

## Enterprise and Business Committee

---

Meeting Venue:  
**Committee Room 2 – Senedd**

---

Meeting date:  
**17 June 2015**

---

Meeting time:  
**09.15**

---

Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



For further information please contact:

**Gareth Price**

Committee Clerk

0300 200 6565

[SeneddEcon@Assembly.Wales](mailto:SeneddEcon@Assembly.Wales)

---

### Agenda

---

#### **Private pre-meeting (09.15–09.30)**

#### **1 Introductions, apologies and substitutions**

#### **2 Public Procurement (09.30–10.10) (Pages 1 – 34)**

Dr Rachel Bowen, Policy Manager, Federation of Small Businesses

Iestyn Davies, Senior Head of External Affairs (Devolved Nations),

Federation of Small Businesses

Gareth Coles, Public Service Delivery Officer, Wales Council for Voluntary Action

Rhodri Jones, Chair, Wales Construction Federation Alliance

#### Attached Documents:

Research Brief

EBC(4)–15–15 p.1 Federation of Small Businesses

EBC(4)–15–15 p.2 Wales Council for Voluntary Action

EBC(4)-15-15 p.3 Wales Construction Federation Alliance

## **Break (10.10-10.20)**

### **3 Public Procurement (10.20-11.00) (Pages 35 – 51)**

Christopher Chapman, Programme Manager, Welsh Local Government Association  
Mark Roscrow, NHS Shared Services Partnership  
Howard Allaway, Procurement Manager, Higher Education Purchasing Consortium,  
Wales

Attached Documents:

EBC(4)-15-15 p.4 Welsh Local Government Association

EBC(4)-15-15 p.5 NHS Shared Services Partnership

EBC(4)-15-15 p.6 Higher Education Purchasing Consortium Wales

### **4 Public Procurement (11.00-12.00) (Pages 52 – 57)**

Jane Hutt, Minister for Finance and Government Business  
Kerry Stephens, Deputy Director – Procurement, Value Wales  
Julie Harrison, Senior Stakeholder Manager, National Procurement Service  
Jeff Andrews, Specialist Policy Adviser, Welsh Government

Attached Documents:

EBC(4)-15-15 p.7 Minister for Finance and Government Business

## **Private de-brief (12.00-12.15)**

# Agenda Item 2

Document is Restricted

---

Enterprise and  
Business  
Committee  
Discussion on  
Welsh  
Government  
Procurement

---

FSB Wales  
Response

---

1<sup>st</sup> June 2015

---





## **Enterprise and Business Committee Discussion on Welsh Government Procurement FSB Wales**

FSB Wales welcomes the opportunity to present its views to the National Assembly for Wales Enterprise and Business Committee discussion on Welsh Government procurement. FSB Wales is the authoritative voice of businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with business at a grassroots level. It undertakes regular online surveys of its members as well as a biennial membership survey on a wide range of issues and concerns facing small business.

### **Introduction**

In general, FSB Wales welcomes policy measures that are designed to improve the public sector procurement of goods and services, and to make the process of procurement more accessible to small and local businesses. We fully appreciate that not all procurement can be local or be solely commissioned from small businesses. Our priority is to create greater opportunities and a more level playing field as a precursor to growing local economies in Wales. We welcomed the publication of the McClelland Review in 2012, and particularly its recommendations that procurement needed to make connections with enterprise development services to encourage and support new and smaller providers to bid for Welsh public sector contracts<sup>1</sup>. Welsh public sector organisations currently spend £4.5bn per year on external goods and services, this represents a significant potential that could be harnessed for the growth of distributed local economies across Wales<sup>2</sup>.

Our response considers a number of issues related to procurement set out below.

### **Measuring Progress in Welsh Public Sector Procurement Since 2012**

Our own on-going dialogue with members indicates that bidding for and securing public sector contracts in Wales often continues to be a complex and time consuming process. Small businesses continue to be frustrated by their success rates in winning contracts from the public sector, as well as the time required to meet procurement demands. This is particularly true of micro businesses.

In order to properly consider the overall success of Welsh Government's procurement policy however, there needs to be a much more thorough consideration of the evidence. The current statistical measurements of success by Value Wales depend on invoice postcodes, but this presents little useful data. An invoice postcode tells us nothing about whether the firm has a Welsh head quarters or indeed substantial activity in Wales, nor whether a substantial proportion of the sales invoices represent Welsh value added. This highlights the problems with statistical data and evaluation practices more generally, and we must be cautious about claims of success. We therefore require a more robust and accurate measure of local procurement in Wales, which fully considers Welsh value added rather than crude invoice postcode data.

---

<sup>1</sup> McClelland Review (2012). *Maximising the Impact of Welsh Procurement Policy*.

<sup>2</sup> Welsh Government (2014). *Value Wales Drives Best Practice Procurement Across Welsh Public Sector*.



## Procurement Policy Implementation

Welsh Government procurement policy requires a much broader understanding of outcomes. Currently procurement is an under resourced and largely unglamorous process in the public sector in Wales. Although there has been an increasingly high level interest in strategies around procurement, notably by Welsh Government, the actual implementation of these strategies and policies depends on comparatively few and fairly low-level procurement professionals across a diverse range of public sector organisations. Often decisions are heavily influenced as much by lowest cost as local benefits. As McClelland observed, the reality is that whilst many procurement officers are supportive of local businesses, they are judged by their success in saving costs.<sup>3</sup>

This has led to an inconsistent implementation of strategy across Wales and across public sector institutions. As well as the points made above regarding the need to improve statistical measures of procurement impact, we also believe that the weakest part of the Welsh Government's procurement is the point of its implementation. Welsh Government therefore needs to foster a more professional approach to procurement across the public sector in Wales, and to ensure that the basis on which procurement professionals are measured is consistent with its own policy. It should also be noted that feedback from FSB Wales members indicates that not all Welsh local authorities use the Supplier Qualification Information Database (SQUID), which was developed by Value Wales to standardise the selection process. As a result there can be inconsistency and multiple entry points for small businesses wishing to supply goods and services to the public sector across Wales.

In 2009, the 'Barriers to Procurement Opportunity Research' report recommended the establishment of an Ombudsman to 'bring about the speedy extra-legal resolution of complaints arising from the PQQ [Pre-Qualification Questionnaire] process which cannot be satisfactorily resolved between the parties'.<sup>4</sup> FSB Wales would like to see a figure in place to resolve disputes such as these but for any such role to be widened to include a more general responsibility for ensuring best practice procurement policy is further researched, developed, disseminated and implemented.

## Barriers to Small Businesses

Through our on-going discussions with small businesses in Wales, there is much reluctance to bid for public contracts. This tends to be a result of the real or imagined time commitment necessary to enter into the process. Often this is a perception rather than an actual experience, and Welsh Government needs to undertake work to actively promote small business engagement with public sector procurement. This is not to say that problems do not exist with Welsh public sector procurement. We believe that procurement processes should not be constructed in such a way that they deter small businesses from competing on a fair basis for public sector contracts.

In a paper to our Round Table Seminar Series in 2014, Dr Pedro Telles argued that where contracts fall below EU threshold values for advertisement, they tend to be commissioned privately<sup>5</sup>. This

---

<sup>3</sup> McClelland, *op. cit.*

<sup>4</sup> Ringwald, Cahill *et al* (2009), *Barriers to Procurement Opportunity Research*.

<sup>5</sup> Telles, P. (2014). *Simplifying Procurement for Low Value Contracts*. FSB Wales Round Table Seminar Series.



means that it can be very difficult for new small businesses to effectively and fairly compete in the market. It is important to have a fair and open process for below EU threshold procurement as only about 24-25% of total procurement spends is above the threshold level. Since 2011 the UK Government has required contracts above £10k to be publically advertised, and although Welsh Government has followed suit it only requires advertising for contracts above £25k.

A further complication for small businesses in particular, is the multiplicity of procurement portals across the UK. Often these are also very poorly designed and unclear, particularly for small businesses that do not have dedicated employees to seek new contracts.

### **Strategic Outsourcing and the Economics of Place**

Procurement continues to lack a strategic consideration of broader issues, and tends only to support specific functions. This is particularly noticeable in respect of strategic outsourcing of large projects or services. We are not aware of any examples where decisions over such outsourcing have supported community benefits approaches. Large non-Welsh companies continue, for example, to dominate externally procured social service and waste disposal contracts<sup>6</sup>. Welsh SMEs or Welsh businesses more generally tend not to feature at all in these contracts. Yet it is critical, with growing numbers of outsourced services, that community benefit and local small business contract awards are secured in order for Wales' dispersed communities to continue to be viable, as Adamson and Lang showed in their Deep Place Study of Tredegar<sup>7</sup>. It is clear we need a full and proper consideration of strategic outsourcing that has yet to take place. More evidence is needed around the economies of place. If the Welsh public sector does not improve its record of awarding large scale contracts to Welsh businesses, Welsh public money will continue to leave Wales.

