



Northern Ireland
Assembly

Public Accounts Committee

OFFICIAL REPORT (Hansard)

‘Department of Finance and Personnel —
Collaborative Procurement and Aggregated
Demand’

5 June 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr John Dallat (Deputy Chairperson)
Mr Trevor Clarke
Mr Michael Copeland
Mr Paul Girvan
Mr Ross Hussey
Mr Adrian McQuillan

Witnesses:

Mr Des Armstrong	Department of Finance and Personnel
Mr Richard Pengelly	Department of Finance and Personnel

In attendance:

Mr Kieran Donnelly	Comptroller and Auditor General
Ms Fiona Hamill	Treasury Officer of Accounts

The Deputy Chairperson: I am pleased that the Comptroller and Auditor General and his team are in attendance as is the Treasury Officer of Accounts. Mr Stephen Peover, accounting officer at the Department of Finance and Personnel (DFP), Mr Des Armstrong of the Central Procurement Directorate (CPD) and Richard Pengelly of the procurement board are here to respond to the Committee. You are all very welcome. We are considering the Audit Office report on its inquiry into collaborative procurement and aggregated demand at the Department of Finance Personnel. No member has indicated that they wish to declare an interest in these matters, so we can begin.

Stephen, since 2002, one of the specific objectives of DFP's procurement policy has been to achieve a greater collaboration between public bodies to make efficiency gains. However, the Northern Ireland Audit Office report says that there has been little progress. That is worrying in a time of austerity. Perhaps you will tell me what DFP has been doing.

Mr Stephen Peover (Department of Finance and Personnel): We generally accept and welcome the report and think that it is helpful; we are happy with the recommendations, by and large. Indeed, the procurement board has been over these issues and has accepted the need for greater collaboration. There is rather greater collaborative procurement than is obvious from some of the headlines. About 54% of our spend on common goods and services is on the basis of collaborative contracts that are in place. That needs to be increased, and we welcome the impetus from the Audit Office to help us to improve. We are keen to move this agenda forward.

There are a number of things that I could say by way of general introduction. First, I will explain CPD's role. CPD is a central purchasing body. It does not itself buy goods and services; it supports Departments and their agencies in buying goods and services. It also works alongside the centres of procurement expertise (COPEs), which have unique portfolios in particular areas of spend. So, there is a history of CPD providing guidance to Departments about how they can best spend.

The Deputy Chairperson: Mr Peover, we are looking for more than guidance, and we are looking for more than 54%.

Mr Peover: We think that 54% is quite an achievement. Uniquely in the United Kingdom, we have had centralised procurement arrangements for the 10 or 11 years that you mentioned. Others in the UK are getting to that point now; Wales, for example, is setting itself a target of trying to include about 57% of its spend in collaborative arrangements. We are already at 54%. That is not to say that we could not do more; we do think that we could do more.

There are a few issues by way of context, one of which is mandate. CPD has a mandate from the procurement board to do certain things. However, the Executive decided in setting up the arrangements under the procurement policy review that CPD would have a certain role and that alongside it would be the centres of procurement expertise and Departments. There is a limit to what CPD can do in a mandatory way.

The Deputy Chairperson: Are you telling me, Mr Peover, that bureaucracy, red tape and the interference of the Executive are creating problems for you?

Mr Peover: No. The Executive do not interfere; the Executive tell us what to do and provide the context within which we operate. That is something that we recognise as a policy issue; it is not a matter for us to determine. There is a limit to what CPD's mandate will allow it to do in supporting procurement in Northern Ireland. There are arrangements and discussions under way. The education system will be coming into the CPD ambit, and we hope that there will be collaboration with the procurement and logistics service of the health service. That will bring some 84% or 85% of public sector spending on those issues into the realm of CPD. That will be a way of increasing procurement collaboration and increasing savings.

The last issue, by way of context, is one that comes up in the report: supporting local business and small and medium-sized enterprises in Northern Ireland. As I understand it, the vast majority of our businesses are small or medium sized. Indeed, almost 90% of our businesses have fewer than 10 employees. There is a need to strike a balance — as was recognised by the Committee for Finance and Personnel in its report on procurement — between aggregating contracts and not disadvantaging small enterprises to enable them to take part in competitions.

The Deputy Chairperson: I am glad that you referred to small and medium-sized businesses. The percentage, I understand, is about 80%.

Mr Peover: Seventy-eight per cent, I think.

The Deputy Chairperson: You and I are not going to argue about 2%. I would be happier with 80%. Against a background of austerity and horrendous unemployment, you have not said anything really interesting that we could include in our report, or have I missed it?

Mr Peover: I think that the figure that you just quoted — the 78% or 80% — and the 50% by value of contracts going to small and medium-sized enterprises illustrate a way in which we are using procurement to support local business. I think that that is important.

The Deputy Chairperson: I am trying to reflect what the public and, hopefully, other members of the Committee, might think. If Government do not set out proactively to make savings in areas such as this, the impact will be to cut front line services. I do not want you to repeat yourself, and I apologise if I have been slow in picking it up, but what have you been doing to promote collaboration and protect front line services?

Mr Peover: In answer to the second point, there is an issue about efficiency of procurement. The procurement board set itself a target in the last three-year period of £250 million worth of savings. We claim to have saved £254 million. There is also a target at the moment of a further £30 million, so we

have been seeking to improve the efficiency and effectiveness of public procurement so that that money is available for other uses.

The Deputy Chairperson: One third — £900 million — of the total public procurement spend of £2.7 billion every year is spent on common goods and services; that is, things that could be collaboratively procured. I will give you a break and ask Des. Are you maximising the potential savings and setting ambitious savings targets in that area?

Mr Des Armstrong (Department of Finance and Personnel): The most recent savings targets are based on collaborative procurement opportunities that we identified at the procurement board. We have been making the procurement process more efficient over a longer period than some other jurisdictions. We have had a focus in the past on making sure that we drive the procurement focus on a commercial sense. We have also had to look at the impact that wider aspects of doing procurement differently might have on delivering social, economic and environmental benefits. Procurement is not always driven by lowest price; it needs to be a balance between quality and the impact on sustainability. That can be a difficult equation to bring together. Some of the collaborative arrangements are hampered by the fact that there are unique requirements in individual Departments. For example, you might think that there should be one fleet contract. However, if someone buys an ambulance, that is not going to be used in other parts of the public sector. You might get down to things such as two-person vans, which could be used across a number of public bodies. When you get into the detail of the categories, you find that the uniqueness of the requirements for a Department or arm's-length body prevents you from moving towards a collaborative contract.

The Deputy Chairperson: Perhaps you could explain what you are doing to encourage that uniqueness to become a little bit more generic so that more people could be put into the bundle for the procurement exercise. I was hoping that you would talk me through what specifically you were doing to improve the situation, but all I received was a few generalities and an ambulance thrown in.

Mr Armstrong: I will be a bit more specific. CPD has 149 collaborative contracts in place, and 128 public bodies draw off them. Forty-five of the contracts cover nearly all those public bodies. The issue is that some of the public bodies do not have a service level agreement (SLA) with CPD, so they are not using CPD through that mechanism to deliver their procurement. CPD deals with things in a specific and detailed sense. Each procurement above £113,000 is tested as part of our quality management system to determine whether there is an opportunity to use an existing collaborative arrangement or to make another collaborative arrangement available so that that service can be provided. We look at things at quite a granular level. The issue in the past was that we may not have had a statement at a higher strategic level that we will collaborate first in certain ways.

The procurement board meets tomorrow. We will put to it a definite proposal that will put 85% of the spend that you quoted — the £900 million — into a collaborative arrangement in which, between the Central Procurement Directorate and the Procurement and Logistics Service (PaLS), which are the two central purchasing bodies, we will have a conversation against each line of procurement expenditure about whether we can facilitate that by a joint collaboration with PaLS or, in some cases, a wider collaboration with the Government Procurement Service.

The Deputy Chairperson: I will call Mr Trevor Clarke in a moment. Des, I am not sure whether you were here when the Assembly came into being 15 years ago. One of the first events that was organised in the Long Gallery was one by the procurement body. It promoted, advertised and made public all the opportunities that would arise for SMEs in particular. Is this as far as we have got 15 years on?

Mr Peover: To be fair, we are one of the better-performing jurisdictions in the whole of Europe when it comes to SMEs accessing public contracts. The report shows that.

The Deputy Chairperson: I am sure that the Committee would welcome the evidence that that is true.

Mr Peover: It is in the report; it is quoted by the Audit Office.

Mr Clarke: That is probably a good point to lead in on. I apologise for being late. If you made a presentation, I missed it. I want to follow up on something that you said in response to the Chair. You stated that not all organisations use CPD. Do the health trusts use CPD?

Mr Armstrong: No. The policy is that public procurement has to be delivered by CPD or another relevant centre of procurement expertise. The health trusts are in an SLA or arrangement with the health COPEs, which is the health estates investment group or PaLS.

Mr Clarke: So, on no occasions do you get involved in any of that? I am thinking particularly of the Northern Trust.

Mr Armstrong: No; we are not involved in procurement. Occasionally, we have been asked to deliver a specific project. We were involved in some of the shared service arrangements that were put in place recently in the health sector. We have expertise in that area, but we are not involved in the detail of the procurements in those other COPEs.

Mr Clarke: That is peculiar. I had a meeting about a year or 18 months ago with some of your colleagues. CPD was involved with a contract that was being looked at by the Northern Trust. I will maybe look out the details of that one. I find it peculiar that you are not aware that you actually do.

Mr Armstrong: As I mentioned, in general terms, we do not have a service level agreement that would cover those.

Mr Clarke: So, you are not familiar with one of the more recent contracts, and I will not be too specific, Chairperson, where the Northern Trust was contracting for the glass and glazing. I am led to believe that CPD was involved in that. Are you familiar with Constructionline?

Mr Armstrong: Yes.

Mr Clarke: Someone had held the contract for many years. Constructionline was open for a particular period of hours, and you offered it to those who were available from Constructionline on that day and did not offer it to everyone who was on the select list. Was that good value for money?

Mr Armstrong: I do not know the detail of that project, but if you give me the details I will investigate it.

CPD's general approach to the bodies for which we provide a service is that everything above £30,000 will be advertised openly on the e-sourcing portal. That is part of our guidance. One of the things that we have done for SMEs is bring forward that e-sourcing tool and make it available so that COPEs can place all their requirements above £30,000 on it and make them visible. That is open competition.

The Deputy Chairperson: Will you talk us through the process of target setting for savings from collaborative procurement?

