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Centralisation reforms of public procurement in the Republic of Ireland and Scotland

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This Briefing Paper provides background information to the Public Accounts Committee, ahead of its forthcoming consideration of the Northern Ireland Audit Office's (NIAO's) examination of major capital projects in NI. It begins with a summary of current NI public procurement structures, before reviewing the current arrangements in Republic of Ireland and Scotland. A section on public sector efficiency is also included given the prominence afforded to savings figures in procurement reform publications.

Introduction

This Briefing Paper responds to a request by the Public Accounts Committee (the Committee) for information about public procurement centralisation reforms in the Republic of Ireland and Scotland. These countries were selected on the basis that the Confederation of British Industry (CBI) identifies their respective procurement structures as representing best practice amongst what it has called ‘competitor nations and regions’.¹ In addition, the Paper provides some information about the measurement of efficiencies in the public sector.

It is important for readers to note the significance of European Union (EU) directives and regulations in defining public procurement policy and law in Member States. It therefore is worth noting that following Brexit, United Kingdom (UK) public procurement policies – and the associated legal frameworks – could diverge from prevailing EU legal standards in the area; but that remains to be seen.

This Paper is not concerned with matters related to broader procurement policy and law, so what occurs post-Brexit is not discussed here. Rather, the Paper is simply looking to compare public procurement structures in the two noted countries, following each country’s reform programme to see what can be learned for NI purposes going forward. It is therefore presented as follows:

- Section 1: Background and context
- Section 2: Procurement Centralisation in Republic of Ireland
- Section 3: Procurement Centralisation in Scotland
- Section 4: Public sector efficiencies
- Section 5: Concluding remarks

¹ CBI (2013) Infrastructure – investing for our future, page 14

1. Background and context

NI public procurement has had essentially the same structure since a review initiated by the then Finance Minister in 2001. Since then, there have been a number of reports suggesting some reform of these structures. This section briefly explains NI procurement structures as they stand, before noting some of the recommendations from those reports. This section is intended therefore to help establish important context and give the Committee a further informed baseline on which to build its scrutiny of this issue going forward.

1.1. NI public procurement structures

Following the publication of the Review of Public Procurement² in 2002, NI public procurement has been guided by the procurement policy set by the Procurement Board.

The Procurement Board³

The Finance Minister chairs the Board and membership comprises the Permanent Secretaries of the NI departments. Other members of the Board include seven external advisers, and the Chief Executive of Construction & Procurement Delivery (CPD), a part of the Department of Finance.

Construction & Procurement Delivery⁴

CPD has five divisions:

- Policy & Performance Division;
- Construction Division;
- Health Projects Division;
- Property Services Division; and,
- Supplies & Services Division.

CPD has a composite role comprising a number of elements, including: developing policy and best practice guidance; engaging with the construction industry; providing a project management service to the Department of Health (DoH)'s Arm's Length Bodies (i.e. such as the Health and Social Care Trusts); and, collating and monitoring information on procurement performance across the public sector.

In addition to these roles, in some cases, CPD "*directly procures strategic requirements.*"⁵

² The review document is available at <https://www.finance-ni.gov.uk/articles/review-public-procurement-2002>

³ <https://www.finance-ni.gov.uk/articles/procurement-board-membership-roles-and-responsibilities>

⁴ <https://www.finance-ni.gov.uk/construction-procurement-delivery>

⁵ DoF (2014) [NI Public Procurement Policy](#), page 8

The Strategic Investment Board⁶

The Strategic Investment Board (SIB) has a particular role in producing the Executive's Investment Strategy. It also maintains data on the pipeline of investment projects, and places specialist project management and advisory staff in departments. SIB further has an advisory role to the Executive in relation to:

...planning and prioritising of major investment projects, funding and borrowing and implementation.⁷

Centres of Procurement Expertise⁸

There are a number of centres with specialist procurement expertise across the public sector, including the Roads Service, NI Water, Translink, Health Estates, Procurement and Logistics Service, Education and the Northern Ireland Housing Executive. The 2014 (i.e. the latest available) version of the Procurement Board's NI Public Procurement Policy states that the Executive decided that more integrated procurement would be beneficial, and so:

- *the Procurement Board should establish a Procurement Practitioners Group (PPG) where representatives from the CPD and the CoPEs would meet regularly to inform, test and develop policy and where appropriate, operational issues. This group now has two sub-groups: for supplies and services, and construction works and services;*
- *Departments, their Agencies, NDPBs and public corporations should carry out their procurement activities by means of documented Service Level Agreements with CPD or a relevant CoPE;*
- *CPD and other public sector procurers should continue to access Government Purchasing Service frameworks and contracts, amended where appropriate to reflect local requirements; and,*
- *the competency of CoPEs should be reviewed by the Procurement Board on a periodic basis.⁹*

It is reasonable to assume that the Executive's above-noted decision was in response to one or more of a number of reviews of NI public procurement. A number of these, and some of their recommendations, are highlighted in the following subsection.

⁶ <https://sibni.org/what-we-do/responsibilities/>

⁷ NIAO (2019) [Major Capital Projects](#) page 21

⁸ <https://www.finance-ni.gov.uk/articles/view-procurement-pipeline-information-centres-procurement-expertise>

⁹ DoF (2014) [NI Public Procurement Policy](#), page 9

1.2. Reports and calls for reform

The fundamental structure outlined above has remained in place since the 2002 Review of Public Procurement.¹⁰ However, for quite a long period, there have been reports recommending that elements of NI public procurement are sub-optimal and should be reformed. While some of these recommendations have certainly progressed, the 2019 Northern Ireland Audit Office (NIAO) report *Major Capital Projects* once again drew attention to problems, stating:

A series of reviews of the roles of the Procurement Board, Central Procurement Directorate, the Strategic Investment Board and commissioning entities have highlighted that current commissioning and delivery arrangements in Northern Ireland are not fit for purpose.¹¹

The NIAO report continued:

...there is significant merit in considering how alternative models, resourced with sufficient, highly skilled staff could improve future infrastructure delivery.¹²

These recommendations follow from a high-level review into nine projects that have experienced problems including significant time delays and cost overruns.

Previous NIAO reports

The 2019 Report is not the first time that the NIAO has reviewed NI's public procurement arrangements and found that there are issues to be addressed. The 2012 Report *Collaborative Procurement and Aggregated Demand* found that there was:

...scope for substantial savings to be made through aggregating demand¹³

That same report also found that

Little progress has been made in the area of collaboration policies¹⁴

These statements suggested that more 'joined up' government purchasing was considered to be worth pursuing eight years ago. But in fact, the history of sub-optimal NI public procurement goes back much longer than that.

In its 2005 report *Modernising Construction Procurement in Northern Ireland*, the NIAO found some good projects but noted several reports which had found:

...projects are routinely delivered over budget and behind schedule¹⁵

¹⁰ The review document is available at <https://www.finance-ni.gov.uk/articles/review-public-procurement-2002>

¹¹ NIAO (2019) [Major Capital Projects](#) page 5

¹² NIAO (2019) [Major Capital Projects](#) page 5

¹³ NIAO (2012) [Collaborative Procurement and Aggregated Demand](#) page 3

¹⁴ NIAO (2012) [Collaborative Procurement and Aggregated Demand](#) page 2

¹⁵ NIAO (2005) [Modernising Construction Procurement in Northern Ireland](#) page 6

Viewed against this backdrop, it appears that, while progress may indeed have been made in some aspects of public procurement, there remains a persistent problem of inefficiency and/or ineffectiveness in service delivery. The 2019 Report recommends that:

*...the potential benefits of alternative models are fully explored as a matter of priority.*¹⁶

Committee for Finance and Personnel Inquiry

In its 2010 *Report on the Inquiry into Public Procurement in Northern Ireland* called for

*...for more strategic co-ordination of the public procurement landscape in Northern Ireland to realise efficiencies, not only between central and local government but also in terms of arms-length public bodies.*¹⁷

The Committee for Finance and Personnel further built on this recommendation:

*In calling for a further efficiency drive through collaborative procurement, the Committee emphasises the need for such collaboration to be co-ordinated at a strategic level by the Procurement Board to avoid counterproductive localised efficiencies being pursued which have an adverse effect on the efficiency of the wider public sector and/or are detrimental to the local economy.*¹⁸

The second point is interesting because it highlights a potential risk from co-ordination – that one buyer seeking efficiencies might cause a knock-on inefficiency for another buyer. This issue, and particularly a possible need for caution, is explored in a little more depth in Section 4 of this Paper.

