



**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 3rd 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."¹

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"²

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.

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

² **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 Glamorgan³, 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.

³ 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.