



February 6, 2015

Ref: 179798

To: All Superintendents
All School Board Chairs
All Secretary-Treasurers

Re: Service Delivery Project - Interim Solution for Shared Procurement

The purpose of this letter is to provide an update following the Ministry's November 12, 2014 session with Superintendents and Secretary-Treasurers regarding the Service Delivery Project.

As you know, the Service Delivery Project Committee accepted the Phase 1 Procurement Working Group recommendation to establish a legal procurement entity with the ability to negotiate and sign contracts on behalf of the K-12 sector from which individual school districts can procure. The Working Group recommended that the entity coordinate standards for goods and services procured and have a recognized "brand" for both school districts and the vendor community. This shared approach to procurement is expected to reduce the costs of procured goods and services, leverage existing expertise across the sector, limit administrative overhead costs associated with procurement, and offer increased coordination and collaboration across school districts with respect to the procurement of goods and services.

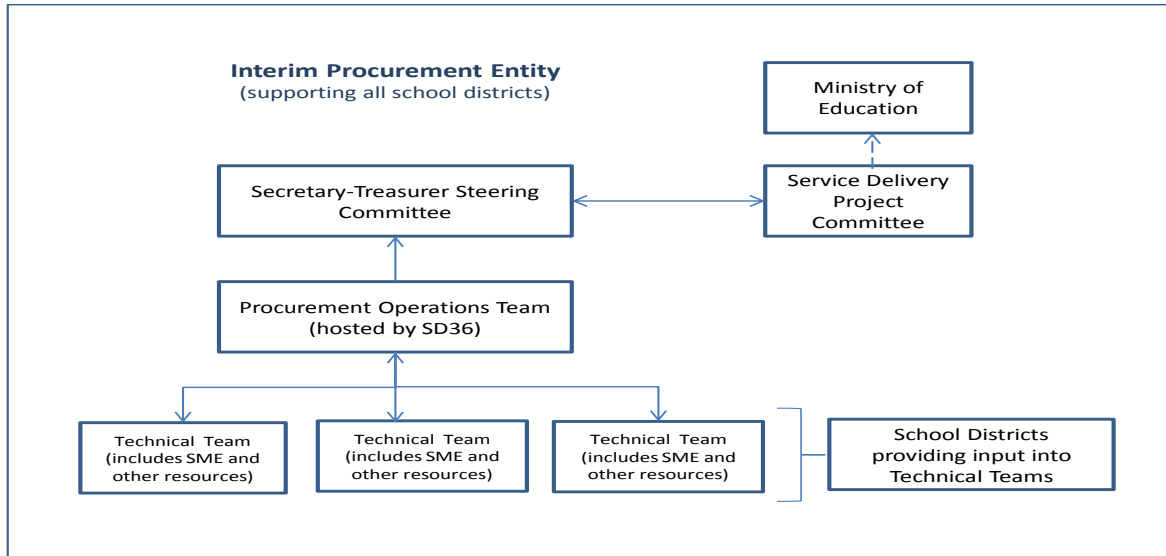
As explained on November 12th, due to the lead time required to establish the legal entity (further analysis and consultation is required on costs, legislative implications, and governance structures), the Service Delivery Project Steering Committee recommended that an interim solution of utilizing an existing school district to "host" an Interim Procurement Entity (IPE) that could support this work on behalf of the sector. This approach allows this work to get started now and provides a platform to establish a provincial approach to the procurement of goods and services that can eventually be transitioned to the permanent entity. In addition, an IPE will have oversight from regional school district representation and provide the opportunity to evaluate how a provincial entity works in the sector and identify the elements that are required in a provincial entity to ensure that it is successful over the long-term. The IPE is intended to focus on ensuring that all school districts have access to the best value in pricing and delivery, as well as procurement expertise.

Surrey School District (SD No. 36) has offered to host the IPE, and the Service Delivery Project Steering Committee has indicated its support for this, recognizing that SD No. 36 has the legal structure to procure goods and services, is known to vendors, and has significant experience in establishing and managing contracts for the K-12 sector. It is important to note that SD No. 36 has agreed to host the IPE and provide shared procurement services to all school districts – this does not mean that SD No. 36 is directing the work of the IPE rather; it is proposed that the IPE would have a separate, regionally-representative oversight structure (described below). The cost for this interim solution is expected to be kept to a minimum, and the Ministry intends to provide funding for the interim period (meaning that there would be no cost to districts for participating at this time). The goal of the IPE is to achieve savings, reduce administrative overhead, and provide benefits to all school districts.

