



Northern Ireland Audit Office

# Department of Finance and Personnel - Collaborative Procurement and Aggregated Demand



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
25 September 2012





Northern Ireland Audit Office

Report by the Comptroller and Auditor General for Northern Ireland

# Department of Finance and Personnel - Collaborative Procurement and Aggregated Demand



This report is being published under Article 8 of the Audit (Northern Ireland) Order 1987 for presentation to the Northern Ireland Assembly in accordance with Article 11 of that Order.

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Northern Ireland Audit Office  
25 September 2012

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## Abbreviations

ALBs	Arms Length Bodies
APP	Annual Procurement Plan
BELB	Belfast Education and Library Board
CIPFA	Chartered Institute of Public Finance and Accountancy
CIPS	Chartered Institute of Purchasing and Supply
CoPEs	Centres of Procurement Expertise
CPD	Central Procurement Directorate
CPV	Common Procurement Vocabulary
DCAL	Department of Culture, Arts and Leisure
DE	Department of Education
DETI	Department of Enterprise, Trade and Investment
DFP	Department of Finance and Personnel
DHSSPS	Department of Health and Social Services and Public Safety
DOE	Department of the Environment
DOJ	Department of Justice
DRD	Department for Regional Development
DSD	Department for Social Development
EDP	Efficiency Delivery Plan
ELB	Education and Library Board
FSB	Financial Services Board
HSCT	Health and Social Care Trusts

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## Abbreviations

ICT	Information and Communications Technology
NDPB	Non-Departmental Public Body
NEELB	North Eastern Education and Library Board
NICS	Northern Ireland Civil Service
NIHE	Northern Ireland Housing Executive
NIPS	Northern Ireland Prison Service
OFMDFM	Office of the First Minister and Deputy First Minister
OGC	Office of Government Commerce
PaLS	Procurement and Logistics Service
PBO	Professional Buying Organisation
PFI	Public Finance Initiative
PPP	Public-Private Partnership
PSCG	Public Sector Collaboration Group
PSNI	Police Service of Northern Ireland
SEELB	South Eastern Education and Library Board
SEEs	Social Economy Enterprises
SELB	Southern Education and Library Board
SMEs	Small and Medium Sized Enterprises
WELB	Western Education and Library Board

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# Executive Summary



## Executive Summary

1. The public sector plays a large part in the Northern Ireland economy, employing 225,000 people and spending £11.5 billion each year. However, the current economic climate is putting considerable pressure on this spending and Northern Ireland faces budget cuts of 8 per cent in recurrent expenditure and 40 per cent in capital expenditure over the period 2011 to 2015.
2. These reductions are likely to lead to cuts in service provision and the delivery of capital projects. However, savings can be gained by delivering public services more efficiently. Procurement spending at £2.7 billion per annum has long been recognised as a source of efficiency savings. One of the main areas where savings can be generated is through collaborative procurement – the joint working of procurement bodies to lever efficiency gains through buying power and aggregation of demand.
3. Our report examines the potential savings resulting from aggregating demand when procuring common goods and services<sup>1</sup>; highlights the barriers preventing these efficiencies from currently being realised and makes recommendations which could bring about cost savings. A large element of our evidence base was gained through a survey of the Department of Finance and Personnel's (DFP) Central Procurement Directorate (CPD), the Centres of Procurement Expertise (CoPEs), Government departments and the procurement areas of Northern Ireland Prison Service (NIPS) and the Police Service of Northern Ireland (PSNI).

## Main Findings

### Little progress has been made in the area of collaboration policies

4. A Northern Ireland Procurement Policy was agreed in 2002. This created a Procurement Board to co-ordinate public procurement policy, the Central Procurement Directorate (CPD) to provide procurement services to the public sector, the Centres of Procurement Expertise (CoPEs) to provide specialist procurement advice to public bodies and the Procurement Practitioners' Group to develop policy. One of the specific objectives from the Procurement Policy was to achieve greater collaboration between public bodies in order to achieve efficiency gains realisable from aggregation. However there has been little progress in this area. In November 2011, the Procurement Board agreed that CPD would implement formal structures and governance around the provision of a limited number of common goods and services. This entailed CPD expanding an existing Branch, the creation of a Central Contracts Board to update the Procurement Board and mandating Departments to support the programme. To date there has been no pan-government collaborative procurement strategy.

### CPD was unaware of the historic spend on common goods and services

5. Effective aggregation of demand and collaboration relies on accurate, up-to-date and transparent management

<sup>1</sup> In 2009, HM Treasury Operational Efficiency Programme defined these as energy, fleet, office solutions, travel, professional services, ICT, facilities management, food and construction.

information on all aspects of procurement. However we found a paucity of basic management information. For example, CPD did not have information on annual spend on commonly procured goods and services, did not share information across the CoPEs and had no forward plans on procurement. Because of this we undertook our own analysis to obtain an estimate of spend by both CPD clients and the CoPEs. This revealed a spend of £880 million on common goods and services, with an approximate 50/50 split between CPD clients and the CoPEs.

5.3 per cent savings would equate to £140 million.

### **There is scope for CPD to increase aggregated demand and collaboration for common goods and services**

8. In 2010-11, spend on collaborative arrangements established by CPD was approximately £38 million. This accounts for less than a tenth of CPD clients' annual spend and only 4.3 per cent of the total Northern Ireland public sector spend (excluding local government) on common goods and services. We found that CPD collaborative arrangements do not cover all the categories of common goods and services and a number of CPD's agreements have an estimated annual value which is significantly lower than the total CPD clients' annual spend in that area. This would suggest that, on initial setup of these agreements, aggregation of demand was not fully considered.

### **The procurement of common goods and services is fragmented across the CoPEs**

6. With almost £900 million spent on common goods and services each year, there is scope for substantial savings to be made through aggregating demand. CPD have recorded savings from 2005 to 2011 at around £35 million – a very modest achievement. The Procurement Board Strategic Plan (2012-2015) has set a savings target of £30 million over this period (1.1 per cent of expenditure) on common goods and services.
7. The other UK jurisdictions have set more challenging savings targets from collaborative procurement initiatives and appear to be achieving them. Scotland has set a target of 5.3 per cent (over three years). This indicates that, if used properly, aggregating demand and collaboratively procuring common goods and services can lever significant savings. To put this into a Northern Ireland context,
9. Our survey has shown that there is relatively little cross-CoPE collaboration. CoPEs tend to contract mainly on an individual basis or with bodies outside Northern Ireland. CoPEs have been designated because they have a unique procurement portfolio and they provide specialist procurement advice to their host organisation. However, our exercise to obtain CoPE spend showed that they are procuring over half of all common goods and services. For example, multiple CoPEs are procuring over £1 million of certain



## Executive Summary

categories of common goods and services in areas such as electricity, Information and Communications Technology (ICT) equipment, ICT repairs and maintenance, and fuel. We acknowledge that there are instances when it will be appropriate for CoPEs to take the lead in procuring common goods and services which are critical to their business e.g. fuel in Translink and electricity in NI Water. However, expenditure on common goods and services, which are not business critical, should not be carried out by several CoPEs as this mitigates against aggregation of demand and fragments procurement activity.

### **In order for aggregation to be effective, Category Management should be embedded in procurement organisations**

10. A key element to successful aggregation is the use of Category Management. This is where procurement organisations organise staff to focus on supply markets rather than the more traditional focus on the client. Common goods and services are divided into a number of categories. Category Management can deliver value for money from suppliers through a structured approach to category planning, strategic sourcing and supplier management.
11. For Category Management to work effectively in a procurement organisation a number of key components need to be introduced including identification of categories, understanding both clients' demand and requirements and the market and suppliers for each category, and developing Category Management

strategies and plans. Major private sector organisations use this approach to procurement.

12. Our fieldwork revealed that Category Management had been only partially implemented in a number of procurement organisations. CPD have adopted a 'hybrid' approach by restructuring branches along Category Management groupings alongside each branch managing a department. However, as yet, CPD do not have any Category Management strategies, performance measures or documented processes.

### **Category Management requires procurement organisations to have sufficiently experienced and professional staff**

13. For procurement organisations to be effective, they need to be adequately resourced with experienced, professional staff. Our audit work indicated that a number of procurement organisations in the Northern Ireland public sector do not have the requisite number of experienced, professionally qualified procurement staff required to fully implement Category Management.

### **There are indications of price and specification variations in many categories of common goods and services**

14. Part of our survey included an exercise to ascertain prices paid for eight common items of expenditure. Although this information must be treated with some caution, it suggests that there are material price and specification variations in some

items. The survey also revealed very limited price benchmarking was taking place. It also appears that a number of Arms Length Bodies (ALBs) are paying more for common goods and services because they are not part of aggregated demand contracts which can reduce prices.

**There is a need to balance the achievement of efficiency savings from aggregation and collaboration with the development of Small and Medium sized Enterprises (SMEs)**

- 1.5. Northern Ireland Procurement Policy contains a commitment to SMEs. Our discussions with procurement professionals indicated they felt there was a tension between aggregation of demand and promotion of SMEs. However there is no empirical evidence to indicate that further aggregating demand in Northern Ireland would disadvantage SMEs.

## Key Recommendations

**While there has been a long standing commitment to collaborative procurement in Northern Ireland, little real progress has been made. A collaborative procurement strategy should be devised and underpinned by a detailed action plan to aggregate demand for common goods and services across all CoPEs.**

**Organisations involved in public procurement need to produce accurate, up-to-date and transparent management information in order to make evidence based decisions on aggregation of demand and collaboration**

**opportunities. CPD and the other CoPEs should gather, analyse and share key management information on procurement expenditure, prices, specifications, contracts and suppliers.**

**Account NI appears to offer the potential for improved management information on aggregation of demand and collaboration opportunities. CPD should work with Account NI to facilitate the capture of meaningful management information on procurement and expenditure on common goods and services. This would assist efforts to procure in a more collaborative manner across the Northern Ireland Civil Service.**

**In Northern Ireland, aggregated demand across CoPEs has accounted for a relatively small percentage of procurement savings compared to Great Britain. Therefore, there should be more scope for savings to be generated in this area once management information systems are improved to identify opportunities for aggregation. The Procurement Board should carefully review the savings targets set for aggregated demand in the 2012–15 Strategic Plan.**

**There needs to be more work done to increase collaborative procurement through aggregation of demand in the Northern Ireland public sector. The procurement of common goods and services is fragmented across the CoPEs. In order to reduce this dispersion, lead CoPEs should be appointed to manage the procurement of specific categories of common goods and services in order to maximise opportunities for aggregation of demand and cross-CoPE collaboration.**

## Executive Summary

In our view, it would be preferable if this aggregation of demand was mandated by the Procurement Board.

Category Management is a key element for effective aggregation of demand and collaboration. CoPEs should work co-operatively to identify and agree Category Management groupings and responsibilities and fully implement these in their organisations.

There is an inadequate skills base in procurement organisations in terms of experienced, professionally qualified staff required to drive forward Category Management. Procurement organisations should critically review their skills base to ascertain requirements in order to fully implement Category Management structures that will accommodate aggregation and collaboration.

Collaborative procurement can only be fully effective if regular price benchmarking is carried out to gauge if Government Departments and Agencies are paying too much for common goods and services. Basic price comparisons of common goods and services should be undertaken regularly by all procurement bodies.

Variations in the specifications of common goods and services can lead to price differences and creates barriers to the aggregation of demand. Public sector bodies should strive to harmonise specifications of common goods and services as far as possible in order to facilitate aggregation of demand and collaboration.

It has been demonstrated that when NICS Departments are mandated to use contracts for categories of common goods and services, price variations are significantly reduced. The Procurement Board should consider extending the mandating of contracts to a wider range of common goods and services.

There is a perception that there is a trade-off between increasing aggregation and collaboration and increasing participation in public procurement by SMEs. However, evidence would indicate that SMEs currently win a large proportion of public sector contracts. Nevertheless, any strategy to increase aggregation of demand should explicitly consider the potential impact on SMEs by examining robust statistical information to ensure the analysis is fully evidence-based.



