

How Academies can protect themselves financially through Collaborative Procurement

Academies are increasingly being encouraged to protect themselves from the impending funding cuts through collaborative procurement. Whilst we're seeing a growth in such collaboration, there remain considerable barriers which are putting brakes on the trend, resulting in a fragmented picture across the UK. In this article, **Matt Roper, CEO of Buying Support Agency (BSA)**, procurement specialists, considers how schools can overcome these barriers and take full advantage of the benefits whilst avoiding the pitfalls.

As funding cuts start to bite, Academies – particularly those not within Multi-Academy Trusts (MATs) – are vulnerable to financial difficulties if they don't tackle their back-office efficiencies, such as their management of procurement. No longer can they rely on their Local Authorities own procurement resources, as Local Government have experienced significant budget cuts themselves and are experiencing a decline in their buying power as more and more schools go it alone.

Degree of take up of collaborative procurement

A logical way of combatting the funding cuts is for every Academy to join forces with other like-minded schools, pooling resources to re-gain the economies of scale previously enjoyed from Local Authority procurement support. Many MATs are already doing this. And as well as economies of scale, schools also benefit by sharing insights into markets and supplier performance through benchmarking prices and service levels. Buying collectively puts the cluster of schools in the driving seat whereas those going it alone are less able to stand up to suppliers or compare alternative supply options from a value for money perspective. It should also be noted that the EFA and Ofsted are increasingly seeking evidence of value for money when auditing school finances.

The Department for Education's March 2016 White Paper ("Education Excellence Everywhere"), places great importance on strong financial health and recognises that collaboration between schools will play a big part in the future of academies, especially through Multi Academy Trusts, in helping schools to share expertise and reduce costs.

However, despite the obvious benefits of joint procurement there remain factors which are slowing down the take up. According to a recent **National Schools Procurement Survey**, carried out online by Incensu with support from the National Association of School Business Managers (NASBM) and with a sample of 106 schools, the main reason for schools not working together when procuring goods and services was a perceived lack of time (72%) and expertise. 87% thought that savings were possible from collaborative procurement but over 60% said they lacked someone who could take responsibility for facilitating the partnership of schools within a

cluster; only 24% could demonstrate that they were already working jointly with other schools. So clearly the majority have yet to benefit from collaborative working.

Some schools surveyed didn't see shared procurement as being a priority – perhaps because they see most of their budgets being spent on staff wages, pensions, and so forth. But whilst this is true, across the UK schools spend £9.2 billion on non-wage costs such as energy, catering, cleaning and back-office costs. And whilst funding is falling, it will be challenging for schools to be able to make significant in-roads into their staff salary costs. There is already a shortage of quality teaching staff, and this combined with inflationary pressures, constant pressure on exam results performance, and even Brexit, will make it unlikely that cutting salary costs will make up the funding gap in many schools. As the pressure mounts on budgets, more Academies will need to focus on back-office efficiencies and lower supplier costs.

Those surveyed did however come up with suggestions as to how this barrier could be removed. These included the setting up of a formal framework, freeing up time and providing training e.g. collaborative procurement, legal issues, contract performance management. It was also suggested that suppliers could do more to encourage schools to procure together rather than as individual customers.

Types of collaborative procurement models

There are various collaborative models available to Academies. At the simplest end of the spectrum is the informal cluster – where procurement isn't shared but ideas and issues are shared and discussed; then there is the contractual collaboration where two or more schools create a joint contract - though a formal agreement must be signed between the schools; next comes joint committees; the most formal arrangements include setting up an umbrella trust, a joint venture company or a MAT. Each option has advantages and risks, and should be considered based on the needs of the individual schools within the group.

How to make a success of collaboration

Ensuring that collaboration delivers maximises commercial benefit requires an investment of time on the part of each school participating. Given that the majority of Academies cite lack of time as the key barrier to collaboration, then it is important to make the engagement process as time efficient as possible.

Before deciding on the approach, and which collaboration model to develop, it is crucial to consider a number of key questions; all stakeholders must recognise the time investment and be prepared to allocate such time consistently – if one school feels it has the lion share of the work load, the collaboration will soon collapse; everyone must agree on what is to be jointly procured and the priorities; there must be clarity about the outcomes of joint contracting and the benefits to all parties; what the legal implications are of the collaborative model being adopted and the need to comply with the Public Contracts Regulations (see section below); what funding requirements will there be on each school in the group; what happens if one

school wishes to withdraw from the arrangement, or a new one wishes to join an established group?

