



Committee for Education

OFFICIAL REPORT (Hansard)

Procurement

25 January 2012

NORTHERN IRELAND ASSEMBLY

Committee for Education

Procurement

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Members present for all or part of the proceedings:

Mr Mervyn Storey (Chairperson)
Mr David McNarry (Deputy Chairperson)
Ms Michaela Boyle
Mr Jonathan Craig
Mrs Jo-Anne Dobson
Mrs Brenda Hale
Mr Conall McDevitt
Miss Michelle McIlveen

Witnesses:

Mr Jimmy Stewart	C2K
Mrs Caroline Gillan	Department of Education
Dr Suzanne Kingon	Department of Education

The Chairperson: I welcome to the Committee Mr Jimmy Stewart, director of Classroom 2000 (C2k); Mrs Caroline Gillan, director of procurement and modernisation, and Dr Suzanne Kingon from the procurement modernisation directorate. You are very welcome. Thank you for coming to see us today. With the Committee's approval, I am happy for the research papers presented to us by the Assembly's Research and Information Service (RaISe) to be made available to you as well. Is the Committee happy?

Members indicated assent.

The Chairperson: Caroline, over to you.

Mrs Caroline Gillan (Department of Education): Thanks very much for the opportunity to brief members today on procurement in education. When we last addressed the Committee on procurement in June 2011, gateway reviews had just highlighted a number of concerns about procurement practices in the South Eastern Board, the North Eastern Board and the Western Board. Since that time, a lot of progress has been made. As you will know, the three boards developed comprehensive action plans to address the recommendations in those reviews, and in December, follow-up reviews concluded that each board had enthusiastically taken forward a programme to ensure compliance with good procurement and contracting practice. Members should have copies of those December reports. In essence, the gateway reviews and the December reviews provide assurance that the processes and procedures are either in place and are being followed by the boards or are in the process of being put in place in respect of the procurement and contracting practice.

In respect of our work to establish a centre of procurement expertise (COPE), the Committee will be aware that those original gateway reviews brought the need for procurement reform into sharp focus, and the procurement modernisation directorate was established earlier last year to develop COPE proposals for the sector. In taking forward that work, we recognised that the boards collaborate to procure common goods and major services on a five-board basis, which provides greater leverage to create more value from suppliers. Although those individual procurement teams collaborate well and operate very effectively without really having a central lead and a totally unified approach, more could be done. As you just heard from Caroline, it is clear that the current arrangements for the delivery of goods and services are not capable of gaining COPE accreditation, especially under the new process that is currently being developed, and I will refer to that later.

Our particular project is being taken forward in three phases. First, the identification of functions to be delivered and the scoping of potential options for delivery. Secondly, the development of detailed proposals for the delivery model for procurement and, finally, implementation.

In the first phase, we have analysed the best practice here and in other jurisdictions and have carried out informal engagement with the sector here. That has informed a number of potential models for procurement in education. Included in that, we have looked at structures, governance and accountability and at associated costs for those models. At the same time, I have been part of the COPE re-accreditation subgroup that was established by Central Procurement Directorate (CPD). As the Committee will be aware, last year, the Finance and Personnel Committee found inconsistencies in procurement practice across COPEs and Departments. In response, the procurement board approved a range of proposals from CPD to get greater assurance of best practice. Those proposals include a much more rigorous accreditation process for COPEs. My representation on the group has enabled us to take those new proposals into account when developing our arrangements for the education sector.

The Education and Skills Authority (ESA) has had a tremendous impact on the work that we are doing. We have had to re-visit options for delivery in the context of ESA being operational from 2013. In particular, our COPE project board, which includes the chief executive designate of ESA, is considering the opportunities and challenges associated with either ESA's securing COPE accreditation or utilising an existing COPE while retaining a procurement advisory function team within ESA. We are working closely with the ESA implementation team to ensure that our proposals and implementation plan fully align with the wider proposals for the organisation. ESA, as a single contracting authority for a huge amount of goods and services, presents the opportunity to have a fully unified approach. With the significant size of the procurement spend, there will be an opportunity to maximise economies of scale.

We hope that our proposals will be fully developed in the coming months and that wider engagement with the sector and with the Committee will quickly follow.

Finally, having read some of the transcripts from previous Committee sessions recently, I know that members are concerned about whether the established central contracts are better value for money when compared with purchasing directly from the high street. People have heard from individuals and we have had experiences in government where it appears that an item from a high street retailer can appear less expensive compared with a central contract. The key aspect is to ensure that we are comparing like with like so that we are sure of the best value for money.