Having noted this possible downside, it is nevertheless worth highlighting that the well-respected Organisation for Economic Cooperation and Development (OECD) has recommended centralisation of aspects of public procurement – see below.

Organisation for economic Cooperation and Development report

In its 2016 report on NI *Implementing Joined-up Governance for a Common Purpose*, the OECD refers to a 2015 ‘Recommendation of the Council on Public Procurement’ that relates to efficiency. The OECD states that the public sector should:

*Develop and use tools to improve procurement procedures, reduce duplication and achieve greater value for money, **including centralised purchasing...*** [emphasis added]¹⁹

¹⁶ NIAO (2019) [Major Capital Projects](#) page 6

¹⁷ CFP (2010) [Report on the Inquiry into Public Procurement in Northern Ireland](#) paragraph 36

¹⁸ CFP (2010) [Report on the Inquiry into Public Procurement in Northern Ireland](#) paragraph 38

¹⁹ OECD [Implementing Joined-up Governance for a Common Purpose](#) page 372

This OECD Recommendation is rather more specific than that made by the NIAO (i.e. to explore alternative models) in its 2019 report; the OECD directly recommends centralisation.²⁰

CBI

In fact, the OECD echoes an earlier recommendation by the CBI. In its 2013 report *Infrastructure – investing for our future*, the CBI called for:

...a new centralised procurement and delivery agency that would develop and deliver infrastructure projects

And:

...bring together existing structures, with appropriate skills for relevant sectors brought in as and when deemed necessary – creating a critical mass of capability.²¹

Collectively then, these various reports point to a need to reform the procurement landscape, including moving towards centralisation. In response to the request from the Public Accounts Committee, the following sections look at relatively recent centralisation reforms in the Republic of Ireland and Scotland. This aims to provide the Committee with some understanding of the issues that have arisen in those jurisdictions.

In the Republic of Ireland, there has been a process of centralisation, with a body called the Office of Government Procurement beginning operations in 2014. In Scotland, there also has been a process of centralisation in public procurement over the last half a decade. The structures in each country are considered in the following sections.

²⁰ OECD [Implementing Joined-up Governance for a Common Purpose](#) page 372

²¹ CBI (2013) *Infrastructure – investing for our future*, page 14

2. Republic of Ireland

Procurement reform in the Republic of Ireland began in 2013 as part of an agenda of wider public service reform. This section looks at available information about reasons for reform, the centralised structures that were established, and the impact of the reforms.

2.1. The case for reform

In 2014, the then Minister for Public Expenditure and Reform explained that is his view:

...the case for change on behalf of the tax-payer is an overwhelming one, with the opportunity to save hundreds of million euros from the State's almost seven billion euro annual spend on goods and services.²²

In other words, the underpinning rationale for reform was to save money. He went on to explain that centralisation would allow a more holistic view of procurement expenditure across the whole of the public sector. A stated benefit was to enabling officials to see:

...what we are spending, with whom and at what price [which provided...] the ability for procurement staff to benchmark prices, to identify and roll-out best practice, to harmonise specifications where possible, to find ways to reduce demand and to drive competition.²³

Aside from value-for-money and efficiency considerations, the creation of the centralised Office of Government Procurement (OGP) was to help overcome increasing complexity in procurement law and practice.²⁴

2.2. Centralisation

The Office of Government Procurement (OGP) is an office of the Department of Public Expenditure and Reform and led by the Government Chief Procurement Officer.

The OGP is intended to:²⁵

- Integrate procurement policy, strategy and operations in one office;
- Strengthen spend analytics and data management; and,
- Secure sustainable savings.

The OGP commenced operations in 2014. Since then it has been:

²² DPER press release, 13 March 2014

²³ DPER press release, 13 March 2014

²⁴ Procurement Reform Board (2018) [Report to the Minister for Public Expenditure and Reform](#) page 5

²⁵ Procurement Reform Board (2018) [Report to the Minister for Public Expenditure and Reform](#) page 9

...actively engaged with directly sourcing goods and services and has been working with the four key sectors (Health, Local Government, Education and Defence).²⁶

The OGP supports technical compliance in procurement by:²⁷

- Setting out overarching policy framework
- Putting in place compliant procurement solutions
- Proactive engagement with sectors
- Communications Strategy
- Guidance and template documentation, information sessions, Category Councils etc

Figure 1 shows the OGP's representation of its functions.

