



Northern Ireland  
Assembly

---

**COMMITTEE FOR  
FINANCE AND PERSONNEL**

---

**OFFICIAL REPORT**  
(Hansard)

---

**Inquiry into Public Procurement Policy  
and Practice in Northern Ireland**

14 October 2009

**NORTHERN IRELAND ASSEMBLY**

---

**COMMITTEE FOR  
FINANCE AND PERSONNEL**

---

**Inquiry into Public Procurement Policy  
and Practice in Northern Ireland**

---

14 October 2009

**Members present for all or part of the proceedings:**

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

**Witnesses:**

Mr Derek Alcorn            )  
Ms Anne Graham         ) Social Economy Network  
Ms Marie Marin            )  
  
Mr John McMullan        )  
Sir Nigel Hamilton       ) Bryson Charitable Group  
Mr Brian McGinn         )

**The Chairperson (Ms J McCann):**

I welcome Anne Graham, the director of the Social Economy Network; Derek Alcorn, the chief executive of Citizens Advice, and Marie Marin, the director of Employers For Childcare. I remind everyone that this evidence session is being reported by Hansard. Please make a short presentation, after which members will ask questions.

**Ms Anne Graham (Social Economy Network):**

We intend to focus our presentation on three aspects of the Committee's inquiry: the extent to which Government contracts provide for social clauses; the scope for increasing the capacity of social enterprises to compete for public contracts; and the barriers faced by social enterprises in public procurement processes and procedures. I will provide an overview of the issues that we wish to highlight. Marie and Derek will draw on their experiences to illustrate how those issues impact on the social economy sector.

Many social economy enterprises are experienced in delivering high-quality public services through service level agreements and contracts with Government Departments, their second steps agencies and local councils. We believe that the introduction of the competitive tendering process for such services puts social enterprises at a disadvantage and jeopardises the quality of service provision, because the people who are responsible for drawing up tender specifications often have little or no understanding of what is required beyond the specified expected outputs and monetary aspects of the service or of social enterprises as potential suppliers. The result of that are tender specifications that take no account of expected outcomes, social value or community benefits. If those aspects are not included in the tender specifications, there is no mechanism for scoring them in the assessment process.

We believe that policy direction is needed to clarify which services should or need to go to competitive tendering. The purchasing method should be proportionate to the services, commodities and works required, and the method, and the determination of the method, of purchasing should be made clear to all parties. The Chartered Institute of Public Finance and Accountancy believes that positive steps to create a market can be taken if commissioners are convinced that using the third sector is the best way to deliver some public services and that social enterprises, or voluntary organisations, are able to deliver added value linked to their particular qualities.

Where it is deemed appropriate to purchase services through the public procurement process, all aspects, impacts, costs and benefits of what is required in respect of service delivery should be considered at the initial stage of the process. Purchasers should consult with stakeholders — interest groups, customers or users — to help them understand what is needed before the tender specifications are drawn up. All costs and benefits should be valued in monetary terms where possible. If doing that is impractical or not cost-effective, then the non-monetary costs and

benefits should still be taken into account. The 'Northern Ireland Practical Guide to the Green Book' allows for the consideration of non-monetary impacts, and it impresses the point that they may be crucial to the decisions that are being made. In practice, that does not happen: the emphasis tends to focus narrowly on the specific outputs and monetary aspects of the services required.

Despite the Programme for Government's recognition of the valuable role that public procurement can have in reducing inequalities and promoting social inclusion, social clauses still do not feature in public procurement contracts. The lack of progress in including social clauses is one of the most significant problems facing the development of social enterprises in Northern Ireland. Social enterprises operate in a marketplace that does not recognise or take account of the added value that they create, which puts them at a disadvantage when competing for public sector contracts. According to a Social Economy Scotland briefing:

"The Scottish Government has produced guidance on including social issues in public procurement, including the ability to 'purchase' wider social benefit as part of a procurement. The guidance concludes that it is entirely possible to recognise wider social issues within a procurement process, as long as these are part of the primary purpose of the contract and they are included in the specification."

Pressure on public bodies to secure efficiencies by aggregating contracts discriminates against small businesses, including many social enterprises. Little cognisance is given to the expertise and ability of social enterprises with local knowledge and understanding of needs to best to address those needs in order to deliver services effectively.

It should not always be assumed that larger suppliers offer better value for money. There are many advantages in using smaller enterprises, not least their flexibility and responsiveness to changing needs and their ability to tailor goods and services. In circumstances in which single, large contracts are the preferred option, commissioners should consider asking contractors to open up a percentage of the contract sum to small businesses for subcontracts and to package it in such a way that small businesses can compete for it. That practice is lawful.

Additional barriers or difficulties faced by social enterprises include the emphasis on financial capacity in the pre-qualification process; the use of the same purchasing method or process for a small contract as would be required for multi-million pound contracts; limited use of special contracts; limited use of reservation of contracts for organisations providing supported employment opportunities to people with a disability where appropriate; and inconsistencies in

public procurement practice across councils.

If the goal is, as it should be, to improve and increase the capacity of social enterprises to access the £2 billion public procurement marketplace, it is essential to address the barriers that they face when competing for public contracts. This will be achieved through raising awareness of the social economy sector among public procurement practitioners in central and local government; the inclusion of social clauses in tender specifications as part of the primary purpose of the contract; investment in developing the tendering skills of social enterprises, including the establishment of a public procurement brokerage service for social enterprises; the ongoing collection of data on the number of social enterprises competing for and securing public sector contracts, so that we can see year on year whether the situation is improving; and, to address the inconsistency across councils, a commissioning framework should be developed for adoption by the new councils, as there will be an increased potential for services to be contracted out and an increased opportunity for social enterprises and small and medium-sized enterprises to access that marketplace.

**Mr Derek Alcorn (Social Economy Network):**

Thank you for the opportunity to speak to the Committee. I have brought a full copy of our documentation, which I will not read verbatim but will leave with the Committee Clerk.

I will say a few things in general. Citizens Advice is a very traditional voluntary organisation in many respects, but we have been pushing a social economy model internally as a way of increasing the value and efficiency of what we do. We consider that we are trying to achieve social outcomes through business processes. We have welcomed service level agreements, and so on, from councils. We run about five different contracts from different Government agencies, some of which are based in London, and we set up a trading company to help with that. I see it as a way of trying to modernise the organisation.

The example that I want to give the Committee is our experience of contracting with DETI for money advice between 2006 and 2009. In 2006, DETI advertised a face-to-face tender for money advice, which we were successful in winning. We delivered that service successfully. It was evaluated by KPMG, which was independently commissioned by DETI, and we came out of it very positively. We were awarded a second contract for what is called face-to-face debt advice between 2008 and 2011, and we are delivering that at the moment. In April or May this year,

DETI advertised for a telephone tender for debt advice. In the end, the competition came down to us and a private sector company from England called Action for Employment (A4e). The tender was awarded to A4e because of the criteria that DETI had written into the contract.

First, there was no requirement on the successful supplier to have any experience of giving debt advice in the legal jurisdiction of Northern Ireland. Therefore, a company with absolutely no experience of giving debt advice in Northern Ireland, which has a different legal structure, was awarded the contract and is proceeding to deliver it through its Northern Ireland subsidiary A4e Northern Ireland, which also had no previous experience.

It then emerged that A4e was under investigation for fraud by DWP at the time the contract was awarded, and it remains under investigation. Indeed, there are questions in the Assembly about that. The DETI Minister is recorded as saying in the House that the Department has had no discussions with DWP about that and has taken no action on it. Had there been due diligence by the panel or a pre-qualification questionnaire, A4e would not have been awarded the tender.