### **Small Businesses are Critical for Local Economies**

Although the underlying principles that focus on jobs for local workers and contracts for local businesses are clearly welcome, the Welsh community benefit policy tends in practice to focus much more on local job creation and not enough on locally procured contracts from small businesses. This is an important issue to rebalance, as small firms are consistently more locally grounded and tend to employ people more locally.

Previous work undertaken by the FSB with CLES (the Centre for Local Economic Strategies) showed that small local firms re-spend 63p locally out of every £1 they receive, whereas larger firms tend to spend 40p out of every £1 they receive. The FSB-CLES research found that across the UK small local firms generate 58% more economic benefit for local economies over two rounds of re-spend than large firms did. It also found that if local authorities alone increased their procurement spend in the local economy by 5%, it would increase the collective spend in local economies by £1.4bn per year.<sup>8</sup> As we stated above, Value Wales and other public bodies are very poor at capturing this data, and reliance on postcode data is insufficient.

---

<sup>6</sup> Adamson D. and Lang M. (2014). *Toward a New Settlement: A Deep Place Approach to Equitable and Sustainable Places*. (CREW: Merthyr Tydfil).

<sup>7</sup> *Ibid.*

<sup>8</sup> FSB and CLES (2013). *Local Procurement: Making the Most of Small Businesses, One Year On*.



It is important to state that we do not believe that in a small country like Wales everything can, or even should, be procured locally. A better balance needs to be struck, however, to support the ultimate aim of creating stronger distributed economies across Wales and support sustainable communities now and in the future. For this to happen we need a more thought out procurement approach, which creates local linkages between public sector organisations, local businesses and wider more strategic goals – we need whole place systems thinking. Small businesses can help deliver this public good, but Welsh Government needs to create a fairer market within which they can operate and compete for public sector contracts.





### **Federation of Small Businesses Wales**

1 Cleeve House  
Lambourne Crescent  
Llanishen  
CARDIFF CF14 5GP

Telephone: 029 2074 7406

Email: [policy.wales@fsb.org.uk](mailto:policy.wales@fsb.org.uk)

Web: [www.fsb.org.uk/wales](http://www.fsb.org.uk/wales)

### **The Federation of Small Businesses Wales**

The FSB Wales is non-profit making and non-party political. The Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has 200,000 members across 33 regions and 194 branches. FSB Wales currently has around 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees meaning FSB Wales is in constant contact with small businesses at a grassroots level in Wales.

### **Lobbying**

From the Press and Parliamentary Affairs Office in Cardiff, FSB Wales campaigns with AMs, MPs and MEPs in Cardiff Bay, Westminster and Brussels in order to promote our members' interests. FSB Wales also works closely with local, regional and national media outlets to highlight our members' concerns. Development Managers work alongside members in our regions to further FSB Wales influence at a regional level. More widely, the FSB has Press and Parliamentary Offices in Westminster, Glasgow, Belfast and Brussels to lobby the respective Governments.

### **Member Benefits**

In addition, Member Services is committed to delivering a wide range of high quality, good value business services to members of the FSB. These services will be subject to continuing review and will represent a positive enhancement to the benefit of membership of the Leading Business organisation in the UK.

### **Vision**

A community that recognises, values and adequately rewards the endeavours of those who are self employed and small business owners within the UK.

The Federation of Small Businesses is the trading name of the National Federation of Self Employed and Small Businesses Limited. Our registered office is Sir Frank Whittle Way, Blackpool Business Park, Blackpool, Lancashire, FY4 2FE. Our company number is 1263540 and our Data Protection Act registration number is Z7356876. We are a non-profit making organisation and we have registered with the Information Commissioner on a voluntary basis.

# **The impact of Welsh Government procurement policy**



## **Paper for Enterprise and Business Committee**

1. Wales Council for Voluntary Action (WCVA) is a registered charity and umbrella body working to support, develop and represent Wales' third sector at UK and national level. We have over 3,350 organisations in direct membership, and are in touch with many more organisations through a wide range of national and local networks. WCVA's mission is to provide excellent support, leadership and an influential voice for the third sector and volunteering in Wales.
2. WCVA is committed to a strong and active third sector building resilient, cohesive and inclusive communities, giving people a stake in their future through their own actions and services, creating a strong, healthy and fair society and demonstrating the value of volunteering and community engagement.

### **Engagement with the third sector and WCVA's written evidence**

3. WCVA welcomes the opportunity to give evidence to the Enterprise and Business Committee about the impact of Welsh Government procurement policy on the third sector in Wales. To help us accurately represent the third sector's views on tendering and procurement, we asked our members for their views, and this paper reflects their responses.

### **General comments**

4. Overall, the perception among third sector organisations in Wales who regularly tender for contracts is that there is a reasonably flexible legal framework now in place (the new Public Contracts Regulations 2015), and useful policies from Welsh Government, but the issue remains implementation of this good practice at a local level – particularly within Local Authorities. There is a lack of consistency and collaboration across the Public Sector.
5. We recognise that there are areas of good practice within Local Authorities in Wales, but many of our members have reported disproportionate and inappropriate procurement processes, timescales and paperwork wholly unrelated to the scale and nature of the contracts, and even outright confusion between grants and contracts.
6. The third sector organisations who contributed their experiences to this paper all tender for service contracts, not goods or works. It is important to emphasise that procuring services for vulnerable people, often with complex needs, is fundamentally different from procuring goods or works. It requires a

different skill set and knowledge base. Those procuring such services need a profound understanding of the needs and capabilities of the service users, as well as the experience and skills of service providers. Moves towards category management in certain areas are a welcome step.

7. One of the contributors to this paper said: "People are not 'commodities' like roads, schools and hospitals, which means the standardised procurement process for buying goods doesn't work. There needs to be a bespoke tendering process that is common across all public sector departments for procuring services that recognises the difference approach required to procure services that support people."

**What changes, if any, have your members noticed when seeking to provide goods/services to the public sector in Wales since 2012?**

8. Members reported the increased use of Sell2Wales as a useful means of advertising tenders.
9. There has also been a helpful shift towards the use of online portals for tendering, meaning that there is less need for paper copies to be printed off and it relieves some of the pressure to have the bid ready days in advance to allow time for postage. However not all purchasing authorities have embraced this system and some still require documents in triplicate and the full tender on CD Rom.
10. Others reported more support available for learning about tendering and procurement, especially for SMEs.
11. However, many third sector organisations report that prices in their sectors are being driven downwards by an increase in competitive tendering.
12. In some service areas, third sector organisations report the increasing use of procurement solely as a cost saving exercise through, for example, setting a total cost envelope significantly under the current contract value; establishing cost-based competitive tenders without sufficient control over quality; basing the contract value on wage levels significantly under the sector norm; or imposing an artificial unit cost cap prior to the tender process.

**Your view of the strengths / weaknesses of Welsh Government procurement policy. Have any initiatives been particularly helpful / unhelpful?**

13. The consensus on Community Benefits among third sector organisations seems to be that the policy is welcome, but they are often not scored or looked at as part of the tender (i.e. 'core') but just remain part of the contractual obligations ('non-core'). This means it does not actually benefit organisations that may need to cost their services higher but give more back to the community. The only way that it would be a meaningful addition is to add it to scoring criteria either at a high level, or as a highly scored question within the quality section.

14. Community Benefits could also be extended to different types of contracts, and (proportionately) to lower value contracts. Different types of Community Benefits could also be explored.
15. Moves towards standardising Pre-Qualification Questionnaires (PQQs) across Wales through SQuID (Supplier Qualification Information Database) are also welcome. But the fact that different purchasing authorities use different procurement portals means that the information has to be regularly re-submitted in different formats anyway.
16. Some third sector organisations report that they are starting to see examples of joint commissioning (e.g. across social care and health).
17. There has been a shift towards larger, regional and more generic contracts. While some organisations are well-placed to respond to these opportunities, many smaller third sector organisations are effectively excluded from bidding alone. The *Joint bidding guide* has been an extremely useful tool in supporting organisations to form consortia and bid jointly for contracts.
18. There is too much reliance on historic procurement behaviour and activities. Systems need to be updated to reflect the Public Contracts Regulations 2015 and the reflections and actions required by the Well-being of Future Generations (Wales) Act 2015. They also need to be reviewed for each transaction, instead of relying upon historic decisions for a familiar item. Currently, when repeating a purchase, too often it is a repeat of the historic procurement behaviour and activities, without returning to the system to see what has changed.
19. It is also important that Welsh Government procurement policy enables more sustainable and ethical sourcing, to reflect the strategic intention of the Well-being of Future Generations (Wales) Act 2015.
20. Implementing good procurement practice within the context of reducing budgets has meant that too often the determining factor has been cost. The pressure on Local Government budgets has ensured that cost cutting has taken place over good practice models.