Figure 1: OGP Functions²⁸



The OGP responsibility is to provide 'one voice' to the market. Its establishment meant a shift:

...from decentralised to a centralised model of procurement for sixteen categories of spend. The OGP is responsible for Framework Agreements (FWA) where it is the contracting authority. The OGP facilitates mini-competitions under these FWAs for both central and non-central government. It acts in an advisory role in this respect but the individual contracting authorities are accountable and responsible for the mini-competitions and also bespoke contracts.²⁹

²⁶ Procurement Reform Board (2018) [Report to the Minister for Public Expenditure and Reform](#) page 8

²⁷ OGP Developments in procurement policy, presentation at OGP client conference by Jim Deane, Head of Policy, Dublin 12-13 November 2019

²⁸ <https://eua.eu/component/attachments/attachments.html?task=attachment&id=1275>

²⁹ OGP (2019) [National Public Procurement Policy Framework](#), page 2

From this statement, it is clear that the OGP does not conduct all the public procurement. Another OGP illustration explains the other bodies that have purchasing responsibilities. These are called 'sector sourcing organisations', as shown in Figure 2.

Figure 2: OGP's categories – central government and outside central government³⁰



So, while the OGP is the 'one voice' to the market, there are bodies with legal responsibilities in specialised areas of procurement.

2.3. Impact of reform

As noted above, key objectives of the procurement reform programme was to achieve value for money in the procurement of goods and services *via* the aggregation of requirements. The concept of 'one voice' to the market was designed to reap the benefits of economies of scale and efficiency. So, how successful has this been?

Improving transparency

The OGP has brought greater transparency and clarity to where public money is being spent by gathering detailed data from across the public service. It publishes annual Public Service Spend and Tender Analysis reports. According to the Irish Government's *Final Progress Report on the Public Service Reform Plan 2014-2016*, trends that have emerged from these analyses are:

...a majority of public expenditure on procurement is with small and medium enterprises and with companies based within the State.³¹

Efficiency savings

According to the Irish Government, in the period up to and including 2016:

³⁰ <https://eua.eu/component/attachments/attachments.html?task=attachment&id=1275>

³¹ DPER (2017) [Final Progress Report on the Public Service Reform Plan 2014-2016](#), page 33

*...through their sourcing operations the OGP and its sector partners have enabled savings for the State **in the order of €300 million** since the programme commenced and will continue to achieve value for money into the future.*³² [emphasis added]

This figure was clearly significant at that time. From available information, it has not been possible to find a more up-to-date and verifiable figure. The Committee may wish to note that the annual Irish public procurement spend is over €9 billion.

Section 4 of this Paper presents information about the difficulties of measuring public sector efficiencies. Because of the importance of understanding how savings figures are derived, the Research and Information Service obtained the OGP's *Guidance on Procurement Savings Measurement in the Irish Public Sector*. In the Introduction to the document, the OGP explains the difficulties involved in measuring procurement savings:

*There are challenges that make measuring procurement savings difficult to achieve in practice...**Where purchasing systems are in use in the public service, they do not, in the main, enable the tracking by price and volume that is required to measure actual savings effectively.** As a result, the majority of [Public Sector Bodies] are not in a position to gather and report on either actual baseline procurement expenditure or savings achieved at present.*³³ [emphasis added]

The OGP Guidance, among other things, then explains the difference between monetary and non-monetary procurement savings. The latter include, for example: “Efficiencies gained while not reducing actual costs”, and “Access to subject matter expertise.”³⁴ Such benefits are **not included** in the procurement savings figure, though public sector bodies are encouraged to record them separately.

³² DPER (2017) [Final Progress Report on the Public Service Reform Plan 2014-2016](#), page 33

³³ OGP (2016) *Guidance on Procurement Savings Measurement in the Irish Public Sector*, page 3

³⁴ OGP (2016) *Guidance on Procurement Savings Measurement in the Irish Public Sector*, page 6

3. Scotland

Scottish public procurement accounts for more than £11 billion a year, so it represents a slightly larger market than the Republic of Ireland. The Scottish *Public Procurement Reform Programme* ran from 2006-16.