Mr Armstrong: The procurement board sets the target for savings. The £250 million target was about 3% of the total spend at that time. The current savings target of £30 million is based on a set of categories of public spending. That has been baselined on expenditure against those categories at a particular time. Those categories include electricity and fuel, which are increasing in price. Therefore we felt that the figure of £30 million over three years was a reasonable and challenging target to set, given the categories that were in that area.

Mr Girvan: I go back to the point about select lists, and the difficulty we have with that. The so-called open-tender process may not be so "open" because it only applies to certain people. The specification of what is wanted is written in the tender document, knowing rightly that only one person can tend for it. I will use a very broad example of that. If you want a bin lorry and state that it has to have a certain horsepower, a certain type of gearbox and a certain type of liftbox, only one person will be able to supply that. So what is the point of putting it out to open tender, because you have written the contract to suit one person? That is something that creates a problem for me.

How are you so sure that you are getting value for money from a tender when people give you such varying prices? For example, when a tender process for a job starts, a cartel of people who are going to tender for it get together. They sit down together at a table not dissimilar to this one decide that one

of them will win the contract and that they will all get a wee cut of it. Alternatively, if someone else wants to win, they work the figure out to suit themselves. How are we sure that you are getting value for money if you can buy the same item or the same service without having to go out to tender for a quarter of the price that the winning tender quotes you? That price wins the tender process simply because all the others were way above it, and it means that you are paying an overinflated price.

Figure 12 of report provides a clear example of such a situation. For example, for a "Laser printer black toner cartridge", the cheapest price is £2.26 and the highest price is £125.40. Was that comparing like with like? Perhaps not, but there you go. Another example is the "Manila envelope C4", which comes in a box of 250. There are various specifications — 70 g, 80 g and 90 g; the cheapest price is £2.99 and the highest is £34.07. The guy who was charging £34.07 obviously did not want to win the contract. Did he agree to set his price at that level? That is the sort of information that is openly available here. I see a major discrepancy. What mechanism is used if there is a lack of co-operation between Departments? If the CPD does not identify those who are not working together, the COPE should, and it should ask why they are paying that amount when somebody else is paying an awful lot less. The sharing of information does not necessarily seem to be working. What training is given to ensure that we are getting value for money from those who are assessing the contracts? Some of them are just bean counters who have absolutely no knowledge of what they are dealing with in the field that they are involved in. They have a price, and that is it.

The Deputy Chairperson: Is there a question there, Paul?

Mr Girvan: There are plenty of questions. I am looking for an explanation. I know that I have rambled on, but I could go on for ever on this issue. I will give you a couple of examples later on, but can you answer some of those points?

The Deputy Chairperson: There will be an opportunity later on to go into the minutiae, but I am sure Mr Peover will be tempted to explain to us how he avoids cartels.

Mr Peover: We look at benchmarking prices as part of the contract process. We would try to ensure that if the standard price is X, you do not pay 4X for a piece of equipment. There are many reasons for variations, and I have mentioned some of them; there may be different specifications or different cartridges; or someone may supply a laptop with software pre-loaded and provide support while somebody else may not. Someone may want a particular type of laptop to do a particular activity and it needs to be of a higher specification than the standard one. We have other figures, and those variations need to be scrutinised.

We procure about 260,000 different product lines across 1,000 suppliers. It is a major exercise for any organisation to keep on top of the variations, but we try to benchmark prices. We participate in a number of Northern Ireland-wide national contracts as well, and we look at the prices paid throughout the UK for some of those products. However, there is undoubtedly more to be done, and more could certainly be done on standardisation. In the Civil Service, for example, we have standardised three types of laptops: a standard laptop; a slim, ultra-portable laptop; or a tablet. Those are the three types that we routinely buy. Others, as you have seen from the report, buy from different contracts and buy with different specifications. The more we can standardise the specification, the more likely it is that we can get best value for money in procurement.

Mr Girvan: Look at services. Say, for argument's sake, one Department tenders for an electrician to do electrical maintenance and that contract is won on a figure of £8.60 an hour, and you see that there are others who have tendered at £15 or £16 an hour, that guy wins the contract. He has it for two years, and in that time, electrical maintenance costs them three times the price it had cost them previously. When they go back to their original tender — and this has happened — it halved again, even though it was £15 an hour. The fact was that a job that was taking him four hours was taking other people one hour, and they would charge £16 or whatever it was, whereas they ended up paying £32.

Mr Peover: We look at abnormally low tenders as part of the contracting process, and there are arrangements under which, if you think something is fishy, it can be excluded from the competition. If everybody else is coming in at £15 an hour, and one person is offering £6 or £8, there is something odd. We look at issues such as that.

Mr Armstrong: When assessing tenders, the requirement will need people from the Department who have responsibility for the particular service to be involved in scoping out what they want, but the commercials are assessed by the people at the COPEs. The assessment is carried out in CPD by staff

who are qualified and chartered by the Chartered Institute of Purchasing and Supply. We have professional procurement people. One of the successes of the policy has been to drive that focus on increasing the number of professionally qualified staff in the COPEs. CPD has made some good progress on that. We would expect people who are professionally qualified and focused in that area to be able to look at rates and identify areas that they may need to explore.

Letting contracts on the basis of an hourly rate can encourage contractors who might be incentivised to make the job last longer. Our preference is to specify quality of service, so it is a case of saying, "Fix the light and you will be paid x", rather than, "Please tell us how many hours it takes you to fix the light and we will pay you that amount". It is about how you set up the commercial arrangements and how you manage that commercial relationship with contractors and spot the types of things that come up.

The Deputy Chairperson: Before I bring in any more members, I will put a question to Richard, in case he gets the impression that he is not required. What exactly are the procurement board and the centres of procurement expertise achieving? Do you agree that there is plenty of infrastructure but no action in that area?

Mr Richard Pengelly (Department of Finance and Personnel): There is plenty of infrastructure, but there is also action. I will talk in a bit of specific detail about the centres of procurement excellence that my Department is responsible for, which are two of the largest: Translink and Northern Ireland Water.

Like Stephen, I very much welcome the report, and I think that the recommendations offer us a good path forward. In the past couple of months, we have produced detailed annual procurement plans that set out our intended procurement over the coming year. We have shared those with colleagues in the Central Procurement Directorate and the plans for each of our own COPEs to identify opportunities for collaborative procurement. We are also putting in place a mechanism in our Department for the purchase of any common goods or services. When existing contracts expire and come up for renewal, all the COPEs will default to the CPD to see whether there is a collaborative contract in place that can be used unless they can specifically justify, to my satisfaction, a reason not to. In some cases, colleagues in the CPD have accepted that that will not be suitable. For example, Stephen talked about laptops, and some of my colleagues in Northern Ireland Water need what are called Toughbooks. They are out on site at water and sewage treatment infrastructure plants and need a laptop that can survive all the ravages that they might be subjected to. Therefore, there are some cases of exception.

The experience in many areas is that we in the public sector are sometimes too quick to define ourselves as unique and different, and need to go our own way. That is a particular challenge for us.

Those are some of the immediate action points that we are addressing that specifically flow from the recommendations in the report. That will take time to unfold. Clearly, all contracts do not all expire at a certain point in time and some contractual relationships last several years. However, as each and every one of those contracts expire, we will be adopting the approach that I outlined.

The Deputy Chairperson: Before I move on to other members, I will allow Michael Copeland and Trevor Clarke to come back in briefly.

Mr Copeland: Thanks, Chair. It is just an observational point on what Des said about changing a light. That struck a chord with me. Knowledge of a contract from sitting on the Committee for Social Development revealed that a company had been paid for changing lights in a block of flats that ceased to exist 10 years ago. That rather shakes your faith in the way in which some of these things are conducted. In all of this, assessing the way that it works is historical and information based. As my colleague to my right said, figure 12 on page 35 of the report includes information that is very interesting, but, in truth, is of absolutely no use to Mickey Mouse or anybody else. It refers to a "Computer flat screen monitor" — fair enough — and it lists:

"Size 17", 19", 22", 23", 24" —"

and "widescreen" and "touch screen" as the variants. That, in some ways, gives an indication as to why one monitor might cost £87.43 and another might cost £499.38. That information, whilst interesting, is useless for the purposes that we are considering. In fact, it is worse than that: it basically confuses the issue. It is the same thing with the "Hotel room in London". You could

understand why the "time of year", "location" and "duration of stay" would vary, as you could understand the variation between £45 and £165 a day. However, it is of no use until we get standardised information as to whether it is the same computer or the same hotel. Sometimes the cost of doing all that can make the operation —

Mr Peover: Thank you for your support. *[Laughter.]*

Mr Copeland: I am not here to support you. I am here to question you.

Mr Peover: I know. These are genuinely complicated things —

Mr Copeland: I know.

Mr Peover: — and the more that we can standardise, the better. As Des said, if we were all buying the same black pen for the public sector, we would know what we were getting and would all buy from the same contractor. In the Civil Service, we are standardising on a 19-inch monitor, so we know what we are getting and what the price is. If you want something different — if you are an architect and need a bigger screen — you will have to make the case for it.

Mr Copeland: So, in reality, it would be much more useful if, under "Computer flat screen monitor", it stated "19 inch" and gave the most expensive and cheapest prices.

Mr Peover: I am going to make a bit of a confession. The report has thrown up that there is insufficient management information around the system, and that we could have done more and could be doing more to try to improve the amount of information that we have and to try to push standardisation.

If you have 260,000 product lines, 1,000 suppliers and quite a wide range of organisations — 200 or so — all involved in buying materials, goods and services, trying to get a handle on the amount of information that is flowing through that system is quite difficult and will take some investment. Our counterparts in England and Wales are spending millions on the procurement of IT systems to support centralised procurement.

Mr Copeland: Was the BBC's recent venture worth over £100 million involved in that?

Mr Peover: I do not know by whom that failed contact was procured or what support was given.

I accept the point that the lack of adequate management information is a real gap. The report threw that up, we accept that and we are moving to improve it. We will have to invest in that. Des's people will be putting forward a business case for investment in a better system that will allow us to gain oversight of the product range, and I think that that will be helpful.

As Des said, if we bring the education service and PaLS, which supports the health service, into collaborative partnership arrangements with CPD, that will give us 84% of the spend on these sorts of things. We will then be in the ambit of a set of organisations that want to collaborate. Richard has mentioned that, if those arrangements are set up, we would expect other organisations to participate in the contracts unless there is a reason why they should not do so. They will have to justify that to Richard and the other accounting officers.

The Deputy Chairperson: At the end of the day, you will agree that there is still loads of room for improvement.