When we say compare like with like, we need to take into account the full transactional costs associated with acquiring an item in a particular circumstance. That effectively includes the time taken to search out the item, raise the invoice, pay it, collect the item or have it delivered, and procure any maintenance or follow up that may be required if things go wrong. Often, these transactional costs around purchasing an item are the biggest burden. If a teacher or a member of support staff in a school has to carry out all those steps, then that person's time needs to be taken into account as part of the cost to the school in purchasing the item.

The theory is that an already established contract should be much more straight forward to use. The school should be able to go on to the education and library boards' electronic catalogue (ELBCAT), identify the item and take the normal steps upon which the item will be delivered. That is particularly important when we are talking about IT equipment, because the transactional costs there include

installation, maintenance and getting rid of any old IT equipment. No doubt Jimmy will elaborate on that later if members have specific questions.

Occasionally, single items will be cheaper from the high street than through a contract, but if you compare a basket full of a range of items from a particular contract, the contract itself should work out cheaper overall. For example, if you look at a number of stationery items, the established contract should represent better value for money. However, we recognise that, as members said earlier, the public sector as a whole does not always maximise its buying power, and public bodies often incur unnecessary administrative expense through duplicating procurement activity for similar goods. Indeed, they can pay quite a variety of prices for those goods. We do not always exploit the potential benefits that would come from having fewer contracts with a specific, committed demand.

In light of this, Central Procurement Directorate (CPD) is currently taking forward proposals to look at a more centralised approach to some common goods and services. It is identifying common areas of spend that will be centralised so that mandated Departments and COPEs can use those centralised contracts. That work is in train at the moment.

In conclusion, on the issue of the high street versus the contract, procurement colleagues would say that the only way to get real value for money is if you have aggregated demand and an actual committed demand, which would mean that schools would need to commit to buying from a central contract up front. That would allow those who were procuring the contract to go in hard when bargaining with the suppliers. If there is committed demand, the other advantage is that you can use other forms of procurement such as reverse auctions. That has been shown in other sectors that got really good value for money in driving down prices. Unfortunately, that committed demand does not exist so it is a bit of chicken-and-egg in that schools will no doubt find an occasion when the contracts do not meet their needs. At the same time, however, there needs to be a commitment to move forward together.

On a positive note, I would hope that the work that we are doing to establish the CoPE arrangements will at least provide the structures for a more centralised and cohesive approach, and that we will be much more proactive in joining up all parts of the sector, including schools, so that, together, we will be able to use the bargaining power.

I am happy to take any questions.

The Chairperson: Thank you, Caroline. Maybe we will separate the two issues. We will deal with procurement issues now but we may probably have some separate questions, although they are inter-related with C2K. We will stay on procurement for the minute and maybe ask Jimmy to comment following on from his letter to us, if members are happy with that. It is just to try to keep a delineation between the two issues even though they are inter-related.

Caroline, anybody looking at this from outside would wonder why we have so many organisations doing the same thing. There are education and library boards. I am not even going to go to the Council for the Curriculum, Examinations and Assessment (CCEA) at this minute because something seriously needs to be done by the Department. One paper today states: "CCEA has the largest procurement spend of these organisations, equating to £5.7 million. It is the only arm's-length body outside the ELBs which has a dedicated procurement team led by a professionally qualified procurement officer."

Obviously, that was the same organisation that procured the jet that went to the training session. I say that with tongue in cheek but it is a serious issue. Here you have CPD, now the Department setting up your own directorate, and we have the performance and efficiency delivery unit (PEDU) being critical and the Audit Office being critical. When are we ever going to get one clear and defined process, plan and structure in place that gives confidence to the system that procurement is no longer just being divided up among other organisations?

Mrs Gillan: You are absolutely right. That is what we have found in taking forward our work. It is far too fragmented. Not only do you not get value for money but even the expertise among staff is very dispersed across the organisations. There is then room for error and inefficient behaviour.

In general, the procurement board does feel that there should be fewer CoPEs and more joined-up work between those CoPEs. Certainly, I feel that the proposals we are working on will, I hope, be the solution to that. We have been very conscious of that. In our briefing paper to you we said that the options we are looking at for a CoPE for education is to create a new CoPE within ESA, and that may be one option, or to use the services of a CoPE that is already in the Northern Ireland public sector. ESA would simply have a service legal agreement in place with an existing CoPE to do some portion of its procurement delivery.

I think we are conscious that if we can streamline in general across the public sector, we will. However, ESA is the opportunity to have all the boards coming together into one organisation. By virtue of that, procurement will all come together as well. It will be the single contracting authority.

