas of home-to-school transport and school catering.

Investigations into procurement issues

There have been a number of recent investigations into serious procurement issues in education in Northern Ireland. The findings have varied depending on the organisation reviewed, with some good practice identified. However, common themes where deficiencies have been identified include:

- Lack of robust procurement strategies or procedures;
- Lack of strategic procurement leadership; and
- Inadequate levels of staff skills, experience and qualifications.

These investigations relate to the Education and Library Boards and the Council for the Curriculum, Examinations and Assessment, and were published between 2009 and 2011.

Procurement modernisation

It had been intended that ESA would become a single CoPE for the education sector. However, following a number of independent investigations into serious procurement issues, the former Minister for Education, Caitriona Ruane, established a unit within the Department in late February 2011 with the aim of designing and implementing a new CoPE for education.

The Department states that the objective of this is to establish a delivery model that implements CoPE arrangements for the entire education sector. Once this is in place, a procurement strategy will be developed for the entire education sector.¹¹ The aims of the CoPE include to:¹²

- Plan strategically across boundaries;
- Maximise economies of scale and achieve greater value for money;
- Reduce duplication of effort; and
- Support the needs of the sector in the most effective way.

4 Public procurement practices in other jurisdictions

Overview

Procurement has been identified as a key area of focus for efficiency savings in England, Scotland, Wales and Ireland. Recent and planned reforms to procurement

¹¹ Information request response from Department of Education, 11th January 2012

¹² Information request response from Department of Education, 17th June 2011

tend to focus on centralisation and leveraging collective buying power as a means of achieving better value for money. Key features of current public procurement practices in these jurisdictions include:

- Schools have significant autonomy around how they procure goods and services in each of the jurisdictions;
- Schools can often avail of established contracts or frameworks for goods and services in order to achieve better value for money, including through e-procurement and public sector buying organisations;
- 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.

In Wales, for example, a collaborative and centralised approach is encouraged. 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.¹³

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.¹⁴ A review of capital procurement in education in England has been published recently, recommending that a central body should act as an 'expert client' procuring school buildings on behalf of local authorities and implementing national contracts.¹⁵

In Ireland, major capital works are managed and procured centrally. In addition, plans are underway to introduce central procurement arrangements for ICT, with a view to aggregating demand and increasing value for money.

5 Supporting SME access to public procurement opportunities

In light of the trend towards centralisation and aggregation in procurement elsewhere, concerns have been raised regarding small and medium-sized enterprises' (SMEs) access to public procurement opportunities. The vast majority of VAT registered businesses in Northern Ireland are SMEs.

The literature highlights a number of barriers that may face SMEs wishing to bid for public procurement contracts. These include a lack of knowledge or awareness of procurement opportunities; challenges around the use of frameworks such as 'lock-

¹³ Welsh Assembly Government (2009) *Adding value*

¹⁴ NAO (2011) *The Efficiency and Reform Group's role in improving public sector value for money* National Audit Office

¹⁵ James, S. (2011) *Review of Education Capital* Department for Education

outs' and onerous criteria; capacity issues; and the perceived complexity of some procurement processes.¹⁶

A number of approaches to supporting SME access to procurement have been implemented or suggested. These approaches tend to focus on simplifying the procurement process and making it more accessible to SMEs who may not have the capacity or experience to bid for large contracts with demanding qualification criteria. They include:¹⁷

- Facilitating access to frameworks;
- Dividing contracts into lots;
- Improving access to information;
- Simplifying the procurement process;
- Setting proportionate requirements;
- Encouraging collaboration;
- Building capacity; and
- Setting targets for the proportion of contracts awarded to SMEs.

6 Alternatives to conventional PPPs/ PFIs in capital procurement

There is limited evidence on the extent to which social enterprises participate in Public Private Partnerships (PPPs) or Private Finance Initiatives (PFIs); however the available evidence suggests that they have not become significantly involved in such projects. It is possible that the high degree of risk associated with capital projects presents a barrier to the participation of social enterprises, which are typically micro-businesses.

An alternative mechanism for giving procurement an added social dimension is the Non-Profit Distributing (NPD) model. This approach shares many of the same features of PPPs and PFIs, including that a project company (a Special Purpose Vehicle) is formed; risks are allocated to one of the partners using standard Treasury guidance; and projects involve construction and ongoing sub-contracts for facilities management. The main differences centre on how the NPD is financed and its governance arrangements:

¹⁶ For example: FSB Northern Ireland (2009) *Evaluating SME Experiences of Government Procurement in Northern Ireland* Lestas Consulting and InterTradelreland (2009) *All-island public procurement: a competitiveness study* Newry: The Trade and Business Development Body

¹⁷ For example: Department of Finance and Personnel (2011) *Helping small and medium sized enterprises (SMEs) and social economy enterprises access public sector contracting opportunities* Belfast: Central Procurement Directorate, European Commission (2008) *European code of best practices facilitating access by SMEs to public procurement contracts* and GHK (2010) *Evaluation of SMEs' access to public procurement markets in the EU*

- NPDs are wholly debt-funded: 90% senior debt and 10% junior debt;
- Surplus cash flow is available for public benefit;
- NPD Project Company is controlled by junior lenders; and
- There is greater transparency through independent and stakeholder directors.

However, an analysis of this model suggests that its main benefit is political; in that it portrays that an organisation is safeguarding the public interest while working within budgetary constraints.

A third approach to increasing the 'social' aspect of capital procurement is through the inclusion of 'social clauses' or requirements in procurement contracts. Social requirements allow for the inclusion of social and economic matters in contracts for the supply of goods, services or works that would not typically have such requirements as defined outcomes.¹⁸

The previous Committee for Finance and Personnel's inquiry into public procurement made a number of recommendations around 'maximising social benefit'. Many of these were accepted by the Procurement Board, and the draft *Programme for Government* (PfG) includes a commitment to include social clauses in all public procurement contracts for supplies, services and construction.¹⁹

7 Conclusion

This summary paper has highlighted a range of issues in regard to procurement in education here. It notes that the current approach is largely fragmented, and highlights concerns around the level of procurement expertise in the sector, the effectiveness and transparency of procurement practices, the extent to which best value for money is being achieved and an apparent lack of oversight for procurement within some ELBs.

The evidence within this paper suggests a number of areas that could be considered in regard to procurement in education, particularly in light of the Department's plans for procurement modernisation. Areas for consideration could include:

- How plans for procurement modernisation will be resourced, particularly in light of the reportedly limited levels of procurement knowledge and expertise currently in the sector, and with regard to the likely financial constraints;
- The potential advantages and disadvantages of greater centralisation and aggregation in procurement for education (and potentially across the wider public sector);

¹⁸ Anthony Collins Solicitors (2006) *The Scope for Using Social Clauses in UK Public Procurement to Benefit the UK Manufacturing Sector* London: Department of Trade and Industry

¹⁹ Northern Ireland Executive (2011) *Draft Programme for Government 2011-15* Belfast: OFMDFM

- The extent to which procurement modernisation plans are likely to support SME access to opportunities in education (for example, do the plans include approaches such as dividing contracts into lots, simplifying procurement processes and improving access to information?);
- How the effectiveness of new procurement arrangements and practices will be monitored and evaluated, including monitoring the education sector's implementation of the PfG commitment to include social clauses in all public procurement contracts;
- The interim arrangements for procurement prior to the establishment of a single CoPE for education. For example, how do arrangements seek to address previously reported issues such as a lack of robust procurement strategies and leadership and inadequate levels of staff skills, experience and qualifications in the sector?