Mr Peover: Absolutely.

The Deputy Chairperson: I encourage members to phrase their remarks as questions. I also encourage the witnesses to answer the questions.

Mr Clarke: Thanks, Chairman. I will not digress too much. It is interesting that, since I came in about half an hour ago, we have heard two confessions. It strikes me that, if we had a wee box and they paid every time they confessed something, we could maybe get out of the financial trouble that we are in.

Advertising is an interesting subject in this, even looking at how people source it. Des, I do not know whether this is your field or not, and you can correct me if I am wrong, but there seems to be a policy of going to large newspapers for advertising. If there is a small job in a rural area that is government-linked, you will advertise it in the 'Belfast Telegraph'. Do you think that you are doing the best that you could on advertising costs?

Mr Peover: Some time ago, the Executive decided to centralise advertising in the Government advertising unit, which is run from OFMDFM through the executive information service. It has to authorise the method and nature of the advertising process. The aim of that was to do exactly what this report calls for: to bring things together and allow us to negotiate better with the agencies, whether newspapers or the broadcast media, to get better deals. It is about buying in greater bulk and putting a bit of a squeeze on providers. In that sense, there is a collaborative arrangement under way through the Government advertising unit. We are responsible for Civil Service recruitment advertisements, for example. My Minister is keen to cut back on the amount of money we spend on that. The Executive have set hard-edged ceilings on the amount that each Department can spend on advertising.

Mr Clarke: There are two issues. There is cutting back on advertising, and there is actually choosing where you advertise. If you live in Outer Mongolia or Kilrea, where Adrian and the Chairperson are from, it is very unlikely that they are going to buy the 'Belfast Telegraph' to look for a job in that general area. They are going to buy the local paper, and advertising is going to be much more cost effective and possibly more effective locally in terms of people from that general area applying for the jobs. By advertising in the big papers like the 'Belfast Telegraph' and 'The Irish News', which are more expensive, you are disadvantaging people, so I am surprised that you still choose a more expensive method of advertising even though you are trying to cut back.

Mr Peover: We take our advice from those who have professional expertise in managing advertising contracts, and that is how the system is run. My Minister is particularly keen to use online channels. He is persuaded that, these days, more and more people are accessing job opportunities not through newspapers but online, which is very cheap.

Mr Clarke: On that point, you are saying, Stephen, that you use people with expertise in advertising, and that it is about finding volume or collaboration with the big multiples, but is that necessarily good value? Just because they have expertise in getting those big contracts secured, can you measure that value in terms of people actually applying for the jobs, given that people who are Belfast-based are not going to be travelling to the likes of Kilrea for jobs at the lower end of the pay scales? You would assume that people in that general area would apply for jobs advertised in their local papers. At the same time, you would be saving money.

Mr Peover: Recruitment advertising tends to be bound up with equality issues as well, so we have traditionally tended to advertise in the three regional papers on the basis that we cover both sides of the community in Northern Ireland by doing so. We also use the online channel. To go back to the point, people are increasingly using online channels rather than any other form of advertising. We will certainly look at it. It is somewhat parallel to the report. When they originally looked at advertising, they discovered that different Departments were paying considerably different sums to procure the same sort of advertising space. If I were in the Department of the Environment (DOE), buying space for planning notifications, I may have been paying more than the Department for Regional Development (DRD) was to advertise road closures, etc. The Government advertising unit has brought that together and created an overall budget. Authorisation is now required from the Executive, effectively, for any advertising campaign, and Departments are given specific budgets for their total advertising spend.

The Deputy Chairperson: I feel that, for the moment, we have exhausted that issue, although we have not quite sorted out Outer Mongolia and Kilrea. I am sure that social media will fill us in on that. I am going to move on to Adrian McQuillan, who is going to address issues around the procurement strategy and framework. Any supplementary questions should relate to that.

Mr McQuillan: Adrian McQuillan from Outer Mongolia. I have a quick question to follow up the earlier answer to Paul. You said that you sometimes exclude very low tenders from the process. How often does that happen? Can you give me an example of that from the past couple of years?

Mr Armstrong: There have been a number of examples, one of which led to legal action. The Roads Service, for example, had an issue whereby it felt that the prices submitted were sub-economic, so it ruled those out and would not take them. We have some guidance that we use in the centres of procurement expertise. In construction, for example, we have seen an issue because the market has somewhat collapsed in the private sector, and that has pushed prices down. The worst thing you can do is accept a low price that is not going to deliver the service that you need. We have been talking to the industry about that issue, and the intention is to flag up that we will proceed with a mechanism whereby, basically, you put the numbers into the system and it tells you whether it looks like a tender is sub-economic and therefore needs to be fully investigated.

You sometimes find that contractors will come back and say that they have a pot of gold in reserve, and all of that sort of stuff, and that they will do it for the stated price, but you really do have to take a decision on whether to risk going ahead with that. If you do go ahead, you have to make sure that the contractor does not try to push up the price. We are going to be fairly tough on that, going forward. There are a number of examples like that.

Mr McQuillan: That is fair enough. I just wanted to get my head around that. I understand that there is a procurement policy handbook. It does not seem to mention aggregation. Is there any formal strategy to outline how procurement would be aggregated?

Mr Peover: A strategy is maybe pushing it a bit far. This was originally raised with the procurement board in June 2011, and we agreed a way forward. That will be further refined at the procurement board meeting tomorrow. In that sense, there is a policy context within which collaboration and aggregation is moving forward. However, it might be pushing it a bit to say that there is a strategy.

Mr McQuillan: Is there a plan at least?

Mr Armstrong: We have identified a series of categories that we believe we can take forward through collaborative arrangement and push out to as many public bodies as possible. We have identified all the public bodies that might fall within that band of interest, but, with each of those, we will have to look at the existing spend, the projected spend, where the contracts currently sit and when they close down. It will take time to bring these things forward, but it can be done. I will go back to the example of the computer monitor. Standardisation on that has been really successful. In CPD, we have 21-inch PC screens, but we got those for the price of 19-inch screens because it suited the supplier. The supplier will ask whether you would like a 21-inch screen at the same price. That is value for money. You need to look, first, at where the demand sits, what you are spending, how many bodies are going to be involved, and, through a process of iteration and going back to the market, you can narrow down your requirement so that everybody starts to use the same black pen, figuratively speaking.

Mr McQuillan: So there is a plan, but it is not down on paper?

Mr Peover: It is evolving. It is not a static document that we are working to, but, as we expand the partnership with the education sector and the health sector, that will increase the range of spend that we are covering. It will also allow Des's people to specialise more in particular areas and categories of spend so that we will have specialist expertise to support those who are purchasing. We have not had that level of spend to date, so we have had people working on a hybrid model. In that sense, there is a direction of movement. There is a context and a policy framework, and it will evolve into a strategy as we work in partnership.

Mr Pengelly: From a practical standpoint, the rubber hits the road in respect of what individual COPEs in individual Departments do. In respect of the procurement board, the advice that comes from Des and the Central Procurement Directorate can set the vision and direction of travel. I mentioned the mechanism that I put in place in my Department, which is that we must default to a collaborative approach through CPD or justify the reasons for doing something different. That is where we get real traction. That needs to be done at each departmental or COPE level, rather than looking to colleagues in CPD to do it for us.

Mr McQuillan: You need somebody to enforce that in each Department.

Mr Pengelly: To my mind, that is there in our accounting officer responsibilities. We have a responsibility for delivering value for money. Collaborative procurement, in many but not all cases, will

enhance the way that we deliver value for money. The framework is there. It is an operational issue for us to deliver on, rather than a guidance point.

Mr Peover: If I can go back to the Deputy Chairperson's point, in a sense, this is a free good for us. If we can make savings through better procurement, it costs nobody, as long as we protect the interests of small and medium-sized enterprises. That money can be redirected to the front line or it can be used for other purposes. There is a real incentive to do that. The issue is getting the process that Richard has described embedded in all our operations. "Comply or explain" is quite a good principle to adopt in this context.

The Deputy Chairperson: Stephen, you have left me a bit confused again. Why is it pushing it a bit far to have a strategy?

Mr Peover: We would be pushing it a bit far if we were to describe what we are doing as a strategy. It is not that you are pushing us too far.

The Deputy Chairperson: I will put the question another way: why not have a strategy?

Mr Peover: We are evolving a strategy. You have to look at the history of this —

The Deputy Chairperson: But Stephen, we addressed this at the beginning of the meeting. We are really fed up with history. We want the action.

Mr Peover: The history is important in this context because we have —

The Deputy Chairperson: I know. It is in the library.

Mr Peover: We have made significant savings in procurement by concentrating on what we thought were the key issues along the way. The report from the Committee for Finance and Personnel had 41 recommendations. We have been working on an action plan to address those. It is not that people have not been doing it; they have been engaged in a whole range of activity. We have tried a co-operative approach. We tried to work with a lead COPE arrangement, but it did not work. In a sense, we should have reflected on that sooner and got on with it. It is not that we have not been doing anything; we have made significant savings. The report draws comparisons with Great Britain in that context. One of the things that we have to bear in mind when drawing those comparisons is that we are starting now from a better place than they are because we have had these arrangements in place for quite some considerable time.

Mr McQuillan: Des, paragraph 2.8 of the report states that CPD carried out a pilot project with postal services to test operational issues before implementing an arrangement across government. What did you learn from that pilot?

Mr Armstrong: We learned that there is not good management information available. Some activities are carried on by virtue of part of delivering a service. The costs of those are sometimes not picked up and recorded. We need to get better detail around the system. We are currently engaged in a spend analysis right across the public bodies. That will give us quite good detail on what is being spent right across Departments and their arm's-length bodies. That information will be available later this year.

As I said, when we ask how much is spent on a particular service so that we can centralise it and how much is the intended spend in the future so that we can take that to the market, that is where you start to run into some difficulties. Once we have the information more centralised, with PaLS and ourselves dealing with 85% of the spend, that information will be with the category teams in those two organisations. Category management will then kick in, which is where that detailed information will start to reside.

Mr McQuillan: No strategy emerged. Unless there is something written down for people to follow, it will be all right for a wee while, but then they will move away from it again, back to the old ways.

Mr Armstrong: Tomorrow, we will put the proposal that the way forward be based on a partnership between CPD and PaLS, bringing it into the education sector. We will then put in place an

implementation plan to show the categories of spend that we are going to address in a certain order and what the time frame will be to move to contractual relationships.

Mr McQuillan: Can we get some follow-up on that later in the year to see how it is working?