The Chairperson: Caroline, if that was the case, and if we believed that that was a rationalisation, your own directorate is working up a proposal for looking at ideas. CPD, from what you said, is looking at suggestions and ideas. I have no doubt that those who have a view and vision about what ESA will or will not do will be building some empire for themselves around procurement. You will have DFP involved in it. This is not a political point and I am not having a go at any Minister or any Department, but I have got to the point where I am sick, sore and tired. One organisation that I cannot name has come to me about a procurement issue that will now be referred further, and I am going to take it further, whereby a procurement issue was changed to the extent that the individuals who made the application ended up being involved in a process that cost the Department more than the original agreement to deliver a particular services. I cannot get my head around how a system is allowed to operate in that way. All I want to know is whether the Minister is going to make a definitive decision on getting a central, more streamlined organisation in place or whether he or his Department will be held to CPD or other organisations for procurement.

Mrs Gillan: We are aiming to streamline and have a more coherent structure. Essentially, what we feel about the involvement of CPD or another COPE is that the structure needs to be streamlined into procurement planning in order to have a proper, planned strategy for how procurement is delivered. Included in that are sustainability strategy and social issues, so across the sector, you can look at how best to tackle all of those issues. There is then a procurement delivery element, which is the nuts and bolts of going out and tendering. The question is whether we do that within the sector or whether we engage another COPE simply to do that nuts and bolts bit.

The third wing of it is all the policy and advice-type work, which, at the moment, is pretty inconsistent in the sector. That is where you are looking at all the existing guidance and doing a really good training and education programme for schools and across the sector so that everybody is very clear about what is required of procurement, as well as in engaging with the suppliers. If that much more strategic approach is broken into those different parts, I think that will be the way to go. Our aim is to put proposals to the Minister and then go out and engage with stakeholders and with you, and hope that that takes us some way to fixing the problem.

The Chairperson: Before I bring other members in, is there any clarity on where we are following the legal challenge to the framework? That was around capital particularly, and it was mentioned in annexe B of the paper that we received in November 2011. It said:

"In addition, current arrangements for construction procurement for the education sector have not gained COPE accreditation."

Is that still the case? If it is the case, what have the implications been? Bearing in mind that we have a reduced budget for capital anyway, but where do we sit with the legal challenge in regards to what is already there and what is planned? Has that been resolved? Are we any clearer as to where that process is going to take us in the light of —

Mrs Gillan: That is absolutely right. Construction procurement has never gained COPE accreditation. The COPE accreditation only relates to supplies and services procurement, so, yes, that was a gap in coverage. We have split construction procurement from supplies and services because the solutions and the processes could be slightly different. The construction side needs to be very closely aligned to the Department's overall capital strategy; area planning and things like that. The proposals that we are

coming up with are also proposals to lead to COPE accreditation on the construction side. The challenge to the framework has ended. The framework was unsuccessfully defended by the Department, so any capital procurement major work is being taken forward on an individual basis.

Mr McDevitt: To keep it at a strategic level, Caroline; when you are thinking about the potential best model, whether to have a single COPE in ESA or to piggy-back on a good one that exists already in the public service, you must have a sense now as to the level of inefficiency in the current procurement model. How much money do you think is being lost through inefficiencies because of the way in which things are being done today?

Mrs Gillan: To be honest, I think what we have found and where our work is focused somewhat is around the procedures and practices and whether they are efficient and following good practice. But, of course, that has a knock-on effect on efficiencies and on any potential loss of money, especially if there has not been a collaborative approach and an aggregated demand. I do not want to give you an indicative figure for what is lost.

Mr McDevitt: Let me put it this way: if you were coming back to us and recommending a new model, either, say, that we incorporate it into ESA or that we go with an existing COPE, surely, from your point of view, the only way you can make a business case for doing so is by saying, "This is going to save you x million pounds". So what sort of figure do you have in mind for a world-standard procurement model?

Mrs Gillan: I do not want to be led into something that we have not totally worked out at this point. What we are doing at the moment is an appraisal of the different options. You are absolutely right: part of that obviously involves looking at the costs required to establish either structure and the potential savings that may come from that. We are not fully down that road yet, so we are not able to give you an ideal figure.

Mr McDevitt: Are you running the risk of putting the proverbial cart before the horse? If you come back to us with a really neat governance arrangement that, from a governance point of view, ticks the boxes but that does not stack up in respect of best value, we have a problem.

Mrs Gillan: The work that we are doing will take that into account. We have focused on a number of objectives. Governance is one of those objectives, as is gaining COPE accreditation. However, efficiency and value for money are obviously other objectives. When we carry out an appraisal, all those elements need to be in place.