About three weeks after the tender was awarded, representatives from the company turned up in my office and asked whether we could help it to deliver the contract. We said no and told them that they were the people with £200,000 in their back pocket and that we would take a subcontract from them. I have not heard from them since.

A4e then promptly recruited one of our staff as a senior manager of the contract, which is an issue of displacement. DETI paid for us to recruit and train that person. It then paid for A4e to recruit the same person and will now pay for us to recruit a replacement.

There is also an issue of business design regarding the contract. In the middle of a recession, the tender document estimated that the telephone debt service would receive 35 calls a week, which is hilarious. The advice sector takes more than 1 million telephone calls a year. Therefore, the business design was totally askew. When we asked where they got the figure from — because one can ask questions in the run up to the submission date — they said that they based it on two organisations in England, neither of which is based here or advertises here.

Understandably, some people can be helped over the phone, but others who have received a big wad of papers or a letter telling them that their homes are about to be repossessed will need to

talk to someone in person. The telephone tender was deliberately designed to separate those two services. Therefore, the business design missed the opportunity of joined-up Government and integrated services.

We believe that business design, the lack of due diligence, changing the commissioning criteria from one tender to the other, audit issues, and the separation of telephone and face-to-face advice prevented DETI from making best use of the public money already being expended. It also failed to optimise the economies of scale and synergies with existing providers by opening up two separate cost centres in Northern Ireland. I mentioned the issue of displacement earlier.

We also have concerns about the panel's marking system. I will not go into those concerns now, but I have detailed them in our document. On some occasions, we got negative comments for allegedly failing to provide information that we had provided. On other occasions, we got negative comments for not providing information that was not asked for. The panel also made comments that were contradicted in other parts of the marking sheet.

In conclusion, because of that and a more recent experience with DETI, against which we have taken out an injunction, we are left without much confidence in the system. Suppliers are entitled to expect Government Departments to exercise due diligence and consistency in their approach to commissioning from one exercise to the next. They are also entitled to expect that panel members are competent in the area for which they are commissioning a service, that they have been trained in commissioning, and that the marks and accompanying remarks should be consistent.

To sum up, we make seven recommendations. There should be a pre-qualification questionnaire and the right of appeal. Panel members should carry out a debriefing session within a pre-determined time, because we are still trying to get a debrief on the telephone tender. CPD should adhere to the 12 procurement principles listed in its website. Training in the commissioning process should be mandatory for all panel members and should be a requirement for membership of a panel. Finally, the issue of CPD commissioning organisations from outside Northern Ireland that have absolutely no experience in Northern Ireland or in the legal framework of Northern Ireland should be taken forward for much further discussion.

**The Chairperson:**

Marie, do you wish to add anything?

**Ms Marie Marin (Social Economy Network):**

I wish to give an example of the experience of Employers for Childcare. Our organisation was developed from a community project 10 years ago. Our aim is to make it easier for parents with dependent children to be able to get into work and stay at work in Northern Ireland. We address childcare as a labour market issue as well as an economic issue. We strive to put childcare on the boardroom agenda and ensure that employers recognise that it should also be their agenda.

Our organisation comprises two separate companies; a campaigning charity and a trading company. One hundred per cent of the profit from the trading company is ploughed into charitable activities to support working parents throughout Northern Ireland. We have a range of services including a free-phone helpline and community outreach. The charitable activities include services that are funded by the Government in England, such as the childcare information service. That is an enormous operation, and it operates throughout the whole of Great Britain. However, there is no equivalent in Northern Ireland, and, therefore, an essential service that helps parents to contribute to Northern Ireland's local economy is provided by a local charity.

I will give members an idea of the scale of that service. We received £2 million over six years from European funds and from the Department for Employment and Learning (DEL). In the past 12 months alone, we helped employers and parents in Northern Ireland to save £4 million. That represents a substantial economic benefit. The social enterprise is the trading company. It has 40 large private sector competitors, all of which are based in England.

There are detailed and specific differences in childcare between Northern Ireland and the rest of the UK. I assert that no English company is interested in knowing about those differences. Therefore, no English company is suitably qualified, or has enough experience, to provide a service that takes those differences into account.

I will relate our experiences with a local university that purports to support the social economy. When it went to tender for services, we had to apply on a level playing field. We were asked to deliver a presentation on what made us different from the competition, so we based our presentation on the fact that we are the only social enterprise group in the UK and the only one in



Northern Ireland. We gave details about what we put back into the community and about the work experience that we provide for the university's students, but we were not even shortlisted. We did not get the contract, which was given to an English company with no experience of Northern Ireland.

Although we won a contract with the Health Service in Northern Ireland, there was a great deal of confusion as to whether the contract was for one hospital trust or another. Also, councils do not act collectively and are able to make decisions on a whim. Even though we had been working with them for many years to provide services for their employees who were parents, the councils decided to go with an English company.

In conclusion, we are not asking for favours because we are a local company. We are asking for recognition that there is local experience available that makes a contribution to the local economy and that that should be written into the social clauses. If private sector companies can demonstrate that they have local experience, that is fair enough; but the decision to use their services must be weighted. That has to be the case, not because we happen to be here, but because we are delivering an effective service for local people.

**The Chairperson:**

Thank you. That was a very good presentation. I invite members to ask questions.

**Ms Purvis:**

I am concerned about some of the issues that have been raised; particularly those raised by Derek Alcorn. The Committee must consider how to take some of those issues forward.

I would like to start with Anne Graham's paper, if I may. She talked about a public procurement brokerage service. We received some evidence from the Ulster Community Investment Trust (UCIT) on its proposal for a brokerage service. How do you see a brokerage service working in the interests of the social economy sector?

**Ms Graham:**

On 13 May 2009, UCIT made a proposal to the Committee for Finance and Personnel for a brokerage service. We are working with UCIT, the School for Social Entrepreneurs in Ireland and the Charity Bank to explore the development of a brokerage service that could build the

capacity of social enterprises so that they are assisted through the process and can secure successful contracts.

**Ms Purvis:**

Would such a brokerage service focus on the ability of social economy enterprises to secure public contracts for themselves? Another aspect of such a brokerage service might allow social economy enterprises to work in partnership with larger contractors to deliver, for instance, the social clause aspects of any future procurement contracts.

**Ms Graham:**

We are in the early stages of discussions about how the initiative would work. Clearly, the goal is for social enterprises to secure public contracts, but not just for the social aspects of such contracts. There is potential for social enterprises to secure subcontracts from larger contractors.

The door is wide open with regard to the potential for social enterprises. It is about building their capacity to secure large contracts, where possible, and subcontracts.

**Ms Purvis:**

There has been an aversion to including social clauses in public procurement contracts. Hopefully, the value that such clauses bring will be drawn out through our inquiry. If that does happen, will more emphasis be placed on social economy enterprises to deliver social clauses through contracts? Will the private sector seek to build relationships with, for instance, community and voluntary organisations to deliver social clauses in contracts? Alternatively, will it be an opportunity for social economy enterprises and the community and voluntary sector to bid for contracts in their own right?

**Ms Graham:**

Social clauses should not be seen as being separate from any main public procurement contract. As stated in the presentation, social clauses should be built in at the outset, and there should be an equal focus on economic and social outcomes. We are not looking for preferential treatment for social enterprises with regard to public procurement; we are looking for a level playing field. If social clauses are included at the outset, social enterprises will be able to compete against private sector organisations, enter into partnerships with them, or come together with other social enterprises and voluntary organisations to make the best possible bids for contracts.