Mr Armstrong: Certainly. We need to get broad agreement on how we are going to move forward. Once we do that, we will work with PaLS to make sure that we produce a set of programmes for different types of procurement.

Mr McQuillan: It will be interesting to see how that works out.

Richard, figure 2 shows that your Department has the greatest procurement spend, as you said earlier. Why do you not maximise savings on common goods?

Mr Pengelly: We seek to do that. Of the total £791 million, less than £100 million is common goods and services. There are two very big issues that we face: electricity for Northern Ireland Water, and diesel for Translink. It has been accepted by all, although one could argue that electricity and diesel are common goods and services, that Northern Ireland Water, because of the constant demand for electricity in the water and pumping stations, has a unique ability to negotiate a good contract. That has been accepted by a range of procurement experts. Similarly, Translink has very significant storage facilities. It takes over 90% of its orders in the form of full tanker loads, which it stores centrally. Other public bodies could not come under that contract. That would erode the price.

The analysis that I have been doing shows that the prize in the Department for Regional Development is about £60 million. That is the common goods and services that are procured outwith CPD at the moment. That is what I want to focus on. A lot of that, the thick end of £300 million per annum, is roads and capital works, and, again, building a road or not building one is pretty much unique to us. So that is the prize for us, and we are focusing on that.

I mentioned collaboration with CPD. I do not define collaboration just within Northern Ireland with CPD. That is important. We are doing some collaborative procurement. Northern Ireland Water collaborates closely with the Yorkshire procurement organisation on some water and sewage treatment spending. We also collaborate with other procurement bodies in GB, so that is not collaboration in the way we are defining it in the context of this report, but it is collaboration, so we are pursuing that. However, as I said, that £60 million is a figure that we want to focus on in the coming months.

Mr McQuillan: DFP recently set targets for generating savings. Why was there a delay in setting savings targets?

Mr Peover: We have been through a series of phases in the work of the procurement board and we have achieved significant savings in procurement over the years. It is hard to categorise. We mentioned £254 million earlier on, and, in some areas, that is attributed to collaborative procurement in the report. We think that more could probably be attributed to it, but it is hard to classify because it was not being recorded in that way at the time. If you get a better deal, it is hard to attribute that better deal or the components of it to particular factors. We are now getting to the point — we should have got to the point sooner — at which we recognise that voluntary collaboration was not really going to work and we needed a different approach. The "comply or explain" approach on —

The Deputy Chairperson: Stephen, let us pin this one down. What are you doing in the next six months to roll out a strategic framework that will allow collaborative procurement to be more effective?

Mr Peover: Des has described that. If we get a procurement board mandate tomorrow, collaboration and partnership working with Education and Health will be the framework within which we roll out collaborative procurement.

The Deputy Chairperson: Is that it for the next six months?

Mr Peover: It will take more than six months. It is a long-term project.

The Deputy Chairperson: But I specifically asked you what you were doing in the next six months.

Mr Armstrong: We will produce an implementation plan that will identify categories of spend that we want to collaborate on. We will then use the spend analysis information to look at the best way of framing the new contracts. We will then have information on the types of suppliers that are currently involved in providing that type of service or product. We will look to see whether there are local small and medium-sized enterprises involved in that, and then we will produce a procurement strategy that balances bringing everything into a large contract to squeeze the price against the possibility of leaving SMEs out of the competition, because one of the key inhibitors to SMEs being able to tender is the body of the contract.

Mr McQuillan: I have just one more question. The target you set is 1.1%, but the saving, as I think you said earlier, is around £30 million. In Wales and Scotland, it is 5%. Why be so cautious about the whole approach?

Mr Peover: There are two points to make. First is the point I made earlier about where we start from. We are starting from a better place than Wales and Scotland; we have already achieved some of the savings that they are hoping to achieve. Secondly, we —

Mr McQuillan: We cannot really measure that.

Mr Peover: It is hard to describe. We are sceptical, as indeed is the National Audit Office, about the ability of other jurisdictions to achieve the level of savings that they have set for themselves. The National Audit Office regards the Cabinet Office's target as unrealistic and incapable of being delivered. Des was involved in advising the Welsh on setting up their centralised procurement arrangements, and it looks as though they are downgrading their expected savings to £15 million a year over the five-year period, which is not much more than half the level that they were predicting when they were asked previously. Reality is beginning to bite on some of our colleagues. They are also investing quite heavily in some of their systems. We could be helped by additional investment, and Des is going to make a business case for improved systems to allow us to get the management information that we can use to do the things that you have described.

Yes; their targets are higher than ours. However, their targets are regarded by the National Audit Office as very ambitious, perhaps overly so, and —

Mr McQuillan: Is there not some point between our targets and theirs?

Mr Peover: We are trying to set a realistic target. The procurement board has set us a target. I am sure that the procurement board will not complain if we overachieve on the target. In fact, it will be delighted. We think that that is achievable against the background of where we have come from and what we have done.

The Deputy Chairperson: We will move on to the next section on the quality of basic management information.

Mr Hussey: Chairman, I have done something very unusual today: I have not spoken yet. I am holding my pen so hard that I am surprised that I have not broken it, because some of the answers that we are getting are beginning to irritate me.

The Deputy Chairperson: Now is your opportunity.

Mr Hussey: Now is my opportunity. We started off by asking why we do not buy the one pen. Years ago, they did buy the one pen. We had one black pen in every Department, and everyone thought that they were great. They could do it 40 years ago. If I had been born in 1970, I would be 11 years younger than I am today. The history of this is beginning to irritate me. The report states:

"A Procurement Policy was established in 2002, but there was little progress in the area of collaboration until 2011".

Does that mean that you did bugger all for nine years? Clearly, you are trying to claim credit back here by saying, "We are that little bit better because we are ahead of you". You are not ahead of me. The report also states:

"A Procurement Board was established to develop, monitor and direct public procurement policy."

You say that you are ahead of Wales because you have now done this, that and the other. For 10 years, you appear to have done absolutely nothing. You have made some comments about insufficient management information. In 1993, I was a divisional operations manager for Pearl Assurance, and with every piece of paper that went past my desk, I had more information than you can shake a stick at. I knew where everybody was and the amount of money that we paid out. I will start asking you questions now, but I am not happy with what I have heard so far. What spend information does CPD hold or require procuring bodies to hold? You can tell me that now, and we can then move on.

Mr Peover: Can I go back to the point I made earlier?

Mr Hussey: I want that question answered, and then we will go back to the points.

Mr Peover: I cannot answer that question without going back to where I started. CPD is not a purchasing body; it does not buy things.

Mr Hussey: CPD does not appear to do much.

Mr Peover: CPD is a central procurement body that oversees procurement. The purchasing is done by individual bodies, whether it is arm's-length bodies, Departments or through COPEs. Quite a lot has been done in the 10 years since the establishment of the procurement board.

Mr Hussey: Tell me what information it holds.

Mr Peover: CPD holds information by Department. The Audit Office acknowledged in the report that we do not hold information on spend by COPEs. We hold spend by Departments because we support Departments. Departments are the spenders, and they hold detailed information on what they spend. The COPEs support their areas, and they hold detailed information on what they spend. So there is a lot of spend information —

Mr Hussey: You have seen that information? You are aware of that information?

Mr Peover: Not personally, no.

Mr Hussey: The report says:

"A Procurement Board was established to develop, monitor and direct".

If you do not have the information, how can you monitor?

Mr Armstrong: Since 2002, we have produced that type of information on spend by category and by Department. That has been published and is on our web page, and we report that to the procurement board.

Mr Hussey: What information do you share on prices, the numbers of contracts, contract renewal dates and suppliers?

Mr Armstrong: There are two bits to that. The first is the information on expenditure, which is what the report picks up on. Another set of information is required to satisfy, for example, the recommendations of the Committee for Finance and Personnel, and that is the amount of contracting activity that goes on. We have dealt with that by establishing a single portal, eSourcing NI, which allows us to track the value of contracts awarded, where they are awarded to and what firms are awarded them. That has been a significant success. We have one point of contact for all the COPEs in Northern Ireland, and at least nine of the councils are involved in that as well, as are the two universities. Management information on the contracting side is quite good and quite detailed, but with the expenditure bit, which is what the report goes on about, we have not procured a pay system that links in with the accounting systems right across all the bodies covered by public procurement policy.

Mr Hussey: You talk about your forward plans. What forward plans are in place in the public sector to identify potential collaborative procurement? I sat on one of those committees that dealt with procurement and collaboration several years ago when I was a councillor.

Mr Armstrong: We have agreed a list of categories, with an estimated spend of around £657 million, and we will start to look at taking forward those types of services with the Education Department and Health Department. That is the implementation plan. Once we have sign-off on the broad strategy of working in that partnership arrangement, we will start to work our way down through the sets of categories already identified for the £657 million, using the spend analysis information to work out the best way to contract those services in order to give the best possible balance between providing value for money and making sure that we do not disadvantage local suppliers.

Mr Hussey: We are on the verge of RPA. I might be going slightly off target here, but let us see. You are working with nine councils, meaning that you are not working with 17 — you can do the mental arithmetic. How do you intend to work with them towards RPA? You will have RPA shadow councils in a year's time.

Mr Armstrong: We need to future-proof the arrangements that we put in place. In the next couple of days, we will hopefully put out the new tender for the e-sourcing portal. As part of that, we are making arrangements for councils to be involved, although, obviously, they will have to do that on a voluntary basis. I am not sure what arrangements will be put in place through RPA to mandate the use of those systems going forward, but, when we move forward, we will want to maximise the opportunities for collaboration in that way.

Mr Hussey: But, do you have a forward plan, given that you know that the shadow councils will be in place in 2014, prior to full implementation in 2015?

Mr Armstrong: We typically make arrangements going forward. Because of the legal aspect, you have to clearly define the type of contract that you want to put in place and the bodies that might draw from that.

Mr Hussey: Yes, but I asked you whether you have a plan in place to meet those councils. There will be 11 councils. Do you have a plan in place? Is part of your work project to have something in place so that, when the new shadow councils are up and running, they can be brought together, and discussions can take place?

Mr Armstrong: We have started some conversations with councils about how they might come into our system. That is how we managed to get nine councils to use the e-sourcing.

Mr Hussey: The problem, again, is coming "into your system". I have a major problem with the systems, which we discussed when I was on those various boards. The Northern Ireland Assembly has a different system from the councils, because they will not allow the one system to operate throughout Northern Ireland. I personally cannot see why district councils cannot work on the same system as the Northern Ireland Assembly. There is nothing that secret about this place that you would be afraid of somebody getting hold of.

