



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

Public Procurement in Northern Ireland

30 June 2010

NORTHERN IRELAND ASSEMBLY

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FINANCE AND PERSONNEL**

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Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)
Mr Simon Hamilton
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:

| | | |
|-------------------|---|-------------------------------------|
| Mr Des Armstrong |) | Central Procurement Directorate |
| Mr Stephen Peover |) | Department of Finance and Personnel |
| Mr Stuart Cairns |) | Procurement board |
| Mr Tony Doran |) | Procurement board |

The Chairperson (Ms J McCann):

I welcome Stephen Peover, who is the permanent secretary of the Department of Finance and Personnel (DFP); Des Armstrong, who is the director of the Central Procurement Directorate (CPD); and Tony Doran and Stuart Cairns, who are external members of the procurement board.

Mr Stephen Peover (Department of Finance and Personnel):

I thank the Committee for the opportunity to discuss the procurement board's proposed response to the recommendations in the report. The Committee's inquiry report is very much welcomed by the Department, the Minister, the Assembly and the procurement board. It has provided useful and valuable information on stakeholder views and has validated a number of things that we are

doing to try to improve the quality of the service that we offer.

The improvements that we are trying to take forward include things such as standardising pre-qualification procedures; increasing the use of clauses to provide opportunities for the unemployed and for apprenticeships; and the establishment of the business industry forum, which had its first meeting on, I think, 14 June. We think that those will benefit small and medium-sized enterprises (SMEs) and social economy enterprises (SEEs), which is a major theme of the Committee's report.

When it met on 17 June, the procurement board agreed its proposed response to each of the Committee's recommendations. Those responses are set out in an action plan, which the Committee has seen. I hope that you have had an opportunity to consider it. Actions are under way to implement a number of the recommendations as part of the process of improvement that I talked about. Other recommendations will require more consideration by the procurement board after follow-up action by CPD and the procurement practitioners' group. In some cases, we will take legal advice, mainly from the Departmental Solicitor's Office.

As you know, there is a high level of regulation, as acknowledged at various places in the report, and we are striking a balance between vying with the legal requirements that apply to procurement and trying to make the system as accessible and open as possible to its users.

A small number of the recommendations will also involve working with other Departments, particularly the Office of the First Minister and deputy First Minister (OFMDFM) and the Department of Enterprise, Trade and Investment (DETI), but also the Department for Employment and Learning (DEL). We will put our recommendations to the procurement board on those issues as well.

Given the financial situation and the general economic and legislative climate, which also applies to public procurement, we need to be realistic about what can and cannot be achieved. However, the procurement board will seek to deliver as many of the recommendations as it possibly can within the constraints that it operates under.

The Chairperson:

OK, thanks very much. We will have go straight into questions because the plenary session is on

and members are floating back and forward.

Mr McLaughlin:

The responses give grounds for some reassurance that people have taken the report, and the issues that it addressed, seriously. A number of the actions that are being implemented are being led by CPD and the centres of procurement expertise (COPEs). How will the procurement board ensure consistency of approach across the COPEs? That issue has come up through our work and in some of the work of the Public Accounts Committee. How can we be satisfied that there will be consistency across the board and that it will be monitored?

Mr Peover:

The Department will want to bring recommendations to the procurement board, of which I am a member. As you know, the membership of the procurement board has been restructured since the report was written. It is now a smaller and more coherent group, which includes our two independent members. It is meant to represent the Departments with the biggest interests in procurement and those that are associated with COPEs. Hopefully, that tighter focus and the greater representation of the big users will ensure that we can act directly on COPEs to ensure as much consistency as possible. Again, that must be consistent with trying to ensure that there is some delegation of responsibility and expertise in the particular buying areas, rather than pure central direction.

Mr Des Armstrong (Central Procurement Directorate):

Consistency of approach is an issue that has come through in the feedback that we have received through the two forums that we have now established: the construction industry forum and the new industry forum. The message that has come very clearly from supply side is that there needs to be greater consistency of approach, as that will help to make the procurement process more efficient from the suppliers' point of view.