Part One:  
Introduction



## Part One: Introduction

### Public expenditure contributes significantly to the Northern Ireland economy but will reduce in real terms over the period to 2015

- 1.1 The public sector is a major contributor to the local economy. Employing 225,000 people and with an annual spend of £11.5 billion; the Northern Ireland public sector is proportionately much larger than in the United Kingdom as a whole. This is illustrated in **Figure 1** below.
- 1.2 However, in the current economic climate there is considerable pressure on this spending and Northern Ireland, like the rest of the UK, faces significant public expenditure cuts. The 2011-15 budget forecasts real reductions of 8 per cent for recurrent expenditure and 40 per cent in capital expenditure over the period.
- 1.3 Real budget reductions of this nature are likely to lead to cuts in service provision and the delivery of capital projects.

However, it is also recognised that some of these savings can be gained by delivering public services more efficiently. The 2011-15 Budget Statement (delivered by Minister for Finance and Personnel, Mr Sammy Wilson (4 March 2011)) spells out the significance of achieving genuine efficiency savings of this nature:

*“While the Executive had less money to allocate as a consequence of the UK Government’s settlement, we believe that we have now allocated our available resources to the highest priority areas. This should ensure that key front-line services are protected as much as possible. However, there is a requirement upon the Executive to ensure that these scarce resources are being deployed in the most efficient manner possible. I believe that there is still considerable scope to drive out genuine, cash-releasing efficiencies over the next few years”.*

**Figure 1 The importance of the public sector to Northern Ireland**

	Northern Ireland	United Kingdom
Public Sector Employment as a % of Total Employment (a)	32%	21%
Public Expenditure as a % of Gross Value Added (b)	62%	40%
Identifiable Public Expenditure per Head of the Population (c)	120%	100%

Source:

(a) 2010-11 NI Public Sector Pay & Workforce Technical Annex – April 2010

(b) NI Budget 2011-15

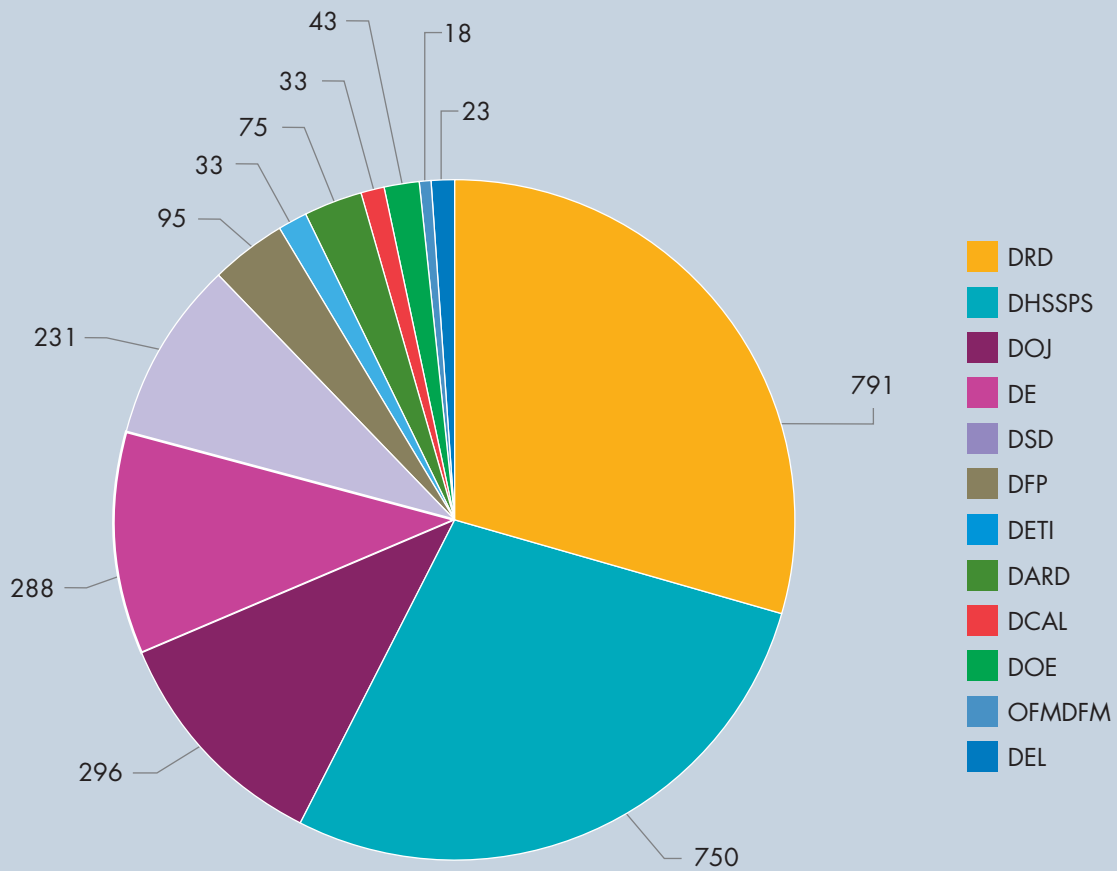
(c) House of Commons Library: Public expenditure by country and region (2010-11) (January 2012)

### Procurement spending represents a significant proportion of Northern Ireland's total public spending

1.4 Procurement is the purchase of goods, services and construction works from third parties. In Northern Ireland, expenditure by the public sector on procurement is around £2.7 billion each year. This represents about a fifth of departmental spending. The current structure and governance of procurement in Northern

Ireland was established in 2002 (see **Appendix 1**). A Procurement Board was established to develop, monitor and direct public procurement policy. It is supported by a Centre of Procurement Expertise (CoPE) – the Central Procurement Directorate (CPD) within the Department for Finance and Personnel (DFP) which is responsible for formulating policy proposals and providing procurement services to Departments, Agencies and Non-Departmental Public Bodies (NDPBs).

**Figure 2 Procurement expenditure by Department (2010-11) (£ millions)**



Source: CPD: Procurement Activity Report 2010-11 (Draft)

## Part One: Introduction

There are also a number other Centres of Procurement Expertise (CoPEs) across the public sector i.e. Roads Service, NI Water, Translink, Health Estates Investment Group, Procurement and Logistics Service (PaLS) (for Health), the Education and Library Boards (ELBs) and the Northern Ireland Housing Executive (NIHE). It is important to note that CoPEs are responsible to their host organisation.

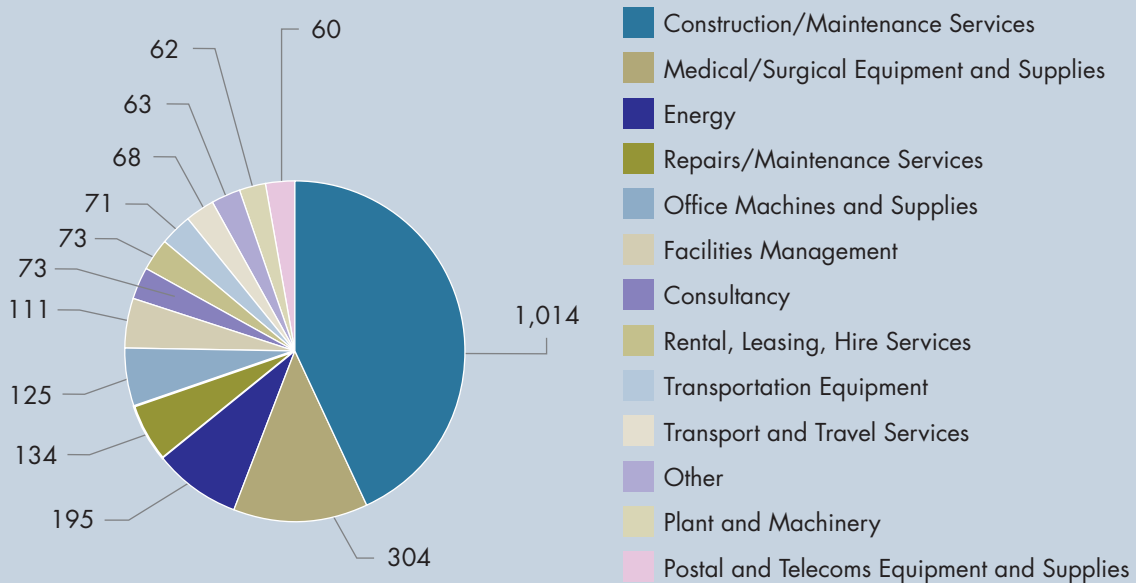
largest areas of spend are: Construction/Maintenance Services; Medical/Surgical Equipment and Supplies; Energy; Repairs/Maintenance Services and Office Machines and Supplies (**Figure 3**).

### Aggregating demand and collaborating can deliver efficiency savings and help release resources to the front line

1.5 Most procurement in Northern Ireland Departments, Agencies and NDPBs which are subject to Northern Ireland Procurement Policy, is undertaken by CPD and the other CoPEs (approximately 98 per cent)<sup>2</sup>. Procurement spend is reported by Department and shown at **Figure 2**. Procurement spending covers a wide spectrum of goods and services. The five

1.6 Procurement has long been recognised as a source of efficiency savings. There are a number of ways in which better procurement can be used to generate financial savings without impacting negatively on quality of service delivery. Guidance from the Office of Government Commerce (OGC)<sup>3</sup> defined the main

**Figure 3 Areas of procurement expenditure over £50 million (2010-11)**



Source: CPD: Procurement Activity Report 2010-11 (Draft)

<sup>2</sup> CPD Annual Report to the Procurement Board 2010-11 (Draft).

<sup>3</sup> OGC Efficiency Programme – Releasing Resources to the Front Line: Procurement Efficiency and Value for Money Measurement.

types of saving that can be delivered by improved procurement. These are:

- negotiating an improved deal with a supplier;
- aggregating demand and collaborating to exert greater leverage on suppliers;
- reducing process and transaction costs; and
- improving project, contract and asset management.

1.7 As far back as 1999, HM Treasury commissioned a major review of central government procurement by Sir Peter Gershon<sup>4</sup>. His report identified a lack of collaboration in a number of areas. For example, he noted that:

- procurement responsibilities had been delegated to individual departments without any common framework within which they should operate;
- there was a lack of transparency, and wide variation between the best and worst practice, and departments were paying significantly different prices for the same items;
- procurement activities were fragmented and unco-ordinated; and
- there were no common systems across government for recording what was being purchased, at what prices and from whom; rating the performance of

suppliers; or targeting and measuring value for money improvements.

1.8 In April 2009, the HM Treasury Operational Efficiency Programme examined five areas of public sector expenditure with a view to identifying savings. These were back office operations and IT; asset management and sales; property; local incentives and empowerment; and collaborative procurement. In the area of collaborative procurement it recommended:

- increasing the six categories of common spend in the Office of Government Commerce (OGC) Collaborative Procurement Programme to nine<sup>5</sup>;
- improvements in the quality of procurement management information; and
- improvements in access to better deals for local service providers through Professional Buying Organisations (PBOs) (equivalent of Northern Ireland CoPEs) and increasing collaboration through PBOs.

1.9 In 2010, the National Audit Office in conjunction with the Audit Commission produced a report "A review of collaborative procurement across the public sector". This highlighted that:

- Category Management is important to support value for money but its use is limited in many public bodies;

<sup>4</sup> HM Treasury: Review of Civil Procurement in Central Government, Peter Gershon (April 2009).

<sup>5</sup> In 2007, the Office of Government Commerce (OGC) established a Collaborative Procurement Programme to improve the way public bodies buy common categories of goods and services. The original six common categories were energy, fleet, office solutions, travel, professional services, and ICT. Three new categories were added in 2009 – facilities management, food and construction.



## Part One: Introduction

- there is a lack of good quality management information, knowledge of the supply market (including collaborative options) and poor documentation of the costs and benefits of different procurement options;
- the public sector procurement landscape is fragmented with no overall governance, almost 50 professional buying organisations, many of them managing framework agreements for similar goods and services;
- public bodies are incurring unnecessary administrative costs by duplicating procurement activity and paying a wide range of prices for the same commodities; and
- the public sector is failing to maximise its significant buying power, not exploiting the potential benefits of volume and buying too many different product brands and specifications.

1.10 In the same year, Sir Phillip Green was appointed by the Prime Minister to undertake an efficiency review of UK Government spending focusing on commodity procurement, property and major contracts. This report revealed no centralised procurement mandate and identified inefficiency and waste because of poor quality procurement information. It also found that the UK Government had failed to make the most of its scale, buying power and credit

rating, it had inconsistent commercial skills across departments and there was little motivation to save money with many departments paying different prices for the same items.