Mr Peover: Des mentioned accounting systems. I think that there are 13 separate accounting systems as well as Account NI. That is one of the difficulties about getting management information of the type that you describe. In a single organisation — you described your role — that information can be generated from a single source and sent to whoever in the management chain needs to look at it. In our system, we have our own Account NI system and 13 different accounting systems servicing the various public bodies across Northern Ireland.

Mr Hussey: That is a fault that you have identified, and we should, therefore, have a standardised system. The accounting for whatever you are dealing with should be quite simple and is something that everybody would want to know. For example, when the Audit Office goes out, I am sure that it would be far happier if it turned up and knew that, on page 3 of an account, it would find the information that it is looking for.

Mr Peover: The only difficulty is that with 190-odd bodies, ranging from those with a handful of people through to organisations employing tens of thousands of people, the complexity of the system you need for the tens of thousands is vastly greater than the one you need for a handful. So, we need to

find some way of providing a core of information that can be drawn from the systems without requiring every small organisation to adopt a very complicated system.

Mr Pengelly: It also goes beyond scale. Again, taking my example of Northern Ireland Water, as well as being classified as a public sector body, it is a regulated utility and has to produce regulatory accounts. It is also a limited company, so it has to produce accounts under Companies Order requirements, none of which would be addressed by Account NI. Given the size of Account NI, to tweak Account NI to meet Northern Ireland Water's requirements would be a very costly and nugatory exercise, so —

Mr Hussey: I accept that; it is a stand-alone body. However, in the not-too-distant future, you will have 11 councils that will still be paying their staff, I hope, as the Northern Ireland Assembly pays us, we hope. Therefore, there is a system of pay. I cannot see a major problem when you have a pay system because everybody knows what the top line is; Her Majesty has to get her payment, then there are a couple of princes to be paid for, and by the time it all comes down, there is a net figure that eventually comes to us. It should not be that difficult. That is why I asked whether there is a plan in place.

Mr Peover: One of the issues goes back to having a mandate. There are different organisations; some are within the normal ambit of our operations, and some, like councils, are outside but may voluntarily become involved. If there were a different arrangement whereby these things were centrally mandated for everybody — I remember the black pens; I used to have one of them —

Mr Hussey: Those were the days.

Mr Peover: Those were the days, yes.

The Deputy Chairperson: Ross, I am a wee bit concerned that we are drifting.

Mr Hussey: We can see clearly that there are issues that have not been resolved. I would like to see them resolved as quickly as possible, particularly, as you said yourself, the issue of insufficient management information. I would like to see that resolved. Mr Copeland has returned, and I will let him in.

Mr Copeland: I apologise.

The Deputy Chairperson: Remember that we are focusing on basic management information.

Mr Copeland: I understand, Chair. I touched on some of these things earlier on. I want to ask about value for money or best value, and there is a difference between the two. If your current information systems do not enable you to demonstrate value for money because there is no information, how do you solve that problem?

Mr Armstrong: The gap that we have at the moment is that we do not have a system that links the procurement to the payment system. We have been working with Account NI, since June 2012, to look at how we could use its accounting system and turn that into a procure-to-pay system, which is the terminology we would use, to link that up. We have made good progress on that. In the incoming year, we are now able to look at the amount of spend that is going through centralised contracts or contracts that are on the system against spend that might, for some reason, not be recorded against those contracts. That is in place. The detail that you need to manage and push forward with collaborative procurement is at a different level from what I describe there. You cannot have it at the category level; you need it at the product level. We have been working with Account NI to develop a system that will not only collect the category information but will tell you the product information. So, we might, at some stage, be able to tell you how much we have spent on black pens.

Mr Copeland: The difficulty that I have, in some respects, is that a lot of stuff that goes through your Department would be technology based: printers, laptops and software. That changes as often as the weather in County Down in February. How do you overcome the fact that you will always be playing catch-up? If it takes so long to collect and collate the information and to turn it into something that is useful, by the time you have completed that process, the technical specifications that are market-driven will have changed to such a degree that the information you are basing your decisions on is useless.

Mr Armstrong: Obviously, you need to work with the IT specialists who will give you insight on how the market is changing. Contracts need to be flexible. As you draw across the ordering system for the contracts, that is where you get the management information. We have catalogues, for example, on Account NI. As you place your order for the particular catalogue item, that management information goes back into the system and into the accounts.

Mr Copeland: The catalogues change every —

Mr Armstrong: The catalogues will change as we go to contract. Also, we have arrangements with the Government Procurement Service in England, so we can buy into the type of systems that it is using. We are working with it quite closely. It will go out to tender shortly for what is called an e-marketplace, which will allow a very effective way of getting into catalogues. It will allow organisations to see what they can buy from contracts that have been competitively tendered. We will take the option on that to put in Northern Ireland prices, where we determine that it is the best deal for Northern Ireland in terms of efficiency and SME involvement.

Mr Peover: Although there are bits that do change fairly rapidly, there are bits that do not change that often. Fiona is involved in a negotiation about a banking contract for large parts of the public sector. There are fleet requirements —

Mr Copeland: I hope that it is not Ulster Bank.

Mr Peover: There are elements that remain fairly stable —

The Deputy Chairperson: It might be time to bring this to a close. I will bring in Trevor in a second or two. It might be useful if you supplied the Committee with details of how you intend systems to be embedded throughout the public service within a given time frame, particularly given the whole RPA thing, as Ross referred to. Do members agree that that would be useful for our report?

Mr Clarke: I just want to pick up on something that you said, Stephen. It is something that has challenged me about the report, and maybe even the direction that the Department is going. I do not necessarily buy into the whole procurement strategy. Have you any knowledge of the strategy changing in terms of how we do procurement?

Mr Peover: In what sense?

Mr Clarke: Even looking at the report, you can find loads of criticism of COPEs and CPD as regards how we buy. Following what you have just said about contracts and how you can centralise it, there is a real danger to the really small to medium-sized enterprises — not the small and medium-sized enterprises as we know them — that we depend on in Northern Ireland. If we continue to try to make a global supplier for everything in Northern Ireland, Northern Ireland plc will lose out.

Mr Peover: I agree entirely.

Mr Clarke: But the strategy and the direction that we are going in is for centralised procurement, which I do not necessarily agree with. Ross wants to talk about black pens. We could be getting black pens directly in from Taiwan, because there is nothing to prevent us or anyone else actually bidding for those tenders. There is a real danger for Northern Ireland plc and the small companies.

Mr Peover: I could not agree more. Those are the two things that we need to balance: the value for money through better procurement on the one hand, and supporting local business as best we can. There are other issues about social value being generated by procurement spend. We are very keen to use the government's procurement spend to support local firms, although we cannot be biased in favour of them. If we aggregate to too large an extent, we will find that local firms will be priced out of the market.

Mr Clarke: Unfortunately, that is the direction in which we have been going in the last number of years with some of the building contracts and how those have been awarded. You can see that when you look at people's capability to tender and the expertise that a company needs to produce the documents that CPD now insists that it has. Yet, whenever that contract has been awarded, it is

subbed back out at a lower price to those who do not hold the expertise to bid for it in the first instance, which is not fair.

Mr Peover: Again, I take the point. We have been trying to work with the industry, whether it is construction or goods and services suppliers, to make life simpler for them, to reduce the bureaucracy of the documentation and to create systems. Des mentioned the eSourcing NI portal, which is available for anything over £30,000. We have had something like 1,300 suppliers come to "meet the buyer" events, where we can talk to them about the structural requirements and what is needed to be engaged with the public sector in procurement. We are very keen to support and work with local industry and local suppliers. There are figures in the report stating that spend of €300,000 up to €1 million is the sort of range within which small and medium-sized businesses get pushed out of the ability to procure. We think that it is lower than that, because our businesses are even smaller. As I said, 89% of our businesses are microbusinesses with fewer than 10 staff. If we start aggregating things too much, they will be squeezed out. That is what we want to try to avoid.

Mr Clarke: The other thing that is naturally squeezing them out — we hear about this from companies' experience — is cash flow, when they do have work with central government, because government bodies are not particularly good at paying. A very small microbusiness cannot afford to wait for three or four months for payment.

Mr Peover: We have been trying to get better, and we are better with our system. I get complaints occasionally from people who find that particular parts of the public sector are slow in paying. The Civil Service pays within 30 days, and we pay the vast majority of our suppliers within 10 days. We have targets for that from the Executive, and we have upped our game. Hopefully, we support local and small businesses by making sure that they do not have to wait excessively long for payment. There is an issue about main contractors and subcontractors.

Mr Clarke: Although you set targets and the main contractor is paid, the subcontractor is not. Something has to be done about that. Building contractors are going through an horrendous time, and they are scared to get involved with some big contractors because they know that they will not get paid or it will take a long time for them to be paid. There is no protection for small businesses. Although a target is set to pay the main contractor, there is no encouragement or default position for them to pass the payment on to the subcontractors.

Mr Peover: It is not about just the construction side, and it may be useful to say a little about that.

Mr Armstrong: We have produced an approach. We have talked to industry, and it recognises that as a result of where it finds itself, it has returned to subby bashing, if I may use that expression. Some main contractors do not treat their subcontractors well. We want back-to-back arrangements in place. The good relationship and partnership working between the main contractor and client needs to go down through the supply chain. A lot of the supply chain is SMEs. The argument that the industry will put forward is the multiplier effect: if you put £1 into the construction industry, you get £2.80 out. That works only when the money goes down the supply chain. If it sits with the main contractor, you do not get that economic benefit.

The process that should be there is that the main contractor needs to sign up to a fair payment charter and we need to make sure that the subcontractor payments are being made. We have a process in CPD to make sure that our project managers do that. We definitely have to get cash flow around the industry.

Mr Clarke: It would be useful, Des, if the system that you have in place was more widely publicised. It is not widely known about by the contractors who are not getting paid, and there is real frustration among those individuals. They are not familiar with the system, who they go to or how they get their payment. I encourage you to publicise that more widely.

I am a wee bit of a sceptic about so-called best value in procurement. For example, an education board has a select list off which contracts are awarded. However, when small schools want to break away from that because they know that a local supplier could provide a service more cheaply, they cannot do that. I gave the Committee the example of a small piece of carpet for a play area at the front of a mobile classroom. That cost £80 from a local supplier and £400 from someone off the select list, but the school was told that it could not break away from the select list.

Mr Armstrong: We have acted to give a bit of flexibility for lower-value items by moving amounts of less than £5,000 outside the full rigour of the procurement process. We encourage public bodies to look first of all at the standard contracts that we have in place to make sure that their item can be provided at a good price.