We have also reviewed the status of the CPD procurement guidance notes and how they are meant to support the procurement process across the system. The Executive decided that the recommendations that came through in the review of public procurement would be put into effect by administrative actions, rather than legislation. Therefore, we highlight that point now. The CPD guidance notes represent agreed best practice across the system. They are agreed in consultation with the centres of procurement expertise, and a number of drafts are made and

changed before they go to the procurement board for endorsement. At the last meeting of the procurement board, the board members recognised that we should not depart from those notes unless there are documented good reasons. It is a matter of striking a balance between that rigid set of rules and taking account of the fact that various stakeholder issues need to be addressed within the various procurement sectors.

Mr McLaughlin:

Are they genuinely amended or new procedures, particularly in terms of ensuring that there is consistency and accountability? Are the monitoring arrangements different from what they always were in reality?

Mr D Armstrong:

In terms of consistency of approach, an example would be that we have done a fair bit of work with the construction industry to agree a common template for the pre-qualification process for construction projects. That is already in place, and the intention is that COPEs will apply it. If you see examples of where that is not being applied, let us know and we will chase them up.

Mr McLaughlin:

Is there feedback from the stakeholders? They had a lot of complaints, particularly about the repetitious processes that they had to go through in pre-qualification.

Mr D Armstrong:

We are confident that the industry has seen that particular bit of work around the pre-qualification process and has been involved in the development of that. That bit of work reflects something that is fit for purpose in ensuring that we comply with the legal aspects of procurement. However, we must also ask whether it overburdens or presents barriers for the supply side.

Mr McLaughlin:

The population of the forms, and stuff like that, on the basis of data that was previously supplied — contractors can amend them if necessary, but that is working.

Mr D Armstrong:

E-sourcing has also allowed us to standardise our approach. We have put quite a bit of contract work through e-sourcing. We have awarded about £320 million of contracts through e-sourcing.

Mr Peover:

At a more fundamental level, I will just mention the process of reaccreditation for COPEs. As you know, we had a review of the accreditation of the COPEs in 2009, and the problems that arose at Northern Ireland Water have given us pause for thought. The procurement board, at its last meeting, considered a proposal to look again at the accreditation process and find a more rigorous way, possibly a more comprehensive way, of doing that accreditation.

Mr McLaughlin:

That was an issue that I wanted to come on to. You have anticipated the question so I will not labour the point, but there was a genuine question as to whether accreditation can be withdrawn after being granted. That has left people scratching their heads.

Mr Peover:

That is something that we have considered. There is an option of withdrawal or suspension of accreditation, but that would give rise to real practical problems. However, we do want to look at having a more rigorous process. I have used the analogy with others of the driving test. If you pass the test, it means that you can drive; you are accredited to drive. It does not mean that you are not going to do something stupid when you are on the road. Sometimes that does happen. It is a means of trying to get those two processes knitted together. We need some compliance or enforcement to ensure that the accreditation is fine, but we must also ensure that the accreditation is being carried into practice.

Mr McLaughlin:

I have obviously passed you on the road somewhere. *[Laughter.]*

Mr Peover:

I was speaking about myself, actually.

Mr McLaughlin:

You said that DETI and DEL will have an input. Are you talking about the existing approach to managing that, or are new structures proposed to ensure that sort of seamless co-operation?

Mr Peover:

It is not really new structures, I suppose.

Mr D Armstrong:

We would like to lead that with DETI and DEL to look at how the procurement process can facilitate the wider aspects and policies that the Executive want to bring forward. We have demonstrated that the procurement process can be used to produce those types of outputs, and we need to go back and look at the types of initiatives that need to feed in through the procurement process and what can be facilitated by that.

Mr McLaughlin:

Without being too critical, you do end up understanding how organisations respond, particularly to demands for change. However, there appears to be a degree of complacency at the core of some of these problems — communication problems, or even accountability and transparency issues. Is the response, therefore, that we do not need new mechanisms but that we will attempt to do what we should have been doing all along in a better way?

Mr Peover:

The first stage was to get the general approach signed off by the procurement board, which happened on 17 June. That unlocks the process for us to engage with colleagues in other Departments and to ensure that mechanisms are in place. If that means the creation of working groups, steering groups or short-lived project groups, there is no problem with that. We needed to get policy clearance from the procurement board before we could take detailed action on some of the recommendations that involve other Departments. It is easy enough for us in DFP to move CPD's processes on, but a wider endorsement is required, and that has now been achieved.