3.1. The case for reform

In 2006, the *Review of Public Procurement in Scotland: Report and Recommendations* known as ‘the McClelland Report’ paved the way for a decade-long process of reform. In the Ministerial Foreword to the Scottish Government’s 2016 report *The Public Procurement Reform Programme 2006-2016: achievements and impacts* explained:

*In Scotland we use our public procurement to deliver public services for a prosperous, fairer and more sustainable Scotland. Maximising efficiency and collaboration; improving access; embedding a sustainable approach supporting jobs and growth; and delivering benefits and savings all contribute to that dynamic, sustainable and inclusive economy.*³⁵

On this basis, the Scottish reform agenda appears to have been driven by a broader set of motivations, which had been the case in the Republic of Ireland: In addition to the stated aim on efficiency and savings, there were other social objectives, such as ‘fairness’.

The Scottish Government’s *Procurement Strategic Plan (2012-13)* underscores its four main priorities in procurement reform as follows:

- *embedding sustainability in all we do;*
- *improving suppliers’ access to public contracts;*
- *maximising efficiency and collaboration; and,*
- *delivering savings and benefits.*³⁶

Ultimately, the McClelland Report pointed to a range of problems in Scottish public procurement:

*...there are [...], weaknesses in resources, skills, organisation structures and practices which adversely impact upon achievement of minimum standards and obviously do not provide a good foundation for pursuit of Best Value and further cost savings through enhanced performance.*³⁷

³⁵ Scottish Government [The Public Procurement Reform Programme 2006-2016: achievements and impacts](#), page 4

³⁶ Scottish Government (2012) Procurement Strategic Plan, unpublished, cited in Scottish Government (2013) [Public Procurement Reform – a rapid evidence review](#), page 3

³⁷ Scottish Government (2006) [Review of Public Procurement in Scotland: Report and Recommendations](#), page 7

3.2. Centralisation

In the first phase of procurement reform, four Procurement Centres of Expertise (CoEs) were established, charged with promoting collaboration and developing capability. Expenditure on goods and services was categorised at a national, sectoral and local level and programmes of collaboration were developed at the appropriate levels.

There are four Procurement Centres of Expertise in Scotland, which between them, provide support and guidance to all public sector bodies. They are:

- Central Government Procurement;
- Advanced Procurement for Universities and Colleges (APUC);
- NHS National Procurement; and,
- Scotland Excel (local authorities)

The heads of the four Centres of Expertise, along with senior Scottish Government procurement officials, make up the Public Procurement Group (PPG), which sets the direction for public procurement for Scotland.³⁸

The PPG's remit includes setting, owning and reporting against national priorities and milestones; ensuring cross-cutting cooperation is achieved; and, monitoring and managing risks and issues that arise.

It may be of interest to note that Audit Scotland's 2016 report *Major capital investment in councils: follow-up* noted that amongst councils (which spend slightly more than half of Scotland's total capital investment):

*...only just over a third of councils have a long-term capital investment strategy in place and these do not identify opportunities for collaboration with other bodies.*³⁹

At the very least, this single finding suggests the PPG has room for improvement in its achievement of its remit in relation to ensuring there is crosscutting collaboration.

3.3. Impact of reform

The Scottish Government claims significant savings to the public purse through procurement reform.⁴⁰

- *Public Procurement Reform has generated total savings across the programme of almost £2bn.*
- *Collaborative procurement continues to deliver more than £150m in savings per year; over 6% of collaborative spend per year.*

³⁸ <https://www.gov.scot/publications/public-procurement-governance/>

³⁹ Audit Scotland (2016) *Major capital investment in councils: follow-up* page 5

⁴⁰ Scottish Government [The Public Procurement Reform Programme 2006-2016: achievements and impacts](#), page 10

In light of the information presented below in Section 4 of this Paper about the difficulties of measuring public sector efficiencies, RaISe has examined the Scottish Government's publication *Procurement Benefits Reporting Guidance*. In relation to who has responsibility for reporting procurement benefits, the guidance states:

*The judgement of the reporting organisation's procurement lead must determine what should be reported. It is their responsibility to ensure that savings and benefits are calculated on a realistic and prudent basis and are correct and justifiable should the figure ever be subjected to audit.*⁴¹

The guidance goes on to explain how savings must be recorded via the Scottish Procurement Information Hub. It also emphasizes that it is important:

*...that these savings and benefits are reported in a consistent manner across sectors.*⁴²