Other critical success factors include the need to establish a clear and realistic vision and business case; maintaining good communication with all stakeholders; setting clear targets; establishing sound governance arrangements; remaining sensitive to the different needs of each school within the cluster and listening to any staff concerns about job security.

Compliance – the EU Procurement Regulations & Public Contract Regulations (2015)

Regardless of whether an Academy decides to collaborate with others, it must realise that poor procurement decisions and a failure to comply with EU procurement legislation can result in legal challenges from suppliers, contracts being cancelled and financial penalties which can be costly, time-consuming and impact negatively on the school's reputation.

Academies are deemed to be 'contracting authorities' because they receive their funds predominantly from the tax payer via the Education Funding Agency (EFA). This means that they must comply with the Public Contracts Regulations (2015) when contracting higher value goods, services or building works. 'Higher value' will depend on what is being procured – for goods and the majority of services this is £164,176; for building works contracts it is £4,104,394 and for social and other specific services (including education, catering) it is £589,148. If the total contract value of the spend (i.e. not just one year's spend – you're not allowed to artificially disaggregate a large contract into smaller sections to bring it below the threshold) exceeds these thresholds then the tender has to be advertised across the EU and EU Procurement Regulations must be applied.

Where clusters of schools can go for assistance

One way of cutting down the amount of time needed from each school is for the group to take advantage of ready-made procurement consortiums or buying groups. More Academy Trusts are showing interest in buying organisations, not only for large scale contracts such as IT and classroom equipment but also for more complex services such as building management and professional services. As Academy Trusts expand, their supply chain needs will be less served by the local supply base.

These buying organisations have significant buying power and will already have spent the time vetting suppliers, seeking invitations to tender, completed the competitive tendering process and set up supply frameworks which comply with EU Procurement Regulations. Organising EU compliant tenders take up a lot of resource which Academies may not realise.

The contractual terms will also have been negotiated favourably on schools behalf. Plus should anything go wrong with the contract the schools will have the support from the purchasing consortium who set up the framework.

Utilising these resources will mean your cluster won't need to have legal or commercial expertise and can save the group having to tender itself. In short, why re-invent the wheel? The best consortia also provide contract templates and training, helping to share insights when procuring educational supplies and services.

Price and value benchmarking is another benefit of utilising purchasing consortia. By comparing prices and value prior to going to tender, Academies can see the opportunity for total cost savings and this can help prioritise which cost categories to tackle.

Examples of professional buying organisations in the public sector include the Crown Commercial Service (CCS), Pro5, Crescent Purchasing Consortium and EduBuy. In the private sector there are several alternatives, including the company which I lead - Buying Support Agency Ltd (BSA). BSA operates a Buying Group ideal for spends under the EU Procurement spend thresholds, plus it can offer cluster procurement support for higher value tenders and benchmarking.

To maintain enthusiasm and to justify the resource, the school cluster needs to see a decent return on investment and hence identifying and then targeting those cost categories likely to secure the greatest level of cost savings and service level improvements is critically important. But the value benefits are clear. One recent example is the National Church of England Academy Trust (NCEAT) which led a procurement for insurance services on behalf of five academies. NCEAT used the Pro5 Insurance Services framework agreement (RM958) and saved over £40,000 on their previous year's premium and brokerage fees.

Conclusion

As funding is squeezed across the education sector, and the traditional sources of procurement support (i.e. local authorities) declines, Academies are being forced to evaluate ways in which they can save money. Once a school has made its own efficiency savings, the most effective way to achieve significant further economies is to combine with other schools and to consider outsourcing certain back-office functions.

The good news is that schools can already draw on excellent practice within other schools which have already organised themselves into collaborative clusters and via a wide range of training, tendering tools and supplier frameworks delivered by public and private sector organisations.

If you're on the School Management Team or a Governor at an Academy Trust or individual Academy and want to find out more about collaborative procurement and external procurement support that is available, please contact Buying Support Agency Ltd (tel: 0800 254 0344) or visit <http://www.buyingsupport.co.uk/schoolscolleges.php>