The IPE will:

- Gather and disseminate information to all school districts on existing deals that are available to them, both within the K-12 sector and across the broader public sector, providing a single point for school district staff to access information;
- Implement tools and processes, such as a website, to inform school districts about all available opportunities;
- Provide opportunities for school district input towards setting standards for the goods and services procured;
- Ensure the availability of standing offers from which individual school districts will order;
- Help school districts achieve the best pricing based on provincial volumes;
- Issue Request For Proposals and/or other competitive purchasing processes that provide for geographic differences, and, where possible, have delivery costs separate from the cost of goods;
- Ensure appropriate procurement practices are in place for all procurement processes;
- Establish a process whereby each school district will directly order and process payment for their goods and services under the standing offers, ensuring that the tax status of school districts is retained; and
- Coordinate with other existing purchasing groups such as EDCO, ERAC, and Shared Services BC, and work with the Ministry to disseminate information to school districts as required.

The Ministry has proposed to the BC Association of School Business Officials (BCASBO) that guidance and decision-making support for the IPE be performed by a Secretary-Treasurer Steering with representative from each of the five BCASBO zones in the province, supported by procurement specialists and subject matter experts (as required). The diagram below outlines the structure that has been proposed:



The proposed Secretary-Treasurer Steering Committee is intended to provide guidance and oversight for the IPE, with the following specific functions:

- Provide strategic, high-level guidance to the IPE on the goods and services to be procured, as and the approach for implementation, considering a variety of factors (e.g. savings potential, school district participation, level of complexity, cross-government procurement initiatives underway, etc.);
- Approve project plans/implementation plans for the IPE as appropriate;
- Ensure that there are opportunities for school districts to have input into the planning process for specific categories of goods/services;
- Identify subject matter experts from each region that can advise the IPE on specific categories of goods and services (e.g. technical work to establish standards, design the competitive process, etc.);
- Approve competitive bid documents;
- Authorize the IPE to award new contracts; and
- Resolve issues and challenges that may emerge.

Within BC, many school districts receive discounts from participating in existing procurement groups (e.g. EDCO, ERAC, Lower Island). However, it is important to note that further savings can be achieved through aggregating provincial volumes of goods and services – with all school districts participating in this work going forward, greater savings are expected for the sector. EDCO, with 26 school districts and post-secondary institutions participating, is working well. However, the EDCO model depends on the goodwill of participating members to procure on

behalf of others, and also depends highly on volumes from the post-secondary sector. In May 2014, the advanced education sector formed a purchasing consortium for the 25 BC post-secondary institutions, with additional opportunities being phased-in as part of that initiative on an ongoing basis. As the advanced education sector procurement initiative continues to grow, it makes sense for the K-12 sector move ahead with its own initiative. Note that this does not preclude working with the advanced education sector in the future.

As the IPE will require some time to become fully-operational, it is expected that EDCO and ERAC deals will continue in the short-term. Once the IPE is fully up and running, it will work together with these purchasing groups to determine the best approach for each category of good and services moving forward – some categories may make sense to transition to the IPE in the short-term, others may transition over a longer period of time depending on the details and expiry date of the agreement, and others may require a different approach.

To be clear, the IPE is not about reducing purchasing capacity in other school districts; rather, it is about achieving the best pricing possible for the sector as a whole, and supporting those school districts that may not have the capacity to do the work on their own. The key goal of the IPE is to leverage the purchasing power of all school districts in order to achieve efficiencies for all. As follow up to the comments from the November session, I have attached a question and answer document providing additional details regarding the IPE for your review. I encourage you to distribute this letter and the questions/answer document to your staff and colleagues as appropriate. The Ministry appreciates SD No. 36's willingness to support the sector with this important work, and looks forward to sharing more detailed information with you going forward. If you have any questions about this particular initiative, please direct them to Tammy Blair, Project Director of the Education Shared Services Branch at Tammy.Blair@gov.bc.ca.

Yours truly,



Kim Abbott
Executive Director
Education Shared Services Branch

Attachment

pc: Joan Axford, Executive Director, BCASBO
Juleen McElgunn, Executive Director, BCSSA
Mike Roberts, CEO, BCSTA
Patti Dundas, Assistant Secretary-Treasurer, School District No. 36 (Surrey)

Service Delivery Project – Shared Procurement Initiative

Questions & Answers

What is the “Service Delivery Project”?

The Service Delivery Project is a K-12 sector initiative to find savings and efficiencies through shared delivery of services across BC school districts. The Ministry of Education, BC Association of School Business Officials (BCASBO) and BC School Superintendents Association (BCSSA) are working collaboratively, with other partners in the K-12 sector, identifying opportunities in legal services, procurement, attendance support, facilities management, and transportation.

Why are we focusing on the idea of “shared services” at this time?