However, an official from the Scottish Procurement & Property Directorate noted:

*...each sector's use of these processes can be markedly different in terms of the number of savings that are reported within each sector. For example, the NHS in Scotland only report the Benefit/Savings Type, called, "BT1 – direct price based savings".*⁴³

Similar to bodies in the Republic of Ireland, Scottish purchasing bodies are required to record **both cash and non-cash savings**.⁴⁴ The process for forecasting and reporting savings is captured in diagrammatic form, as shown in Figure 3. The guidance allows public bodies to record various categories of savings and benefits, including:

- Direct price-based savings;
- Price versus market savings;
- Process savings through use of collaborative arrangements; and,
- Sustainability based benefits.

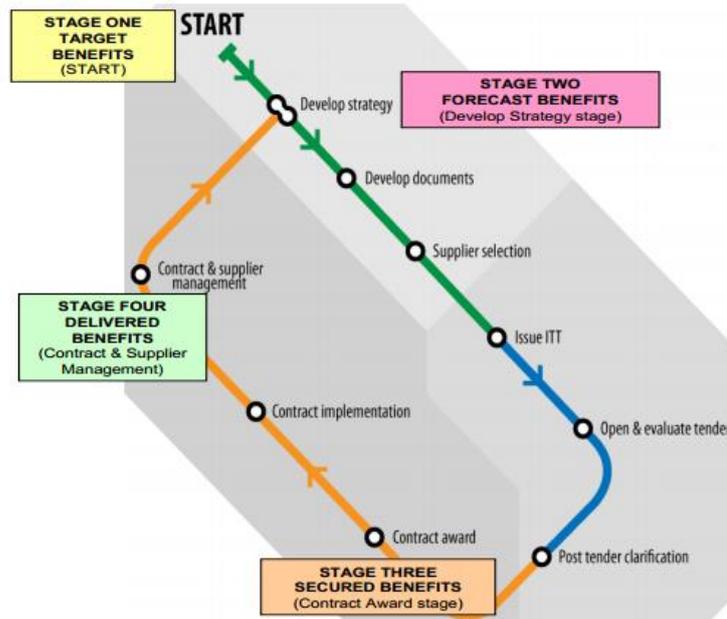
⁴¹ Scottish Government (2019) [Procurement Benefits Reporting Guidance](#), page 4

⁴² <https://www.gov.scot/publications/procurement-benefits-reporting-guidance/>

⁴³ E-mail to RaISe, dated 25 February

⁴⁴ Scottish Government (2019) [Procurement Benefits Reporting Guidance](#), page 4

Figure 3: Benefits Tracking in Scottish public Procurement⁴⁵



⁴⁵ Scottish Government (2019) [Procurement Benefits Reporting Guidance](#), page 6

4. Public sector efficiencies

This section briefly highlights evidence in relation to public sector efficiency and the arguments that support a need for skepticism. Both the Irish and Scottish governments have claimed efficiency savings from their procurement reform programmes. It is very important therefore, to highlight that there is a history of difficulties with such claims. It is also significant in the context of the cautionary note in the 2010 Assembly Committee for Finance and Personnel Report cited above in section 1.2.

At that time, the Committee for Finance and Personnel held a preliminary inquiry into public sector efficiencies. In its report, the Committee noted evidence from an expert witness, Professor Colin Talbot, who explained by example how efficiency claims can be misleading:

I will give some concrete examples of that. Yesterday, I went to my local hospital, and, at the end of the consultation with the registrar, I was handed a sheet of paper with a recommended prescription that I had to take to my doctor. I do not know whether that system is used in Northern Ireland, but it was introduced in England in the 1980s. At that time, the National Audit Office pointed out that the use of that system meant that hospitals had stopped prescribing for outpatients or people who were leaving hospitals. It was an efficiency saving for the hospital, and it was great that hospitals were saving money. The problem was that it the cost National Health Service three times as much to fill a prescription through a local GP and dispense it through a private pharmacist as it did to dispense it from a hospital dispensary. Therefore, three times the expenditure for the NHS as a whole was caused in the name of a localised efficiency saving in hospitals.⁴⁶

Later in his evidence, Professor Talbot highlighted that Her Majesty's Revenue and Customs:

...claimed that it had made £650 million of efficiency savings under [a UK Government efficiency programme]. However, at the same time, it was losing £9 billion through tax credit mistakes — £7 billion in overpayments and £2 billion in underpayments — but no one had included that in the efficiency equation.⁴⁷

This word of caution about efficiency claims is critical when considering proposals to reform public procurement. A common theme in committee scrutiny through the years is that departments often lack robust performance or financial data. Therefore, as the Public Accounts Committee engages with departments in this area

⁴⁶CFP (2010) [Report on the Preliminary Inquiry into Public Sector Efficiencies](#) (paragraph 634)

⁴⁷CFP (2010) [Report on the Preliminary Inquiry into Public Sector Efficiencies](#) (paragraph 636)

going forward, it is critical that some consideration is given to this issue to support the future accountability processes.

The OGP's *Guidance on Procurement Savings Measurement in the Irish Public Sector* requires bodies to measure savings:

*...against a reasonable "baseline cost" that describes the cost that would otherwise have been incurred had deliberate procurement intervention not taken place.*⁴⁸

It is worth considering, however, that part of the background to this Paper is the NIAO's recommendation to explore alternative models for procurement to improve future delivery. The NIAO's findings in its recent report on NI major capital projects found that such projects are frequently subject to cost overruns,⁴⁹ which seems likely to make calculating savings in this way problematic.

If one were to attempt to calculate a future saving delivered by a reformed NI public procurement system, it is implicit that one would first need to estimate the amount by which a project's cost *would have overrun, had the procurement reform not taken place*. In other words, a counterfactual estimate would be required to show by how much a project **did not** overrun in order to record a saving. It is plausibly foreseeable that such an estimate might be unreliable.

Issues for consideration:

- 1. Please detail how the Procurement Board will measure the impact of any future programme to reform the system underpinning NI public procurement?**
- 2. Specifically, what data will relevant bodies collect and report on, to demonstrate that their efficiency claims are robust and do not mask inefficiencies or displaced costs elsewhere in the broader public sector?**

⁴⁸ OGP (2016) *Guidance on Procurement Savings Measurement in the Irish Public Sector*, page 8

⁴⁹ NIAO (2019) [Major Capital Projects](#) page 2

5. Concluding remarks

It was shown in Section 1 of this Paper that issues were raised in reports and evaluations undertaken on NI public procurement over a considerable amount of time. The latest is specifically concerned with large capital projects, which are typically problematic for the public sector internationally, such as HS2 in England, which provides a clear example of escalating costs. The government initially estimated that HS2 would cost £37.5bn in 2009 prices.⁵⁰ A 2019 Review⁵¹ found by HS2's chairman, Allan Cook, suggested that the final costs would be:

...between £72.1 and £78.4bn (in 2015 prices) because ground conditions were "more challenging than predicted" and early estimates were "overly optimistic".⁵²

Based on the information presented throughout this Paper, there does not appear to be radically different governance of public procurement in NI as opposed to the Republic of Ireland and Scotland. Each jurisdiction has a model of a centralised body, with a number of additional sectoral COPEs. In order to understand the differences in more detail, a more focused examination would be required than that provided by the current Paper. For example, such an examination might examine how the collaboration arrangements work, the level of uptake of framework contracts and how effective such arrangements in providing secure procurements that are not overturned by legal action. An appropriate timeframe would need to be provided for such a study, as the research would be dependent on timely receipt of information and data from departments.

This Paper identifies an additional issue of significance, i.e. the measurement and the reporting of procurement benefits. It is evident that the approaches used in the Republic of Ireland and Scotland are imprecise because they rely on estimations and counterfactuals. A consequence of this is that there may be an element of what is known as 'optimism bias' in public sector appraisals. This is where "*project appraisers have the tendency to be over optimistic*"⁵³

It is possible that optimism bias may apply to savings and efficiency calculations, as well as to cost estimations. Because of these issues, if the Committee decides to recommend future reform in this area, it is critical that its recommendation reflects the necessity for robust arrangements to establish baselines, and thereafter to measure and report benefits.

⁵⁰ <https://www.instituteforgovernment.org.uk/explainers/high-speed-2-costs>

⁵¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850408/hs2-chairmans-stocktake.pdf

⁵² <https://www.instituteforgovernment.org.uk/explainers/high-speed-2-costs>

⁵³ <https://www.gov.uk/government/publications/green-book-supplementary-guidance-optimism-bias>