**What are the main barriers your members experience when looking to provide goods and services to the public sector in Wales?**

21. Smaller third sector organisations, in particular, report that the tender process is far too resource-intensive, often disproportionate to the contract. Without dedicated tender-writing staff, they are not able to give the time to tendering without severely impacting their direct service delivery.
22. Many organisations report that TUPE is by far the most problematic issue. These have been collated in the Appendix to this paper. Some third sector organisations have had to invest in dedicated TUPE training for their staff, but this is not an option for many organisations.

23. Increasingly, organisations report that they are experiencing long delays in getting clarification questions answered, which stops them being able to move forward with their bids. Often, questions will be in relation to financial, contractual or TUPE arrangements that will affect whether the bid is financially viable and need answering up front, to save organisations from writing a tender and then finding out they can't afford to bid for it.
24. There have been recent examples of a Local Authority agreeing to having questions submitted to them up to the morning that the tender is due to be submitted, meaning that an answer that could affect the whole bid could be published at the 11th hour, not leaving bidding providers time to make appropriate changes to their bid.
25. Often, the turnaround time for tender submissions is also very tight: organisations report 3 weeks bidding time, with insufficient information provided at the outset, or even with mistakes in the tender documents.
26. This is particularly acute when organisations are considering joint bids for services. It takes time to develop a competitive joint bid, and if the rhetoric of 'we welcome bids from consortia' (often seen in contract notices) is to be realised, then a Prior Information Notice (PIN) a few months before the tender is released and a longer timescale would be necessary.
27. Organisations also report disproportionate PQQ requirements. Much more of the PQQ, for example requests to see policies and procedures, could be moved to more of a 'tick box' or self-certification exercise. Then, if successful at winning the tender, the provider could be asked to make copies available to the commissioner. This would save a lot of time and resource.
28. Sometimes tenders are advertised during peak holiday periods when no staff are available in Local Authority offices to respond to questions about the tender.
29. Organisations report that Local Authorities own standing orders on procurement take precedence over any guidance they receive. By and large, this has meant that procurement sections have controlled the commissioning process and led the way on a 'race to the bottom' by heavily weighting all contracts to the lowest price. The result of this has been that service levels are diluted, good providers are excluded and there have been a number of areas in Wales where major contracts have run into difficulties where they have been taken on by providers who significantly under-costed the work.

**How successful have Welsh Government initiatives to increase the proportion of third sector organisations winning contracts been? How could these efforts be improved?**

30. Greater visibility of contract opportunities (through Sell2Wales) is a welcome step.

31. Achieving more consistency and standardisation of tender approach would be beneficial, e.g. standardising timeframes that tenders are turned around in and standardising deadlines for answering questions on the portal.
32. There needs to be more of a focus on Community Benefits and more encouragement and dedicated facilitation of joint bids. The community benefits focus is especially important in helping more social business to gain contracts – at the moment this is very difficult and will remain so unless there is an obligation on commissioners to take community benefits into account/have a certain amount of the work undertaken by social business.
33. Overall, Welsh Government initiatives have been helpful in intention, and in some cases, in practice, but without any form of enforcement however, they have had little further practical impact.

Gareth Coles  
WCVA  
Tel: 02920 431 771  
E mail: [gcoles@wcva.org.uk](mailto:gcoles@wcva.org.uk)

## **Appendix – Issues with TUPE**

There are some of the issues reported about TUPE being a problem when tendering for contracts.

- Current provider/employer refuses to provide TUPE information before tender is submitted.
- Staff work part-time on the contract being transferred and part-time on another contract not being transferred.
- Staff on temporary contracts which end when the current contract ends.
- Staff transfer on a permanent contract of employment but the new contract for the service is limited to three years.
- The salary and on-costs for the staff eligible to transfer exceeds the value of the new contract.
- Re-configuring a number of small services into one large service and all the transferees being on different terms and conditions.
- Re-configuring a number of small services into one large service and but being tendered as two or more lots with no way of segregating the group into the two new contracts.
- Terms and conditions of current employer are in contravention of current employment law and a new employer would have to change them to bring them in-line with the law.
- Current employer gives employee a new permanent contract (or contract which ends after the date of a possible transfer) at any point during the process.

**The National Assembly for Wales**

**The Enterprise and Business Committee Inquiry into “The Impact of Welsh Government Procurement Policy”**

**17th June 2015**

**Observations on behalf of the Wales Construction Federation Alliance (WCFA)**

1.0 Introduction:

1.1 The Wales Construction Federation Alliance (WCFA) comprises the major construction employer trade federations in Wales, namely the Civil Engineering Contractors Association (CECA Wales), the National Federation of Builders (NFB Cymru), the Federation of Master Builders (FMB Cymru), the Home Building Federation (HBF Wales) and the Specialist Engineering Group (SEC).

Whilst the Federations maintain their individual identities, a memorandum of understanding governs the operation of the Alliance, ensuring knowledge and information sharing and joint representation when and where appropriate.

1.2 The WCFA will be represented by:

Rhodri-Gwynn Jones B.Sc. C Eng. FICE, Director of CECA Wales Ltd., past chairman of the WCFA. He has worked in the construction industry in Wales since 1973, and has experience in both the public and private sectors.

2.0 Basis of Submission:

2.1 The construction industry has generally been supportive of the Welsh Government in its approach in reviewing and implementing changes to the procurement of construction work in Wales.

2.2 The industry has been afforded the opportunity to participate as part of the Value Wales / Construction Excellence in Wales-led Construction Procurement Strategy Steering Group, and latterly, as part of the CITB Cymru Wales engagement with the Cross Party Group on Construction in its review of “The impact of procurement policy in Wales”.

2.3 The industry is also represented on the Commerce Cymru Procurement Sub-group.  
(Commerce Cymru is an unincorporated association of business representative organisations that operate in Wales, which aims to provide advice and guidance to the Welsh Government and other public bodies in



Wales on the best means of achieving a long-term competitive future for Welsh businesses).

2.4 The observations below reflect views expressed by industry participants in all the three fora referred to above.


3.0 Observations:

- stakeholders across the industry have mixed feelings about the changes made over the last five years and their impact on the procurement process, however most consider that there is “still good scope for more improvement”;
- some consider that there has been too much focus on detailed procurement process instead of on delivery; procurement professionals *versus* construction procurement still viewed as an uneasy relationship – should procurement professionals spend time with suppliers / providers?;
- Fragmentation and inconsistencies still impact on the ability to deliver value for money;
- SQuID, the Supplier Qualification Information Database, has assisted in introducing standardisation, but collaboration and communication between stakeholders is still considered to be a weakness;
- Frameworks / the bundling of contracts, are still perceived to favour the major contractors against the SMEs; financial thresholds are seen as barriers; often Frameworks have no aligned workload resulting only in a “select” select list;
- Community benefits accepted as a common feature of the procurement exercise, but industry is concerned at the simplistic approach of “value of scheme = number of training opportunities etc.”; there should be transparency on the cost of provision;
- The Wales Infrastructure Investment Plan (WIIP), whilst welcomed as a compendium of public sector investment in Wales, requires to be further developed into an electronic business planner for the industry, with an additional range of data included;
- The capacity of the “Wales supply side” should be mapped with a view to identifying weaknesses and setting a target to further increase the opportunities for winning procurement opportunities in Wales;

Rhodri-Gwynn Jones  
Director  
CECA Wales Ltd  
(On behalf of the WCFA – 1st June 2015)

**Bullet Points received from National Assembly for Wales:**

- *What changes, if any, have WCFA noticed for construction businesses in Wales when seeking to provide goods/services to the public sector in Wales since 2012;*
- *WCFA's view, if any, of the strengths/weaknesses of Welsh Government procurement policy. Have any initiatives been particularly helpful/unhelpful?*
- *What are the main barriers construction businesses in Wales experience when looking to provide goods and services to the public sector in Wales?*
- *How successful have Welsh Government initiatives to increase the proportion of local companies/SMEs winning contracts been? How could these efforts be improved?*
- *WCFA's views on the use of procurement policy to further other public policy objectives (for example, seeking to obtain training opportunities in large construction contracts), as embodied in the Welsh Government's "Community Benefits" policy.*



**Enterprise & Business  
Committee of the National  
Assembly for Wales**

**17th June 2015**

**Impact of Welsh Government  
Procurement Policy**

**WLGA Response**

## **Enterprise & Business Committee of the National Assembly for Wales - 17 June 15 - Impact of Welsh Government Procurement Policy – Response**

### **Introduction**

The Enterprise and Business Committee of the National Assembly for Wales will be looking at the impact of Welsh Government procurement policy in its meeting on 17 June 2015.