1.11 The Northern Ireland Assembly Finance and Personnel Committee report into public procurement in Northern Ireland<sup>6</sup> focused on specific aspects of policy and practice, including the experiences of Small and Medium Sized Enterprises (SMEs) and Social Economy Enterprises (SEEs) in tendering for and delivering public contracts. The report made a number of wide ranging recommendations to facilitate SMEs and SEEs participation in public sector procurement.

### **This report examines the extent to which the Northern Ireland public sector can make procurement savings by aggregating demand and improving collaboration**

1.12 In the period 2005-2008, the Procurement Board established a target to deliver £250 million of value for money savings and reported that £254 million had actually been achieved. Most of these savings were reported to have been derived from project, contract and asset management and negotiating a better deal with the supplier. A relatively small proportion of savings (£21.3 million, 9 per cent) were generated from the aggregation of demand by the public sector (see **Figure 4**).

<sup>6</sup> NI Assembly Committee for Finance and Personnel: Report on the Inquiry into Public Procurement in Northern Ireland (NIA 19/08/09R) (February 2010).

## Scope of Report

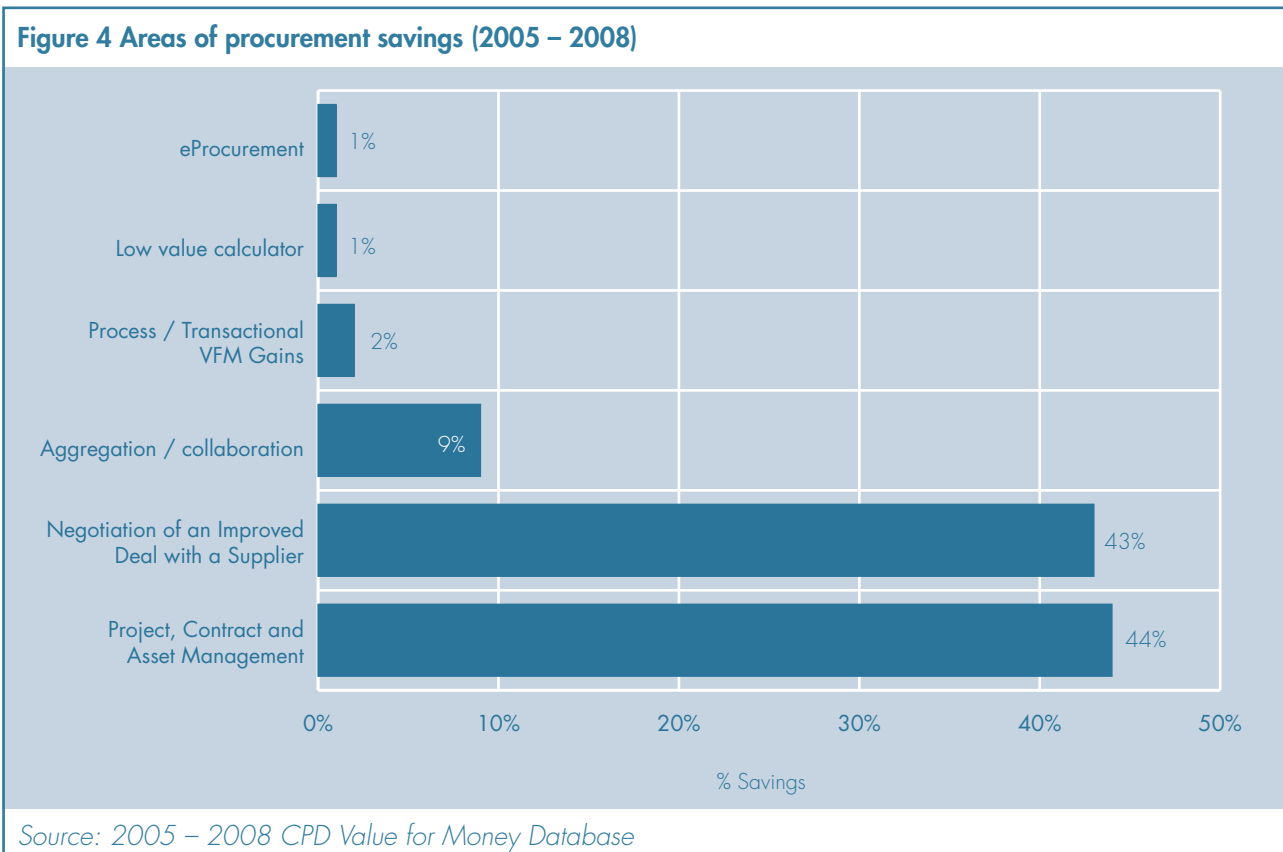
1.13 This report aims to examine the potential savings resulting from aggregating demand and a coherent collaborative approach to procuring common goods and services; highlight the barriers preventing these efficiencies from currently being realised and make recommendations which could bring about cost savings. The subsequent areas of the report focus on:

- Part Two: a review of the strategic framework for collaborative procurement;

- Part Three: the opportunities for aggregating demand and collaborating in the area of common goods and services; and
- Part Four: aggregation and collaboration in relation to Small and Medium Sized Enterprises.

1.14 Much of the report draws on information collated from surveying CPD, the CoPEs, the 12 Northern Ireland departments and the purchasing areas in the Northern Ireland Prison Service and the Police Service of Northern Ireland<sup>7</sup>. The survey focused on the categories of common spend noted in the OGC Collaborative Procurement Programme.

**Figure 4 Areas of procurement savings (2005 – 2008)**



<sup>7</sup> The Northern Ireland Prison Service and the Police Service of Northern Ireland are part of the Department of Justice. CPD has been the CoPE for these bodies from 2008.





Part Two:  
A review of the strategic framework for collaborative  
procurement



## Part Two: A review of the strategic framework for collaborative procurement

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

2.1 In May 2002, the Northern Ireland Executive agreed a revised Public Procurement Policy for Northern Ireland Departments, Agencies, Non-Departmental Public Bodies and Public Corporations<sup>8</sup>. The policy defined public procurement as

*“the process of the acquisition, usually by means of a contractual agreement after public competition, of goods, services, works and other supplies by the public service”.*

The policy’s governance framework is described at **Appendix 1**.

2.2 The policy was based on 12 guiding principles<sup>9</sup>. One of the specific implications of adopting these principles was

*“greater collaboration between public bodies should take place in order to achieve efficiency gains realisable from aggregation. However.....it should be pursued only to the extent that it meets the wider (economic, social and environmental) goals of procurement”.*

2.3 Until recently, there has been little evidence of a strategic, public sector wide approach to aggregating demand. For example, there has been:

- no formal strategy outlining how demand could be aggregated or who would be responsible;

- no detailed action plans to provide specific activities, timescales and responsibilities; and
- no specific targets to generate savings by using the public sector’s collective purchasing power to reduce costs and gain better deals.

CPD did form a Public Sector Collaboration Group (PSCG) in 2004, which consisted of representatives from CPD, the CoPEs and OGC. PSCG identified a number of potential common collaborative opportunities and the CoPEs to lead on specific collaborative contracts. However, as the collaborative arrangements were not mandatory, CoPEs were reluctant to take on collaborative procurement on behalf of all departments. The PSCG has now been disbanded.

2.4 Our survey examined, in more detail, collaborative procurement strategies, plans and proposals across the public sector (see **Figure 5**). We found very limited information on formal strategies and plans. The Procurement Board’s Strategic Plan 2011-2014 requires departments to complete an Annual Procurement Plan (APP)<sup>10</sup>. The NI Assembly’s Programme for Government (2008-2011) introduced Efficiency Delivery Plans (EDPs)<sup>11</sup>. Departments were to produce these and were to include efficiencies from collaborative procurement. We found very limited evidence of specific proposals for aggregation and collaboration in APPs or aggregation efficiencies in EDPs. The main reason given for this by departments was inadequate oversight of

8 A Review of Public Procurement, Department of Finance and Personnel (May 2002).

9 Transparency, integrity, competitive supply, effectiveness, efficiency, fair-dealing, responsiveness, informed decision-making, consistency, legality, integration and accountability.

10 Annual Procurement Plan (APP) A listing of all contracts and values (above the EU thresholds).

**Figure 5: Results from survey questions on collaborative procurement strategies, plans and proposals<sup>12</sup>**

	Yes	No
Do you have a formal strategy for collaboration?	1	24
Do you have a Procurement Business Plan?	8	17
Do you include proposals to collaborate within Annual Procurement Plans?	0	12
Does your Efficiency Delivery Plan include efficiencies from collaborative procurement?	1	11

*Source: NIAO*

total demand. CoPEs felt that CPD were better placed to identify collaborative procurement opportunities across the wider Northern Ireland public sector.

2.5 Our survey has demonstrated very limited strategies for aggregation and collaboration in CPD and the CoPEs. It has also shown clearly that departments do not consider aggregation or collaboration arrangements in their business planning processes.

2.6 There has been some evidence more recently of developments in this area. In June 2011, CPD put a proposal to the Procurement Board to implement formal structures and governance around the provision of common goods and services. Across central government there are nine areas of common procurement of goods and services<sup>13</sup> which represented an estimated spend of around £700 million per annum at this time. It was estimated that, through a more centralised and strategic sourcing approach, 3 per cent savings (£20 million) could be achieved in the period 2011-14 through a combination of demand management and better procurement.

2.7 In November 2011, the Procurement Board agreed the proposed structure and governance arrangements which included:

- CPD expanding an existing Branch to take forward a range of procurements in the categories of utilities, professional services, ICT commodities and travel;
- the creation of a Central Contracts Board, where representatives from CPD and other CoPEs would provide regular updates to both the Procurement Board and Procurement Practitioners Group; and
- mandating departments to support and co-operate with the programme.

2.8 CPD told us they are currently moving forward on a small pilot project (Postal Services, 2010-11 expenditure £13.7 million) to test the operational issues of developing and implementing such a pan-government arrangement.

2.9 If collaborative procurement is to be fully effective in Northern Ireland, it must be

11 Efficiency Delivery Plan (EDP): A plan showing how a department proposes to achieve annual savings targets.

12 The first 2 questions were put to the 12 departments, CPD, the CoPEs (including the 5 Education and Library Boards), Police Service of Northern Ireland and Northern Ireland Prison Service. The last 2 questions were put to the 12 Departments only.

13 Defined in the HM Treasury Operational Efficiency Programme (April 2009).

## Part Two: A review of the strategic framework for collaborative procurement

underpinned by effective policies on improving collaboration and aggregating demand for common goods and services. To date there has been no pan-government collaborative procurement strategy. In our view, the recent proposals to improve collaboration and aggregation at CPD are modest.

### Recommendation 1

**While there has been a long standing commitment to collaborative procurement in Northern Ireland, little real progress has been made. A collaborative procurement strategy should be devised and underpinned by a detailed action plan to aggregate demand for common goods and services across all CoPEs.**

### CPD was unaware of the historic spend on common goods and services

2.10 Effective aggregation of demand and collaboration relies on accurate, up-to-date and transparent management information on all aspects of procurement. This includes both historic and forecast information on:

- procured items;
- suppliers;
- prices;

- contract terms and conditions;
- user specifications;
- demand for items/services; and
- specific market trends.

2.11 In response to our survey, NI Water, Translink, Northern Ireland Housing Executive, Procurement and Logistics Service and the Education and Library Boards along with the Northern Ireland Prison Service and the Police Service of Northern Ireland stated that they produce some form of spend and supplier analysis for procurement purposes. Most maintained contracts registers and produced procurement business plans.

2.12 In contrast, the Supplies and Services Division of CPD were unable to provide basic management information such as:

- annual spend data on commonly procured goods and services;
- shared information across the CoPEs on prices; specifications; contracts; contract renewal dates; suppliers; supplier performance etc; and
- forward plans on procurement, identifying the potential for future aggregated spend and scope for joint purchasing with other CoPEs.