Mr McLaughlin:

We are all trying to sort this out together, but I do not feel reassured that people have taken a hard look at the working relationships with a view to avoiding the problems that have clearly occurred.

Mr Peover:

The proof of the pudding will be in the eating.

Mr McLaughlin:

We will not have to do a report next year, then?

Mr Peover:

Hopefully not. It is for DETI to take some of the recommendations to do with building the capacity of the SME and SEE sectors. That is a policy responsibility for that Department, and we will want to engage with it. There is an action plan against which progress can be measured. Likewise, there is an action plan for DEL in relation to the unemployed, the skilling of people and so on. Processes can be put in place, and we will want to demonstrate to our Minister that action is being taken on the recommendations have been accepted.

Mr McLaughlin:

Will the guidance for those who have responsibility for the general area of procurement delivery be amended to reflect formally the recommendations that the Committee developed in its report?

Mr Peover:

We are trying to highlight in our response that we have accepted 30 of the 52 recommendations. Those are being actioned, and the procurement board has authorised our going on with action on the remainder, and we will report back to it at various meetings over a timescale of implementation. The short answer is yes, we will try to do that.

Mr McLaughlin:

That is what I wanted. Thank you.

Mr O'Loan:

It is good that you are here, because we have seen many reports written that have gathered dust. You will have got the impression from the Committee that we are keen that this report does not gather dust but that it makes a real difference to the procurement environment. I was a bit concerned by your use of the term "validation", because a report that contains 52 substantial recommendations is certainly not a mere validation of what you are doing. It calls for significant change. I welcome your written response, which indicates that steps are being taken already to implement some of our recommendations and to address others. I speak for the Committee in saying that we want action from the report.

I was concerned about your remark that you see the current economic environment as a constraint. I see it as exactly the opposite. Even though we may have diminished procurement resources, that makes the demands all the greater. We should use the procurement environment to give the maximum business and social benefit. Indeed, across a much broader policy agenda, it is critical that we use the present pressures as an opportunity to do a lot of things better. That ought to be the attitude that we take. I have a number of other points that I want to raise, but perhaps you might react to that first.

Mr Peover:

What I said was not intended to imply that I viewed the report simply as a validation of everything that we do already. Some of the elements reflect things that we were keen to do and have done. That is a validation of some of the improvements that are going on already, but that is not intended to imply that we simply accept that we are doing everything that you have recommended: that is not the case. It was a reflection of the fact that we are on the same wavelength, not an attempt to say that all that the report does is validate what we are doing already.

There will be less procurement spend, so that has an impact on the influence that we can have through procurement. That is a fact of life. Reflected in the report is an acknowledgement that in constrained circumstances where contractors face economic pressures, the capacity to advance some of the economic and social objectives that underpin more broadly based procurement can be more difficult. For example, the report makes reference to promoting apprenticeships and working with the unemployed. Those things can be difficult for contractors to undertake when they are in those sorts of circumstances. I am talking about that sort of context, rather than any unwillingness to recognise the importance of procurement. I have always, even before I went to DFP, recognised the importance of the huge public sector spend and procuring goods and services and construction. It has a major impact on the Northern Ireland economy. It is a huge lever, and it has to be recognised as such and used to best effect. I have no quibble whatsoever with that principle.

Mr O'Loan:

The key themes in the report were about enhancing the gains to the business sector, particularly small and medium-sized enterprises and the social economy sector, and also to enhance the social gains from procurement. What is your overview of the report in terms of its potential to deliver a

step change in those areas?

Mr Peover:

We endorse the report. We are very happy with the main recommendations and we will take them forward within the context that I described earlier of our need to comply with the broader legislative base under which procurement operates. It could have a major impact on the way in which things are done. Mr McLaughlin talked about consistency of approach, ensuring that there is clear guidance and that people understand and follow it, and ensuring that small and medium-sized enterprises and social economy enterprises are enabled and supported in bidding for contracts.

As regards procurement spend — Des will correct me on the figures — I think that about 76% of our goods and services spend and about 90% of our construction spend goes through the SME sector. We endorse that objective. We are keen to promote our business, within the legal context. We have no difficulty with the general thrust of the recommendations. I think that my figures were roughly correct.

Mr D Armstrong:

Those are figures for CPD.