In 2012, the Welsh Government published the McClelland review of Welsh Public Procurement and its Wales Procurement Policy Statement and launched the National Procurement Service in 2013.

The Committee is interested in the impact of these, and other developments, in public procurement in Wales since it published its report on Influencing the Modernisation of EU Procurement Policy in 2012.

### **The Welsh Local Government Association (WLGA)**

The WLGA represents the interests of local government and promotes local democracy in Wales. It represents the 22 local authorities in Wales and the 3 fire and rescue authorities and 3 national park authorities are associate members.

### **Areas of Interest of the Committee**

The WLGA welcomes the opportunity to give evidence to the Enterprise & Business Committee of the National Assembly for Wales. Our response covers the areas indicated below.

- How Welsh Local Government procurement policy has changed since 2012, and the extent to which this has been driven by the Welsh Government;

### **Response:**

Welsh Local Government has worked very closely with Welsh Government on public procurement since the publication of 'Better Value Wales' in February 2001, even to the extent of having merged the WLGA- Procurement Support Unit, with the Welsh Government resources for three years at the initiation of Value Wales. Our development of policy in this area has and continues to be very closely aligned. Local Government accounts for the largest proportion of public sector 3<sup>rd</sup> party expenditure. Therefore our contribution to the achievement of Welsh Government procurement policy objectives will have been significant over the years, both in terms of efficiency savings and wider policy areas.

The McClelland report and the Wales Procurement Policy Statement were both welcomed by Local Government, as timely. They drew a focus onto the maturity and direction of procurement in Wales, which arguably, at that time, was otherwise

in danger of becoming disjointed. The McClelland report and the Wales Procurement Policy Statement provided some much needed clarity and direction.

The principles underlying the Wales Procurement Policy Statement are generally accepted as supportive and are aligned with Local Government's organisational and wider community objectives. The Statement has therefore not impacted significantly in terms of a wholesale redirection of individual authorities' approaches.

Determination of strategies toward programme and service delivery must allow for variation of priorities in for example, social, economic, geographic and/or cultural, priorities and needs of communities. The progressive implementation by Welsh Government of initiatives resulting from the McClelland report and the Wales Policy Statement must recognise this.

The legislative changes resulting from revised EU procurement directive transposed as the UK Public Contract Regulations 2015 create an opportunity to stimulate improved value from public procurement. Clarity and simplification that underpinned the review, resonates with the direction of the aligned policy areas of Welsh Government and Local Government. A key principle within the EU review was the recognition of the extensive SME supply base across Europe and the impact that legislation has upon it. The resultant regulations should be more enabling in the way they allow the public sector to undertake procurement. Wales should carefully consider [particularly on sub-OJEU procurements] how it might use the available flexibilities and opportunities to stimulate and develop its SME's which form the foundation of its supply base.

Arguments from the supply base about blanket use of aggregation and framework arrangements, where no forward commitment can be provided may need reassessment.

Portfolio and Programme approaches such as those identified through the Wales Infrastructure Investment Plan should be considered more diversely in terms of potential innovative delivery options. This can work to both deliver value through economy of scale and in some cases as the foundation for SME development by packaging and lotting programmes, both at OJEU and sub-OJEU level.

- Your view, if any, of the strengths/weaknesses of Welsh Government procurement policy. Have any initiatives been particularly helpful/unhelpful?

**Response:**

The strength of the policy is based on our ability in Wales to work together to develop approaches. Local Government is committed to this collaborative approach.

It is important to recognise that public sector organisations have borne the brunt of risk in testing and developing pilots, such as on Community Benefits. It is important that Welsh Government continues to support organisations with these types of initiatives in the future and they should share or even underwrite some of this risk in undertaking these pilots, development and subsequent implementation. This may

become more relevant as new ways of working are developed in response to the new regulations along with the desire to achieve greater efficiencies and collaboration.

Arguably much of the delivery through procurement is successfully carried out through complex strategic programmes where the input from 'procurement professionals' is limited. This is reflected in the McClelland report by the suggestion that creating a central body [the National Procurement Service (NPS)] to deal with common and repetitive spend could free up resource to be utilised on more complex projects.

However, integrated working across professional skills and developing more generic skill sets around delivery outcomes may have been how these programmes of work have been conducted successfully, allowing greater flexibilities and innovation to be utilised. How procurement can be better integrated into this type of approach may need to be considered as the next major step forward for local government now the NPS is in place.

Since the publication of 'Better Value Wales in 2001, we have been on a 14 year procurement journey that has established many of the tools and practices required to enable WG policy. Our view is that we now need to simplify the 'industry' around 'Value Wales' to help councils concentrate on outcomes as opposed to process.

Local Government signed up to the National Procurement Service (NPS) at December 2012 on the basis of its projections benefits against a portfolio of circa £900m, and that,

"Once mature, it expects to save approximately £25 million a year through challenging and influencing what we buy and through buying it better. The savings that it makes will enable re-investment in strengthening our front-line services."<sup>1</sup>

And,

**"Cashable savings** will be achieved through a reduced total cost of acquisition for the common and repetitive spend goods and services. This will be achieved through leveraging the scale and combined buying power of the Welsh public sector and standardising specifications across users. Based on implementing the procurement strategies identified, the potential for incremental annual savings ranges between **£9.2m** and **£24.6m** across the Welsh public sector or **£74.8m over 5 years** with a NPV of 3.5% applied"<sup>2</sup>

Support for the NPS continues across local government not least in term of the opportunity to free up existing resources to focus onto the remaining higher value complex procurement portfolios.

---

<sup>1</sup> Oral Statement by Jane Hutt Minister for Finance 07/05/2013

<sup>2</sup> **National Procurement Service Business Case Version No:** v 1.0 **Issue Date:** 12/09/2012.

For this to happen the NPS must deliver, effectively adding value to the previous substantial set of existing public sector arrangements it has inherited and some new arrangements. Clearly to do this it needs to be responsive to the needs of its client group made up of the Welsh public sector organisations.

Local Government accepts that the NPS will not be fully operational until 2016-17, and understands that teething problems encountered during this transitional period are being overcome by developing good collaborative working relationships during this period.

The NPS now has more than doubled on its original portfolio to £2.2bn with a proposal to double both its staffing and resource requirements from the original proposals. It is therefore important that the NPS achieves its savings targets, and clear cashable savings are attributed back to be used for front line services. Local Government is committed to achieving efficiency savings effectively in these challenging economic times.

- What are the main barriers local authorities experience when looking to purchase goods and services for the public sector in Wales?

**Response:**

Across the review of the EU Procurement Directive local government argued for clarity and simplification, removal of administrative burden, and the opportunity to operate in a practical manner which supported our required objectives, and was aligned to the EU promotion of subsidiarity.

This is a broad principle accepted across local government and is naturally aligned to the wider objectives of Welsh Government policy. All too often the focus on individual sectors, professions and processes gets in the way of working together to achieve the desired outcomes for our communities. As stated in the previous question, having now established many of the tools and practices we need, the time has come to focus on joined up policies which enable public sector organisations to deliver required outcomes.

Additionally an essential element for WG is the enabling and supporting of SMEs, micro businesses and particularly new entrants to the supply market in the early establishment of the platforms, and building their capacity and capability to utilise these tools to compete effectively.

- How successful have Welsh Government initiatives to increase the proportion of third sector organisations/local companies/SMEs winning contracts been? How could these efforts be improved?

**Response:**

Clearly recent figures [reference] suggest that more businesses in Wales are winning Welsh public sector contracts. The success rate is now over 50%. This is a sound basis to support growth of the Welsh economy. It must however be viewed in the broader context of economic growth, business development and a healthy

import/export balance. In this context it may also be advantageous to ensure that a culture of complacency does not develop around protecting the native supplier base. By promoting supplier development to the level at which they can compete effectively to win business outside as well as within Wales, we might better ensure that Welsh businesses continue to be the best.

However it is interesting to note the research carried out by University Of Glamorgan<sup>3</sup>, for Value Wales, Welsh Government In April 2012', and its lack of conclusion in respect of the benefits of establishing a low advertising threshold. Current policy provides that all procurements over £25,000 should be opened to international competition via sell2wales.

It may be worth reassessing the future impact of this policy now Welsh businesses are successfully competing and winning over 50% of public sector contracts.

- WLGA's views on the use of procurement policy to further other public policy objectives, as embodied in the Welsh Government's "Community Benefits" policy.

**Response:**

It is abundantly clear that 'procurement' can be utilised to facilitate wider objectives.