2.13 Departmental responses to our survey also showed that they do not produce any



meaningful analysis of spend data nor do they monitor suppliers, assuming that this would be completed by CPD. Most stated that they were not content that they had sufficient and reliable information to manage procurement spend effectively. They suggested that improvements could be made to the functionality of the Account NI<sup>14</sup> system – for example the inclusion of Common Procurement Vocabulary (CPV) codes<sup>15</sup> as an account field, analysis of CoPE and non-CoPE spend and quicker updating of records.

- 2.14 The poor quality of management information is a recurring theme in many areas of the public sector which

we audit and report on. Because of the paucity of basic management information on procurement in CPD, we sought to gather evidence to establish procurement spend on common goods and services in 2010-11. We obtained the information directly from departments and departmental Annual Procurement Returns<sup>16</sup>, from CPD Policy Branch. These contained categorised spend data. The results of this exercise are shown at **Figure 6** and **Appendix 2**. CPD Supplies and Services Division agreed a draft iteration of this work to support their June 2011 submission to the Procurement Board on collaborative procurement (see **paragraph 2.6**).

**Figure 6 Common Goods and Services procured by CPD and other CoPEs (2010-11)**

Common Goods and Services	CPD (£000)	COPEs (£000)	Total (£000)
Energy	48,481	146,831	195,312
Telecoms & Networks	31,768	14,284	46,052
Professional Services – Financial & Consultancy	70,943	41,073	112,016
Fleet	16,357	21,223	37,580
Office Supplies	20,324	8,199	28,523
ICT Commodities	114,833	55,891	170,724
Print & Print Management	9,151	7,796	16,947
Advertising & Media	20,170	3,729	23,899
Travel	5,583	62,287	67,870
Facilities Management	92,394	89,351	181,745
<b>Total (£000)</b>	<b>430,004</b>	<b>450,664</b>	<b>880,668</b>
<b>% split of expenditure</b>	<b>48.8</b>	<b>51.2</b>	

Source: NIAO

- 14 Account NI is a shared services centre which processes all purchase orders and invoices for all NI Civil Service Departments with the exception of the Department of Justice. It does not process transactions for NIHE, NI Water, Translink and Health (excluding DHSSPS core department).
- 15 Common Procurement Vocabulary (CPV) Codes originate from EC Regulation No. 2195/2002 which sought to establish a single classification system for supplies, works and services.
- 16 Annual Procurement Returns are required to be completed by departments and submitted to CPD. These categorise the departments' total spend by CPV Codes.

## Part Two: A review of the strategic framework for collaborative procurement

2.15 Our work in this area was the first attempt at gathering the basic management information required to facilitate aggregation of demand and collaboration. In our view, it is unacceptable that prior to our study there had been no attempt to measure or to categorise spending on common goods and services.

### Recommendation 2

**Organisations involved in public procurement need to produce accurate, up-to-date and transparent management information in order to make evidence based decisions on aggregation of demand and collaboration opportunities. CPD and the other CoPEs should gather, analyse and share key management information on procurement expenditure, prices, specifications, contracts and suppliers.**

2.16 In addition to the analysis work noted at **Figure 6**, we have worked with Account NI to compile detailed information on procurement spend by department, category of spend and supplier. In January 2011, Account NI made a presentation<sup>17</sup> to the Financial Services Board (FSB)<sup>18</sup> proposing ways in which Account NI could enhance its services.

2.17 This included conducting a 'historic spend analysis' to quantify the potential for procurement savings, suggesting that the Northern Ireland Civil Service (NICS) could unlock significant savings from more competitive prices, reduction in the number of suppliers, aggregation of contracts and more efficient buying. It was claimed that the Account NI Report Team could generate a 'helicopter view' of expenditure and performance across government departments, which could identify opportunities for improvements in procurement. The presentation also highlighted that Account NI could improve access and usage of common data by reviewing its quality, completeness and accuracy. This could lead to more effective use of data to help drive cost savings in areas like procurement. CPD would benefit from this work if it liaised with Account NI.

2.18 However, little progress has been made in this area. CPD has not taken the opportunity to increase its management information to support aggregation and collaboration through joint working with Account NI. Whereas we recognise that Account NI does not cover all public sector expenditure and there are a number of other accounting systems in operation, we are of the view that CPD would benefit from more joint working in this area.

<sup>17</sup> Presentation made by Account NI's system providers - BT and Accenture.

<sup>18</sup> The Financial Services Board (FSB) is part of the governance arrangement around the Shared Services.

### Recommendation 3

**Account NI appears to offer the potential for improved management information on aggregation of demand and collaboration opportunities. CPD should work with Account NI to facilitate the capture of meaningful management information on procurement and expenditure on common goods and services. This would assist efforts to procure in a more collaborative manner across NICS.**

## The Northern Ireland target for savings from aggregation appears to be lower than in the rest of the United Kingdom

2.19 It is difficult to compare other UK jurisdictions planned savings from collaborative procurement to Northern Ireland because of differences in target setting methods. However, it appears that the other UK jurisdictions have set higher savings targets from collaborative procurement initiatives and in particular an increased focus on aggregation of common goods and services. Savings are achieved through adopting a more centralised pan-government approach to procurement, embedding Category Management practices<sup>19</sup>, developing skills and improving procurement data.

- **In England**, the Cabinet Office mandated the central procurement of nine categories of goods and services (expenditure of £13 billion per annum)<sup>20</sup>, setting an overall target of 25 per cent savings over the

period 2010-14 (£13 billion over 4 years, or over £3 billion per annum). To 31 March 2012, £8.75 billion was reported as saved, including £655 million from collaborative procurement. This equates to 2.5% savings (£655 million/£26 billion) from collaborative procurement over two years.

- **In Scotland**, 'Procurement Scotland'<sup>21</sup> also focused on common commodities and targeted savings of £84 million against £1.1 billion (7.6 per cent) over its three-year Strategic Plan period 2009-11. Up to 30 September 2010, it had achieved savings of £95 million, exceeding its targets before the end of the plan period. Over the period 2011-14, it plans to save £175.2 million on expenditure of £3.3 billion on common goods and services (5.3 per cent)
- **In Wales**, the 2011-12 Budget aimed for £200 million savings from the Collaborative Procurement and Commissioning work stream. With expenditure of around £4 billion per annum this represents a 5 per cent target.

2.20 As noted at **Paragraph 1.12**, the Procurement Board set a target of total procurement savings of £250 million for the period 2005-08. This was reported as achieved, with savings of £254 million. During this period £21 million was recorded as collaboration/aggregation savings.

19 Category Management is the organisation of procurement bodies' resources to operate in a supplier-facing manner, rather than the traditional client-facing approach.

20 This mandating applied to the 17 core departments but did not include local authorities and the Health Service.

21 Procurement Scotland (March 2008) was tasked with developing and implementing procurement strategies for common goods and services on behalf of all Scottish public sector organisations.

## Part Two:

### A review of the strategic framework for collaborative procurement

2.21 The Procurement Board stated that for the period 2008-11 the emphasis would be on individual departments targeting value for money gains from procurement in the context of their Efficiency Delivery Plans (EDPs) rather than setting a specific value for money target. This was to be achieved by departments producing Annual Procurement Plans (APPs) which would show the contribution value for money gains would make to EDPs. Collaborative procurement savings recorded on the CPD Value for Money database for this period totalled £13.7 million, 13.5 per cent of total procurement savings of £101 million (see **Figure 7**). However, these figures have not been externally validated. Generally, public sector organisations have difficulty in validating efficiency savings. The Westminster Public Accounts Committee report, 'The Efficiency Programme: A Second Review of Progress' (October 2007) concluded that the basis for some claimed efficiencies were not sufficiently challenged and called for a more rigorous process for reviewing supporting evidence.

**Figure 7 Savings from aggregation/collaboration (2008-11)**

Savings category	£m
Unit price reduction	8.3
Better terms	0.2
Savings in transaction costs	3.3
Shortened implementation time	1.9
<b>Total</b>	<b>13.7</b>

Source: CPD Value for Money Savings Database

2.22 The Procurement Board's Strategic Plan for 2012-15 includes a target to reduce the spend on agreed areas of collaboration by £30 million. This represents a reduction of 1.1 per cent on expenditure of £2.64 billion (£880 million per annum) over a period of three years. This target is lower than those in the rest of the United Kingdom. If Northern Ireland applied equivalent savings targets as set by other parts of the United Kingdom, the savings target would be higher, ranging from around £99 million to £140 million as illustrated by **Figure 8** below.

**Figure 8 Potential savings from collaborative procurement if GB savings targets applied**

Region	Three years collaborative procurement percentage savings target	Three year savings targets if GB targets applied to Northern Ireland <sup>22</sup> (£m)
England	3.75*	99
Scotland	5.30	140
Wales	5.00	132

\* Two years 2.5%, therefore three years 3.75%

Source: NIAO



- 2.23 Performance in the rest of the UK indicates that, if used properly, aggregating demand and collaboratively procuring common goods and services has the potential to lever significant savings for the Northern Ireland public sector. However we do recognise that these savings would not be achieved immediately. There would be a lead time in improving management information in order to identify opportunities for aggregation of demand. It would only be after this stage, when aggregated contracts were let that savings would start to be generated.

#### Recommendation 4

**In Northern Ireland, aggregated demand across CoPEs has accounted for a relatively small percentage of procurement savings compared to Great Britain. Therefore there should be more scope for savings to be generated in this area once management information systems are improved to identify opportunities for aggregation. The Procurement Board should carefully review the savings targets set for aggregated demand in the 2012–15 Strategic Plan.**



## Part Three:

The opportunities for aggregating demand and collaborating in the area of common goods and services



## Part Three:

# The opportunities for aggregating demand and collaborating in the area of common goods and services

### There is scope for CPD to increase aggregated demand for common goods and services

- 3.1 Only a small proportion of common goods and services are being collaboratively procured in Northern Ireland. We identified an estimated annual value of £38 million of common goods and services being procured through some form of aggregated demand. This represents 8.8 per cent of all common goods and services procured through CPD arrangements (£430 million in 2010-11 through arrangements put in place) and 4.3 per cent of the total amount of common goods and services procured by the Northern Ireland public sector (£880 million in 2010-11 by CPD and CoPEs).
- 3.2 We found that these arrangements do not cover all the categories of common goods and services which make up the baseline. CPD entered into a Memorandum of Understanding with the Office for Government Commerce (OGC) (now Government Procurement Service (GPS)) to access a range of national collaborating contracts. However, CPD are unaware of the level of aggregation of demand resulting from these arrangements. There is evidence of some aggregation of demand for ICT and energy through IT Assist and DFP Properties Division respectively, both of whom use CPD for all procurement services, via a Service Level Agreement. In 2010-11 NICS spent £170 million on ICT, £115 million of this procured by IT Assist via CPD arrangements. IT Assist delivers a range of ICT services and was set up as a Shared Service. It has several collaborative procurement arrangements in place – for photocopiers, multifunctional devices, PCs, laptops, telecom equipment and servicing and maintenance. However IT Assist contracts are not mandated.
- 3.3 Expenditure on energy (electricity, fuel gas and heating oil) was more fragmented with all the major CoPEs procuring – of the £195 million spent in 2010-11, only £48 million was procured through CPD arrangements. However DFP Properties Division does aggregate demand for electricity and gas from all buildings that form the NICS estate, in order to obtain competitive prices. Many Arms Length Bodies, which are not located within the main NICS estate, are not availing of these large collaborative energy contracts. However, we were informed that NI Court Service recently utilised this arrangement and it anticipates to save in excess of £100,000 per year for the duration of the contract.
- 3.4 A number of CPD's framework agreements have an estimated annual value which is significantly lower than the actual annual spend (see **Figure 9**). This would suggest that on initial setup of these frameworks, aggregation of demand was not fully considered.
- 3.5 Apart from CPD, only two CoPEs - the Procurement and Logistics Service and the Education and Library Boards - have set up framework agreements in order to aggregate demand. These are intra-CoPE and aggregate demand of the six Health and Social Care Trusts (HSCTs)

**Figure 9 A sample of CPD Framework Agreements values compared to CPD and Public Sector spend**

Category of Common Goods/Services	Estimated annual Value of Framework Agreements (July 2011 £m)	Actual expenditure on goods and services procured through CPD arrangements (2010-11 £m)	Actual expenditure on goods and services procured by Central Government including Health and Education Boards (2010-11 £m)
Cleaning	4.5	12.6	27.9
Training	1.0	6.6	10.0
Furniture	1.4	6.0	19.9
Security Guarding	5.0	24.0	27.9

Source: Column 2: CPD, Column 3: Appendix 2, Column 4: Appendix 2

and the five ELBs. These contracts cover goods and services particular to their business needs as well as common goods and services. PaLS have collaborative contracts totalling £233 million including contracts for common goods and services e.g. electricity (£70 million), food (£2.85 million), office furniture (£2.4 million) and advertising (£1.7 million). The ELBs have a five Board Tender Programme totalling £17.65 million per year including contracts for common goods and services e.g. transport (£1.2 million), travel (£0.25 million) and cleaning (£0.2 million). In Northern Ireland, the CoPEs generally procure independently of one another but do 'piggy-back' on other arrangements with CPD and bodies outside Northern Ireland.