Mr O'Loan:

You are making quite slow progress. You have had this report for over four months. You have indicated actions on a number of fronts and you have given more indications of what the path will be to implementing some of the others. We are looking for a more rapid implementation.

Mr Peover:

I am happy to look at the dates of implementation and try to speed them up. I am keen that we not be seen to be laggardly.

Mr O'Loan:

You brought up the point about adding social value. Last week, we had some discussion with the Strategic Investment Board (SIB) about the social value toolkit. Presenting the position of the devil's advocate to some extent, I put the point to them that, in the present climate with high unemployment and so on, there are plenty of highly skilled workers in the construction sector

who are very keen to get into the employment market. They are ready to go. In that context, to bring in apprentices or long-term unemployed people is a big ask for a lot of firms. It might be seen as a considerable burden by small firms that might not have the human resources and the training resources to deal with such people. However, the reply given was quite interesting in that there are good examples of innovative practice to show that those two things can be married and original things can be done. How aware are you of that? What opportunities are there in relation to that?

Mr D Armstrong:

An established subgroup of the construction industry forum is meeting to look at that particular aspect. The original set of recommendations around unemployed people and apprenticeships was brought forward at a time when the construction industry was very buoyant, and there was a capacity issue in respect of delivering the volume of work that was forecast for the industry, given the rise in construction activity in the UK and the South of Ireland. The situation is different and more difficult for contracting firms now, but there is still an opportunity to use the procurement process to improve skills and to signal that the government will continue to be interested in having a competent workforce in the construction industry.

The issue with recession is that you come out of it into better times. We need to ensure that the industry is set up for the longer term as well as the more difficult times that it is going through at the moment. The industry is proposing some modifications to those requirements, and we have done things such as try to use shorter-term placements. However, once the Departments have set those requirements in place as a contractual commitment and defined them as subject matter to the contract, we need to ensure that the suppliers will be able to provide on those commitments. There is a contractual issue around that, but we also need to recognise that contractors have not been involved in that type of activity before and that it takes them time to increase the capacity on their side to be able to deliver.

I will give you an example. We brought forward a requirement for the building research establishment environmental assessment method (BREEAM) certificate in respect of building performance. When that was first put on the table to the construction industry, the reaction was that it could not be achieved. However, there are now examples of buildings scoring highly against that standard. It takes time for the market to come on board and for the industry to be upskilled and to realise that that is what a government client needs. Therefore, there is a learning

exercise on both sides of the procurement equation.

Mr O’Loan:

There is a reference to a more balanced application of the 12 guiding principles in our recommendations, and you say that you are still working on that. Do you have any feel for where that might go and how that balance might be delivered differently to achieve the objectives of our report?

Mr D Armstrong:

The approach that we would like to take is that those will be clearly identified as contractual commitments. The service provision or the construction element and the price for that would be identified, but so too would the delivery of social, economic and environmental measures. Those requirements should be clearly documented as part of the overall contract. It is then a contract management issue to ensure that they are delivered.

The Chairperson:

In respect of the contractual commitments and the guidance, you said that it might be difficult for contractors to deliver on the social values. If the Executive show the political will and the procurement board shows leadership, that social value element will be put in at that stage. That will be beneficial for contractors, even at the appraisal stage, and will enable them to show how they can maximise social benefit. How will you take that forward? The leadership will have to come from this side as opposed to from the contractor side.

Mr D Armstrong:

I agree with that. It takes client leadership to drive those things. As I mentioned, we have probably been at the environmental pillar of sustainability longer in construction than we have in some other areas. It takes client leadership, but it also takes a while for the market to develop the capacity to deliver against the requirements that clients want. That is about dialogue between the procurers and the supply side, and we rely on the communication mechanism in the construction industry in Northern Ireland to pick up on what clients want and to circulate that information round the system. There will then be upskilling and so on. There is an issue with suppliers’ capacity to bid for work and an issue with their capacity to deliver a contract. We need to work on both those aspects.

Mr Tony Doran (Procurement board):

I will make a couple of general observations. Before I became an external member of the procurement board, I spent 30-odd years looking into the public sector from the outside. Now, in a semi-detached way, I am looking outside from the inside. The comments that have been made so far apply to communication between Departments and between the Executive and the Departments on the political and social outcomes that they want to achieve. Furthermore, capacity building in the industry and the business sector is needed to meet those expectations. The report is a very valuable statement of both political aspirations and ways to achieve those. It will take time to deliver them.