This has been well established and is applied across local government extensively. However whilst more may be achievable this is not necessarily just a procurement issue.

Simply ensuring that such 'other public policy' is firstly enshrined in the organisational, corporate, objectives and strategies should be sufficient. These are then cascaded into programme and service delivery.

Across the diverse functions of local government the scope of different procurements to deliver particular elements of 'other policy' varies according to their value, volumes, complexity, and focus. For example a multimillion pound regeneration programme can incorporate a much wider set of delivery objectives than perhaps a contract for an accountancy management consultant. The prioritisation and scalability of approach on these matters must reflect the local need and therefore once the objectives are established at the correct level they can be prioritised and implemented in accordance with good practice operationally.

The Wellbeing of Future Generations [Wales] Act 2015 and the forthcoming Environment Bill, might be seen as example of where some these objectives should sit and should be reflected and cascaded through organisations to their delivery requirements. Procurement good practice can accommodate integrating these objective into delivery solutions. There should therefore be no need for additional procurement policy reiterating the need to integrate these objectives etc.

---

<sup>3</sup> The Impact Of Low-Value Advertising On SME Access To Public Sector Procurement In Wales';



- Any examples of good practice shared across local authority boundaries and between contracting authorities in all parts of the public sector, including through peer support and mentoring.

**Response:**

Welsh Local Government has extensive networks sharing good practice and collaborating on a multitude of subjects including:

Energy – Working with Local partnership and Welsh Government to develop an integrated green Infrastructure Pipeline across the 22 Authorities

Public Contracts Regulations 2015 – Local Government Handbook - Working with in Local Government Association, Local Partnerships, and European Colleagues to developing good practice in apply the new legislation.

WIIP & Capital Programme - the response of the 22 Local Authorities working to respond to opportunity offered by the pipelines.

Social Care Commissioning groups have established a broad programme of collaboration from shared services to good practice and ICT arrangements.

ICT collaboration on procurement ranges from Local authorities working together through their professional groups, shaping shared needs through working together for consistency across the PSN/PSBA projects to engagement with the WG e-procurement project.

Contract Procedure Rules [**CPR's**] WLGA in conjunction with a task and finish group drawn from Local Government Procurement Managers delivered a draft model for Contract Procedure Rules. Impact of draft model has been to promote convergence in CPR's and encourage commonality. Each local Authority still has its own CPR's; though now there is a common point of reference. This is available via the WLGA website and is used by authorities in updating their CPR's. Model has been continually updated:

The WLGA website holds a Collaborative Compendium and some case studies of good procurement practice.

**NAFW Enterprise and Business Committee meeting 17<sup>th</sup> June 2015**  
**evidence in advance provided by NHS Wales Shared Services Partnership.**

Witness attending the session - Mark Roscrow Director of Procurement Services, NWSSP

NHS Wales welcomes the opportunity to contribute to the wider debate on the Procurement Policy within the Welsh Public Sector and indeed the statement from Jane Hutt in December 2012 and in addition the McClelland Review and subsequent creation of the National Procurement Service.

To address the specific points that were requested therefore

**- How NHS procurement policy has changed since 2012, and the extent to which this has been driven by the Welsh Government;**

The policy as set out in the 2012 autumn statement has largely remained the same in the intervening period and this is felt to have been helpful as it gives an opportunity to address the issues that were raised and to consider how some of these can be moved forward and the practicalities around this. Whilst there have been some changes and refinements to certain aspects of it which I will cover later on, the statement is due to be refreshed shortly and colleagues have had some input into early drafts of this with Welsh Government officials.

**- Your view, if any, of the strengths/weaknesses of Welsh Government procurement policy. Have any initiatives been particularly helpful/unhelpful?**

In order to address this I will pick up the particular principles of the policy and reflect these in the context of the question posed.

1. **Strategic** - Procurement should be recognised and managed as a strategic corporate function that organises and understands expenditure; influencing early planning and service design and involved in decision making to support delivery of overarching objectives.

*How will this be achieved?*

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"><li>• set out a 'maturity model', against which development of procurement can be measured across the Welsh public sector.</li><li>• develop and fund Welsh Procurement Fitness Checks.</li></ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"><li>• measure themselves against the maturity model, by undertaking regular Welsh Procurement Fitness Checks and reporting the recommendations and action plan progress to Welsh Government.</li></ul>
--	--

The use of the maturity model as a vehicle for measurement at least gives us the opportunity for comparison. It must be said however that the approach of the model itself has not been particularly robust and having two service providers has I believe given some potential for inconsistencies of approach although I know colleagues within Value Wales have attempted to standardise this as best as they were able. The issue with the model itself is as much to do with what has happened with these since they have been undertaken and in general whilst a requirement for plans to move this forward have been required the evidence to support process is generally limited. The issue itself comes to the fore not only in recommendations that were highlighted in the report "Buying Smarter in Tougher Times" which subsequently led to the McClelland review but it is evident that only certain aspects of these recommendations have been taken forward and in some instances little progress has been made. An example of one of these is the availability of management information and there was a specific recommendation within the Buying Smarter in Tougher Times report around

local authorities, in particular moving to a standard chart of accounts coding structure. Little if anything has been done to address this which means management information is extremely difficult, albeit some individual Councils have made good progress but on their own individual initiatives and information across the sector is still extremely difficult which doesn't help and support the work NPS are attempting to undertake.

2. **Professionally resourced** – procurement expenditure should be subject to an appropriate level of professional involvement and influence, adopting the initial benchmark of a minimum of one procurement professional per £10m of expenditure.

How will this be achieved?

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• publish a competency framework setting out qualifications, experience and expertise that will support a structured procurement career.</li> <li>• provide routes to training and development, including those which enable public bodies to cultivate professional procurement expertise.</li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• ensure adequate skills and resources are in place to carry out effective procurement and contract management.</li> <li>• have a procurement training plan which addresses resource and skills gaps and share this with Welsh Government to support future skills development strategy.</li> </ul>
<p>Policy link : <a href="#">Procurement Training</a></p>	

There has been some contribution towards training and Value Wales again have been very supportive of this but this to some degree has only scratched the service and there is an ongoing continual need to address training and development. The reality is that it is a wider issue and recruitment and retention remains a significant problem to us particularly with professionally qualified procurement staff. It has to be said that the salaries offered by NPS as part of WG have in itself created a problem as these are significantly higher than those available to both the NHS, Local Authority and generally the other parts of the public sector. There is an ongoing training requirement and again VW have been supportive in providing money for this but we need to address the wider issues and this remains a problem going forward.

3. **Economic, Social and Environmental Impact** - Value for Money should be considered as the optimum combination of whole-of-life costs in terms of not only generating efficiency savings and good quality outcomes for the organisation, but also benefit to society and the economy, whilst minimising damage to the environment.

How will this be achieved?

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• provide tools such as the Sustainable Risk Assessment to ensure that procurement decisions take account of long-term impact on the combination of benefits.</li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• apply these tools appropriately in their decision making process.</li> <li>• Use the information generated by these tools to inform the annual returns to be required under the Sustainable Development Bill.</li> </ul>
<p>Policy link : <a href="#">Sustainability Tools</a></p>	

This manifests itself particularly through the sustainable risk assessment and the application of this within a sourcing process. It has still remained a challenge to recognise that not every procurement is going to have a sustainable aspect to it and this is something that the model does not particularly recognise in that considering sustainable aspects of some of what we procure is going to be and has proven to be extremely difficult.

4. **Community Benefits** – delivery of added value through Community Benefits policy must be an integral consideration in procurement.

How will this be achieved?

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• lead on maintaining and strengthening Community Benefits policy; strengthening support available on the ground and challenging the application.</li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• apply Community Benefits to all public sector procurements where such benefits can be realised.</li> <li>• apply the Measurement Tool to all such contracts over £2m to capture and report outcomes to the Welsh Government.</li> </ul>
<p>Policy link : <a href="#">Community Benefits</a> <a href="#">Wales Infrastructure Investment Plan</a>:</p>	

This is similar to 3 in that the community benefit tool has been developed but it is clear that this is difficult to deal with and the reality is that the community benefits will not accrue from many of the contracts that we are looking to put in place. The value of us using this for contracts with a value over £2M is relatively low in comparison to the value of some of the contracts that we are putting in place.

5. **Open, accessible competition** – public bodies should adopt risk based, proportionate approaches to procurement to ensure that contract opportunities are open to all and smaller, local suppliers are not precluded from winning contracts individually, as consortia, or through roles within the supply chain. .

How will this be achieved?