**The Chairperson:**

As part of the inquiry so far, a lot of our talk about social clauses has centred round the benefit that they will have for the regeneration of local communities and the employment of local people. Ms Marin touched on local experience and expertise. Should those be included as part of the social clauses? Social clauses are about not only the regeneration of a local community; they are about looking at the best delivery mechanism that is available for expertise and experience.

**Ms Graham:**

Departments, or councils, who are looking to purchase services should consult with users, clients and organisations with experience of delivering such services, particularly if they have been evaluated and have proved to be effective. Such was the case in the example that Mr Alcorn highlighted. Why ignore that expertise and experience and merely go for something else?

**Mr McLaughlin:**

I am concerned about the significant development that there has been in the social economy sector over the past number of years. Enormous “social capital”, as I call it, has been built up. However, we are in a situation in which, in particular, European peace moneys have started to dry up. I prefer to use the expression “social capital” because it seems to command the attention of those who are spending money and who value money more than the idea of social value. There is probably a challenge on the social economy sector to help CPD and the system understand the enormous resource that has been developed here in the past number of years. There is huge experience, and if one took the time to calculate what it would cost to substitute it, one would see that it would cost a fantastic amount of money.

We have to find some way of helping the people who are administrating the capital investment programme to recognise that they have a quite remarkable resource on their doorstep. I think that they need help to do that. We can complain about this, but in the meantime the sector will shrink and it will begin to lose people. For understandable economic reasons, people with such skills will eventually take them to the marketplace. That would be detrimental. Does the network accept that?

The Committee has heard very convincing evidence for the development of social clauses. I lean in that direction, and have done so for some considerable time. However, an opportunity is

being missed to educate the system in working with this. I do not think the view that importing, hiring in or aggregating contracts is the best way of delivering value for money stacks up, particularly when one asks a challenging question about social value and social capital. We have to find a way of presenting this issue in those terms. We also have to be critical of CPD for its failure to recognise what is happening elsewhere. It is not as though this is a brand new argument. Other economies are already further down this road.

Having said that, we must take due account of the resistance to change. There is a considerable amount of change, and I think that the system is at times under significant pressure, so there may be a need for the sector to take responsibility for changing the paradigm. I think that it can and should. I will ask a question to develop that. Can you enhance the information you are collecting through the directory to reflect people's experience of the procurement process? Can it include the successes and, particularly, the failures, and the reasons for those?

**Ms Marin:**

Of the tendering?

**Mr McLaughlin:**

Yes.

**Ms Graham:**

You are quite right: the sector does have a responsibility to do an awful lot more. We have been engaging with CPD, although progress has been very slow. We could be a bit more innovative in educating the system about social capital. It is extremely important now, in advance of the establishment of the new councils, for us to begin to engage with those councils. That is a huge opportunity that we do not want to miss.

Furthering and developing the information collected through the directory is something that we could consider. There is little enough intelligence on the social economy sector in Northern Ireland. We have already raised the issue with DETI. To strengthen our case, we need to build on that intelligence, so any initiatives that will pull that information together to strengthen the case will be seen as positive.

**Mr McLaughlin:**

Do the special contract arrangements apply to SMEs as well as SEEs?

**Ms Graham:**

The special contract arrangement that I referred to was the offer-back system, whereby if a bid by a supported business falls only on price, the purchaser can ask the business to resubmit its bid without having to indicate the price submitted by the other competitor. That particular clause is very rarely used.

**Mr McLaughlin:**

I appreciate that. I do not know enough about it, and I will seek more information. In your experience, is it possible to argue for a separate criterion reflecting the social inclusion approach of weighting of the social capital that a particular bid would represent?

**Ms Graham:**

In all honesty, I do not know at this stage. That is something that we could look into.

**Mr McLaughlin:**

Will you reflect on that? The Committee will get some information on how the special contract arrangements are designed to work to see if there is anything that it can do. Thank you very much; I have found that very useful.

**Mr Alcorn:**

We have been told that although Departments may want to include weighting for SEEs, it is very difficult to do so under European procurement rules. We have not gone into it very deeply, but although Ministers recognise that SEEs will put the money back into the enterprise, and not take it out as profit, it is actually very difficult to reflect that in the tender document, because of European procurement rules.

**The Chairperson:**

To be fair, we have had some sessions on that matter, and that does not seem to be the case.

**Mr McLaughlin:**

I agree. We are not convinced that that is the case.

**The Chairperson:**

We have been trying to get to the bottom of that, and it is not the case. That is being used as an argument.

**Mr McLaughlin:**

It is orthodoxy rather than requirement.

**Mr Alcorn:**

The other moot point is that if CPD and officials from several Government Departments are preparing a tender, and the lead Department is, for example, DETI, it requires people aside from those in CPD to have some cognisance of the issues. It is a very moot point in that I assume that the commissioning Department has a big, almost unspoken, influence on the tender, weighting and marking. It is not just a question of educating CPD, it is one of educating Government Departments.

That is what happened to Citizens Advice as regards the telephone contract: we went back to the Department and asked whether we had lost the plot. We assumed that we were on a 20-year project to build up the social infrastructure in Northern Ireland. Possibly, from a Civil Service point of view, it looks good, or is trendy, to have more than one supplier — I do not know. Our assumption was that we were on a long-term project to build up the social infrastructure — and that was blown away. It is about getting everyone into that perspective; not just CPD.

**Mr McLaughlin:**

CPD is the gatekeeper. We have to try and exert influence where it will have the most effect.

**Ms Marin:**

In our experience, there does not appear to be any resistance to doing that per se, but there is lack of knowledge and consistency across the different organisations that are putting together the bids and tenders. They would be willing to look at that if they were educated about it and were informed about the social capital, as you referred to.

**Mr McLaughlin:**

The main issue to be addressed is that, if one were to approach the matter on the basis of policy,

one would immediately run up against European labour and competition laws. The way to address it is through the construction of the contract and inserting the clauses at contract level.

**The Chairperson:**

CPD recently stated that most of the social clauses that it felt would be necessary would be in the construction industry. When CPD is talking about social clauses, it is talking about the employment of long-term unemployed apprentices as part of a contract. We are talking about SEEs, SMEs and more service-delivery based organisations. That indicates the need for an opening of minds to take in the broader issues.

**Mr O'Loan:**

Thank you very much for your presentations, which were very good and very useful. You presented a very good case that I share concerning social value and the wider social benefit.

You said that non-monetary costs and benefits should be taken into account. Can you be more specific about the actual process through which that might be done?

**Ms Graham:**

A number of mechanisms around social auditing, social accounting and social return on investment are in use in the voluntary and social economy sectors. In Northern Ireland, NOW has recently set up a new social enterprise called Gauge. It aims to deliver training on the application of social return on investment, which should assist social enterprises to measure the social impact of their activities in financial terms.

**Mr O'Loan:**

Would that have to be recognised by the commissioners?

**Ms Graham:**

Yes; it has gained recognition in England. In fact, the Cabinet Office has invested in a roll out of the delivery of training on social return on investment with a view to it being accepted or, certainly, taken into account in the public procurement process.

**Mr O'Loan:**

From my experience of the social economy sector, I know that there are many things that it can

do very well and can compete on in any marketplace. We are in Bryson House today, and we know about its experience in waste recycling. The Bryson Charitable Group has also won half of the contract for the warm homes scheme across Northern Ireland. Citizens Advice has proved its place in the wider advice network. There is also a lot of work being done in domiciliary health care.