CPD has done a fair amount of work so far to bring forward the response. It illustrates a slight tension between the extent to which CPD can issue guidance and re-accredit against that and the degree to which Departments are independent and can choose the pace at which to work with CPD and others to deliver agreed outcomes. However, all in all, the report is very welcome and useful. At this very difficult time, it is a first-class stimulus to all concerned to review what we are doing and why we are doing it.

Mr Peover:

As part of the preparation of the report, the Committee took advice from Chris McCrudden about the integration of social and other policies into the procurement process. He acknowledges that that is difficult and that care must be taken when doing it. However, it can be done and has been done. We want to pursue it, but it is not easy. It would be wrong to give the impression that it will happen at the push of a button.

The Chairperson:

The political will and leadership needs to be there.

Mr Peover:

It does. That is there.

Mr McQuillan:

Stephen, I welcome your comments and the fact that you are taking the report really seriously. However, I say to Tony that it is more than political aspiration. This is a very serious report. The Committee is taking it very seriously and is keen for the recommendations to be implemented as

far as possible.

I want to explore with Des the relationship between the CPD and local government procurement. That is a big area of procurement that we clearly have not got our hand on.

Mr D Armstrong:

As I have said to the Committee previously, the procurement policy applies to councils only on a voluntary basis because of the slightly different legal arrangements that exist. However, we have seen signs that the councils have been interested in the e-sourcing tool, and seven councils have now signed up to use the e-sourcing portal. That will give some consistency in their approach. We have had some enquiries from councils about the help that CPD could give to carry procurements forward.

Local government procurement is an area that we need to address now, because some of the feedback on procurement issues falls into a discussion about whether they are departmental issues or whether they have come about because someone has been involved in a council procurement. I would like to try to start the conversation again on how we could bring a more consistent approach right across all public sector procurement.

Mr Peover:

There was also the issue about what would happen with local government procurement in the review of public administration (RPA). That seems to be resolved now. Minister Poots is keen to make progress on centralising back-office services in councils.

Mr McQuillan:

Is there any direction coming from the Minister?

Mr Peover:

My understanding is that the Minister has written to all the stakeholders, and he is awaiting responses as to how to take forward the achievement of savings in anticipation of reorganisation at a later date. However, I have not yet seen any responses.

Mr Stuart Cairns (Procurement board):

I work a lot with local councils on procurement, and they are quite nervous at the moment

because of the high number of challenges. A lot of them are securing training. A lot of them — over and above the seven that have already signed up to use the sourcing tool or are looking to do so — could deliver more consistency in how they go about their procurement processes.

Mr McQuillan:

Can you name the seven councils that have signed up?

Mr D Armstrong:

I cannot do that off the top of my head, but I can find out.

Mr McQuillan:

Thank you. I ask out of curiosity more than anything else.

Mr McLaughlin:

No matter what the outcome of the RPA process in terms of the political restructuring, there are wider concepts. There was consideration and discussion about the value of sharing services, particularly developing back-office functions and the possibility of remote working. Those types of ideas could inherently develop more effective and cost-efficient ways of working as well as bringing social benefit. I hope that that does not all slide back as a result of the difficulties in resolving the political realignment, because those concepts are sound irrespective of that, given the size of this region and the multiplicity of councils' functions.

Mr Peover:

That is a matter for the Department of the Environment (DOE) and Minister Poots. However, there is a long history of councils co-operating in group arrangements, whether that is for environmental health, waste management or building control. They have worked in those groups, so there is a tradition of joint working. There is no reason why that joint working could not apply in other areas and be formalised into structures. In some ways, that might be easier than trying to manage a process of political restructuring at the same time as trying to bring together the functional services to underpin it and migrating services from planning or elsewhere. There is an opportunity —

Mr McLaughlin:

I appreciate that you recognise that. However, would CPD see a role in encouraging, facilitating

and driving that agenda further? Clearly, there are many opportunities for councils to co-operate, to share resources and services and, thereby, to save money.