- 3.6 The Police Service of Northern Ireland currently has collaborative contracts valued at £38.5 million (including contracts for fuel (£3.5 million), travel (£2.0 million) and paper (£0.8 million)). PSNI has been involved in collaborative

arrangements with OGC, other Police Forces, the Ministry of Defence and the National Police Improvement Agency. The CIPFA Value for Money Benchmarking Report, published in January 2011, placed PSNI between the median and best quartile in terms of establishing collaborative procurement arrangements with other buying organisations. Currently Northern Ireland Prison Service collaborative contracts are valued at £1.4 million, with the main contract for gas/oil valued at £1.1 million.

- 3.7 In general there is only limited aggregation of demand and collaboration in the Northern Ireland public sector. It is centred in CPD and covers only a small fraction of the common goods and services purchased by the public sector. CPD's collaborative arrangements do not cover all categories of common goods and services. Where these agreements have been set up, aggregation of demand does not appear to have been fully considered. CoPEs do not have a

## Part Three:

# The opportunities for aggregating demand and collaborating in the area of common goods and services

good record in collaborative procurement, generally working independently of CPD and other CoPEs.

(contract commenced February 2006, annual estimated value £3-4 million). However, this contract has now been halted due to legal proceedings; and

### The procurement of common goods and services is fragmented across the CoPEs

3.8 Our survey has shown that there is relatively little cross-CoPE collaboration. CoPEs tend to contract mainly on an individual basis or with bodies outside Northern Ireland rather than with other CoPEs. To date there have only been a few cross-CoPE collaborative procurements, for example:

- the Northern Ireland Housing Executive has utilised the PaLS (Health) contract for the supply of office furniture (August 2010 - July 2013, contract value £2.6 million). NIHE currently has collaborative contracts with an annual value of £2.24 million, including contracts for common goods and services e.g. electricity (£1.5 million), natural gas (£0.3 million) and heating oil (£0.2 million);
- previously there was a NI Water-led contract to procure vans. The Forest Service and the Environment and Heritage Service were amongst the participants. We were unable to obtain total spend on the contract, but are aware that NI Water spent £2.72 million between 2008 and 2011;
- a CPD-led desktop stationery contract, which included a cross-CoPE element

- the only cross-CoPE collaborative arrangement which aggregated the entire Northern Ireland public sector demand was the photocopy paper agreement (from 2008 – 2012 spend circa £1.8 million per year). However, there are a number of contracts within this agreement due to different specification requirements.

Our survey indicates that there are no immediate plans for any new cross-CoPE collaborative procurements.

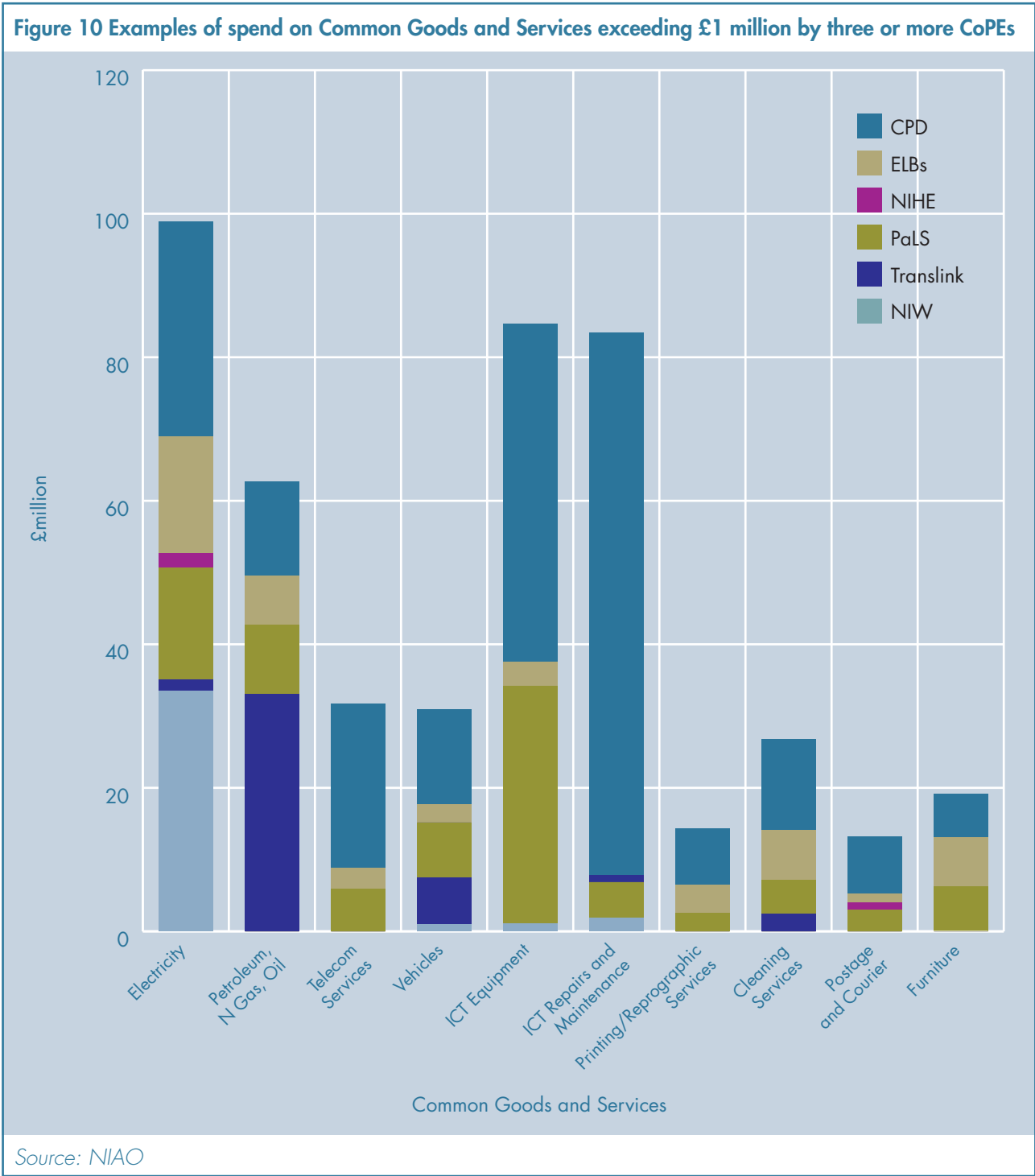
3.9 One of the accreditation criteria for obtaining CoPE status<sup>23</sup> is having a unique procurement portfolio. This would suggest that CoPEs would not be procuring the majority of common goods and services but would concentrate on their specific area of expertise. However, our analysis of spend, along with interviews with Heads of Procurement in a number of CoPEs illustrated that CoPEs (with the exception of Roads Service) are procuring over 50 per cent of the common goods and services for the Northern Ireland public sector (see **Figure 6**).

3.10 **Appendix 2** provides detailed analysis of the summary information in **Figure 6**. This reveals that for a number of sub-categories of common goods and services (e.g. electricity, ICT equipment, ICT repairs and maintenance, and fuel) a number of CoPEs were purchasing over £1 million.

23 The competency of CoPEs is reviewed by the Procurement Board periodically, utilising a range of criteria.



Figure 10 shows a number of these sub-categories, analysed by spend per CoPE.



## Part Three:

# The opportunities for aggregating demand and collaborating in the area of common goods and services

- 3.11 We acknowledge that there are instances when the CoPEs will take the lead in procuring common goods and services which are critical to their business e.g. fuel in Translink and electricity in NI Water. However, **Figure 10** shows that expenditure on common goods and services is fragmented in nature. In our view, it would be more efficient if a lead CoPE or CPD were appointed for specific categories of common goods or services. These bodies would be involved in aggregation, cross-CoPE collaboration and Category Management, (see **paragraphs 3.12 – 3.17**), in order to provide a more effective procurement service to government departments and agencies.

### Recommendation 5

**There needs to be more work done to increase collaborative procurement through aggregation of demand in the Northern Ireland public sector. The procurement of common goods and services is fragmented across the CoPEs. In order to reduce this dispersion, lead CoPEs should be appointed to manage the procurement of specific categories of common goods and services in order to maximise opportunities for aggregation of demand and cross-CoPE collaboration. In our view, it would be preferable if this aggregation of demand was mandated by the Procurement Board.**

### In order for aggregation and collaboration to be effective, Category Management should be embedded in procurement organisations

- 3.12 A key element to successful collaborative procurement is the use of Category Management. The Chartered Institute of Purchasing and Supply (CIPS) defines Category Management as:

*“organising the resources of the procurement team in such a way as to focus externally onto the supply markets of an organisation (as against having a focus on internal customers or on internal procurement departmental functions) in order to fully leverage purchasing decisions”<sup>24</sup>.*

A category is the logical grouping of common goods and services. Major private sector organisations such as Shell International and Diageo plc use this approach to procurement.

- 3.13 The purpose of Category Management is to deliver value for money from suppliers through a structured approach to category planning, strategic sourcing and supplier management. The benefits are:
- better value for money through aggregation of demand;
  - standardising requirements in terms of specification;



- skilled procurement personnel are actively involved in purchasing process; and
- resources can be committed to market analysis.

3.14 For Category Management to work effectively in a procurement organisation a number of key components need to be introduced:

- identification of categories;
- understanding client demands and requirements for each category;
- understanding the market and suppliers of each category;
- developing Category Management strategies and plans;
- identifying supply options and contracting routes;
- supplier selection;
- implementing contracts; and
- supplier and contract management<sup>25</sup>.

3.15 CPD first considered Category Management following a review in 2007. In June 2010, it adopted a 'hybrid' approach by restructuring branches along Category Management groupings alongside each branch

managing a departmental portfolio. However, Category Management is not fully embedded within CPD. There is an absence of:

- Category Management strategies;
- performance measures in areas such as efficiency savings and supplier performance; and
- documented processes around category groupings, suppliers, contracts and pricing.

3.16 In response to our survey, NI Water, Translink, NI Housing Executive and the PSNI told us that they have adopted a partial Category Management approach to procurement. In most cases the categories which have been adopted are in line with the functions or business lines of the organisation and common goods and services tend to fall into one or two general categories. PaLS stated that they had implemented Category Management in January 2005 and had dedicated sourcing teams leading on categories on behalf of all Health and Social Care organisations.

3.17 Best practice indicates that Category Management is fundamental to the success of collaborative procurement. However, its use in the Northern Ireland public sector is very limited, with several procurement organisations having only partially implemented the process.

## Part Three:

# The opportunities for aggregating demand and collaborating in the area of common goods and services

### Recommendation 6

**Category Management is a key element for effective aggregation of demand and collaboration. CoPEs should work co-operatively to identify and agree Category Management groupings and responsibilities and fully implement these in their organisations.**

### In order to implement Category Management, procurement organisations need to ensure they have sufficiently experienced and professional staff

3.18 For procurement organisations to be effective, they need to be adequately resourced with experienced professional staff. The McClelland Report<sup>26</sup> provides a useful starting point for evaluation of adequate staffing levels. It states that, as a rule of thumb, there should be at least one procurement professional for every £15 million of contracted spend in a procurement organisation. We applied this test to a number of procurement organisations in the Northern Ireland public sector. The results from our survey question in this area are outlined in **Figure 11**. It would appear that there are inadequate numbers of procurement professionals in several procurement organisations, including CPD, although this is somewhat mitigated by the fact that there are 15 CPD staff currently training to become Chartered Institute of Purchasing and Supply qualified.