What does the social economy sector do better? Where is it best-placed? You made reference to a phrase in the Scottish guidance about being within the purpose of the contract, which relates to my question. Are there certain contracts that you regard as being better suited to the social economy sector, and could that be written effectively into the purpose of the contract?

**Ms Graham:**

The social economy sector is very diverse, and the business activities in which it is engaged are equally diverse. In Northern Ireland, quite a number of social enterprises are engaged in specific localities, or communities, and deliver, for example, health and social care services in those communities. Similarly, in rural communities, there are examples of social enterprises addressing some of the social issues faced by those communities. However, it is difficult to specify one particular area over another.

**Mr Alcorn:**

I always think that the social economy sector occupies the same space as the Post Office: possibly a bit boring but very trusted and everybody wants one near them. It is an area of the sort in which people come for a service that is essential to them but is not run on a commercial basis — a profit is not being made from them. If a health Minister were to decide that a hospice was needed, he or she would know instinctively that it could not be run by the Civil Service and that the private sector would not generate the range of people in volunteering, the level of donations and so on that the hospice sector generates. That is the space in which the social economy sector sits; it examines some social problems that others do not want to consider.

Through volunteering, and other such leverage mechanisms, the sector can provide much of the face-to-face time that socially vulnerable people require. That is the contribution that it can make. The sector can also make much more hard-headed economic sense if it were to go into the area of economic development, because it can provide labour-intensive services that the private sector would never consider providing. That is particularly relevant in the areas of assisting



pensioners and others in their own homes. Indeed, much of the social research that has been undertaken with respect to the provision of care for elderly or disabled people indicates that the informal care provided by neighbours and families far outweighs the formal care provided by social services. That is well established social research.

**Mr O’Loan:**

I was very interested in the example that you provided with respect to the telephone advice contract. Through your analysis of that example, and the recommendations that you have made you have given the Committee much food for thought. If the sector could provide the Committee with other such examples, that would be very telling. Why did you not legally challenge the loss of the contract or challenge it through the ombudsman?

**Mr Alcorn:**

We were stunned by the loss of that contract, and three weeks ago Citizens Advice took out an injunction against DETI on the basis of similar action that that Department took on another money advice contract. We were not sure of the processes, and I am still trying to get a debrief from the panel.

**Mr O’Loan:**

I find that extraordinary.

**Mr Alcorn:**

I fully intend to go through CPD’s complaints procedure and take the case to the ombudsman if necessary. The problem was that there was no system for challenging the decision to award the contract to another company, because it was a part B contract. Those contracts are generally very soft on procurement, making it very difficult to challenge them in the court. Furthermore, there is no appeal mechanism in CPD, so we had nowhere to go.

**Mr O’Loan:**

That might, in itself, be grounds for a complaint.

**Mr Alcorn:**

Indeed. As a result of another court case, CPD now does not allow a contract out for one week after it has been awarded. That allows it to ascertain whether a justifiable challenge can be made

from any of the other suppliers who bid for the contract. With the other contract, we used that week to bring the matter to our lawyers.

**Mr O'Loan:**

Is the sector a little uncomfortable with the cold wind of competition?

**Mr Alcorn:**

I do not believe that the social economy sector should be awarded all contracts, and I do not believe that there should be no competition. If that were the case, Citizens Advice would not have set up a trading company to bid for contracts. However, we had delivered a contract and had been assessed very positively by an external evaluator. Furthermore, a great deal of hard work and time was involved in carrying out that contract.

Had due diligence been undertaken by the panel, it would have found out that the company that was awarded the contract was under investigation for fraud. Furthermore, DETI changed the commissioning criteria so that a company with absolutely no experience of giving debt advice in Northern Ireland was allowed to take that contract.

Debt advice can become technical when people in debt end up in court and are facing repossessions and Individual Voluntary Arrangements (IVAs). Therefore, I cannot understand what DETI was thinking about when it awarded that contract to a company with no knowledge of those matters and which then proceeded to recruit our staff. I can only think that DETI perhaps wanted another supplier or felt that Citizens Advice had won enough contracts, and I can see that argument. However, contracts cannot be awarded on that basis. They must be awarded on the basis of whether the chosen suppliers provide the best value and the best service to the community. Was it another supplier's turn or was there a need for a diverse range of suppliers for a given contract? I do not know, because I have not been able to speak to officials from the Department.

**Mr O'Loan:**

Perhaps that procurement process and specification were not well managed?

We live in a small, inward-looking world in Northern Ireland, and the idea of opening ourselves up is challenging. We have seen that in the business world, where sometimes

companies are forced to partner with others and in that partnership they win business elsewhere. The basic idea of opening ourselves to operators from the South of Ireland and elsewhere is potentially healthy.

You spoke of an incomer poaching one of your members of staff. I am inclined to say that that is the real world and that it happens in the private sector all over the world. To me, that is not really a ground for complaint. There may well be valid justifications for criticism across a whole range of things, but I applaud the basic idea of opening up contracts to others. However, it has to be done on a sound basis.

**Mr Alcorn:**

It takes us back to whether we want a mixed provision in the economy regarding social issues and the social economy from the private and voluntary sector. If someone would state that clearly, it would be fine; but no one has done that, and we made the assumption that we were on a long-term project to build up the social infrastructure. There is a lack of any clear commissioning framework.

The commissioning framework for the new councils now comes into focus as being extremely important, and it requires to be considered carefully. At one of our meetings, a speaker from the DOE said he thought that there was merit in shared services and that the 11 councils could undertake to commission as a single unit, rather than doing it 11 times. I do not know whether that will happen.

However, I have no confidence now in the integrity of CPD's procedures. That has come from the marking comments, the changes in the criteria and the failure to ensure due diligence. If laxity spills into councils' procedures, it could wipe out the voluntary sector, or, people will give contracts to bodies just because they are new and for no other reason. The whole district council commissioning framework after RPA comes into focus as a very important area.

**Mr F McCann:**

Much of what I was going to ask about has been dealt with already. However, I want to ask two questions and make some comments. Mitchell touched on the shrinkage in the social economy within the broader community. That has begun and it poses difficulties.

The value of the social economy sector has never been examined to any significant extent. Many Government Departments look on the sector as an old faithful that will always be there. One morning, they may wake up and find that most of has gone. Only then will they realise the cost of putting it back together.

In most meetings with CPD, we have asked about social clauses and how they are dealt with. Is the Department afraid to push the boat out with respect to how social clauses in contracts are delivered? Are there any Government agencies or councils that stand out in how they promote social clauses in their tenders or contracts?

**Ms Marin:**

As regards the first question, I am not sure. However, as regards the second, our experience is that added value was written into the tender that the Civil Service issued. That specifically allowed organisations that competed for the tender to justify the added value that they were offering. Although it was not called a social clause; in effect, that is what it was. From feedback, I know that that is what swung the tender for us. Other public sector organisations followed suit. It enabled us to show the difference between a local social enterprise here and a private sector company in England. Is that helpful in answering your second question? Anne might be able to answer the first one.

**Ms Graham:**

The evidence suggests that CPD is reluctant to go down that road. I do not know why that is the case. Perhaps it is a fear of further litigation from private companies or just a lack of understanding about the broadness of social clauses and the best and most effective way to include them in tender specifications.

**Mr F McCann:**

I asked the question because several times I have raised the issue in Committee of design and build contracts being stopped here because of a case in Europe. We were told that there are strict guidelines on design and build contracts here and that they cannot go ahead. However, I have heard recently that some housing authorities in England have tested the waters by using design and build contracts. Departments here are putting up serious resistance to moving ahead with design and build contracts, and a substantial sector of the construction industry is being hampered because of that attitude.