Mr McDevitt: I am not sure that we are going to get any further on that one. Maybe we will come back to it when that work is complete.

You talked specifically about the question of transactional costs; I was fascinated by that. The rationale in government is that the transactional cost in an aggregated contract is, of course, less than it would be if staff were to randomly buy individual pieces of equipment from the high street or to procure services on an ad hoc or a case-by-case basis. However, that is not always the case, is it? The transactional cost of purchasing a lot of the very routine things, such as the sort of stuff that we mentioned or the proverbial rubber from Tesco that Mr McNarry mentioned on several occasions, would not be higher than it would be in a standard contractual model. In fact, it would probably be cheaper. The delivery cost would probably be higher through the existing contract than it would be to send someone out for 20 minutes to buy a box of those things.

Mrs Gillan: There will always be scenarios where it may be cheaper to do an individual purchase. You have to think about whether a school will do that just once or twice or whether it will have to go out constantly to different individual suppliers in order to get what it needs to meet its stationery requirements. Schools are entitled to use the contract or to not use it. However, I think that they need to bear in mind elements such as staff time and whether they are, indeed, following proper procurement rules. That is obviously not so much of an issue for very low-level purchases. However, if you did a low-level purchase over and over again, that could be aggregated and could then become quite a big contract.

Mr McDevitt: I will end on this: the scenario that you outline is very interesting, because it is quite possible that you could do a low-level purchase on, say, 50 occasions, saving the school quite a lot of money, but in breach of procurement rules.

Dr Suzanne Kingon (Department of Education): CPD and the procurement board now recognise that there needs to be greater flexibility in the procurement regulations. The procurement board has sanctioned new procurement control limits, which will be coming out in the near future. One of the provisions is that procurements under £500 will no longer need to be subject to competition. In respect of the very low-level transactions that you are talking about, that will give the flexibility that schools need.

Mrs Gillan: As Suzanne said, you want flexibility for some of the very low-level ones. However, if schools are purchasing quite a lot of something time and time again and they commit to saying, "This is what we need this year", you will definitely — I am saying "definitely", but I cannot stand over that, because I am not doing the procurement — rather, you should be able to get a really good deal on a contract. The reverse auction option is actually really interesting. I think that some district councils did a reverse auction in the past year on stationery — maybe photocopying paper. They managed to undercut the price substantially. If people can get into that sort of space for some items, it will, I hope, benefit everybody.

Mr McNarry: You are very welcome to the meeting. I wonder whether you can help us to get rid of one issue that was discussed earlier. Do schools use their delegated budget spend for procuring sporting services and facilities?

Mrs Gillan: I would need to double-check that and come back to you; I am not familiar with that matter.

Mr McNarry: When you are checking, can you tell us what the procedure would be if schools wished to go down that route? Are there precedents? How many schools can you identify?

Mrs Gillan: Are you talking about hiring sporting facilities?

Mr McNarry: Yes.

Dr Kingon: We can come back to you on that.

Mr McNarry: Does it fit under the procurement category criteria? It is a spend after all. Is there a cap on it? While you are at it, perhaps we can ask what the schools are allowed to use the fund for.

Mrs Gillan: In what sense?

Mr McNarry: They are not allowed to use it for some things. Annex A states:

"In their delegated budget spend, schools may use the ELB procurement services, or conduct their own arrangements, which should comply with Public Procurement Guidance."

It might be helpful if we knew what schools could and could not use it for. It is obviously there to be used.

I will ask you a couple of specifics. How do you know that you are in the market for competitive purchasing?

Mrs Gillan: In what sense?

Mr McNarry: What expertise exists within the Department with regard to buying in schools?

Mrs Gillan: The Department uses CPD. We certainly do not present ourselves as procurement experts. We are trying to design the structures through which the procurement can be delivered.

Mr McNarry: Would you not need some expertise if you are going to design something?

Mrs Gillan: As I mentioned earlier, we engaged with other Departments and with CPD. Perhaps that is mentioned in our briefing paper. We also engaged informally with the sector. So we have engaged fully with procurement experts.

Mr McNarry: For example, if it is passed down from you to this design, what experts receive it?

Mrs Gillan: Obviously, we will consult with the sector on the potential proposals, which are focused on the structure that ESA presents to us. There is a possible difference between a structure that is set in place to allow COPE accreditation to be achieved and to have a more focused, centralised model and the actual implementation of the procurement. Obviously, that will require the appointment of procurement experts, the identification of a head of procurement and a head of COPE. It would be for them to take delivery forward.

Mr McNarry: Am I OK in assuming that the expertise is there?