Shared service initiatives are becoming more common across government in an effort to achieve savings, share best practises, and find efficiencies. Advanced Education, Health, Finance, and Technology and Citizens’ Services ministries have initiated shared services initiatives. In Budget 2014 and Core Review, Government reiterated its commitment to shared services. In addition, other jurisdictions, such as Ontario, Saskatchewan, and the Maritime Provinces have either already made progress in shared services, or are just beginning to look to shared services solutions now.

Why the focus on shared procurement in the K-12 sector?

In the [2012 Service Delivery Transformation Final Report](#), Deloitte & Touche LLP recommended savings and efficiencies can be achieved through strategic sourcing for the K-12 sector. In response to these initial findings, a Procurement Working Group was established in the K-12 sector, which provided advice on the feasibility of the procurement opportunities listed in the report and others as considered by the group.

What were the recommendations from the Procurement Working Group?

The Procurement Working Group recommended that a shared procurement approach would best meet the objectives of reduced costs of procured goods, take advantage of shared procurement expertise and contain administrative overhead costs related to the procurement of goods and services. They further recommended a shared procurement legal entity that incorporates the services of ERAC and provides for province-wide procurement of other goods and services as the preferred option.

Due to the lead time required to establish the legal entity (further analysis and consultation is required on costs, legislative implications, and governance structures), the Service Delivery Project Steering Committee recommended that an interim solution of utilizing an existing school district to “host” an Interim Procurement Entity that could support this work on behalf of the sector.

What is the Interim Procurement Entity?

The Interim Procurement Entity (IPE) will leverage the purchasing volumes of the K-12 sector to establish cost-effective contracts that can be accessed by all school districts. Our intent is to establish a permanent K-12 procurement solution; however, we expect that it will take between 18-24 months to implement. In the interim, the intent is to implement the IPE so we can begin work right away. The goal is for the work of the IPE to be transferred to the permanent entity once it is up and running.

Service Delivery Project – Shared Procurement Initiative

Questions & Answers

Why do we need an IPE when the sector has recommended forming a permanent entity?

It is important that school districts be able to benefit from shared procurement and be able realize savings as soon as possible, recognizing that the Working Group report was issued almost one year ago. As the process for establishing a separate legal entity is lengthy (and potentially costly), the aim is to identify an interim solution that can be established quickly and cost-effectively, while deeper analysis is undertaken regarding the permanent solution. As well, the intent is for the IPE to operate as closely to the final entity as possible so it can be evaluated and any concerns addressed in the implementation of the permanent procurement entity.

How will the IPE be structured?

The intent is for a regionally-representative Secretary Treasurer Steering Committee to oversee the work of the IPE (the Ministry has proposed this structure to BCASBO). The Committee will identify and prioritize opportunities for provincial contracts, providing guidance and decision-making support to the IPE, identify appropriate subject matter expertise to participate in individual procurements, and help to resolve issues/troubleshoot as needed.

Specifically:

- The Ministry of Education Shared Services Branch, will support and monitor the initiative;
- SD36 (Surrey) will host the IPE and day-to-day operations;
- A Secretary-Treasurer Steering Committee with representation from each BC Association School Business Officials (BCASBO) zone will oversee the activities of the IPE to ensure that it is accountable to the sector and delivers results;
- Subject Matter Experts (SMEs) from each BCASBO zone will be responsible for working as a team with the IPE to define the requirements for specific contracts and assist in the evaluation of vendor proposals.

What if there is already existing Subject Matter Expertise in a particular category?

The intent is not to create new advisory processes and structures to the extent possible. For example, if existing technical subject matter expertise exists within a certain category (e.g. learning resources through ERAC's existing structures, transportation goods/services through ASTSBC's existing structures), the intent is for the IPE to work with these existing centres of expertise as needed, rather than creating something new.

Why is SD36 leading the IPE?

In the interim, SD36 has offered to host the IPE. While SD36 has agreed to host the IPE and provide shared procurement services to all school districts, this does not mean that SD36 is directing the work of the IPE. This guidance will be provided by the regionally-representative Committee described above. Also, the Service Delivery Project Steering Committee is supportive of this option, as Surrey has the legal structure to procure, is known to vendors, and has the expertise and capacity to perform this work. SD36 will be working with all school districts to achieve the best value for sector wide procurement.

Service Delivery Project – Shared Procurement Initiative
Questions & Answers

Is the IPE intended to reduce or eliminate procurement staff from our school district?

No. The IPE is intended to coordinate the procurement process for a specific category, ensure that all school districts are aware of the standing contracts available in each category, and establish procurement standards and practices for the sector. Once the procurement process is complete and the contracts awarded, local staff will have to purchase the actual goods and services through the contract and manage the vendor relationship for their school district. All school districts will continue to procure the goods and services not available under standing contracts through the IPE.