**Ms Marin:**

My experience since the mid-2005 and 2006 is that there has been a lack of consistency and a general misunderstanding among not just DFP but different Departments, public sector organisations, and those who write the tenders as to what exactly they are able to include.

You commented earlier on the capital available in the community and voluntary sector. We are very aware that given the depletion of European funding, community and voluntary sector organisations, which are at the grass roots of the community, as Derek said, now have to submit competitive bids for service level agreement tenders, despite the fact that they might not be as well versed in that as their private sector competitors. Therefore, there is an onus on us as a sector to ensure that we are as professional as the private sector companies that are applying for those types of tenders.

**Mr F McCann:**

I do not think that councils and Departments view what has been set up in the broad social economy as a threat. However, I think that they are concerned about the revenue trail that it may leave after European money disappears.

**The Chairperson:**

You said that social economy enterprises on their own may be weak with respect to their ability to bid for contracts. Last year, Capita Group, which I think is located just around the corner from here, told the Committee that it and the Ashton centre, which is a social enterprise in north Belfast, had submitted a joint bid. I know that the profits generated by the social economy go back into regenerating the local community. Would partnering with the private sector dilute your ethos? Do you foresee problems in going down that line in trying to secure Government contracts? If Employers for Childcare were to enter into a partnership with a private childcare firm, would there be any problems?

**Ms Marin:**

It would depend on how each organisation's constitution is written, and what is in their memorandums and articles of association. It would not be possible for Employers for Childcare to do so because of our constitution: one hundred per cent of our profit must go to charitable activities.

It would be an individual matter for the legal constitution of each company.

**Mr Alcorn:**

It is quite possible.

**Mr F McCann:**

I have raised this point previously, and I do not know where it fits in with what Derek has said. I am concerned that major companies seem to have the capacity and wherewithal to apply for tenders, but then subcontract, top-slicing the profit. Is there any evidence that that has taken place?

**Mr Alcorn:**

I think that that is A4e's business model. Looking at its website, one will see that it is a very big enterprise. It is now taking contracts in Europe and Australia. A4e top-slices and subcontracts. It did so in Derry and the decision was reversed. To pick up the point that Declan made; if A4e has to recruit from our organisation, then I do not think that it had the skills to deliver the contract in the first place. It is a chicken-and-egg situation. That is certainly the model that A4e uses.

**Mr F McCann:**

It survives on the 15% or 20% that it takes off the contract.

**Mr S Hamilton:**

The discussion has been very useful. I will pick up on a point that Derek made about local council procurement. Although I understand the point, I am struggling to have any sympathy with it. We have sympathy with the general points about encouraging the social economy; we see the benefit that that has for local companies. However, as a Committee with a scrutiny role over a Department that has a tightening budget and is facing increasingly challenging economic times, we are charged with the whole idea of smarter and cheaper procurement.

RPA, and local government reform in particular, appear to suggest that savings through council amalgamations will be minimal and that the real savings will be made through the centralisation of services; one aspect of which is procurement. The strong argument is that it is daft that 26 councils are not smartly procuring everything from IT to plant and machinery. There are huge economies to be made that will be passed on to ratepayers; the ordinary people in

Northern Ireland.

If local government carries out central procurement, and this is seen in central government when contracts are bundled or if they are huge; it is very difficult for small SEEs to get involved. Surely, there is still scope within that type of procurement for SEEs to become involved. Is there scope, and if so, how could it be broadened? Could it be done through some of the measures that you have mentioned; for instance, contracts including certain clauses? Is that the way to ensure that, even if the model of procurement is changing and getting bigger, there is still scope for the social economy to benefit?

**Mr Alcorn:**

My point about the procurement process for councils is that, whether there is one procurement exercise or 11, the process has to have integrity and people have to exercise due diligence. As far as we are concerned, all of those elements are missing at the moment.

The broader point is that we have spent 35 years building up the infrastructure of Citizens Advice. We give advice free at the point of use. In Hull, we have lost £600,000 to A4e on a legal service contract. There is a philosophical point also. Should that type of service be delivered by a company with a private sector profit motive or should it be delivered on a social-economy, social-value basis? There are philosophical differences.

I emphasised the commissioning framework for councils because if that framework is adopted and the process does not have integrity, we will disappear; and we have done a lot of work to get ourselves ready. I gave the example of an occasion when we delivered a contract that was very positively and independently evaluated; but for reasons unknown to us we did not get another contract. We have done a lot of work to get ourselves ready for contracts, but the danger is that the whole voluntary sector infrastructure, or large parts of it, could disappear if procurement is taken forward in the wrong way. The private sector may do the job for a while and then disappear. That is the conundrum. The framework must have pre-qualification questionnaires, integrity and proper training, and it must be very clear about what it is trying to buy.

**Mr Hamilton:**

Are you highlighting a problem with process rather than with the principle of sharing procurement across councils? Perhaps you can see it from our perspective; it is very difficult for

us to say to the ordinary citizen that we have to increase their rates by a certain percentage in order to procure 11 different contracts, when we could have made a substantial saving by procuring one. That is the conundrum. I understand your point, but there is a flipside, in that we could procure in a better and more efficient way, not for Government, but for the people who pay for government.

**Mr Alcorn:**

We do not have a problem with having one procurement exercise across Northern Ireland. We feel that the process needs to be looked at.

**Mr Hamilton:**

That is fine.

**Mr Alcorn:**

The level of understanding of such things among staff of district councils is minimal. Council staff do not think in business terms. Even the service level agreements that we have with councils vary widely, and sometimes we are asked for examples from other councils. Council officers do not necessarily have business heads.

**Mr Hamilton:**

That is an argument for having one procurement exercise with a sound process and including those sorts of principles. I do not think there is a critical mass across 26 councils, or 11, to do what you are talking about in the right and proper way.

**Mr Alcorn:**

All I said was that a DOE official posed that possibility, and it was of interest to us. However, the whole commissioning framework is a matter for the Assembly and is extremely important for councils.

**Mr Hamilton:**

Thank you; that was useful.

**The Chairperson:**

That concludes the questions. Thank you for your presentation: you have given us a lot to think



about. Hopefully, some of you may attend the conference next week; I look forward to seeing you there.

I now welcome Sir Nigel Hamilton, the chairman of the Bryson Charitable Group, John McMullan, the chief executive, and Brian McGinn, the director of finance and corporate services. You are all very welcome. I thank John and his staff, and in particular Chris Anderson, for hosting the Committee today and for making the necessary arrangements. I invite you to make some opening remarks and give a short presentation, and then members will ask questions.

**Sir Nigel Hamilton (Bryson Charitable Group):**

Thank you very much indeed. It is a great pleasure for us in Bryson to welcome you, the members and officials today. I understand that this is the third time that the Committee has met outside of the Assembly but the first time it has met in the premises of a voluntary sector organisation; so we are delighted that you chose to come to Bryson House. The group is quite a famous organisation with an interesting history, which the chief executive will speak more about over lunch. May I also say that it is a fascinating flipside for me, having spent so much of my previous incarnation encouraging devolution, to see democratic accountability in action. I commend you for coming here to take evidence.

**Mr S Hamilton:**

Hopefully, you will be able to say that at the end of the session, and when you have seen the outcome. *[Laughter.]*

**Sir Nigel Hamilton:**

It is fascinating to see it happening. The voluntary sector has been a whole new experience for me.