Mrs Gillan: The gateway reviews identified that there is expertise in the boards. Over a period, however, that expertise has been depleted because of vacancy control.

Mr McNarry: Are the structures allied to new expertise? The old expertise seems to have failed quite badly. Are the experts who were there, which the critical report is about, not there any more?

Mrs Gillan: The difference is that the reports identified the matters that were failing. However, it is encouraging that, in response, the boards put action plans in place, and the December reviews clearly stated that, where failings had previously existed, senior management —

Mr McNarry: So they knew that they were doing something wrong and just had to be nudged and told to put it right. Is that what you are saying?

Mrs Gillan: A third-party examination of how work is conducted is always helpful. That may find that work is not being done in an appropriate way, which is obviously what happened. The gateway reviews gave us a good baseline analysis of what was happening, and appropriate action was taken. Following the December reviews, we wanted to ensure that the boards were not simply producing action plans but that action plans were being produced and implemented.

Mr McNarry: Do we need to go to the boards, or can you give me, or come back and give us, a list of the experts who are in post now and their qualifications?

Mrs Gillan: We do not have that information at hand. We would have to go to the boards to get information from them on the number and qualifications of their staff.

Mr McNarry: Would you do that? It would be very helpful for us to have that information. The reason I ask is because, some time ago, in the Finance Committee, I asked how many qualified accountants there were in the Department of Finance and Personnel, and the answer was that there was only one. I am glad to say that that has all changed since I asked that question. However, it was quite revealing. Therefore, I am always anxious to drill down into the issue of experts. Sometimes, it would have been better to have asked the person who does the weekly shopping to go and buy things for this Department rather than some of the so-called experts.

Mrs Gillan: The new COPE accreditation requirements are important. They recognise that, to get accreditation, a suitable number of professionals need to be involved in the procurement process —

Mr McNarry: I know that.

Mrs Gillan: — which is encouraging.

It is also encouraging — members may be aware of this — that the South Eastern Board and the North Eastern Board have jointly appointed a head of strategic procurement. I understand that the Western Board is looking at appointing a head of procurement.

Mr McNarry: I understand all that. However, I am not clear — that means that I am not convinced — that we actually have people in place who know the market. Anybody can spend money, but we need people who know the market and, therefore, know what they are going after. I hope that there is an end to that regime, but I think that the criticism has been a soft touch.

Mrs Gillan: If we get a more centralised approach, bringing staff together would mean that we could create a mass of people —

Mr McNarry: I am not too sure what a centralised approach will do. If you bring a whole lot of idiots together, you will end up with idiots.

Mrs Gillan: We have a critical mass of expertise. You will obviously have views on the levels of that expertise, but that, inevitably, helps.

Dr Kingon: We are aware that there is a shortage of professionally qualified staff throughout the education sector in supplies and services and in construction.

Mr McNarry: Could you repeat that? You are aware of that?

Dr Kingon: We are aware that there is a shortage of professionally qualified staff. In taking forward the options for delivery, we are looking at providing a critical mass of professionally qualified staff.

Mr McNarry: So you might recommend that professionally qualified staff be employed where they are not employed, on the admission that they are not employed.

Dr Kingon: Sorry; I do not quite follow you there.

Mr McNarry: You have just said that you are aware that there are not sufficiently qualified staff. I think, then, that you are also telling me that you are about to recommend that qualified staff are put in place.

Mrs Gillan: We are working that factor into our appraisals as to the right option for going forward. Some of the options will require recruitment; other options may not require recruitment but may require taking expertise from elsewhere.

Mr McNarry: I have one final question. I picked up on what you said about splitting construction. I am going to ask the same type of question. Who are the experts available to you in construction?

Dr Kingon: What we mean by "splitting" is that we have looked at the options for future delivery in supplies and services and in construction separately to try to get the best solution for each. With construction, there is currently professional expertise throughout the system, with property services staff in the boards and the building advisory branch in the Department, which is utilised from CPD. So there is expertise there as we go forward. Those people will feed into the centralised arrangements for COPE.

Mr McNarry: Are you satisfied that the expertise is there?

Dr Kingon: We are satisfied that expertise is there, but we are looking at the critical mass.

Mr McNarry: Does that mean that you will be looking at the fact that over £340 million is outstanding on maintenance in the Department and that some expertise is required to address that. Setting aside the money, I know that the money is difficult.

Mrs Gillan: We have to think of the task in hand that needs to be taken forward. The issue of outstanding maintenance is perhaps a separate issue to the one on which we are focusing today.

Mr McNarry: Good luck.

Mrs Gillan: Thank you.