However, if someone is saying that they are getting charged at that sort of rate, please send those details to me, and I will make sure that we investigate how that has come about. If the contract is wrong, we will modify it the next time it runs out or will change the contract as it sits. We should not be just bound by the fact that we have a process on procurement.

Mr Clarke: The danger, Des, is that the wider population do not understand. I was involved with that case, and the school went to the North Eastern Education and Library Board and was told that if it broke away from the contract, it would have to pay the contractor for lost profit. That was two years ago, but that is the culture in the education board. I am sure that it is the same in other areas. That message has to get out because it may encourage more competitiveness among those who get the contracts, who will also know that there is a bit of flexibility for others to take the contract or the supply of goods off them.

The Deputy Chairperson: Before I bring in Paul, I want to point out that two important issues have emerged in the past few minutes. One is the payment of subcontractors, which was borne out by the collapse of the Patton Group in Ballymena where small subcontractors were put out of business. It would be useful to know what specific plans are in place to ensure that main contractors pay subcontractors. The second point is very interesting, and that is what flexibility is in contracts or should be in contracts to avoid the type of situation that Trevor described in the school where they could not buy the carpet? It has been pointed out to me that there is an existing obligation to pay subcontractors within 30 days.

Mr Girvan: We are trying to get into the detail here. At the end of the day, it is not necessarily to ensure that you are screwing everybody into the ground here, but it is to ensure that we get value for money and proper use of public funds and that we are not wasting money elsewhere. I appreciate that like for like is not included in figure 12, but there are some very clear variations; for example, with manila envelopes. A manila envelope is either a manila envelope or it is not. Are you aware that such variations exist on common goods? Are you aware of variations between tenders?

Mr Peover: We are not necessarily aware of them, because, as Des said, access to the information is not universal. We would be aware of them in our own system. We know the range of prices being paid across our system. As far as possible, we want to have common specifications and, therefore, common prices rather than wide variations, with the only variations existing where there is some good reason for doing something different or buying something slightly different.

Mr Girvan: In Departments, we have COPEs that are supposedly dealing with items such as that. Within those, there is the procurement and logistics service, or PaLS. In one of the health services, they go out monthly to an independent group and do a basket test of commonly used goods. Why is information such as that not shared for best practice among COPEs?

We are trying to work out if this is the right way to do it. Do we have to have a CPD or do we just use good common sense, good practice and proper accounting and let every Department deal with it? If you look at this, it calls into question the necessity for a body to oversee it, if it is not making effective improvements or collaborating and using information. We need to have the statistical information to judge these things, but we do not have it.

Mr Peover: We have some of it. We benchmark on our major items of common spend and try to ensure that we are not paying excessively for the stuff that we are procuring in comparison with Great Britain. There is an issue about the role of CPD and what the mandate is; whether it is a body that oversees procurement across the public sector or whether it is something different. As things stand, and as Des described when the Chairman asked about where we are going in the next six months, the expansion of the engagement of CPD with the education sector and with PaLS will bring a lot more information within our ambit and a lot more scope for further collaboration. So, the answer is that we could do more. We do not have sufficient information. We could have better information, but there will always be variation in the system because the specifications may differ sometimes.

Mr Girvan: What level of expertise does CPD have to do with the specialist type of procurement?

Mr Peover: Quite a lot. As Des said, all his staff, from a fairly junior level upwards, are members of the Chartered Institute of Purchasing and Supply. People go through that system to work in CPD. The point that I made earlier was that, as we increase the spend that we are involved with, we can increasingly specialise in particular areas and develop the category management that Des referred to earlier. That will allow people to specialise in areas of spend and bring greater expertise to procurement in that context. That is an area of development and part of the strategy, which the Deputy Chairman talked about earlier, that we are evolving.

Mr Girvan: Can contracts be written in such a way that there is flexibility to allow further instances of the example that Trevor mentioned earlier? Will there be a loophole — I am not saying a get-out clause — to ensure that, if services with exactly the same specification and detail can be purchased cheaper elsewhere, you have the opportunity to avail yourselves of that?

Mr Peover: I will maybe hand over to Des on that. Whether it is possible to write a contract that allows you to opt out of the £400 carpet and buy the £80 one, I am not sure.

Mr Girvan: Even if it is the same specification?

Mr Armstrong: If you go with a very strong view on collaboration, you need to commit to your demand. Sir Philip Green, for example, is referenced in the report. If you buy 100 million shirts over a certain period, you will get a better price than if you were buying fewer shirts. So there is also an element of having to indicate a certain demand or usage on a contract to draw the best response from the supply chain.

I will outline the fundamentals. First, if there are pricing issues in the system, we need them to be flagged up. There should be a contract manager for every contract, and any instance of our not getting a good deal on the pricing of a contract should be flagged up to him or her. If the whole contract is flawed, we can close it down, but if a particular stream or item of a contract is flawed, that is different. It really depends on the size of the issue, but we should be getting the best price.

Mr Girvan: I appreciate that we should be getting the best price for the quality of the item that we have specified.

My other point is one that Trevor touched on earlier. I know people who will no longer tender for anything whatsoever associated with a public sector contract because of the bureaucracy that they have gone through. One example of such bureaucracy concerns the Department for Regional Development. A contractor nearly lost his house because of what happened. This gentleman, who could have been involved in a significant fencing contract for a major roads project in my area, said that he was not going to bother even tendering for it. He said that, previously, the Department became hung up on a £50 or £60 difference on one item. Over that, DRD tied up a receipt for an invoice that he had submitted for, I think, in excess of £30,000. He said that he knew that he would get the money eventually, but the Department dragged it out, and it took three months for a bureaucrat to decide to sign it off. The Department and the contractor disagreed about the price of a certain item, so he told them to subtract that amount. However, because the item was on the invoice, the Department would not remove it. It said that once on the invoice, the item could not be removed. The invoice was for over £30,000, and he was into the bank for at least that amount, maybe more. He had commitments to make. It took three months to resolve that one £50 variance because of bureaucrats. He will never tender for any public sector contract again. That is just the way it is.

Payment has to be made within 30 days of an invoice being signed off, but there also needs to be a bit of give and take on both sides. People cannot be made to hang on. The very same thing happened with a maintenance group and the Health Department in the Northern Trust. One person, who was supposed to be the clerk of works, decided to go on holiday. He would not sign off on an invoice before he left, and, when he came back, wanted to inspect it. It took him four months to sign it off. When it was signed off, the maintenance group was paid within a very short time, but four months is absolutely crazy. There needs to be a proper link.

The Deputy Chairperson: We need to stop drifting as well.

Mr Peover: I am sure that there are such issues in the system. All that I can say in mitigation is that over 90% of invoices are paid within 10 days. That does not mean that somebody will not go on

holiday, be difficult or whatever. Such instances could and should be escalated to the head of the organisation concerned. People being disadvantaged and having to bear bank charges as a result of delays in payment should not occur. The ombudsman is there for complaints.

Mr Clarke: I feel as though I am repeating myself, but I want to go back to something that I asked earlier. I think that perhaps this is Richard's role, so I maybe accused Des wrongly. Is Constructionline under DFP?

Mr Armstrong: Constructionline is part of our approach to the construction industry.

Mr Clarke: So is it under the CPD?

Mr Armstrong: Yes.

Mr Clarke: What is your opinion of how it conducts its business?

Mr Armstrong: Constructionline has been recognised by the construction industry here as —

Mr Clarke: No, that is not what I am asking you, Des. As someone in central procurement, how do you gauge how it performs?

Mr Armstrong: We use it to lessen the burden of tendering. It provides the financial information that allows us not to ask the contractors to provide us with details of their financial accounts. That system has been used for some time.

Mr Clarke: I gave an example earlier, which I thought related to DFP. I am led to believe that a sample is taken from the Constructionline list but that it does not include all those available to tender for the contract.

Mr Armstrong: That is not a Constructionline issue. That is for whoever is organising the tender process. If they are using a restricted, established or standing list, that is what they are doing. CPD's process is that everything above £30,000 is on the —

Mr Clarke: Does DFP have a say in that, Richard?

Mr Pengelly: Sorry, I am not from DFP.

Mr Clarke: Sorry. I thought that you were.

Mr Pengelly: I am ex-DFP.

Mr Peover: Are you asking whether DFP has a say in the way in which things operate?

Mr Clarke: Yes. Take the trust example that I tried to use earlier. Someone had that contract for many years. There was no guarantee, nor are they automatically entitled to it, but they did not get an opportunity to tender because whoever was controlling the contract took only the first six or eight from the Constructionline list. What is your view in DFP?

Mr Peover: There are different approaches. We expect a properly open and competitive process for significant contracts. Again —

Mr Clarke: That is not happening.

Mr Peover: In the main, it is happening.

Mr Clarke: No.

Mr Peover: There may be areas in which it is not.

Mr Clarke: In the Northern Trust, a large contract for glass and glazing was out to tender. I will use that example because I am aware of it. I certainly would not say that it is competitive tendering if you take only a few people off the list and ask them to submit a price. Surely competitive tendering would mean everyone on the Constructionline list who met the criteria being entitled and invited to bid.

Mr Peover: I need to see the details of that case. I do not know the background, so I cannot really comment on it. In the main, we expect competitive tendering to go through a [*Inaudible.*] and we put information on the social portal.

Mr Clarke: Sorry, you are the permanent secretary for DFP, so you should know that your sponsoring Departments are taking a very small sample from a select list. They are not opening out the process to a complete tender involving those on the Constructionline system.

Mr Peover: Do you know what size the contract was?

Mr Clarke: As it is for the glass and glazing for the entire trust, I imagine that it was quite big.

Mr Peover: I really would need to see the details. I cannot comment without knowing a bit more about the contract.

Mr Clarke: I will forward that through the Committee Clerk to factor it into the report, Chair. If that has been the practice and you, Stephen, were obviously not aware that —

Mr Peover: There are different arrangements. Sometimes, people use approved lists of contractors and so on for procuring smallish contracts.

Mr Clarke: Will that get you best value?

Mr Peover: I do not know; I would need to see the example.

Mr Clarke: No. You said that there are sometimes arrangements whereby you can take from a small, select list.

Mr Peover: It depends on the size of the contract. If you are going out to tender for a smallish contract, there are contract costs involved for everybody in trying to process that. It may be more sensible to compile a framework contract and draw off that for specific projects. There are different ways of doing this, but it largely depends on how complicated, complex and sizeable the contracts are and what the best way of procuring them is.