**Mr McLaughlin:**

Hopefully, we will see it at some stage, too. *[Laughter.]*

**Sir Nigel Hamilton:**

I want to make a few general points before I hand over to my colleagues. The Bryson Charitable Group has existed for 103 years. The reason that we are delighted to give evidence is because, during the previous financial year, we were able to report that we employ more than 600 staff.

That number is now 625. Last year, we had a turnover of over £20 million. In two years' time, turnover will be £30 million. The most impressive part is that 89% of our expenditure comes as a result of procurement with other bodies — third-sector procurement. We believe that we can contribute to that in our four areas of work.

On Bryson Recycling, we have a contract with Arc21, which represents 11 councils, and I was interested in the comments that were made a few moments ago. On energy, we have procurement contracts with DSD through the Housing Executive. On social care, we have contracts with a number of healthcare trusts. On training, we have contracts with DEL. Therefore, we come to the table with experience that we believe will be of interest and value to the Committee.

We also regard ourselves as a leading social enterprise. The organisation puts 95p in every pound directly into programme and service delivery. Our business model is very much one of contracts and service delivery. We believe that we bring to the table that social value that you mentioned earlier, as well as considerable reinvestment back into the charitable group of any profits that our trading organisations make. We are happy to develop that further.

I wanted to make those introductory comments. John McMullan, the chief executive, and Brian McGinn, the director of corporate services, have much more direct experience of the procurement exercise. Therefore, I shall hand over to them.

**Mr John McMullan (Bryson Charitable Group):**

We have provided the Committee with a copy of our presentation. I believe that the Committee Clerk has a copy as well. I will push through the presentation because I am conscious of time. It is important that members are able to ask questions.

I will begin my evidence by echoing our chairman's welcome to the Committee. As he said, the Committee's willingness to meet offsite and hear evidence is a clear signal of members' interest and intention to improve public procurement and maximise the benefits to the economy, the taxpayer and Northern Ireland society in general.

Bryson, like other organisations, wants to draw the Committee's attention to the importance of social enterprise to the local economy and the significant potential for it to provide greater value for money and, indeed, best value in the delivery of a broad range of public services.

It is frequently assumed that social enterprise is a recent phenomenon, which is only now coming to Government's attention. That is far from the case. Enterprise with a social purpose or objectives has been around longer than Bryson, which was founded, as the chairman said, in 1906. Much of what we now consider to be commonplace in society — hospitals, schools, a many other institutions — were developed from enterprising social action.

For example, in Belfast, the delivery of clean drinking water to the city was a result of Belfast Charitable Society raising public funds for its installation. Volunteerism and, indeed, enterprising volunteerism has been at the heart of social change on the island, and throughout these islands, for hundreds of years.

If you look at Bryson's pedigree during the past 100 years, you will see that it is littered with enterprise that is designed to support and encourage Government to evolve policy and service provision that best meets the needs of society, particularly for people who suffer the greatest levels of deprivation.

For example, during the 1920s and 1930s, Bryson, using donated funds, built model homes in Belfast in order to demonstrate to the Belfast Corporation, which was then responsible for social housing provision, what quality housing should have: electric lighting; hot running water; inside toilets; and front and back gardens in order to encourage people to grow vegetables, which are all commonplace in modern housing stock.

Those homes were rented to tenants, with rents being set based on tenants' ability to pay. That was a modern concept, which was well ahead of its time. The rent revenues contributed to the upkeep of those properties, with profits funding the charity's work. That is social enterprise.

Bryson's rich heritage is littered with similar examples. In the 1930s, it piloted the development of the poor man's lawyer scheme, a precursor to free legal aid and advice; in the 1940s, it developed and privately funded the citizens advice bureau network in Northern Ireland. It was good to have Derek Alcorn here; the beginnings of his organisation are in Bedford Street. In the 1960s, Bryson developed adventure playgrounds and community development support programmes. It was ahead of its time. In the 1970s and 1980s, it developed the first programmes to address fuel poverty in Northern Ireland; and, more recently, such organisations as Home Start,

Extra Care and Victim Support are products of the enterprise that sits within this social-goal-focused organisation.

I do not mention those to suggest that Bryson is different or better; only that the sector, which comprises many other examples, has social enterprise at its heart. It is important that public procurement should create the conditions which support the development of the social economy when, for practical reasons, that can provide better added value than either the public or private sectors.

We explained in our written evidence that we have moved from our initial view that the green book assessment process was an impediment to a view that it provides the opportunity to encourage the development of social enterprise, because the green book process can register and assess a range of benefits delivered, if the need for those benefits is recognised within it. If those who use the process, and those who write specifications for bids that will be assessed by it, are better trained and required to extract maximum value across a fuller range of social priorities, it will be good not only for the economy, but for social enterprise.

It is understandable that there should be purchasing rules and a common purchasing system for Departments in order to ensure that their purchasing is consistent, delivers value for money and treats all prospective suppliers fairly. However, it is our experience that, in practice, other issues can sometimes have a debilitating effect and, in fact, stunt the process; for instance, the desire of people who make purchasing decisions to minimise the risk of being criticised for their actions or decisions. It is our view that the procurement process is designed to procure what can be defended, rather than what is best value.

We all understand the need for probity in procurement and the need to make correct decisions. However, making decisions correctly is not the same as making correct decisions. If that sounds complicated, I apologise. The problem is not the green book assessment process, because all procurement processes should begin with the need to define the objects and constraints — that is point 3 in the green book's 10 key steps. That is at the heart of the public procurement problem. Rather than recognising objects, which are aims, and constraints, which are why people want something, what is wanted is rigidly specified in order to exclude ambiguity and defend eventual decisions. As a result, the opportunity to get best value from the process is missed.

In general, a product or service is bought, not in order to have that product or service, but for the benefits that having it will provide. People do not buy a drill merely to have one, but to be able to put a hole in a wall. If the product or service being purchased is tightly specified, it makes it easy to see whether what is being offered meets that specification. However, it might also mean that an alternative offer, which does not meet the tight specification but which might nevertheless deliver the underlying objective and provide additional benefit, will be rejected.

I will leave it to my colleague Brian McGinn to explain our experiences in procurement, in which we use variant bids to encourage innovative thinking; but I am reminded of one example which, I think, highlights the point well. In 1935, the army and the air force had a common problem — detecting enemy aircraft at a greater distance than the existing searchlights or sound rangers could achieve. Each sought to procure a solution from the scientific establishment, but each viewed the problem in a different way. The army specified searchlights that could be trained on aircraft 10,000 feet higher than was available and sound rangers that could detect aircraft 10 miles further than the current limit. In due course, they got what they asked for — stronger searchlights and better sound rangers. In contrast, the air force defined its objective less tightly, but more accurately. It wanted to detect and track aircraft from as great a distance as possible: the air force got radar.

The point is clear; it does not need to be laboured. We need intelligent procurement processes to secure best value for taxpayers and, within that, a consideration to meet broader ranges of Government objectives through the inclusion of social clauses.

It is understood that Departments purchase goods and services to enable them to achieve their aims and objectives. However, what if, as well as meeting the prime objective, those goods or services could help the Government achieve other objectives, either for the same Department, another Department, or all Departments. The essence of intelligent procurement is that tenderers should look for the widest possible community/social benefits to be taken into consideration, if it can be clearly shown that those benefits assist the Government in meeting one or more of their aims, even if those aims are not the primary subject of the contract in question.