3.19 With these levels of professionally qualified staff in the Northern Ireland procurement bodies, we are of the view that the scope for the effective implementation of Category Management is limited. Category Management requires suitably experienced and professionally qualified staff with commercial acumen. A specific training programme would be required to up-skill staff. These staff are needed to become the sector market experts that effective Category Management demands.

### Recommendation 7

**There is an inadequate skills base in procurement organisations in terms of professionally qualified staff required to drive forward Category Management. Procurement organisations should critically review their skills base to ascertain requirements in order to fully implement Category Management structures that will accommodate aggregation and collaboration.**

**Figure 11 Comparison of professionally qualified staff in procurement organisations to minimum requirements identified in the McClelland Report**

Department Organisation	Full Time Equivalent (FTE) Staff	Goods & Services FTE	Qualified CIPS Staff	Staff Training for CIPS	2010-2011 Spend on Goods and Services (£m)	Minimum number of CIPS staff required
CPD	63	62	<b>40</b>	<b>15</b>	632.0	<b>42</b>
PaLS	59	56	<b>21</b>	<b>5</b>	498.0	<b>33</b>
NI Water	19*	19	<b>7</b>	<b>7</b>	83.6	<b>6</b>
Translink	9	8	<b>7</b>	<b>0</b>	102.7	<b>7</b>
NIHE	20	6	<b>7</b>	<b>0</b>	28.4	<b>2</b>
BELB	4	4	<b>2</b>	<b>2</b>	35.4	<b>2</b>
NEELB	10	5	<b>2</b>	<b>1</b>	66.3	<b>4</b>
SEELB	5	3	<b>1</b>	<b>0</b>	52.6	<b>4</b>
SELB	7	7	<b>3</b>	<b>0</b>	66.2	<b>4</b>
WELB	7	4	<b>3</b>	<b>0</b>	60.2	<b>4</b>
<b>Totals</b>		<b>174</b>	<b>93</b>	<b>30</b>	<b>1,625.4</b>	<b>108</b>

**Table Key**

	Inadequate numbers of qualified staff
	Adequate numbers of qualified staff

\* Four of these staff are temporary and will leave NI Water on 31 December 2012. None are CIPS qualified.

Source: NIAO

### There are indications of price and specification variations in many categories of common goods and services

3.20 As part of our survey, we examined if common goods and services were being procured at standard or similar prices. Our survey included a question to ascertain details of the most recent prices paid for eight common items of expenditure. Overall the response was good; however, CPD did not provide any pricing details. However, **Figure 12** suggests that there are material price and specification variations in some items of expenditure.

3.21 This information must be treated with some caution as we have not fully validated all survey responses in this area. We have evidence that demonstrates differences in brand and specification requirements for basic items such as printer toner cartridges, envelopes, photocopy paper and computer monitors i.e.

- toner cartridges ranging from discounted to named brands and different printing capacities;
- differences in the weight of envelopes (70g, 80g and 90g);
- photocopy paper from recycled and non-recycled sources; and
- size requirements of computer monitors, the standard IT Assist specification is 19"; but variations included 17", 22", 23" widescreen and 24" touch screen.

These differences may have contributed to the price variations.

3.22 Furthermore, we have learned that differences in specification requirements prevented a collaborative arrangement for the procurement of food between PaLS and the Northern Ireland Prison Service. In our view, CoPEs should attempt to harmonise specifications for common goods and services to facilitate and encourage aggregation of demand and collaborative procurement arrangements.

3.23 The survey revealed that none of the departments compare prices paid for any of their common goods and services; the expectation being that CPD as the CoPE would be completing this exercise on their behalf. PaLS was the only CoPE which compared prices on a regular basis. They compare a basket of over 200 common use items on a monthly basis using an independent benchmarking specialist.

3.24 There was also evidence of more consistent pricing where the use of a contract had been mandated. The latest pan-NICS wide travel contract has been mandated by DFP's Human Resources and has resulted in standard booking fees for local and international air travel of £7.65 and £11.90 respectively. Of the responses received, 18 included booking fees in line with the mandated travel contract, while only five survey responses stated a different booking fee. CPD has informed us that their new collaborative procurement policy will mandate central government bodies to use collaborative arrangements.

3.25 Our price comparison revealed interesting information about prices paid by Arms Length Bodies (ALBs). The cost of a

**Figure 12 Ranges of specifications and prices paid for common goods and services by CoPEs and Northern Ireland government departments and agencies**

Common Goods/Services	Potential Specification Variations	Lowest Price (£)	Highest Price (£)
Laser printer black toner cartridge	<ul style="list-style-type: none"> <li>- own brand and named brands</li> <li>- number of prints per cartridge</li> <li>- inkjet / laserjet printer</li> </ul>	2.26	125.40
Manila envelope C4 (box 250)	<ul style="list-style-type: none"> <li>- own brand and named brands</li> <li>- 70g, 80g, 90g</li> </ul>	2.99	34.07
Air travel booking fee	<ul style="list-style-type: none"> <li>- travel contract used</li> <li>- individual booking</li> <li>- flexibility of booking</li> <li>- regional and international flights</li> </ul>	5.00	15.00
Hotel room in London	<ul style="list-style-type: none"> <li>- time of year</li> <li>- location</li> <li>- duration of stay</li> </ul>	44.00	165.00
Computer flat screen monitor	<ul style="list-style-type: none"> <li>- Size 17", 19", 22",23",24"</li> <li>- widescreen</li> <li>- touch screen</li> </ul>	87.43	499.38
Car hire (medium) (single day)	<ul style="list-style-type: none"> <li>- insured</li> <li>- uninsured</li> <li>- car size, model</li> </ul>	24.99	91.06
Photocopy paper A4 (5 reams)	<ul style="list-style-type: none"> <li>- recycled</li> <li>- non-recycled</li> </ul>	8.33	18.60
Laptop – standard NICS specification	<ul style="list-style-type: none"> <li>- software</li> <li>- warranties</li> <li>- service/support</li> <li>- installation and testing</li> </ul>	369.00	965.00

Source: NIAO, based on survey responses

standard NICS specification laptop was confirmed by IT Assist as approximately £659. The survey has highlighted occasions where ALBs paid significantly higher prices - £965, £852 and £797 paid by the Public Record Office of Northern Ireland, Arts Council of Northern Ireland and the Construction Industry Training Board respectively. Conversely,

DFP and the Department of Agriculture and Rural Development quoted the lowest price of £369.

3.26

The survey also highlighted price differences for a computer monitor, with the highest prices paid by ALBs - £499, £332 and £255 by Northern Ireland Screen, Armagh Observatory &

Planetarium and the Public Records Office of Northern Ireland respectively. NI Water quoted the lowest price paid of £87.

- 3.27 It is clear from our survey that wide price and specification variations exist for common goods and services and that Departments and most procurement organisations do not compare prices of common goods and services. It has also been shown that when contracts are mandated, price variations can be minimised. The use of agreed contracts for common goods and services is paramount to promote competition and eliminate large price variations. It also appears that organisations outside the main departmental structures are at risk of paying higher prices for common goods and services. This is despite the fact that, in both the above examples, ALBs are specifically listed as participating bodies on the current IT Assist arrangements for provision of PCs and laptops.

#### Recommendation 8

**Collaborative procurement can only be fully effective if regular price benchmarking is carried out to gauge if government departments and agencies are paying too much for common goods and services. Basic price comparisons of common goods and services should be undertaken regularly by all procurement bodies.**

#### Recommendation 9

**Variations in the specifications of common goods and services can lead to price differences. Public sector bodies should strive to harmonise specifications of common goods and services as far as possible in order to facilitate aggregation of demand and collaboration.**

#### Recommendation 10

**It has been demonstrated that when NICS departments are mandated to use contracts for categories of common goods and services, price variations are significantly reduced. The Procurement Board should consider extending the mandating of contracts to a wider range of common goods and services.**

#### Recommendation 11

**A number of Arms Length Bodies appear to be paying more for some common goods and services. Departments should ensure that their Arms Length Bodies are made fully aware of the contracts and collaborative arrangements available to them and actively encourage their use to ensure cost savings are maximised.**



## Part Four:

# Aggregation and collaboration in relation to Small and Medium Sized Enterprises





## Part Four:

# Aggregation and collaboration in relation to Small and Medium Sized Enterprises

### There is a need to balance the achievement of efficiency savings from aggregation and collaboration with the development of Small and Medium Sized Enterprises

4.1 The Northern Ireland Assembly Finance and Personnel Committee reported on public procurement in Northern Ireland in 2010<sup>27</sup>. This report focused on the experiences of Small and Medium Sized Enterprises (SMEs) in tendering for and delivering public contracts. The report made over 50 recommendations to facilitate SMEs' participation in public sector procurement. Most recommendations focused on removing barriers from SMEs' and increasing their access to public sector procurement. These included:

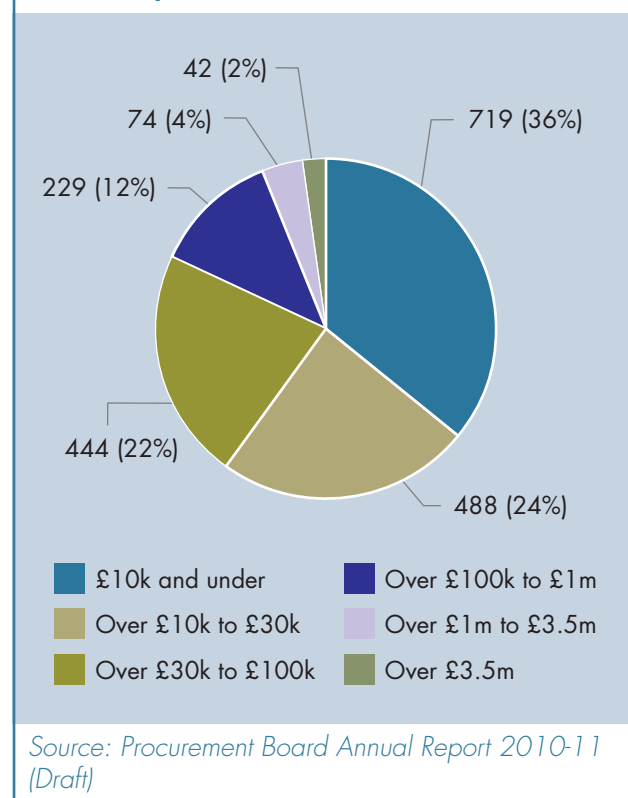
- setting targets for SMEs' participation in public procurements;
- encouraging SMEs to collaborate, where appropriate;
- developing a simplified Pre-Qualification Questionnaire; and
- defining SMEs in the Northern Ireland context, identifying small and micro-businesses.

4.2 There is a risk that in promoting increased aggregation of demand and collaboration, this could be to the detriment of SMEs. In developing policies for increased aggregation, consideration therefore needs to be given to the role of SMEs. This is because larger contracts tend to disadvantage their participation.

A European Union study on access to public procurement markets<sup>28</sup> estimates that the value threshold at which SMEs appear to be disadvantaged is in the range 300,000 to 1 million euros.

4.3 However, published statistics show that 82 per cent of Northern Ireland public sector contracts are currently valued below £100,000 and only six per cent of contracts are above £1 million (see **Figure 13**). This would suggest that there may be very considerable scope for aggregating demand and increasing the size of contracts without significantly impacting on SMEs' ability to compete.