Mr Clarke: I will give you the details of the example that I mentioned.

Mr Peover: That would be helpful.

Mr Clarke: Will you tell the Committee how you pick them, what factors you take into account, what mechanism you use to decide how few — I do not believe that that is competitive — will be selected?

The Deputy Chairperson: I want to direct a question at Richard, who, I note, mentioned NI Water in glowing terms. That is probably justified, as it is not the same NIW as we knew the last time the PAC discussed it.

Four of your temporary procurement experts left NI Water in December. Will you explain to the Committee how you propose to ensure continuity in how you replace them? What model are you using that could be used by other organisations with a similar problem?

Mr Pengelly: Do you mean qualified staff?

The Deputy Chairperson: Yes.

Mr Pengelly: I do not want to seem overly defensive, but I should say that Northern Ireland Water is an arm's-length body of the Department, so we do not micromanage it.

Northern Ireland Water does not have a mandatory requirement for qualified procurement staff. It has a number of qualified staff, but its focus is much more on experience and ability, particularly the ability to do the job. So it will continue to offer training to its staff to enhance their ability to do the job, and it will continue to support them through the professional exams. Obviously, when a recruitment competition is being run, having a professional qualification is an advantage when there are two people with identical experience, but it is not a mandatory requirement.

I discussed this issue with Northern Ireland Water in the past couple of weeks. I want to return to the issue and take advice from experts such as Des on whether we need to focus on having an absolute minimum number of professionally qualified staff at all times.

The Deputy Chairperson: Despite all the nice things that you have said about NIW, are you aware that contractors still complain about the manner in which they act? Complaints seem to centre on issues such as NIW being familiar with what it has currently and not being willing to look at something else.

Mr Pengelly: I am not familiar with the details of complaints, because none of them have come to me. However, I do not doubt, for one second, that NIW, like any other public authority, receives complaints, and I do not say that to dismiss their validity.

Chair, you said earlier that the important thing on the back of this report is what we do in the next six months as opposed to what we did in the past six months. As a consequence of the work that I have done after receiving this report, a very serious conversation will start with all the COPEs in DRD, and I suspect that it will ripple across the system. There are issues with their accessing CPD central contracts, stopping that and going off to do their own thing because they — in some cases legitimately and in some cases possibly spuriously — identified a specific and unique requirement that required them to do something different. Those are the very sorts of issues that I want to explore in detail over the next six months with NI Water, Translink and the bit of Roads Service that has COPE status.

The Deputy Chairperson: Members, before moving to the final section, I will give you a last opportunity for questions on this section.

Mr Clarke: Chair, Richard told you that Northern Ireland Water is an arm's-length body. However, figure 12, and even the notes relating to it, suggest that arm's-length bodies have the biggest impact on the figures. Given that all arm's-length bodies are so bad at procurement, particularly when you look at the notes on the prices that we talked about earlier, what are you, or whoever is responsible, doing to bring them into the management information systems and into line with everybody else?

Mr Pengelly: I think that what we do will differ for a range of reasons, and Stephen may want to add to the generality. Earlier, I mentioned that the point that Northern Ireland Water and Translink make is that they are not in the Account NI environment and their management information requirements are slightly different. Both chief executives concerned feel that their management information systems are adequate for their needs. Northern Ireland Water has an Oracle e-business solution and is rolling out a procure-to-pay system on top of that.

On the generalities, if we look at figure 12, we see that some of the lowest prices paid were by Northern Ireland Water for 17-inch monitors, and those were secured by an arm's-length body. I do not want to say that one element of very good practice justifies the many examples of not-so-great practice that may lurk beneath the surface.

Mr Clarke: Paragraph 3.25 nearly draws your attention to the fact that a higher proportion of the examples that the Audit Office looked at related to arm's-length bodies. Possibly you are the wrong person to ask, Richard, because you may have given examples of better practice. An awful lot of other arm's-length bodies and quangos on that list come under Stephens' remit. I am more interested in the quangos and arm's-length bodies under Stephen as opposed to some of the bigger ones that you cited, Richard.

Mr Peover: Des made the point earlier that we think that it is inappropriate for people to pay vastly different prices for the same goods. There is no question about that.

Mr Clarke: That is a nice sound bite, Stephen, but what are we doing about arm's-length bodies that basically do what they wish? They are taking money from central government.

Mr Peover: Yes. I go back to the point that Des made earlier. He said that the information in this report, which was gathered specifically for the purposes of this report, is quite difficult to gather. What we would like to do — Des is preparing a business case for it — is to have a system of management information that allows us to access routinely the sort of comparison that we are talking about and be able to mandate the purchase of common goods through a single system on the basis of comply or explain. So, unless you had a reason for not buying off the standard arrangements, you would have to explain why and justify that to your accounting officer. Lots of Departments have arm's-length bodies.

Mr Clarke: I have listened to what Richard said, but Northern Ireland Water and Translink say that they believe that their management processes are effective. I do not mean to be rude, but if you look at the comparison of other Departments and the arm's-length bodies, you see that their management practices cannot be that effective because there is such a variation in prices. Probably a lot more of these will come under you in DFP, Stephen, than under Richard. What are you doing to address that imbalance?

It is OK saying that these things are difficult, but what we really want to know is how we will tie this down. Quite a lot of us, certainly on this side of the room, would like an awful lot of these arm's-length bodies to go. We have created a "quangoland" in Northern Ireland, and this report highlights that even further. There is no control mechanism to bring them back into line with Departments.

Given our financial constraints, DFP is asking all Departments to find efficiencies. We cannot say, on one hand, that the Departments should find efficiencies but that, if you are in "quangoland", you can do what you wish.

Mr Peover: No, I agree.

Mr Clarke: The point is that it looks as though they can continue to do that.

Mr Peover: DFP does not really have any arm's-length bodies of its own —

Mr Clarke: No, but you have the chequebook, Stephen.

Mr Peover: — apart from the Utility Regulator, which we sponsor.

Mr Clarke: You have the chequebook, Stephen.

Mr Peover: We do.

The Deputy Chairperson: Sorry, I know that your Department does not have arm's-length bodies, but you have the pot of money. An enormous amount of public money is poured into NIW, Translink and other arm's-length bodies, and there is a public interest in how you monitor what they do. This morning, we got the news that Translink's pension fund is short by £89 million. Such issues affect not only employees but the general public, who face increased prices, so please do not duck the responsibility.

Mr Peover: That is not what I am doing, Chairman. The point that Richard made is the right one. All accounting officers who have arm's-length bodies under their control should be challenging them to procure in an effective and efficient way. As Richard said, if they have a good reason for doing something differently from the standard, they should explain what that reason is. If they have no good reason, they should be buying into the standard contracts.

Mr Clarke: But the point, Stephen, is that, in terms of what Richard is saying about what their reason is, for a layperson or a member of the public, that is actually not a good reason — just because they believe that they have good management practices in place. There is a bit of protectionism there. They believe that their 19 in monitor is better value than the one by the civil servant who has got one at half the price or one third of the price. There are not enough stringent controls to bring them under control. I am still looking at you, because you are the man —

Mr Peover: I am happy to answer. I think what Richard was saying — excuse me, Richard, if I am misquoting you — was that they believe that they have good management information systems that generate the sort of information that they as an organisation need to manage their business. That is a judgement that they have to make. It is a company. Richard has described how complicated the system it is operating under is, but it is operating as a business. There is a separate issue about common goods and services. To go back to the black pen that Mr Hussey spoke about, if we are all buying black pens, and you want a £20 black pen rather than a 20p black pen, you will have to justify to your accounting officer why you are buying a £20 black pen rather than a 20p one. That is the system we want to set up — comply or explain. That requires us to have the information, and we are deficient in information. We need to strengthen our information systems, but the point of it is to do exactly what you are describing — to be able to ask people why they are paying X when they could be paying half of X or 10% of X, or whatever.

Mr Clarke: How are you doing that now?

Mr Peover: That is the whole point of getting the information up and running.

Mr Clarke: So you are not doing that?

Mr Peover: We are doing it to an extent, but not to the extent that we want to. In the systems that we support I think that is happening reasonably well. We have the figures that Des talked about earlier on the number of contracts we have in place.

The Deputy Chairperson: To move things on, can we tie this down and hear from you specifically what you intend to do.

Mr Peover: Des has described that already, Chairman. We have a meeting of the procurement board tomorrow to look at a model. We will work through the implications of that and bring that partnership arrangement into being with the procurement and logistics service (PALS) and the education system, and we will roll the process out over a period of time.

The Deputy Chairperson: Specific to what Trevor said, do you accept that it is equally important that those arm's-length bodies — some of them with very long arms — are equally accountable for the manner in which they conduct their procurement exercises?

Mr Peover: Yes.

The Deputy Chairperson: Thank you.

Mr McQuillan: I think it goes straight back to the question I was asking about whether you have a strategy or a plan to roll it out. We were told that there is a notion of how we are going to do it, but no strategy or plan. If there was a strategy and a plan then everybody could work to the same plan and know exactly what they were doing, arm's-length bodies and all. Somebody looking in would actually know what they were doing as well.

Mr Peover: We have committed to providing the Committee with an outline of what we intend to do.

The Deputy Chairperson: Colleagues, I want to move on to the section on COPEs. It is you again, Stephen. There are eight centres of procurement expertise. Might there be too many chiefs in the procurement world? Maybe more direction is needed in that area to make the gains and protect front line services. Are there too many chiefs?

Mr Peover: You might say that, Chairman. The policy is that we have CPD and a number of COPEs, which are supposed to have a unique portfolio justifying their existence as COPEs. That does not mean that they only procure unique things. They do other things as well. That is the context within which we operate.

The Deputy Chairperson: As an individual in a position of great power, would you consider making collaboration mandatory and appointing a lead procurement organisation.

Mr Peover: Unfortunately that is not within my gift. That is an Executive decision. The Executive, in a sense, have established the arrangements for procurement within the Northern Ireland context, and it is as described in the document.

The Deputy Chairperson: Would you feel comfortable making such a recommendation to that august body?

Mr Peover: I might be interested in making such a recommendation, but it is a policy decision for the Executive how they want to organise the structure for procurement in Northern Ireland. It is not a matter for civil servants.

Mr Copeland: From listening to all this, it strikes me that you are involved in an evolving process. I am curious to know for how long that has been evolving and why it seemed to start off so bereft of the accounting information and the method of gathering the information that it required. It strikes me that, until you get that, you will not be able to do what you are trying to do.

Mr Peover: Yes; it has been evolving since 2002.

Mr Copeland: That is a very long gestation period.