For example, when it comes to spending on infrastructure, we think of roads, schools, hospitals, sewerage works etc. More recently, there has been talk about a green new deal for Northern Ireland. If such a programme were procured by DETI or DSD, it would address the

improvement of energy efficiency of homes; embed generation and fit smarter metering and energy and water saving devices in homes. It would also create substantial local employment, sourcing potential employees from those who are on the unemployment register and contract installers through small local firms, given the nature of the work. It would reduce carbon emissions, enhance security of supply and diminish dependence on fossil fuels while contributing towards eradicating fuel poverty. The challenge that needs to be addressed is the development of a modern, intelligent public procurement process, which seeks to maximise the socio-economic benefits to Northern Ireland.

My final point, before I hand over to Brian, is concerned with procurement being an important tool for stimulating the Northern Ireland economy. Our written submission includes the suggestion that as RPA is designed to deliver leaner government, it must put in place a presumption on Departments and, particularly, on local councils to outsource for service development and provision, using their purchasing power to provide opportunities for all sectors of the economy but, in particular, social enterprise.

We are concerned that the new social economy enterprise strategy, which is under consultation, suggests a substantive role for councils in the development of social enterprise. Our experience suggests that councils are gearing up towards enlarging their staff complement to provide support for the development of social enterprise. Having more staff, more advice and business plan producers misses the point. We are not convinced that councils have the skills or expertise to develop social enterprise. However, they do have spending power. The thrust of the draft strategy should be on the procurement role and procurement skills in local authorities that will enable them to use their spend to create opportunity. That would advantage not only social enterprises but private enterprises and, as such, hold closer to the intention of RPA; having a leaner government looking towards the added value it gets from its spend as a commissioner rather than as a deliverer of services.

In recent years, Bryson has been successful in winning high value contracts through Government procurement processes: for example, DEL's prime contractor award; the warm homes scheme management award, and a significant number of recycling contracts with individual councils and council waste management consortia. Although we have been successful, it has not been easy. Brian will take the Committee through some of the key issues, resulting from our engagement in those procurement processes, which we believe that we should draw to

members' attention.

**Mr Brian McGinn (Bryson Charitable Group):**

Thank you, John.

Bryson has purposefully sought to increase its contractual income to allow it to gain independence; build reserve balance sheet strength; provide for reinvestment in the charity; and allow for long-term planning. To that extent, as our chairman pointed out, approximately 89% of our total income is now contractual, with the remaining 11% coming from grants and donations. 10 years ago, only approximately 40% of our income was from contracts. We have contract periods of one to eight years. Our longer term contracts have been secured through our training company, North City Training, with volumes of approximately £2 million per annum, and through Bryson Recycling, with contract values of around £5.6 million and a further £3.6 million in shared sales. Unfortunately, health trusts, with contract value of approximately £2.7 million, continue to offer contracts of only one year's duration, but we believe and hope that that will soon change.

In the coming year, we expect our contractual income to rise to 95% of total income, as we have been successful in winning the warm homes tender procured by DSD and the Housing Executive. That is a five-year long, £10 million-a-year, contract.

All of the contracts that we have are with some form of government; councils, health trusts, or other governmental Departments. Many have been secured through European journal tender, and it is worth pointing out that we have no fear of that process. We believe that we can work closely in partnership with government bodies while maintaining the contractor relationship to which John has referred.

The best example of that relationship working in practice is the materials recycling facility contract that we won with Arc21. The original tender asked for a price for treatment of mixed waste only, with tonnage volumes from 13 million to 15 million tonnes a year, for a period of either eight or 15 years. Bryson offered the compliant cost bid for each term, as well as four other options along with a 20-year model. That meant that for two bid prices requested, Bryson submitted 20 options. Our variant options introduced a source-separated waste collection into the bid, as well as the option to share risk and profit with the material sales price values.

The successful bid was for eight years, with a potential seven year extension, and included the material sales price share option. That allows the value of material sales to be split 50:50 between Bryson and Arc21, together with our ability to provide high quality output materials and secure long-term price deals from which Bryson and Arc21 have profited immensely in the past three years.

We continue to work in partnership with Arc21, and have recently allowed the contract to expand to include source separated materials, which Arc21 had originally precluded, as well as reducing fines to councils for delivery of contaminated stock. We have similar material sales price share deals in place with councils independently for the collection of materials.

A question was asked by the Chairperson earlier, and it referred to whether social enterprises would partner with other independent and private organisations. To win and raise balance-sheet strength for the recycling contracts, we partnered and created a joint venture with a company from London called Ealing Community Transport, which, at that time, provided recycling and waste management contracts throughout England, Scotland and Wales. It had a turnover approaching £45 million a year, and employed approximately 1,200 staff. The joint venture was created around four years ago; and last year, we bought the 50% share of Bryson Recycling from ECT. That means that Bryson Recycling is now a fully-owned subsidiary of the Bryson Group.

A further example of a partnership that we created that was unfortunately unsuccessful in its bid was a partnership with a company called Morgan Sindall, which again originated in England. It had a £2.5 billion turnover last year, with £62 million pre-tax profit. We created a special purpose vehicle to tender for the in-vessel contract for waste recycling with Arc21. Unfortunately, we went for an extremely advanced technology with a large capital input, but which had the benefits of providing an energy surplus to the grid. We also considered the option of bringing in the surplus landfill burn-off from the current site in the docks area of Belfast.

Government grants were available for the technology that we were looking at, but those were excluded from the bid evaluation. As I said earlier, despite pre-qualifying and getting to the final stages of the bid, we were not successful.

It is also worth noting that although grants have an important role to play, survival on grants



does not allow profits, and, therefore, growth of reserves with associated balance-sheet strength. Although Bryson has been able to grow, with turnover soon to reach more than £30 million and reserves of more than £7 million, others may not be in the same position and may be precluded from bidding for tenders due to size or lack of balance sheet strength. It is important that the Government recognise the contribution that can be made by social enterprises such as Bryson and the added value that can be obtained for local society.

**Mr O’Loan:**

I noted what you said earlier about the green book. Can you compete in an open market?

**Mr McMullan:**

Yes; however whether the whole sector will be able to compete when the system does not measure added value is another matter. Our chairman said clearly that we lock in all our profits. Procurement does not value that: why not? We are better placed to spend your pound, because 95p in every pound goes directly in-service and all our profits go back into developing our work of social value. The Government should take that into account. The private sector can do that if it wants, while continuing to hold its profits, and there is nothing wrong with that. We think that added value should be taken into account.

Brian McGinn made the point that when we pitched for the recycling contracts, we told the procurers that they were [INAUDIBLE DUE TO MOBILE PHONE INTERFERENCE.] We told them that they were doing it the wrong way, that they did not want more bin lorries or wheelie bins and that they needed people to change their behaviour. They did not heed that in their specification. We sold that idea to some councils, and the point that we were making became clear to them, because we knew more about recycling than the procurers.

We showed that source separation provides better quality materials, higher volume and higher participation rates. We said that at the beginning, and it took us a while to show it. That is why we are happy to compete, but we want a level playing field, and we want the process to measure the added value that we bring, because it does not do that at present.

**Mr O’Loan:**

You may have already answered my second question. *[Laughter.]* If you could make one change to the procurement system, what would it be?

**Mr McMullan:**

We need more intelligence in the procurement process. I made the point that from our experience, what is procured is what can be defended but not is necessarily what is best. Procurement professionals need to be pushed to identify how they can amend the programme or use it better. They must train their professionals and the council professionals, because we find that there are significant impediments in talking to procurers at council level, where the process is even less sophisticated. That is interesting, given our view that the CPD process is not all that sophisticated either. There must be improvements in procurement training and development.