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• provide <a href="http://www.sell2wales.co.uk">www.sell2wales.co.uk</a>, including the SQuID common question set.</li> <li>• maintain and develop the SQuID approach to supplier selection.</li> <li>• Improve information on forward programmes by maintaining publication of the <a href="#">Wales Infrastructure Investment Plan</a>.</li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• use <a href="http://www.sell2wales.co.uk">www.sell2wales.co.uk</a> to advertise all contracts over £25k.</li> <li>• proactively publish their forward contract programmes</li> <li>• Ensure that appropriate 'lotting' strategies are used.</li> <li>• apply the SQuID approach as standard to supplier selection.</li> <li>• encourage main contractors to use the 'Tier1' facility to advertise supply chain opportunities on <a href="http://www.sell2wales.co.uk">www.sell2wales.co.uk</a>.</li> </ul>
<p>Policy link : <a href="#">Supplier Qualification Information Database (SQuID)</a></p>	

This approach has generally been successful in so far as the Sell2Wales website and the recent refresh has been welcome and I believe it provides an opportunity for SMEs in Wales (also it has to be recognised outside of Wales) to register and apply for opportunities that are advertised. It has to be said that the issue with this is more around the linkages around the relevant parts of the technology and the wider electronic approach to procurement. The issues include the fact that the SQUID is not embedded within the key sourcing tools available through the VW/NPS contract through Bravo nor are there automatic interfaces into the Sell2Wales website in some instances and therefore this requires dual effort from staff to ensure opportunities are either advertised or the use of the squid can be embedded into the system. There are also wider issues with companies operating outside of Wales who feel frustrated having to register in two or more locations and the fact that from an NHS perspective Sid4Gov information which suppliers also register upon does not automatically feed through onto the Welsh system and this remains a source of frustration for procurement professionals, particularly within the NHS.

6. **Simplified Standard Processes** – procurement processes should be open and transparent and based on standard approaches and use of common systems that appropriately minimise complexity, cost, timescales and requirements for suppliers.

How will this be achieved?

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• develop and promote simplified approaches to procurement based upon the adoption of common systems and processes, including the Welsh e-procurement service, that reduce the cost of doing business.</li> <li>• monitor the adoption and impact of these approaches.</li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• adopt and embed common procurement approaches.</li> <li>• Make best use of available e-procurement tools</li> <li>• Encourage supplier feedback on ease of process and channel through to Welsh Government</li> <li>• Pay all correct invoices on time</li> </ul>
<p>Policy link : <a href="#">xchangewales</a> <a href="#">Supplier Qualification Information Database (SQiD)</a></p>	

The NHS had a standard process for some time and the approach adopted through the policy statement has encouraged and developed this further. We have had significant support from Value Wales to embed procurement policy within the Bravo system and this has been extremely welcome however, this is an increasingly complex area and the suggestion that the procurement processes can be simplified when procurement professionals are now faced with a whole raft of issues that they need to consider when undertaking procurements. The example would include the changes to EU procurement rules which whilst broadly welcome now provide a wider opportunity of options to consider, there's the sustainable risk assessment, future generations bill, community benefits, wider evaluation criteria including the use of electronic trading, outside of the specific specification and evaluation of the products being purchased, the potential subset into lots consider SMEs and the wider evaluation of this makes it extremely complicated. We are in a complex professional area which needs highly skilled staff.

7. **Collaboration** – areas of common expenditure should be addressed collectively using standardised approaches and specifications to reduce duplication, to get the best response from the market, to embed best practice; and to share resources and expertise.

How will this be achieved?

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• strengthen vehicles to deliver collaborative procurement.</li> <li>• use collective leadership to drive through effective collaboration.</li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• commit to participate in collaborative procurement initiatives for the benefit of Wales and their individual organisation.</li> <li>• monitor and report on engagement with collaborative procurement initiatives.</li> </ul>
<p>Policy link : <a href="#">Contracts and Resources</a></p>	

The NHS has a long history of collaboration and the event of the Shared Services Partnership in 2010 and the wider collaborative across the whole of NHS Procurement has been an example of the development of the procurement policy and a step change in approach to the NHS. This has also seen the establishment of the NPS as a forerunner of the recommendation of the buyer smarter report and the subsequent McClelland review. Whilst it remains relatively early days, although having said that two years into its establishment does give it an opportunity to consider how its managed to impact and affect Procurement and there are a number of frustrations including the reference to when the organisation is “fully operational” as two years into its setup one would have expected it to be fully operational particularly as it is fully staffed. The location of NPS within WG does I feel provide a distraction and that colleagues are involved in other areas which if it was embedded within an alternative organisation would have been less likely to have happened. The

wider benefits to be delivered through the programme has yet to be fully realised and the review into it which was suggested on its establishment will need to consider this particular issue.

8. **Supplier Engagement and Innovation** – *dialogue with suppliers should be improved to help get the best from the market place, to inform and educate suppliers, and to deliver optimum value for money.*

*How will this be achieved?*

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• <i>encourage public bodies in Wales to adopt approaches to procurement that are informed and influenced by feedback from the supply chain.</i></li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• <i>publish a single electronic point of contact for supply chain dialogue/feedback/ queries.</i></li> <li>• <i>ensure de-briefing provides adequate tender feedback.</i></li> <li>• <i>use outcome based specifications where appropriate to encourage business innovation</i></li> <li>• <i>ensure regular contract performance management reviews are conducted and use these to encourage two-way dialogue</i></li> </ul>
<p>Policy link : <a href="#">Procurement Route Planner</a></p>	

This area continues to be a challenge and the NHS has recently published a separate report on innovation and the Minister is currently considering how this report will be implemented and effected across the NHS. As far as the specific statement is concerned it talks about wider performance management and reviews and whilst this in principle is absolutely correct the reality is from an NHS perspective with 1000s of contracts it is impossible with current resource to even scratch the surface around this area and therefore resource on what contract management is able to be undertaken tends to be focus on those areas considered to be the biggest risk or potentially the wider expenditure areas.

9. **Measurement and Impact** – *in accordance with good management practice, procurement performance and outcomes should be monitored to support continuous improvement, and examples of good and poor practice openly shared.*

*How will this be achieved?*

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• <i>provide a framework of procurement performance measures that are proportionate and help to drive improvement.</i></li> <li>• <i>Collate information and ask PSLG and Procurement Board to consider performance and assist policy implementation.</i></li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• <i>provide Welsh Government with regular reports of outcomes achieved through procurement.</i></li> </ul>
<p>Policy link : <a href="#">Measurement Framework</a></p>	

This area I would suggest has been the one of least progress and whilst organisations have developed their own KPIs and will report on this there is little in practice undertaken through the wider public sector. The procurement board in my judgement has not advanced procurement particularly and little information flows back from this group and whilst information is provided to it by way of a top level scorecard, what this is actually measuring and any action taken from it is certainly questionable.

- **What are the main barriers the NHS experience when looking to purchase goods and services for the public sector in Wales?**

Some SMEs in Wales continue to have a fairly narrow focus on where they wish to undertake business and therefore in trying to get suppliers to consider wider opportunities remains a challenge. Awareness of Welsh based companies also can be an issue and this respect the resources that exist in WG through the Bus department have not proven to be particularly helpful in this regard nor do they engage with the NHS in terms of our requirements and despite repeated efforts over many years this continues to be a source of frustration in that a valuable resource is not targeted and focused. An example of this being the movement of NHS Wales through its e-trading processes which are in line with both WG and EU procurement and yet we still have supplier engagement champions with little knowledge if any, of the process and approaches we offer and the way we wish to move this forward. We have attempted to engage this on a number of occasions but frankly it lacks any cohesion whatsoever.

- **How successful have Welsh Government initiatives to increase the proportion of third sector organisations/local companies/SMEs winning contracts been? How could these efforts be improved?**

Generally the expenditure with Welsh based companies from within the NHS has increased over the past few years however, there needs to be a recognition that the extent to which this can continue to grow is limited to those suppliers that exist in Wales and are they able to trade. We have repeatedly made the point that suppliers are either pharmaceutical or dressing or wider medical and surgical products as an example are not present in Wales or indeed in many instances these days within the wider UK. Therefore the ability to procure product across our wide portfolio does have its obvious limitations. It also has to be recognised that where Welsh SMEs are competing then they are not all going to win business even where a lotting strategy is deployed. There are many examples of where SMEs have complained around the opportunities for business and still do not take advantage of the Sell2Wales website or the opportunities that are presented in other forums. WG held a Life Science event earlier this year which the NHS attended not only in terms of providing a stand for companies to visit or indeed a meet the buyer workshop event and also an overall presentation on the NHS. Whilst the presentation itself was well attended the meet the buyer event attracted only 3 companies and the visits to the stand were very limited. There was however a wide opportunity over the course of 2 days to engage with NHS staff. I believe one of the major changes that could help to improve this is a closer alignment of the supplier engagement resource within either Value Wales or within the sectors with sector champions who could work for or with the NHS as an example and address these issues. This is part of our approach particularly around medical product linked to the innovation report and the prudent procurement agenda which will be further developed over the course of the next few months from an NHS Wales perspective.