Mr Peover: It is. I do not want to go back into the history again and annoy the Deputy Chairman further, but there were phases where there was a particular focus on issues. The first phase was bringing the system into being and setting up some of the central policies, the context and the framework. The second phase focused on how we can make procurement savings that would help to offset the pressures on the system. The third phase was the response to the Committee, and now we are moving into —

Mr Copeland: Eleven years.

Mr Peover: It is a big system, spending £2.6 billion and involving 199, or whatever it is, different organisations. I do not want those to sound like excuses, but it is quite complicated to get these systems in place.

Mr Copeland: I do not doubt that it is complicated. What I am driving at is that the things that are hamstringing you now must have been the things that were hamstringing you at the start.

Mr Peover: I am not sure. Improving the professionalisation of procurement; getting policies in place that supported the system; and establishing relationships with COPEs and the Departments — those things have been moving along, I think, quite successfully over the years, and I think that we can point to a track record of some considerable success. I think that we could have done more — there is no point in pretending — on aggregation and collaborative procurement. What we need to do — Mr Clarke made this point earlier — is make sure that that does not have an undue negative impact on small- and medium-sized enterprises in Northern Ireland. We do not want to undermine our own economy by excessive aggregation.

The Deputy Chairperson: That gives me an opportunity to come back in again, if you do not mind, Michael.

Mr Copeland: No; please.

Mr Dallat: The Audit Office established that COPEs procure half of all common goods and services but found only four examples of COPEs co-operation. What measures are in place to ensure that there is a more effective and joined-up approach by COPEs when advising on the procurement of common goods and services?

Mr Peover: I think that that goes back to Richard's earlier point about COPEs buying off collaborative contracts and being mandated to do that, except where they can justify not doing it. There already is a fair bit of procurement of central contracts. The Audit Office report points to a number of specific areas, such as IT services, electricity and fuel, where there are collaborative arrangements, but it could be better.

Mr Pengelly: Sorry, Deputy Chairperson, may I add to that?

Mr Dallat: Yes.

Mr Pengelly: Maybe this is a further confession. We talked about management information and particularly figure 12. I do not think that figure 12 is in any way driven by a paucity of management information. If it is driven by a problem, I think that it is a behavioural problem that arm's-length bodies are not doing the right thing often enough.

On the issue of forcing collaboration, collaboration, as a general direction of travel, is a good thing, but it will not be the right thing to do in every set of circumstances. We talked earlier about the possible implications for SMEs. If we are to share procurement plans, as colleagues in CPD are now helping us to do, and work with each other, I think that, fundamentally, we need to change behaviour more. That is very much an operational issue that I and my colleagues need to address with our centres of procurement expertise. We know that there is scope for more collaboration. Better management information will quantify that precisely, but, at the moment, we know that there is a broad number.

The Deputy Chairperson: Do you agree, Richard, that things have been very sketchy?

Mr Pengelly: I think that they have been sketchy, but bear in mind that COPEs are given COPE status because they have an expertise in their own area. I would not want to underestimate the difficulty of the external challenge.

The Deputy Chairperson: That is a very important point: we do not want to underestimate it. The four examples were worth about £10 million or just over 1% of total annual spend on common goods and services. Surely that suggests that it is very sketchy.

Mr Pengelly: Again, as I tried to point out in one of the examples that I gave earlier — maybe this is the management information point — I think that there is more collaboration happening than is recognised, but our systems do not capture that. I gave the example in my area where some of my COPEs are collaborating with COPEs in GB rather than locally, but they are still getting the advantages and benefits of that. We want to make that a much more systematic approach. We want to mandate people to make that their first port of call. Sorry for the repetition, Chair, but we need people to get back to the idea that there is only black pen and not four types of black pen. Sorry for overplaying the analogy.

The Deputy Chairperson: We must get away from that black pen.

Mr Peover: You asked what I would advise and what the structure for procurement should be.

The Deputy Chairperson: You told us that you will recommend mandatory procurement.

Mr Peover: Right, we have had 11 years of the current structures and the procurement board. It is timely to review the role of the board, which will be discussed tomorrow. It would be helpful to look at how the system as a whole operates because nothing stays static for 10 years or more.

The Deputy Chairperson: We have had a good hearing. There is just one last question: the Audit Office report presents a rich vein of opportunity to save during a period of austerity — the word that we used at the beginning. Members have sought to find an explanation for the lack of progress since 2002. Stephen, will you take this opportunity to stimulate greater collaboration in procurement?

Mr Peover: Yes.

The Deputy Chairperson: That is an honest answer, I hope. Following on from that, when can we expect to see a more ambitious target for savings? We quibbled a little about that at the beginning.

Mr Peover: It depends on whether you regard the target as ambitious. We think that it is realistic and we will look at it again. I urge the Committee to look sceptically at what is being claimed for likely savings at a national UK level. Like yourselves, we are keen to ensure that we spend public money sensibly, within the constraints of support for local businesses.

So, yes, we will look at whether a more stretching target is desirable. However, that is a matter for the procurement board. If the Committee makes recommendations, we will take them to the procurement board for discussion and agreement.

The Deputy Chairperson: One very last word from Trevor.

Mr Girvan: Just a very sceptical word.

Mr Clarke: I was born that way. Figure 5 in the report, "Results from survey questions on collaborative procurement strategies, plans and proposals", does not capture very well how the COPEs and CPD work together. In answer to the question "Do have a procurement business plan?", 17 said "no". In answer to the question "Do you include proposals to collaborate within annual procurement plans?", 12 said "no". There is nothing proactive there. Those survey results are not very encouraging. What is your take on that, Stephen?

Mr Peover: The answer is "no".

Mr Clarke: The answer was "no" to quite a lot of those questions.

Mr Peover: I agree that it would have been better to have had much more positive answers and people having a clearer focus on collaboration.

Mr Clarke: Those people are supposed to have the expertise but do not want to share it.

Mr Peover: That is not quite fair to them. If you look at —

Mr Clarke: If they continually to say "no", that means that they do not want to share.

Mr Peover: Appendix 2 of the report, "Analysis of common goods and services procured by individual COPEs (2010-11)", shows that they are doing more than they give themselves credit for. They are unduly harsh on themselves. They may not have a formally documented strategy —

Mr Girvan: So, they do not know.

Mr Peover: — but they are doing things.

Mr Clarke: The fourth question in figure 5 asks, "Does your efficiency delivery plan include efficiencies from collaborative procurement?", and 11 answer "no". I wish that I had seen that earlier. There is nothing there to cause enthusiasm. That is the 2002 position. We are now in 2013. We are going through a difficult period in Northern Ireland. There are, and have been, opportunities for collaboration but figure 5 clearly does not demonstrate that.

Mr Peover: I think that they undersold themselves, Mr Clarke. Des, you feel the same.

Mr Clarke: Well, you have not sold them either, if have to say, Stephen.

Mr Peover: Appendix 2 shows the sorts of things that they are involved in on a collaborative basis and how much spend is going through collaborative contracts. They have not given themselves credit for what they are doing.

Mr Armstrong: It may be an exercise to look at appendix 2 and indicate to you some of the lines being delivered, fully or in part, by collaborative procurement. For whatever reason, the information was gathered in a way that does not show it in the best light. Some comments in the report on CPD fall to the fact that CPD does not have expenditure. So, if you ask CPD about expenditure, you will get a sad answer.

Mr Clarke: You have just prompted me to ask you something. Figure 12 shows that CPD did not actually hold or supply the information.

Mr Armstrong: It depends what part of CPD you ask. The figures that the Audit Office has used come from our annual spend analysis. We have lots of pricing information.

Mr Clarke: Yes, but that suggests to me that the Audit Office had to get that information from that source as opposed to being offered that information from CPD. It clearly says in figure 12 that the Audit Office was not offered the information from CPD. We are doing a report on procurement. When it comes to confidence, one of the Departments could not furnish the Audit Office with the particular information that it required.

Mr Armstrong: The overall expenditure by category is provided by CPD's policy division. We provided that information. The Audit Office's added value is, I suppose, the analysis around COPEs. We have the high-level category information. Whether or not we have prices against some of the tables we have looked at, we have lots and lots of prices. We get the contracts in. Every contract that comes in has commercial information on it. We are overwhelmed with that type of information. I will hold my hands up. I cannot understand how we got into the situation where the report says that we did not pass on information. We co-operate fully with the Audit Office. If that had not happened —

Mr Clarke: I think if I give you a shovel, you will keep digging. You have just said that you are holding loads of information. Why is the information on pricing not held centrally, whether there are sensitivities around it or not? If you had passed that on to the Audit Office, it could have used that so-called sensitive information. That you cannot put your hand on that suggests to me that there is no central information system in CPD.

Mr Armstrong: That is the bit of work that we have been doing with Account NI.

Mr Clarke: It is disappointing that you have not got that in place, given the role that you play.

Mr Armstrong: The accounting system was only in a state at which we could start to turn it into a procure to pay system about a year and a bit ago. As soon as that became available to us, we worked with Account NI to turn it into the system that we now have in place. Our focus before that — just to dig myself back out of this hole — was that we had been working on the contracting information through the e-sourcing portal. I want to assure the Committee —

Mr Clarke: How long has CPD been in existence?

Mr Armstrong: Since 2002, when the policy came through.

Mr Clarke: Since 2002, until one year ago, by your own admission you still had no system to gather the information as it came in. I think that that is an awful indictment on you in the first instance.

Mr Peover: To be fair to Des, and without wanting to stop him from defending himself, he did mention the point about Account NI. Its availability was not there for a large part of the period between 2002 and 2008 or 2009 when it was fully rolled out. It is still being rolled out, because the Department of Justice is just coming on to it now. That is the first bit. The second is that Account NI covers only about 30% of the spend. Another 70% of the spend goes through the 13 other accounting systems that I mentioned earlier. Capturing that information across 13 accounting systems is going to be a difficult thing for us. To go back to the point I made earlier, I think that the system has sold itself short. Maybe the best thing to do would be to let the Committee have some commentary on appendix 2 so that we can point out the areas where collaboration has been happening, in our view, effectively.

Mr Clarke: You would not be suggesting dressing it up slightly, would you?

Mr Peover: No.

Mr Dallat: I am going to call a halt there. *[Laughter.]* This is not a debating society.

We will now collect the evidence, plus any additional evidence that we may ask you for. It remains for me to thank you, very sincerely, on behalf of my colleagues, for the hearing, which I believe has been very useful and constructive. I thank Hansard for covering the session. You will be pleased to know that we are now going into private session, so you may go.