How will the IPE decide what provincial contracts to establish?

The proposed Secretary-Treasurers Steering Committee will be responsible for reviewing and approving provincial contracting opportunities for the IPE and for determining which specific groups of goods and services will be procured at which time. Implementation will occur in waves, with the first wave of contracts available for school districts to use beginning in the 2015/16 school year. SMEs identified through the Secretary Treasurer Steering Committee will provide technical expertise and advice to the IPE on each procurement opportunity.

We have tried to use shared contracts in the past and it just ended up costing us more time and money. Why would this initiative deliver different results?

K-12 education in BC has a complex operating structure and scarce financial and labor resources. At the school district level this translates into departments and schools operating with limited budgets and limited staff who are required to manage ever expanding workloads.

Contracts under this initiative will deliver cost savings at the school district budget level while reducing the requirement for local staff to negotiate purchase agreements for each school district. Savings will be achieved through reduced prices for goods and services, as well as increased capacity through the freed-up staff time that can be directed to other school priorities. Contracts will be tracked and benefits reported by the IPE to ensure that value is achieved for school districts.

Service Delivery Project – Shared Procurement Initiative

Questions & Answers

Staff in my school district will never accept goods and services selected by somebody in another region who do not understand our local needs. How can a central authority make purchase decisions without understanding our school district or have expertise in education, IT, facilities management, transportation, etc.?

Goods and services purchased under provincial agreements have to be acceptable to individual school district staff and departments, and must respect the expertise of our educators and department specialists. This is the only way that a provincial-level agreement can work in the long-term. Each school district has a responsibility to communicate to their individual staff and departments to ensure that they fully-understand this initiative and its benefits to the province as a whole, recognizing government's expectation that all school districts are participating in this work going forward.

Defining a good or service that will be purchased under a provincial agreement is complex and should be done by a team of Subject Matter Experts (SMEs) representing all areas of the province. Project teams of SMEs will work in partnership with the IPE procurement staff when developing requirements for specific contracts and when evaluating vendor proposals. Individual SMEs will be identified through the Secretary-Treasurer Steering Committee.

Even though the IPE and its work are provincial in scope, this does not necessarily mean that local needs cannot be considered and accommodated as part of the procurement process.

We are concerned that moving to provincial contracts will have a negative impact on our local suppliers.

This initiative is about the large volume procurement items which can be standardized across school districts in a standing contract. It is imperative that all school districts participate to secure the best pricing and delivery options for the sector as a whole.

There will continue to be other items that are not procured provincially. Also, it is possible that some local suppliers may be the successful vendor on a provincial standing contract. In fact, Shared Services BC has numerous examples of provincially-negotiated agreements that involve local suppliers (e.g. this is the manner in which vehicles are supplied through local dealers under various provincial Corporate Supply Arrangements).

How can a single contract provide a good deal for all school districts?

A single contract for the province may be the most cost-effective solution in some categories, but this is not always the case. The goal is to deliver savings and efficiencies to each school district in the province and all parties, including the Ministry, recognize that there is a need to be flexible to achieve that goal. Options include setting up a single provincial agreement, but regional agreements or other contracting structures may also be viable options for ensuring that the solution is as cost-effective for all as possible. Under guidance from the proposed Secretary-Treasurers Steering Committee, the IPE will review the costs and benefits of each contracting initiative to determine the most appropriate structure for each procurement opportunity.

Service Delivery Project – Shared Procurement Initiative
Questions & Answers

We have an existing regional procurement group that shares contracts. Will this duplicate those efforts?

The IPE will be responsible for establishing relationships with other shared procurement entities (e.g. EDCO, ERAC, Shared Services BC) and, where possible, advertising the contracts they offer to other eligible school districts. One of the goals of this initiative is greater communication and coordination between these entities. As this work progresses, there may be opportunities for further sharing and collaboration between the IPE and regional procurement groups, or for new and/or existing agreements to transition to the new entity.

Is the IPE going to purchase and warehouse goods on behalf of all school districts?

No. The IPE will establish contracts only. It will be up to school districts to place their orders and obtain their deliveries directly from contracted vendors and process their own invoices.

What does my school district do if there is an existing agreement with a purchasing group (e.g. EDCO, ERAC)?

School districts should continue to honor their existing agreement with their current vendor. As contracts expire or opportunities for transition present themselves, goods and services of provincial scope (and where it makes sense) will transition to the new IPE. If transition occurs before contracts expire, school districts will be notified. The IPE will engage with purchasing groups to determine the best course of action for each goods/service and bring forward the recommendation to the Secretary-Treasurer Steering Committee for approval.