The Chairperson: Following on from that, I know that the system is good at establishing groups, subgroups, subgroups of subgroups and all sorts of things. I notice that a COPE re-accreditation subgroup has been established, chaired by CPD. It has taken PRINCE2 as its methodology. Will someone enlighten me as to what PRINCE2 methodology is?

Mrs Gillan: The COPE re-accreditation subgroup was not a PRINCE2 one. We have taken PRINCE2 methodology on board in developing our proposals. Suzanne will explain it to you.

The Chairperson: It looks as if we are going to need a doctor to explain this one. *[Laughter.]*

Dr Kingon: PRINCE2 is the standard project management tool that is used in government. PRINCE stands for "project run in a controlled environment", and it is a set of project management tools. It is the system that we are using for our project. The COPE re-accreditation subgroup, as far as I know, is not involved with PRINCE2 in any way, shape or form.

Mrs Gillan: It is a good discipline. We felt that it would be good for us to use a focused delivery model to keep the project moving forward.

The Chairperson: I will be looking for PRINCE2 methodology to be increasingly used by the Department in its policymaking.

Mrs Dobson: Caroline, the report states that the COPE team came up with a number of potential delivery models for procurement services last November. Has the progress on that been slow since 2002?

Mrs Gillan: In coming up with the models?

Mrs Dobson: Yes.

Mrs Gillan: I arrived in the Department last February, in light of the Minister deciding to set up a specific team to take the proposals forward. I am not aware of what happened previously, but the issue seemed to be that ESA had been on the horizon for some time. I do not want to use that as an excuse, but with the COPE re-accreditation, when the 2005 exercise was done, it was thought that the solution would be found when the structures were reconsidered under ESA.

Mrs Dobson: I know that that happened before you started to work in the Department last February, but can you find out for us why progress has been so slow up to this point?

Are schools operating online procurement systems, or is everything still paper based?

Mrs Gillan: Unfortunately, no e-procurement system has been rolled out to schools. The ELBCat, which is the system that has all supplies and services on it, is more of a browsing tool. So schools can go onto that and look at what they need, but they then need to key in their order requirements.

As we move forward, an e-procurement system would be the ideal, whereby schools could do everything online, click a button and receive a delivery. Obviously, cost is coupled with that, but ESA is looking at the issue. A business case would need to be developed if e-procurement were to be rolled out in schools. Given the speed of e-procurement, it would help to encourage schools to use centralised contracts.

Mrs Dobson: Do you agree that an online procurement would be best system for the schools and that it would reduce their costs?

Mrs Gillan: Everybody is in agreement. The issue is the cost involved in implementing such a system, which needs to be balanced with other priorities.

Mrs Dobson: Are you working towards a full online system?

Mrs Gillan: I am not terribly au fait with the IT side of things, but I understand that there is a work stream for IT in the ESA implementation team. It will try to prioritise some of that work and then look at the roll-out for schools and the connection in e-procurement. As I said, however, funding will be an issue and will need to be looked at in a business case.

Mr Jimmy Stewart (C2K): Schools have an electronic purchasing system through their local management systems. They have electronic catalogues on that system, so they have access to the ELBCat, and so on, through those catalogues. That would encourage them to look to purchase from those sources. The way in which the system tends to work is that schools do their purchase order production online in their systems, print them off and then send them by post to a supplier. However, suppliers are increasingly accepting electronic communication of those orders. There is a system in schools at the moment, but there is not an end-to-end system that effectively takes commitments that are being made by schools and transfers them through into the boards' central budgeting systems.

Mrs Dobson: Caroline spoke earlier about the delay in knowing what the schools want. If all schools were online, surely that would also help to achieve the best price. ELBCat is being used in my constituency.

We talk a lot about ESA. I am a great advocate for small local businesses. Do you think that maximising economies of scale in ESA would be done at the expense of small local businesses?

Mrs Gillan: That is a big debate in procurement. If you are going to maximise economies of scale and drive down prices and the size of a contract, does that push out local businesses? In some circumstances, decisions need to be taken about priorities and whether the issue is to get the lowest price or something wider. Even if a move is made to more regional and larger contracts, the way to ensure that local businesses have an opportunity to become involved is to break contracts down into lots, which could perhaps be done on a geographical basis for certain areas. The Minister has certainly raised the issue with us in the past. That is why, with functions concerning the planning of procurement, those are precisely the issues that will need to be taken into account when decisions are being taken about how to roll out procurement.

Mrs Dobson: Do you believe that ESA will contribute towards the local rural economy and the social economy?