**Figure 13 Value of supplies & services contracts awarded by CoPEs in 2010-11**



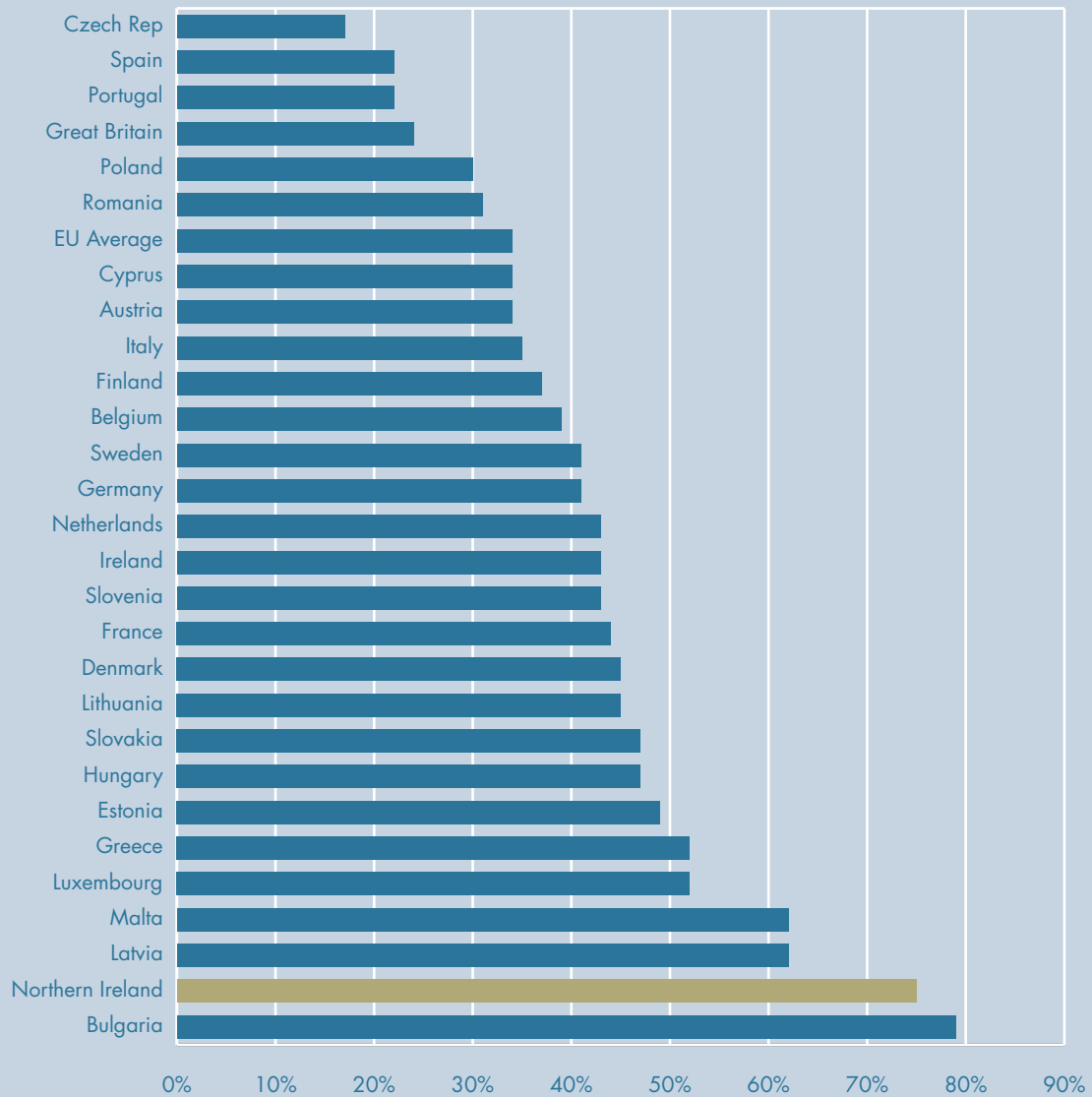
27 NI Assembly Committee for Finance and Personnel: Report on the Inquiry into Public Procurement in Northern Ireland (NIA 19/08/09R) (February 2010).

28 [http://ec.europa.eu/enterprise/policies/sme/business-environment/files/smes\\_access\\_to\\_public\\_procurement\\_final\\_report\\_2010\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/business-environment/files/smes_access_to_public_procurement_final_report_2010_en.pdf)

4.4 In Great Britain, SMEs currently win about 25 per cent of the value of public sector contracts. In Europe around 60 per cent of the number of contracts and 38 per cent of contract value is won by SMEs. This ranges between 75 per cent in the

newer, smaller states and around 20 per cent in the more developed states (see **Figure 14**). In Northern Ireland, we estimate that SMEs win at least 75 per cent of the value of public sector contracts.

**Figure 14 SMEs' share of value of European public sector contracts**



Source: [http://ec.europa.eu/enterprise/policies/sme/business-environment/files/smes\\_access\\_to\\_public\\_procurement\\_final\\_report\\_2010\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/business-environment/files/smes_access_to_public_procurement_final_report_2010_en.pdf)

## Part Four: Aggregation and collaboration in relation to Small and Medium Sized Enterprises

- 4.5 One of the recommendations from the Northern Ireland Assembly Finance and Personnel Committee report on Public Procurement in Northern Ireland was that CoPEs should implement information systems to enable the impact of procurement policy on SMEs to be monitored. It proved difficult for us to get this data but available information suggests that SMEs provide a very high proportion of public sector goods and services compared to the UK or Europe. Sectoral information given to the Committee in 2009 showed that between 64 and 100 per cent of contract value was awarded to SMEs and virtually 100 per cent of contracts awarded were to SMEs (see **Figure 15**).
- 4.6 As part of our survey, we asked CoPEs to provide an analysis of the value of SME contracts in their areas of responsibility. Most were unable to provide any information, but those who did respond (NI Water, Translink and PaLS) indicated very high levels of around 95 to 100 per cent and CPD reported that, overall, 75 per cent of contracts were provided by SMEs.
- 4.7 Although the available evidence indicates that SMEs in Northern Ireland win a very large share of public sector contracts, we recognise that if there is increased aggregation, there is an increased risk that the SME sector, including micro-businesses, will lose market share. It is therefore important that CoPEs have in place best practice procedures for dealing with this sector.
- 4.8 Our survey asked CoPEs to indicate the frequency with which they use 15 best practice approaches<sup>29</sup> when engaging with SMEs (see **Figure 16** and **Appendix 3**). Generally there was a good recognition of best practice, with CoPEs indicating overall, that 66 per cent of these approaches were either “always” or “sometimes” applied in their procurement processes and procedures. However there were some notable exceptions. Most CoPEs did not:
- publish specific targeted actions to increase business with SMEs;

**Figure 15 Proportion of contracts, (by number and value), let by CoPEs 2006-07 to 2008-09**

	DHSSPS (PaLS)		NIHE		CPD		ELBs	
	% of contracts	% of value	% of contracts	% of value	% of contracts	% of value	% of contracts	% of value
<b>Business Type</b>								
SMEs/SEEs	99.5	99.9	100	100	98.1	93.1	99.6	63.9
Non –SMEs	0.5	0.1	0	0	1.9	6.9	0.4	36.1
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: DFP Committee Report on Procurement and SMEs (August 2009)

29 Derived from the Glover Review (November 2008) which examined ways of increasing participation in public procurement by small firms.

- identify tendering opportunities especially suitable to SMEs;
- encourage major contractors to advertise sub-contracting opportunities.

A sizeable minority of the responses (34 per cent) indicated CoPEs never applied a number of best practice approaches.

### Recommendation 12

**In seeking to aggregate demand, CoPEs need to adopt best practice approaches to SMEs in order to encourage their continued participation in public sector procurement. CoPEs need to do more in the areas of publishing specific targets to encourage SMEs, flag up relevant tendering opportunities, and encourage major contractors to advertise sub-contracting opportunities.**

**Figure 16 Frequency with which CoPEs, PSNI and NIPS utilise 15 best practice approaches when dealing with SMEs**

CoPE	Frequency		
	Always	Sometimes	Never
NI Water	8	0	7
NIHE	2	7	6
Translink	9	0	6
CPD	6	4	5
PSNI	7	8	0
SELB	5	2	8
WELB	4	4	7
NEELB	7	2	6
SEELB	15	0	0
BELB	8	0	7
PaLS	7	4	4
<b>Totals</b>	<b>78</b>	<b>31</b>	<b>56</b>
<b>%</b>	<b>47</b>	<b>19</b>	<b>34</b>

Source: NIAO

## Part Four: Aggregation and collaboration in relation to Small and Medium Sized Enterprises

### Recommendation 13

**A sizeable proportion of survey responses by the CoPEs indicated that there are certain areas of best practice that they never utilise when dealing with SMEs. CoPEs should benchmark their approaches to SMEs against the 15 best practice approaches indicated in our report.**

4.9 Improving efficiency by aggregating demand and supporting SMEs competing for contracts are both valid objectives for public sector procurement organisations. Indeed, the procurement value for money indicators recommended by the Public Audit Forum in its 2008 report<sup>30</sup> includes specific performance indicators for both. The Forum also recognises however, that there is a tension between these objectives. It suggests that high-performing procurement organisations will seek to strike a balance between them to achieve optimum value for money, rather than pursue one at the expense of the other. In a situation such as in Northern Ireland, where organisations are seeking to increase the aggregation of their purchasing, the percentage of spend going through SMEs may decrease (see **Figure 17**) and it is therefore important that both policy objectives are monitored and reported on.

4.10 In responding to our survey, CoPEs generally recognised a difficulty in reconciling value for money objectives with helping SMEs and we found a perception among many procurement professionals that aggregation was not possible or desirable, because of the potential adverse effect on local SMEs.

At the same time however, there were few indications of any proactive attempt to develop or assist SMEs. No CoPEs had any formally stated objectives or strategies and while examples were given where SMEs had won contracts in competition with larger companies and CPD requiring major contracts to consider collaboration and splitting requirements to encourage SMEs, we could find no instances where consideration of SMEs had influenced specific procurement strategies.

4.11 Northern Ireland has one of the highest levels of SME participation in public sector procurement in Europe, coupled with a very low level of aggregation and large numbers of very small contracts. There is considerable scope to redress the balance between the potentially conflicting objectives of increasing SME involvement in procurement and increasing aggregation and collaboration. In order to do this we recommend that action is taken in the areas of best practice approaches to SMEs by CoPEs and evidence-based policies in these areas utilising the Public Audit Forum value for money indicators.

<sup>30</sup> *Value for Money in Public Sector Corporate Services*, Public Audit Forum (2008). The Public Audit Forum comprises the UK public audit agencies: the National Audit Office, the Northern Ireland Audit Office, the Audit Commission, the Wales Audit Office and Audit Scotland. The performance indicators included in this report have been used as the basis for "Benchmarking the Back Office" reports in Great Britain.

**Figure 17 Procurement value for money indicators (extracts)**

Indicator	Rationale and expected impact on behaviour
<p><b>Procurement Secondary Indicator 4</b></p> <p>The percentage of non-pay spend that is channelled directly through Small and Medium Sized Enterprises.</p>	<p>This indicator examines the effectiveness of the procurement function in relation to its corporate social responsibility objectives. In most circumstances, organisations should expect the percentage of spend with SMEs to increase. However in organisations which are seeking to increase the aggregation of their purchasing (for example, where there is currently little central procurement leading to uncompetitive prices being paid for goods and services) the percentage may decrease.</p> <p>High-performing organisations will strike a balance between their achievement against this indicator and against secondary indicators 6 (a) and (b) which examine the extent to which organisations have aggregated their purchasing arrangements.</p>
<p><b>Procurement Secondary Indicator 6</b></p> <p>Management of the supplier base:</p> <ul style="list-style-type: none"> <li>a. Average spend per accredited supplier;</li> <li>b. Percentage of total non-pay spend represented by the top 20 per cent of suppliers by value.</li> </ul>	<p>Organisations should seek to purchase from an optimal number of suppliers (typically by spend category), taking into account market conditions and the capability of the procurement function to effectively manage the supply base.</p> <p>High-performing organisations typically aim to aggregate their purchasing in order to secure competitive deals. They would therefore expect to increase the average spend and the percentage of spend with their largest suppliers over time (parts (a) and (b) of the indicator).</p> <p>Organisations should aim to balance their achievement against parts (a) and (b) of this indicator with their performance against secondary indicator 4 (the percentage of spend with SMEs).</p>

Source: *Value for money in public sector corporate services, Public Audit Forum (Nov 2008)*

**Recommendation 14**

**There is a perception that there is a trade-off between increasing aggregation and collaboration and increasing participation in public procurement by SMEs. However, evidence would indicate that SMEs currently win a large proportion of public sector contracts. Nevertheless, any strategy to increase aggregation of demand should explicitly consider the potential impact on SMEs by examining robust statistical information to ensure the analysis is fully evidence-based.**

**Recommendation 15**

**The Public Audit Forum has a range of value for money indicators in the areas of aggregation and collaboration and for the participation of SMEs in public procurement. All CoPEs should use these indicators to inform policy and assess performance in a balanced manner.**





# Appendices



## Appendix 1

### Procurement Policy Governance Framework

1. The governance framework within which public procurement operates consists of the Procurement Board, the Central Procurement Directorate (CPD), the Centres of Procurement Expertise (CoPEs) and the Procurement Practitioners' Group.
    - Procurement and Logistics Service (PaLS) (for Health);
    - Education and Library Boards; and
    - Northern Ireland Housing Executive.
  2. The Procurement Board has responsibility for the development, dissemination and co-ordination of public procurement policy and practice for the Northern Ireland public sector. Chaired by the Finance Minister, it is responsible to the Northern Ireland Executive and accountable to the Northern Ireland Assembly. CPD has an important role in formulating, implementing and monitoring procurement policy. It also provides procurement services for the Northern Ireland public sector and advises procurers on which procurement body to use in strategically important procurements (e.g. major information technology systems, capital works and major business change projects).
 

