

NAFW Enterprise and Business Committee meeting 17th 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>Welsh Government will:</p> <ul style="list-style-type: none">• set out a 'maturity model', against which development of procurement can be measured across the Welsh public sector.• develop and fund Welsh Procurement Fitness Checks.	<p>The Welsh public sector will:</p> <ul style="list-style-type: none">• measure themselves against the maturity model, by undertaking regular Welsh Procurement Fitness Checks and reporting the recommendations and action plan progress to Welsh Government.
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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>Welsh Government will:</p> <ul style="list-style-type: none"> • publish a competency framework setting out qualifications, experience and expertise that will support a structured procurement career. • provide routes to training and development, including those which enable public bodies to cultivate professional procurement expertise. 	<p>The Welsh public sector will:</p> <ul style="list-style-type: none"> • ensure adequate skills and resources are in place to carry out effective procurement and contract management. • have a procurement training plan which addresses resource and skills gaps and share this with Welsh Government to support future skills development strategy.
<p>Policy link : Procurement Training</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>Welsh Government will:</p> <ul style="list-style-type: none"> • provide tools such as the Sustainable Risk Assessment to ensure that procurement decisions take account of long-term impact on the combination of benefits. 	<p>The Welsh public sector will:</p> <ul style="list-style-type: none"> • apply these tools appropriately in their decision making process. • Use the information generated by these tools to inform the annual returns to be required under the Sustainable Development Bill.
<p>Policy link : Sustainability Tools</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>Welsh Government will:</p> <ul style="list-style-type: none"> • lead on maintaining and strengthening Community Benefits policy; strengthening support available on the ground and challenging the application. 	<p>The Welsh public sector will:</p> <ul style="list-style-type: none"> • apply Community Benefits to all public sector procurements where such benefits can be realised. • apply the Measurement Tool to all such contracts over £2m to capture and report outcomes to the Welsh Government.
<p>Policy link : Community Benefits Wales Infrastructure Investment Plan:</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>Welsh Government will:</p> <ul style="list-style-type: none"> • provide www.sell2wales.co.uk, including the SQuID common question set. • maintain and develop the SQuID approach to supplier selection. • Improve information on forward programmes by maintaining publication of the Wales Infrastructure Investment Plan. 	<p>The Welsh public sector will:</p> <ul style="list-style-type: none"> • use www.sell2wales.co.uk to advertise all contracts over £25k. • proactively publish their forward contract programmes • Ensure that appropriate 'lotting' strategies are used. • apply the SQuID approach as standard to supplier selection. • encourage main contractors to use the 'Tier1' facility to advertise supply chain opportunities on www.sell2wales.co.uk.
<p>Policy link : Supplier Qualification Information Database (SQuID)</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>Welsh Government will:</p> <ul style="list-style-type: none"> • 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. • monitor the adoption and impact of these approaches. 	<p>The Welsh public sector will:</p> <ul style="list-style-type: none"> • adopt and embed common procurement approaches. • Make best use of available e-procurement tools • Encourage supplier feedback on ease of process and channel through to Welsh Government • Pay all correct invoices on time
<p>Policy link : xchangewales Supplier Qualification Information Database (SQiD)</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>Welsh Government will:</p> <ul style="list-style-type: none"> • strengthen vehicles to deliver collaborative procurement. • use collective leadership to drive through effective collaboration. 	<p>The Welsh public sector will:</p> <ul style="list-style-type: none"> • commit to participate in collaborative procurement initiatives for the benefit of Wales and their individual organisation. • monitor and report on engagement with collaborative procurement initiatives.
<p>Policy link : Contracts and Resources</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>Welsh Government will:</p> <ul style="list-style-type: none"> • <i>encourage public bodies in Wales to adopt approaches to procurement that are informed and influenced by feedback from the supply chain.</i> 	<p>The Welsh public sector will:</p> <ul style="list-style-type: none"> • <i>publish a single electronic point of contact for supply chain dialogue/feedback/ queries.</i> • <i>ensure de-briefing provides adequate tender feedback.</i> • <i>use outcome based specifications where appropriate to encourage business innovation</i> • <i>ensure regular contract performance management reviews are conducted and use these to encourage two-way dialogue</i>
<p>Policy link : Procurement Route Planner</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>Welsh Government will:</p> <ul style="list-style-type: none"> • <i>provide a framework of procurement performance measures that are proportionate and help to drive improvement.</i> • <i>Collate information and ask PSLG and Procurement Board to consider performance and assist policy implementation.</i> 	<p>The Welsh public sector will:</p> <ul style="list-style-type: none"> • <i>provide Welsh Government with regular reports of outcomes achieved through procurement.</i>
<p>Policy link : Measurement Framework</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.