- **The NHS's views on the use of procurement policy to further other public policy objectives, as embodied in the Welsh Government's "Community Benefits" policy.**

I think I would refer to some of my earlier comments regarding the difficulties of the community benefits model and indeed the applicability of this across the wider range of product and services we provide. The current futures generation bill which has further ambitions in this area also needs to recognise some of the practicalities and the difficulties with this and the fact that this will not emerge from every contract we put in place and therefore I think there needs to be a more realistic assessment of what is achievable and what outputs are actually felt to be useful and how these themselves can be measured.

# Higher Education Purchasing Consortium Wales

Briefing Notes for the Enterprise and Business Committee – 17<sup>th</sup> June 2015

## Background

The Higher Education Purchasing Consortium Wales (HEPCW) is a non-legal body, supported by membership subscription, providing support to Welsh Universities so that the benefits of a collaborative approach to procurement are optimised. In preparing this briefing, the comments present a view from HEPCW and may differ from the independent views of its members. Evidence to support the views expressed where, appropriate, has been sought from amongst the membership and will be available by the date of the committee meeting.

### **Q1. *How has HEPCW procurement policy changed since 2012, and the extent to which this has been driven by the Welsh Government?***

HEPCW and its members have embraced the objectives of the Wales Procurement Policy Statement (WPPS) 2012 and they are all endeavouring to incorporate these within their own procurement policies and procedures and then implement them in practice.

The Higher Education (HE) sector is also trying to embrace the recommendations contained within the 2010 Diamond Review“ of Efficiency and Effectiveness within Higher Education. The review recommends a strategic approach to collaborative procurement and has set targets for expenditure via collaborative arrangements.

HEPCW is fundamentally focused on the provision of collaborative arrangements for use by its members. The sector benefits from a mature, established and successful collaborative procurement programme managed at a national HE Sector level through 6 regional purchasing consortia. Categories of expenditure covered by HE sector led contracts are broadly similar to those within the scope of the National Procurement Service (NPS). The HE portfolio however includes a number of additional categories which have a sector specific nature and there are some categories within the portfolio of the NPS which are of little or no relevance to HE institutions (HEI).

There is a desire by the HE sector to utilise collaborative arrangements, it is highly probable that neither the sector led or All Wales approach will offer the best solution in all instances, and thus the institutions need to have an opportunity to consider both and any other offerings available to determine which solutions best meets business requirements.



**Q2. *Your view, if any, of the strengths/weaknesses of Welsh Government procurement policy. Have any initiatives been particularly helpful/unhelpful?***

The Welsh Government's Procurement Policy has been effective in enabling sector organisations to review their processes and develop operational plans which strive to meet the policy objectives. The activities of the consortium are being developed to ensure that HEPCW can either meet the objectives itself, where appropriate, or support its members in the achievement of these objectives.

Key successes of the policy include:

- the development of the Supplier Qualification Information Database has proven successful in standardising the approach to supplier selection
- the provision of an All Wales Purchasing Card has enabled the majority of institutions to implement an effective process for low value ordering.
- the Sell2Wales website has been a success and many contracts have been awarded to Welsh SMEs as a result of contracts being advertised through Sell2Wales.
- There is evidence that spend with Welsh based suppliers and SMEs is increasing, this expenditure increased by 8% between 2012/13 and 2013/14. This will in many ways have been achieved as a result of using the Sell2Wales web site.
- The E tender system provided by Bravo Solution has also been of significant benefit to some members although some are using alternative tender processes.
- Use of community benefits clauses has achieved notable results (the new Swansea University Bay campus as an example).

One area of concern is the potential conflict amongst one or more objectives. By way of example, WPPS 5 which seeks to make opportunities more accessible to suppliers may not always align to WPPS 7 which highlights a desire for greater collaboration. The aggregation of demand to encourage competitive pricing may result in larger, nationally based suppliers winning business as they are able to optimise the benefits they have achieved through economies of scale. Sometimes this results in locally based SMEs losing business which they have held previously. It is a risk that requires careful management and consideration on a case by case basis but should be acknowledged that in some instances both objectives cannot be met.

**Q3. *What are the main barriers Welsh higher education institutions experience when looking to purchase goods and services for the public sector in Wales?***

Depending upon the specific commodity required, the barriers will differ. The European Procurement Directives provide a framework for the procurement of goods and services where the value exceeds published financial thresholds. Whilst the Directive provides clear guidance of the process to be followed, the Remedies Directive provides a process for suppliers to challenge processes and decisions and ultimately to set aside the award of the agreement. There is a need to demonstrate compliance with the process and to remove ambiguity from the evaluation. This creates a risk that Buying Organisations will focus upon compliance with a process rather than using the procurement to explore innovative approaches from bidders, which may deliver significantly better value.

**Q4. *How successful have Welsh Government initiatives to increase the proportion of third sector organisations/local companies/SMEs winning contracts been? How could these efforts be improved?***

The Welsh Government initiatives to increase expenditure with local SME's has been successful and expenditure with Welsh based suppliers by HEIs is increasing. In 2012/13 expenditure was £70.8m and this increased by approximately 8% to £75.8m in 2013/14. However it needs to be recognised that HEIs have significant expenditure for specialised research equipment where the supplier base is outside Wales.

With regards to the improvement of the success rate, it is difficult to quantify how this can be achieved. Processes have been implemented to remove barriers to potential bidders, such as increased use of SQuID, advertising opportunities via Sell2Wales, determining appropriate lotting strategies and including specific terms relative to community benefits and sustainable procurement factors. Whilst these have been successful to the extent demonstrated by the statistics regarding spend with Wales-based suppliers, it should be acknowledged that each requirement should be reviewed on its own merits to ascertain whether there is capability and capacity in the supply chain at a local/SME level to meet business needs.

**Q5. *HEPCW's views on the use of procurement policy to further other public policy objectives, as embodied in the Welsh Government's "Community Benefits" policy.***

HEPCW recognises that the Welsh Government's Procurement Policy can be an effective tool in the pursuit of wider public policy objectives. HEPCW and its members will continue to embrace the Welsh Government's Procurement Policy and implement these where appropriate.

### ***Procurement Fitness Checks***

All of the HEIs in Wales participated in the programme of Procurement Fitness Checks facilitated by Value in late 2014/early 2015. The sector welcomes this initiative as it provides an independent assessment of institutions' procurement and capability. The findings of the reviews will play a key role in supporting institutions in the development of strategies to deliver increased value through effective procurement. We would like to see this as a recurring exercise so that institutions can regularly measure progress.

# Agenda Item 4

PAPER TO THE ENTERPRISE AND BUSINESS COMMITTEE  
PUBLIC PROCUREMENT

## Introduction

1. The purpose of this paper is to set out written evidence on public procurement in Wales for the Enterprise and Business Committee.
2. The Welsh public sector in Wales spends £5.5bn per annum through procurement for the delivery of works, supply and services contracts. This expenditure amounts to over a third of the total Welsh public sector budget and represents a significant opportunity to deliver wider added value for the people, communities and economy of Wales.
3. I published the Wales Procurement Policy Statement (WPPS) in December 2012 setting out nine principles against which public sector bodies should undertake procurement. The WPPS makes it clear that procurement decisions should be made on the basis of the optimum combination of economic, social and environmental considerations.
4. All major public bodies in Wales have confirmed their commitment to adopt the principles of the WPPS, with many local authorities having passed a resolution through cabinet, providing senior leader commitment to support adoption within their organisations.
5. Following publication of the WPPS, focus has been on monitoring adoption of its principles, supporting development of procurement capability and strengthening collaboration.

## Impact of the Wales Procurement Policy Statement

6. The commitment of the public sector to engage with the WPPS, coupled with the support provided by the Welsh Government to grow procurement capability, has delivered encouraging progress.

## Developing the procurement profession

7. A full programme of procurement fitness checks has been delivered for the local government, NHS and higher education sectors. These reviews have provided each participating organisation with an assessment of their level of procurement maturity and outlined the actions necessary to improve their capability to adopt Welsh procurement policy and best practice. A Fitness Check programme for Further Education will commence later this year.
8. The outcomes of the procurement fitness checks for Local Government and Health were published in August and December 2014 respectively, and can be accessed at <http://prp.gov.wales/fitnesscheck2014/>. Higher Education reports will publish in July. Of the thirty one organisations assessed, thirteen are at a level of conforming or above. Support is being provided to the eighteen organisations that fall below the level of conforming in order that they may achieve the desired level of performance.
9. The support provided covers freely available policy guidance and resources published on the Procurement Route Planner, supplemented by a full training programme of short courses, bespoke delivered within organisations and a structured programme for achieving professional qualification.