Mr Peover:

From a professional point of view, we are happy to encourage it. However, there is a constitutional point. Local government is a political entity in its own right with its own accountability arrangements and so on. It is not appropriate for DFP or DOE to try to impinge on that accountability. Local government has direct accountability to the electorate through its own electoral system. Nevertheless, what we can do and what we have done in other settings is to encourage joint working. It looks as though Minister Poots is keen to apply budgetary pressure to encourage that to go further.

Ms Purvis:

I want to explore with you the Committee's recommendations on maximising social benefit. I note what you have said up to now, but I am unclear as to how the procurement board intends to take those recommendations forward, particularly with regard to clarity on the Executive's policy intention and on the definition and measurement of social value and social benefit. Part 1 of your response to that recommendation is that it is up to Departments to do that.

Mr Peover:

The integration of social objectives into contractual arrangements needs to sit with whatever policy it is sought to promote. Therefore, Departments have an inherent policy interest in how that process is managed and used in their particular context, whether it is health, education, or whatever. It is not a matter of leaving it to Departments. It is to acknowledge the fact that it is not CPD acting as some sort of external agent that does it. It is CPD working with the COPEs and Departments through the governance structures that we have, but Departments have responsibilities to accept. For example, DETI has a responsibility to encourage the small and medium-sized enterprises sector and the social enterprises sector, and the Department of Health, Social Services and Public Safety (DHSSPS) and the Department for Social Development (DSD) have social priorities. It is the way in which those social priorities are integrated into the contractual arrangements that is important. Therefore, our response is not a disclaimer.

Ms Purvis:

I did not say that it was a disclaimer. My concern is that you have come up with 10 different

definitions and multiple measurements of social value. How complicated will that make procurement? I imagined that CPD may have taken the lead in defining social value and looking at its measurement. Therefore, if a Department said that something was compliant or fitted in with its policies, such as the anti-poverty or social inclusion strategies, a definition would already be in place along with a recommended set of measurements.

Mr D Armstrong:

I think that CPD would be happy to do some work to look at definitions of social value for Departments to consider. However, we would then need to agree on what definition to take forward so that we could start to work on contractual definitions and how we ensure that that is delivered as part of the contract. That definition — what is it that is being talked about — is probably missing a bit. To make the procurement process work effectively, we do need an understanding of that definition between the Department, its COPE and the marketplace, otherwise there will be confusion and lack of delivery.

Ms Purvis:

You can understand why I am seeking clarity as to how you take this forward. There seems to be no clarity in the action plan about how you propose to do that.

Mr D Armstrong:

The intention is that we will work continuously on the action plan and the responses so that, at the end of the process, there will be a complete response against each recommendation. In taking some actions forward, there will have to be discussions between Ministers in the Executive or between various Departments, and we have already started that process.

Mr Peover:

The relevant recommendation is in paragraph 253 of the report, and we are taking that forward as part of the action plan.

Ms Purvis:

Yes, but I am seeking clarity on how that is being taken forward.

Mr Peover:

That is a matter for DFP, which will liaise with economists and procurement professionals on

how that is best measured. You have made a recommendation for social return on investment, which is one methodology. We will certainly look at any available methodology.

Mr D Armstrong:

To be clear, the intention is that the procurement board will have central control of the responses to all the recommendations and that its endorsement will be sought as those responses are developed.

Ms Purvis:

I want to ask about improving access for small and medium-sized businesses. One issue that constantly came up when we were taking evidence was the impact of framework agreements on small and medium-sized businesses, in that those businesses were locked out of frameworks or the frameworks were too large etc. Therefore, we made a number of recommendations around that. I note that proposals on framework agreements are not due to be brought to the procurement board until March 2011. In my opinion, that is quite a long way away. What is the thinking behind that? Will that be when, for example, the bulk of new framework agreements need to be in place and, therefore, is it convenient to have that date? What are the reasons behind that timescale? Is there anything that can be done in the interim to improve access?

Mr D Armstrong:

We have heard one point already about some of the timelines in the report, and we have no issue with trying to re-juggle the workload. Our thinking on that particular point was that we needed to see what the comprehensive spending review (CSR) out-turns were likely to be so that we had an idea of the forecast for the next three-year band. We could then look at what procurement strategies would be needed to deliver that. As part of developing those procurement strategies, the procurement board would be sighted of the proposals for dealing with whatever demand there is for the procurement process in the next CSR period. The date is related to that, but the point about the frameworks comes through strongly. We are working on how we might deal with some of the framework issues.