Each of these CoPEs have procurement activities which are primarily linked to the area of activity which they support.
  3. In addition to CPD, seven other organisations have been granted CoPE status by the Procurement Board to provide a procurement service to public bodies throughout the public sector. These are
    - Roads Service;
    - NI Water;
    - Translink;
    - Health Estates;
  4. The Procurement Practitioners' Group consists of representatives from CPD and the other CoPEs. Their role is to inform, test and develop policy and operational issues. This has been split into two sub-groups: supplies and services and construction works and services.
-

## Appendix 2

### Analysis of common goods and services procured by individual CoPEs (2010-11)

<b>Analysis of CoPEs Procurement Expenditure 2010-11 - Common goods and services (excluding CPD)<sup>31</sup></b>							
<b>CPV codes</b>	<b>Energy</b>	<b>NI Water £'000</b>	<b>Translink £'000</b>	<b>PaLS £'000</b>	<b>NIHE £'000</b>	<b>ELBs £'000</b>	<b>Total £'000</b>
093	Electricity	33,529	1,498	15,645	1,985	16,334	68,991
092	Petroleum, N Gas, Oil	391	33,074	9,630	297	6,861	50,253
091	Gas Oil	299	237	5,368	122	4,823	10,849
091	Heating Oil	1,164	548	7,714	0	7,312	16,738
							<b>146,831</b>
<b>CPV codes</b>	<b>Telecoms &amp; Networks</b>	<b>NI Water £'000</b>	<b>Translink £'000</b>	<b>PaLS £'000</b>	<b>NIHE £'000</b>	<b>ELBs £'000</b>	<b>Total £'000</b>
325	Telecom Equipment	32	0	2,871	0	315	3,218
642	Telecom Services	901	785	5,896	471	3,013	11,066
							<b>14,284</b>
<b>CPV codes</b>	<b>Professional Services - Financial &amp; Consultancy</b>	<b>NI Water £'000</b>	<b>Translink £'000</b>	<b>PaLS £'000</b>	<b>NIHE £'000</b>	<b>ELBs £'000</b>	<b>Total £'000</b>
661	Financial Services	0	0	24	0	0	24
665	Insurance	1,197	22	620	770	1,241	3,850
661	Banking	0	244	12	427	46	729
792	Accountancy/Audit	0	310	614	0	0	924
661	Debt Recovery	0	1	0	0	0	1
749	Consultancy Services	0	0	10	0	0	10
721	ICT	897	15	16	0	917	1,845
791	Legal	0	337	1,497	1,723	300	3,857
794	Management	86	333	991	72	3,006	4,488
794	PFI/PPP Advice	36	0	0	0	0	36
794	Construction Related	17,450	228	0	3,705	565	21,948
805	Training	20	379	2,534	151	277	3,361
							<b>41,073</b>

31 The Roads Service and Health Estates CoPEs do not incur expenditure on common goods and services.

## Appendix 2

### Analysis of common goods and services procured by individual CoPEs (2010-11)

<b>Analysis of CoPEs Procurement Expenditure 2010-11 - Common goods and services (excluding CPD) cont'd</b>							
<b>CPV codes</b>	<b>Fleet</b>	<b>NI Water £'000</b>	<b>Translink £'000</b>	<b>PaLS £'000</b>	<b>NIHE £'000</b>	<b>ELBs £'000</b>	<b>Total £'000</b>
340	Transportation Equipment	0	0	0	0	0	0
341	Vehicles	967	6,606	7,600	147	2,523	17,843
343	Spare Parts	424	1,554	0	128	1,274	3,380
							<b>21,223</b>
<b>CPV codes</b>	<b>Office Supplies (stationery &amp; paper)</b>	<b>NI Water £'000</b>	<b>Translink £'000</b>	<b>PaLS £'000</b>	<b>NIHE £'000</b>	<b>ELBs £'000</b>	<b>Total £'000</b>
301	Desktop Supplies & Consumables	162	370	2,025	258	893	3,708
301	Paper	0	0	214	93	800	1,107
301	General Office Supplies	335	0	2,182	0	867	3,384
							<b>8,199</b>
<b>CPV codes</b>	<b>ICT Commodities</b>	<b>NI Water £'000</b>	<b>Translink £'000</b>	<b>PaLS £'000</b>	<b>NIHE £'000</b>	<b>ELBs £'000</b>	<b>Total £'000</b>
302	ICT Equipment	1,115	114	33,020	0	3,460	37,709
503	ICT Repairs & Maintenance	1,898	691	4,953	9,649	991	18,182
							<b>55,891</b>
<b>CPV codes</b>	<b>Print &amp; Print Management</b>	<b>NI Water £'000</b>	<b>Translink £'000</b>	<b>PaLS £'000</b>	<b>NIHE £'000</b>	<b>ELBs £'000</b>	<b>Total £'000</b>
301	Photocopiers	0	0	353	0	530	883
302	Printers	0	0	0	0	0	0
795	Printing/Reprographic Services	0	327	2,534	110	3,942	6,913
							<b>7,796</b>
<b>CPV codes</b>	<b>Advertising &amp; Media</b>	<b>NI Water £'000</b>	<b>Translink £'000</b>	<b>PaLS £'000</b>	<b>NIHE £'000</b>	<b>ELBs £'000</b>	<b>Total £'000</b>
793	Advertising	222	255	959	255	1,197	2,888
794	Public Relations	0	486	178	72	105	841
							<b>3,729</b>

<b>Analysis of CoPEs Procurement Expenditure 2010-11 - Common goods and services (excluding CPD) cont'd</b>							
<b>CPV codes</b>	<b>Travel</b>	<b>NI Water £'000</b>	<b>Translink £'000</b>	<b>PaLS £'000</b>	<b>NIHE £'000</b>	<b>ELBs £'000</b>	<b>Total £'000</b>
600	Transport & Travel Services	0	0	472	0	0	472
601	Land Transport Services	0	0	4,729	1,040	56,000	61,769
606	Water Transport Services	0	0	0	0	20	20
604	Air Transport Services	0	0	0	0	0	0
635	Travel Agency Services	0	0	0	26	0	26
							<b>62,287</b>
<b>CPV codes</b>	<b>Facilities Management</b>	<b>NI Water £'000</b>	<b>Translink £'000</b>	<b>PaLS £'000</b>	<b>NIHE £'000</b>	<b>ELBs £'000</b>	<b>Total £'000</b>
799	Facilities Management	0	0	2,524	0	0	2,524
555	Catering Services	0	243	898	181	5,227	6,549
393	Catering Equipment	0	6	1,524	8	395	1,933
909	Cleaning Services	328	2,456	4,727	854	6,945	15,310
797	Security Services	678	1,398	421	537	850	3,884
427	Laundry/Dry Cleaning	0	0	5,632	0	78	5,710
641	Postage & Courier	120	301	3,026	931	1,315	5,693
150	Food & Beverages	0	0	17,282	0	16,611	33,893
390	Furniture	0	765	6,191	54	6,845	13,855
							<b>89,351</b>
							<b>450,664</b>

## Appendix 2

## Analysis of common goods and services procured by individual CoPEs (2010-11)

Analysis of CPD Procurement Expenditure 2010-11 - Common goods and services															
CPV codes	Energy	Roads	DSD	DEL	DRD	DHSSPS	DETI	DOE	OFMDFM	DARD	DFF	DE	DCAL	DOJ	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
713	Energy	0	0	0	0	251	0	0	0	4	0	0	0	0	255
093	Electricity	11,167	1,251	113	164	1,114	207	712	140	1,996	3,010	210	1,519	8,296	29,899
092	Petroleum, N Gas, Oil	2,185	227	24	4	1,035	63	402	20	1,820	767	10	293	6,299	13,149
091	Gas Oil	429	0	0	0	6	0	139	5	80	5	17	152	1,060	1,893
091	Heating Oil	1	271	12	0	258	11	0	6	779	306	63	345	1,233	3,285
															<b>48,481</b>
CPV codes	Telecoms & Networks	Roads	DSD	DEL	DRD	DHSSPS	DETI	DOE	OFMDFM	DARD	DFF	DE	DCAL	DOJ	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
325	Telecom Equipment	886	0	17	2	1,013	0	12	16	318	313	6	47	6,306	8,936
642	Telecom Services	621	1,462	370	133	2,665	613	706	306	451	4,498	358	497	10,152	22,832
															<b>31,768</b>
CPV codes	Professional Services - Financial & Consultancy	Roads	DSD	DEL	DRD	DHSSPS	DETI	DOE	OFMDFM	DARD	DFF	DE	DCAL	DOJ	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
661	Financial Services	0	6,044	4	0	0	0	0	114	0	0	0	16	0	6,178
665	Insurance	211	17	110	0	212	86	123	38	208	192	51	233	2,557	4,038
661	Banking	17,121	916	3	0	0	7	192	6	3	2,243	0	3	38	20,532
792	Accountancy/Audit	0	22	41	8	156	588	94	194	147	65	100	205	492	2,112
661	Debt Recovery	0	0	70	0	2	0	0	0	1	0	0	0	129	202
749	Consultancy Services	0	4,364	0	11	1,170	0	0	10	146	23	0	163	0	5,887
721	ICT	0	59	16	20	78	357	1,724	153	46	59	14	28	296	2,850
791	Legal	878	511	14	122	904	991	662	473	255	141	66	301	450	5,768
794	Management	1,923	221	192	8	424	2,146	377	1,249	270	1,053	69	33	1,285	9,250
794	PFI/PPP Advice	0	0	0	0	0	17	1,386	0	0	0	0	147	0	1,550
715	Construction Related	1,573	37	38	0	99	905	0	1,993	138	0	0	520	661	5,964







## Appendix 3

### Survey questions on best practice approaches used when engaging with SMEs

#### Which of the following best practice approaches for engaging with SMEs do you currently operate?

DO YOU:
Publish specific, targeted actions aimed to increase your business with SMEs?
Indicate contracts which have been awarded to SMEs and report annually on the value of your contract spend with SMEs?
Advertise all procurement opportunities greater than £30,000 using Bravo Solutions?
Issue all tender documentation electronically, keeping this as brief as possible?
Use standardised Pre-Qualification Questionnaire where possible and enable businesses to submit standard Pre-Qualification Questionnaire data only once?
Publish contract awardees online in standard format within 48 days of contract signature?
Ensure major suppliers pay sub-contractors within 30 days as part of contract terms and conditions?
Flag up tendering opportunities thought especially suitable for SMEs during the advertising process?
Take account of all previous relevant experience when bidding for work, not just public sector experience?
Take account of similar but equivalent accreditations held as standard part of Pre-Qualification Questionnaire or contract award?
Use a complaints procedure or Office of Government Commerce Extend Supplier Feedback Service so suppliers can raise issues with procurements which deter SMEs?
Investigate use of more open frameworks which do not lock suppliers out of contracts for up to four years?
Encourage major contractors to advertise sub-contracting opportunities in the local press where possible?
Encourage strategic dialogue between government and smaller suppliers?
Encourage wider use of outcome-based specifications across the public sector?





## NIAO Reports 2011-2012

Title	Date Published
<b>2011</b>	
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National Fraud Initiative 2008 - 09	16 February 2011
Uptake of Benefits by Pensioners	23 February 2011
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