Mrs Gillan: That depends on how ESA decides to take forward and implement its procurement strategies. I would not like to say, but the Minister has raised the issue of small and medium-sized enterprises (SMEs) with us.

Dr Kingon: A centralised body provides an opportunity for a sustainable procurement strategy. That opportunity is not there in the current fragmented system.

Mrs Gillan: At least there might be a more coherent approach.

Mrs Dobson: Do you agree that small local businesses should be supported when possible?

Mrs Gillan: The Minister obviously needs to take a decision on that.

Mr Craig: Caroline, you made an interesting statement earlier — there is an element of truth in it — about schools opting out of existing contracts. I could ask you a pertinent question: how many schools have ever opted out of a contract with any of the boards?

Mrs Gillan: Generally, schools use the contracts and goods that are on ELBCat, but not in every situation. As we mentioned in our briefing notes, and as Jimmy has described, the way in which ELBCat is set up means that it is currently not possible to monitor the level of participation by schools. I do not have information about the level of participation or off-contract spend.

Mr Craig: You will find, Caroline, that it is probably approaching 100%. I know of certain schools that were threatened because they dared to say that they were going to opt out of contracts. Although, in theory, it can be done, in practice, I have never seen it done anywhere. That, in itself, takes away

much of the flexibility for potential savings for school budgets. You are into this wonderful fairyland of what is the best option. Is everything centralised, which leads to the argument about how local businesses tie into that?

What you described to me is a bureaucratic nightmare. If you go down the route of local businesses being tied in and having an input, that is best done at local level. However, that then defeats the whole purpose of centralisation. So there is a huge argument about that issue.

I was glad to hear that you are now considering raising the spending limit and allowing schools a bit more flexibility. At present, there is a clear issue. Some boards are probably much more dogmatic than others. I know that all head teachers in the South Eastern Board area were called to a meeting and told quite clearly that any spend above £5 that was not going through the board was unacceptable. They got their wrists slapped. That would help on even smaller items.

In any consideration of reforming the entire issue, is it all about achieving efficiencies or, as was said earlier, tying into local businesses? If someone spends 15 minutes on the internet, he or she can purchase any item more cheaply than going through the procurement system. A highly flexible procurement system would save an awful lot on purchase costs. The inevitable consequence of that, however, is that purchases are being made on the global market rather than the local market. Where will a balance be struck?

Mrs Gillan: As Caroline Perry said, procurement is governed by EU regulations. Earlier, the Committee discussed local businesses and how people could be encouraged to buy locally. That is just not possible. If a contract is put out to tender, it is open to everybody. If the priority is to get the lowest cost option, people go for the lowest cost option. That may or may not be a local business. Those are the debates that need to be had. In the current budgetary scenario, the money is not around, so it is a question of how best to use resources. Very often, schools want the lowest price.

Mr Craig: Caroline, do you believe that there is even enough flexibility in the procurement system to allow that to happen? If schools tie themselves into a contract for any period, it is quite clear that the world market for any commodity changes so fast that within days or weeks, the same item can be found at half the price somewhere else.

Mrs Gillan: I would leave that to the procurement professionals. However, you are absolutely right: if we reach a scenario in which there is committed demand for a particular item, prices suddenly change and that item can be bought more cheaply. I would have to defer to procurement professionals to see whether anything can be done in how procurement is conducted to protect against that.

Mr Craig: I am the first to recognise that that is where much of the criticism comes from. People are going through the central procurement system buying an item at price X, but all of a sudden it appears in the local store or superstore down the road at half of X. That is probably because the world market for that item has changed but people are centrally tied into a contract.

The Chairperson: No doubt, Caroline, we will come back to this issue for a variety of reasons. I thank you for attending. It would be useful if we had an outline of PRINCE2 in writing, just to clarify what it is in case it appears again.

Before you leave, I want to ask about C2k; we did say that we would separate the two subject matters. Jimmy, I appreciate the letter that you forwarded to us in December. Are we now in a position to see whether there has been any progress following that letter? At that stage, you said that the anticipated approval — I assume from the Department and also from DFP — was expected for the appointment business case (ABC) in November 2011. Have we —

Mr Stewart: We have received approval for the appointment business case, which immediately precedes the final business case. We received approval for that on 12 December, and we then submitted the full business case to the Department on 22 December. My understanding, in talking to departmental colleagues, is that that is close to being transmitted to DFP for final approval, and we would hope to see a turnaround on the final approvals in the next few weeks.

The Chairperson: Clearly, this has been going on now for some time, probably as far back as June. When does the C2k contract come to an end?