**Mr McGinn:**

There is no doubt that CPD has expertise in what it does, but I know that it will bring in consultants to help determine what is needed. Quite often, the people who are already doing the work and carrying out research may be best placed to offer the best solution. We have been made aware by CPD that we may continue to offer a variant bid in tenders, but it will only be judged if the compliant bid actually wins.

**Mr McMullan:**

That is silly.

**Mr McGinn:**

That seems to preclude what could be the best option.

**Mr McLaughlin:**

Thank you very much. It was a very interesting presentation, and has the credibility that arises from the record of Bryson, so it was quite authoritative. I am interested in social clauses, in relation to which you discussed the need for robust academic research. Will you briefly explain that? I understand and support what you are looking for, but will you explain what you have done so far. Have you discussed it with academics or the Department?

**Mr McMullan:**

The Bryson Charitable Group has applied, through the University of Ulster, for what is called the knowledge transfer partnership. For those who may not be aware of it, that involves a university bringing its academic expertise, across the range, to help an organisation become better. When

we have spoken to procurement professionals, they have told us that we need to have robust numbers in relation to the added value that a social enterprise can bring. This will help us, and help the procurement specialists when scoring a particular bid, because all procurement comes down to how many points are awarded for the presentation of a proposal.

We have asked the university to engage in a knowledge transfer partnership with Bryson and measure what we are doing. We can put the university in contact with other social enterprises through the network so that it can test the measurements across the range in order to determine metrics that can be used by procurers when scoring tender bids from organisations such as ours. That application is about to go through. We would like to see the Government stepping up to make a contribution to that knowledge transfer partnership. The charity might be prepared to make a contribution, but Government should be paying for that, because it will benefit government, as well as whatever benefits accrue to the university.

**Mr McLaughlin:**

Have you asked the Department?

**Mr McMullan:**

We asked DETI officials about that possibility, but they seemed somewhat reluctant. We will wait until we have an offer and then suggest that the Government should make a contribution, because the information provided will improve procurement and ensure that the full value of social enterprise is realised.

**Mr McLaughlin:**

Do you have a costed proposition that you could bring to the Department and Committee, or is it too early?

**Mr McMullan:**

We do, and would be happy to share that.

**Sir Nigel Hamilton:**

One of the things that we said earlier is that some of the profits that we make can be reinvested. We are very keen to work in partnership. There is nothing unique or particularly secretive about our proposition: we think it is a very good piece of work that we would happily share with the

Committee and with Government. We are happy to put some of our own charitable money in to do it, but we think it would benefit the whole sector, and perhaps some of your consideration, if we could form a productive partnership.

**Mr McLaughlin:**

I strongly encourage that. I think you would find significant levels of support among the parties as regards the inputs they can make, both by influencing the ministerial tier through their party structures and at Committee level. I have a related question about the development investment idea, which is mentioned in your submission. Has that been discussed, and is it a costed proposition?

**Mr McMullan:**

It is not a costed proposition, but the idea of accessing investment funds that are specific to social enterprise is very attractive.

**Mr McLaughlin:**

The idea of accreditation, etc, enhances the business threshold.

**Mr McMullan:**

We are very clear in that we do not want to be measured as equal to the other players; we want to be better than them. We think that we are better than them. We think that we provide a more rounded and better service.

I do not want to criticise the private sector; it is very good at what it does. Its role in life is to mine for profits and to provide maximum returns for shareholders. However, one characteristic of social enterprise that is not offered by the private sector is focusing on the issue. If the procurement is wrong, we work hard to get it changed to provide a better service and to evolve the service. In organisations, such as Bryson Charitable Group, continuous improvement and excellence is a challenge.

**Mr McLaughlin:**

I do not need to be convinced; I want to know why it is not a costed proposition. It needs to take shape and form, and it needs to pressurise the Department to respond.

**Sir Nigel Hamilton:**

We have been driving forward a number of the issues. I have been on the board for one year, since retirement, and I have been impressed with the activities that Bryson has been undertaking and by the fact that it leads the sector. We are happy to intensify that work.

We are also happy to be benchmarked against other organisations, because we think that that is important for the social enterprise sector. We are not making any claim about who is better, but we have carried out external benchmarking in our staffing, with such initiatives as European Foundation for Quality Management (EFQM) and Investors in People. We are happy to do that as part of a wider procurement exercise with regard to an assessment of our strength. Mr McGinn referred to the strength of the balance sheet, which is important. It is not as though we are talking about an organisation that is here today, gone tomorrow. The other side is our professionalism and expertise in procurement and being compared with other people.

**Mr McMullan:**

We are showing you where the sector can go, if the right conditions are in place. We are more fortunate than some organisations that might come to the table: we have been around a long time; and we have built up a strong balance sheet, which helps us push our way through. Declan O'Loan said that we procured 50% of the warm homes scheme recently. Part of the pre-qualification requirements to be allowed to bid for that was a turnover of £10 million, because the programme was managing £10 million. Why is that required? What you need to be able to show is that your organisation can manage a programme that is worth £10 million.

Other organisations in our sector had the competence to bid for the warm homes scheme. We were approached by one organisation that was excluded, because its turnover was not £10 million, and its competency was not tested, because it did not get that far. The root of solving the situation is to change procurement. That is what the Committee should focus on. It is not a case of merely encouraging the professionals; tell them to find ways to do it and challenge them to do it. That is democracy in action. The competence can be there. It is easy to hide behind a position that one believes to be safe. If procurement is challenged and forced to look at the situation and bring forward proposals for change, that will happen, and some of the clauses that exist to protect the decision, rather than get best value, can be driven out.

**The Chairperson:**

You said that the green book did not need to be amended because you believe that it already allows for non-monetary impacts, such as environmental and social benefits. You went on to mention training and raising awareness among commissioners. I understand why that is important, but how can it be taken forward? Training people and raising awareness are fine, but how will the required outcomes and outputs be achieved if the rules are not amended?

**Mr McMullan:**

We do not think that the rules need to be amended; we think that they need to be clarified and applied. In response to Mr McLaughlin's question, we said that if we give the procurement specialists metrics to score against a source, they might even weight some of them and discover that they are better than the price. That means that when you procure you are getting those services. If I produce a range of social values, it will receive a one, two, three, four or five. At the moment, the box gets ticked but receives no weight or score. If it receives no weight or score then it does not have any impact on the assessment. I do not know whether that is clear.

**The Chairperson:**

Therefore you are talking about scoring. You want the scoring mechanism to be changed.

**Sir Nigel Hamilton:**

Yes. There is a broad phrase to be used here, and it is "corporate social responsibility". I am involved with another organisation, which, when involved with the procurement of physical contracts, encounters a box that has to be ticked and which asks whether the organisation is involved in corporate social responsibility. It is a box-ticking exercise. We are saying that this is a very important area and that if we could produce metrics to score it, through indicative actions and so on, it should be part of the assessment process.

**Ms Purvis:**

As an aside, has Bryson made a submission to the consultation on dormant bank accounts as regards the development investment in SEEs?

**Mr McMullan:**

We have not done so specifically, but the Social Enterprise Network mentioned a working group that was put in place to create a fund and a brokerage system, which is part of a pitch to that

consultation to which we have lent our support. We thought it better to support their submission than say that we wanted it for something that we were going to do. If those resources were available to fund more organisations to help them learn what we have learned — and we are very prepared to share that knowledge — it would help them to come through and grow the network of social enterprises.

**The Chairperson:**

No other members have indicated that they have any further questions, so thank you very much for your presentation and for hosting the meeting.

**Sir Nigel Hamilton:**

We wish you well with your deliberations.

**The Chairperson:**

Hopefully we will see you at the conference next week.