## **PAPER TO THE ENTERPRISE AND BUSINESS COMMITTEE PUBLIC PROCUREMENT**

10. Through the European Structural Fund Home Grown Talent project, nearly 1,500 participants have undertaken short course training. In the current academic year, the Welsh Government is also funding fifty-four delegates to study towards professional membership of the Chartered Institute of Procurement and Supply as well as sixteen officers to work towards a Procurement MSc.
11. The Home Grown Talent project has helped increase capacity through introducing a programme which has seen twenty-eight trainees work across the public sector in Wales whilst undertaking a structured programme of training. Twenty-three of the trainees have gone on to find full time employment in the public sector.

### **Community Benefits**

12. The Community Benefits policy is a cornerstone of the WPPS. A refreshed Community Benefits policy was launched in July 2014 and adoption and delivery of this innovative policy continues to grow.
13. Measurement of the first seventy-four completed projects illustrates that from a total spend of £658m, 84% has been retained within Wales, helping 771 disadvantaged persons into employment and providing almost 22,000 weeks of training.
14. Community Benefits is aligned across the Welsh Government Programme for Government. The policy focuses on tackling poverty, contributing to the Tackling Poverty Action Plan and supporting education and business development goals. Welsh Government levers such as the Wales Infrastructure Investment Plan, promote adoption of the policy, and programmes such as the 21<sup>st</sup> Century Schools Programme and the Vibrant & Viable places Programme require Community Benefits to be delivered as a condition of funding.

### **Open, Accessible Competition**

15. Visibility of contract opportunities helps deliver good value for money to the Welsh public sector and additionally, enables business in Wales to access and compete for this business.
16. The WPPS requires public bodies to advertise all contract opportunities over £25,000 on sell2wales.
17. Visibility of these lower value contract opportunities continues to grow. Sub-EU threshold contracts advertised on sell2wales in 2014-15 increased by 23% from the previous year and represent 82% of all opportunities advertised on the website.
18. This increased visibility is beneficial to our economy, with Wales based suppliers winning 66% of all contract award notices published on sell2wales.
19. In addition, analysis of the Welsh public sector procurement expenditure indicates that this amounts to approximately £5.5bn per annum. The analysis identified that suppliers with a Wales-based payment address won 55% of this total expenditure, an increase of 20% from 35% in 2004.

## **PAPER TO THE ENTERPRISE AND BUSINESS COMMITTEE PUBLIC PROCUREMENT**

20. The launch of a Joint Bidding guide, available at <http://prp.gov.wales/toolkit/is> also improving the ability of businesses to form consortia to help improve chances of winning larger contracts.
21. A series of joint bidding pilot projects are underway, due for completion in the autumn. The approach was fully adopted by Caerphilly Council enabling Allied Construction Consortium, a consortium made up of four Wales based SMEs, to be appointed to a £21m framework agreement with Caerphilly Council. Carmarthenshire Council have also had success with the approach on their Families First Programme. Of the 5 bids received 3 of these were joint bids, with a consortium appointed to one of the three lots let as part of the procurement. This illustrates how, with the right approach from buyers and suppliers, smaller suppliers can still win significant contracts.

### **Simplified Standard Processes**

22. The Welsh Government is leading on delivery of the eProcurement Service programme to enable the public sector to embed efficient processes to support better public services.
23. The Supplier Qualification Information Database (SQuID) approach is being delivered as an on-line tool enabling suppliers to store almost 250,000 selection questions for future re-use.
24. The eTrading Wales programme was launched in March 2015 and is providing centrally funded software and change management services to utilise technology to trade electronically with suppliers.
25. Public bodies are able to access centrally funded services for managing tender exercise electronically and in 2014-15, over 3,300 tenders were issued via this service, providing greater access for suppliers. In addition, e-auction services helped deliver £3m of savings during the last financial year.
26. The Welsh Purchase Card (WPC) is a centrally managed programme which speeds up payment, enabling suppliers to be paid within three days. In the last financial year, £88m of procurement expenditure was processed through the WPC, providing a rebate to Welsh public sector of almost £900,000.

### **Collaboration**

27. The National Procurement Service (NPS) was launched in November 2013 and is a strategically important vehicle, managing common and repetitive spend for Wales.
28. The introduction of the NPS provides important additional capacity, enabling public sector organisations to deploy their resources to the management of key areas of expenditure such as construction and social care.
29. Since its launch, the NPS has delivered savings of £5.5m and when fully operational, will deliver annual savings of £25m for reinvestment in the delivery of public services.

## **PAPER TO THE ENTERPRISE AND BUSINESS COMMITTEE PUBLIC PROCUREMENT**

30. In addition to supporting delivery of efficiencies, the NPS fully embeds the principles of the WPPS across all of its activities.
31. Community Benefits will be deployed where appropriate and measured and procurement will be organised to allow access to our smaller, more local suppliers.
32. NPS identifies supply chain opportunities for Welsh businesses and focuses on lowering barriers, particularly for smaller firms and third sector organisations, to compete for public sector contract opportunities. The Resource Efficiency Framework went live last July and was structured to encourage small businesses to bid for provision of services that relate to their core specialism. From the seventy-one suppliers that obtained a place on the framework, 46% of these are based in Wales, while twenty-seven other Welsh based suppliers are members of successful consortia. Savings through the framework of £752,914 have been identified against a committed contract spend of £5,193,368.
33. A Procurement Activity Pipeline has been developed, and refined by the NPS Delivery Group, which details the timelines for each procurement which will be delivered through the service.
34. From 1 April 2016, NPS will need to become self funded, through the application of a levy on all spend going through contracts and frameworks.

### **Supplier Engagement**

35. Procurement policy and strategy is most effective when supported by the views of business stakeholders.
36. The business representatives of the Commerce Cymru group have been engaged in the revision of the WPPS.
37. NPS category teams hold supplier events, to inform the development of NPS contract and framework strategies and to raise awareness of the role of the service and the benefits it will have for Wales.
38. In March of this year, the first Procurex Wales conference was held, bringing together supplier and buyers. The event was a great success with over 500 delegates attending.

### **Governance**

39. Governance of procurement is managed through a Procurement Board comprising chief executives and senior leaders from across the Welsh public sector.
40. The Board monitors adoption of the WPPS and provides me with reports on progress..

### **EU Procurement Directives**

41. The EU Procurement Directives were transposed into UK law in February 2015.

## **PAPER TO THE ENTERPRISE AND BUSINESS COMMITTEE PUBLIC PROCUREMENT**

42. The Welsh Government worked closely with the Scottish and Northern Ireland governments to ensure that the voice of the devolved administrations was heard in the negotiations that took place with the European Commission to develop the new Directives.
43. The revised Directives are complementary to Wales' procurement policy and are very much an enabler to delivering more through procurement. They provide even greater scope to drive forward key policies such as Community Benefits as well as improving dialogue with business throughout the procurement process.
44. Guidance on the Procurement Route Planner has been updated and plans are being developed to produce further policy to take advantage of the new provisions of the Directives.

### **Ethical Procurement Policy**

45. The value of public procurement in Wales presents great leverage to influence the behaviour of business.
46. Policy guidance on blacklisting and employment practices has seen positive change in business practice which will help ensure that Welsh citizens enjoy fair treatment and gainful employment with suppliers engaged in public sector contracts.
47. Wales comprises of many small businesses that rely on winning work through the supply chain. Policy guidance was issued in March 2014 promoting the use of Project Bank Accounts to improve the payment process for supply chain contractors. The approach is being deployed on three major construction projects.

### **Inquiry into Influencing the Modernisation of EU Procurement Policy**

48. In May 2012 the inquiry into Influencing the Modernisation of EU Procurement Policy made 13 recommendations to the Enterprise and Business committee for public procurement in Wales. Transposition of the new EU directives, introduction of the WPPS, establishing the National Procurement Service and delivery of the Home Grown Talent project has seen good progress made against each of the recommendations.

### **Future Developments**

49. A general designation on public procurement has been agreed with the UK Government and will come into force in August. This designation provides Welsh Ministers with new powers to introduce regulation on procurement and plans are being developed to identify how this development can support the development and deployment of procurement policy in Wales.
50. I will lead a task group to identify opportunities for improving the outcomes delivered through Community Benefits and ensuring a pan-Welsh Government approach in this respect.
51. A business case to access further European funding is in the process of being finalised to deliver a successor project to the Home Grown Talent project which



**PAPER TO THE ENTERPRISE AND BUSINESS COMMITTEE  
PUBLIC PROCUREMENT**

ends on 30 June. It is anticipated that the business case will be submitted to WEFO over the summer and the indication is that a response will be received before the end of 2015.