Mr Stewart: The existing contracts conclude on 31 March. Once the appointment business case was approved, we were able to talk to the preferred bidder, which we did in December. We have secured its commitment to holding its price and also to commencing service on 1 April. So the organisation will take over service from the existing contractors on 1 April, provided a contract is awarded before then.

The Chairperson: Two points arise from that. First, will there be any material change in the service that schools currently receive? I think that is a key issue for schools. Secondly, in parallel with the process, you had also submitted an outline business case (OBC) as well as an appointment business case for an end-to-end service incorporating Education Network Northern Ireland (ENNI). Where are we with that? Why do we need two contracts as opposed to one? Again, it ties in with the entire discussion. I am not sure why we have ENNI and C2k.

Mr Stewart: ENNI is just a name for the new contractual arrangement.

The Chairperson: So it will replace C2k?

Mr Stewart: It will replace what were called lot 3, lot 5 and lot 6 services. This is as bad as PRINCE2 methodology. *[Laughter.]* The existing contractual arrangements are that primary schools receive their local area support from Northgate, and there is a contract for that. Secondary schools receive their local network support from Northgate on a separate contract, and all schools receive a wide area service from Hewlett-Packard. All three contracts will be rolled into the single ENNI contract, so from April, there will be one single contract.

Two business cases were considered by DFP in the run-up to Christmas. There was the appointment business case for what we called the ENNI service, and there was also an outline business case to replace the primary service. However, DFP has approved our integration of those services, so the final contract will be for all services across all schools.

The Chairperson: That sounds a lot simpler than what we were discussing earlier.

Mr McDevitt: What part will cloud computing technology play in the new —

Mr Stewart: It will play quite a significant part in that it will virtualise a lot of the kit held locally in data centres by the service provider or in the schools themselves. One example is that big schools can typically have 10 or more servers in their schools, which use up electricity and space. That number will reduce to around one or two servers, and the vast majority of the content and resources will be held in a cloud-type environment, which will be a remote environment from the school's perspective.

Mr McDevitt: Obviously, one of the great advantages of migrating to the cloud is that you begin to procure IT services as a utility; therefore, you pay for them much more efficiently than you did traditionally, where there was an up front cost and a much greater level of capital investment. What level of savings should we expect on the capital side in the new contract if there is a migration to the cloud?

Mr Stewart: The figures we have at the moment indicate that we will be saving more than 20% on the cost of existing managed services as we move to the new managed services. We will also receive a much higher level of service as part of the solution. Take storage, for example, which could use a cloud-type solution. We are finding that the provider is offering us unlimited storage. In the past, schools had very limited storage available to them, which was why they purchased multiple servers to allow them to have the sort of storage capacity they needed on site. As I said, we are seeing an immediate saving on cost in excess of 20% as a result of moving some of that infrastructure into the cloud. There will be no need for schools to purchase enhanced services throughout the lifetime of the contract in order to provide access to storage. There will be savings on an ongoing basis.

Mr McDevitt: Within the schools capital budget, should there be further savings as well? For example, there should be savings when it comes to the renewal of kit in schools.

Mr Stewart: Yes. Another aspect of cloud services is that the processing power needed by individual devices is quite low, because most things are accessed through a browser. The plan within the ENNI service is to refresh the primary kit at a point in time through the service. We will have an opportunity to discuss with the service provider just what specification of kit will be replacing the existing primary systems. I am sure that we will see economies of scale at that point in time, because the functionality of the kit may well be a lot cheaper to purchase then. However, we will not be refreshing the kit in post-primary schools — the workstations and so on — as part of the existing contract. It was refreshed quite recently, and the service provider has taken the risk of ensuring that those pieces of kit will continue to deliver the service throughout the lifetime of the contract. If they do not, it will be the service provider's risk to refresh the kit at that point in time.

The Chairperson: I was going to ask about that. Obviously, that is part and parcel of the contract. We do not want to get into the situation in which, after the new contract is approved, there is a dispute that the provider is not responsible for the old kit because it is just that. I assume that the contract means that the service provider takes on responsibility and liability for the existing stock.

Mr Stewart: Absolutely. They will take that on for the full lifetime of the service.

The Chairperson: What is the lifespan of the contract?

Mr Stewart: It is a five-year contract.

The Chairperson: We would appreciate being kept up to date on that. A lot of people think that the Department has always been in the clouds, and that, really, the rest of the system is only now catching up with it. However, we had better not go there. Cloud technology takes us to a completely different dimension. I think that this is one area in which we can clearly see a real benefit for schools and an advance on capital spend, reduction in price and so on. Hopefully, that will be a success.

Thank you very much, Caroline, Suzanne and Jimmy.