The other point that I would like to make to the Committee is that we should not lose sight of the supply chain opportunities that exist in government contracts. Notwithstanding the frameworks or any other type of procurement that may be used, we usually end up with one contract. There will be many multiple contracting opportunities in the supply chains, and we

need to look at how that greater amount of contracting activity can support some of the other initiatives that we have at the higher level of direct contracting.

Ms Purvis:

What improvements are you thinking about?

Mr D Armstrong:

The payment process is an obvious one to look at. That has a huge impact on the ability of firms to trade, to do business and to stay in business. It is a more difficult area, because we are dealing with contractual relationships that are not always cited by the government client, but there are opportunities there. For example, one of the more modern forms of construction contract removes the incentive for the main contractor to hold a payment on a subcontractor, because he is paid by way of an open book arrangement in which payments to the main contractor are based on him having paid the subcontractor. It turns the equation around. Things like that could happen, depending on the size of the project. There are other aspects, such as bank accounts for individual projects, but that needs a certain size of project before it works effectively.

The Chairperson:

I want to return to the points that were made about maximising social benefit. Seventy three million pounds of public money is being spent on the Titanic project, but only six long-term unemployed people and 10 people on apprenticeships have been taken on. You say that you will be working in association with the construction industry forum to undertake further detailed work on that issue. How will that be developed? How will the process of signing up to contracts be changed in order that that aspect is improved on?

Mr D Armstrong:

The targets that we put in place in those construction contracts were what we believed, in discussion with the industry, would have been reasonable to deliver on a range of projects. It did not prevent an individual client from making different arrangements and commitments on those contracts. The Ilex project for the bridge in Londonderry is an example of that, whereby the client decided to adjust those figures slightly. There is scope for the clients to decide that a particular project would have different requirements, depending on the particular circumstances.

In other sectors, such as road construction, for example, there is less opportunity to put labour

on sites than there is in house building. The nature of the work in those projects — if you are rolling tarmac, for instance — means that the distribution of costs is different. It can come down to an individual client deciding that they would like to change the arrangements on a particular contract, which can be specified as part of the tender process.

The Chairperson:

How do you convince the client to come forward with ideas? If you say that the number of long-term unemployed people and apprentices to be taken on is part of the competitive process, you can start to change what is currently happening. Spending £73 million of public money but taking on only six long-term unemployed people and 10 people on apprenticeships is not maximising social benefit.

Mr D Armstrong:

I cannot comment on the detail of that particular project. As regards the general approach, however, we can produce guidance notes that will show Departments how the social, economic and environmental initiatives that have been agreed can be delivered through the procurement process. We can provide them with simple checklists that allow that to be delivered.

Mr Peover:

That flowed from the pilot project, which provided useful information and guidance. Chris McCrudden was involved in that also.

The Chairperson:

You refer to the construction side of things. Service delivery would be delivered more in respect of social economy enterprises in local areas to regenerate communities and to create employment locally. How will you take that forward so that people can train as that service is being delivered? We talk a lot about the construction side, but we do not talk about other forms of procurement that are essential to social economy enterprises.

Mr D Armstrong:

It is reasonable to say that the construction side is better applied now than it was. We have some work to do on the supplies and services side, but work is on the go in that regard. We are looking at setting up a set of model contractual clauses that could be used in construction or supplies and services. We are looking at developing lists of initiatives that could be included, depending on

the type of contract. However, some of the supplies and services contracts are reasonably small. We have to work on how the lower value contracts can better support smaller businesses.

Mr Peover:

We talked earlier about frameworks. Frameworks can provide a degree of certainty to the contractor over time. That may allow them to broaden the base of their operation, whereas if people are contracting for small contracts all the time, it does not really provide the incentive for them to try to integrate social benefits alongside their delivery of the contract. There is a balance to be struck between, on the one hand, not having frameworks act as a disincentive to people to get involved and, on the other hand, providing some degree of certainty over time that will allow a better relationship to build up between the contractor and the client and allow the contractor to maximise the benefit of the contract for the community.

The Chairperson:

There are no further questions. Thank you very much for coming along. Hopefully, we can track the matter and see how quickly it can be progressed.