

Grwp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group

Cyfarwyddwr Cyffredinol – Director General



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair
Public Accounts Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1NA

7 September 2020

Dear Chair

Further to my letter of 4 December 2019, and in advance of the Committee meeting on 14 September, I am pleased to provide an evidence paper on our progress on procurement related activities.

As requested, this evidence paper covers:

1. Progress and implementation of the future procurement programme under development and being driven by a new strategy that was being shaped by consultation with stakeholders;
2. The evolution of the National Procurement Service (NPS);
3. The procurement process for Jobs Support Wales and the conclusions of the review undertaken by the Permanent Secretary;
4. ESNR's contribution to the procurement of PPE; and
5. ESNR's contribution to the procurement of school meals.

Please do not hesitate to contact me should you need any further information.

With best wishes.

Yours sincerely

Andrew Slade
Director General
Economy, Skills and Natural Resources

1. Future procurement programme and new strategy

In early 2020, good progress was being made on the development and implementation of a new strategy against the [procurement written statement \(2018\)](#) and associated government commitments. Progress included further development of the nine strands action plan in consultation with our stakeholders, and clarifying the frameworks that would be taken forward by NPS or local government. In March 2020, the report '[Progress towards the development of a new procurement landscape in Wales](#)' was published outlining progress.

Recent events

The emergence and immediate impact of Covid-19 in March 2020 resulted in the procurement profession across Welsh Government and Wales having to rapidly refocus effort and resources to respond to the pandemic. Whilst Covid-19 has brought its challenges, it has also presented a significant number of opportunities.

For example, the significant challenge of addressing Personal Protective Equipment (PPE) supply and demand accelerated collaborative working between procurement professionals and others across the Welsh public sector, and indeed the UK, to ensure appropriate, effective delivery.

Cross-government working and stakeholder engagement has increased significantly during this period with rapid response working groups established and regular meetings with local authority, NHS and Welsh Government (WG) representatives to mobilise and co-ordinate resources. Much positive feedback has been received from key stakeholders throughout this process; for example, representatives of the WLGA and WCVA have commented positively on the role played by NPS through the crisis. This close engagement and collaborative ways of working are continuing into the reconstruction and recovery period. (We are still, of course, in the midst of the pandemic.)

As we move into a new normality, emphasis has also returned to the delivery of the actions in the written statement and the associated plan, taking into account good practice and lessons learned in responding to the crisis. It has become clear that a more holistic approach to procurement policy and delivery can be provided, working in partnership with the rest of the public service, and helping deliver on wider ambitions for procurement in Wales. Focus is now on the new ways of working and optimising the lessons learnt from the Covid-19 pandemic.

The Wales Procurement Policy Statement

With this new way of working in mind, focus has been given to updating the [Wales Procurement Policy Statement](#) (WPPS) and developing the capability and capacity of the procurement profession within the Welsh public sector through our Skills and Capability plan.

The WPPS, which was last fully updated in 2015, provides the strategy and framework for the Welsh public sector to undertake public procurement. Effective application of the WPPS has delivered positive impacts. A revised WPPS is being developed to reflect and build upon new closer working arrangements and relationships that have been established between WG and wider public sector, in responding to the Covid-19 Pandemic.

We have previously engaged with our stakeholders to obtain views and feedback in relation to Public Procurement in Wales. We will use this feedback to shape and inform the revised WPPS and we will further consult to ensure maximum opportunity is given for stakeholder involvement in shaping the future WPPS. We intend to engage with stakeholders on a draft of the revised WPPS during this autumn with a view to launching a new WPPS by the end of the year.

Public Procurement, in line with the Well-being of Future Generations (Wales) Act, provides a significant opportunity for public bodies to make progress towards their well-being objectives and our national well-being goals. There is an opportunity to update the WPPS to better reflect the well-being goals and to address perceived or real tensions between lowest costs and achieving wider outcomes. As part of the revised WPPS we will consider the recommendations and findings of the Future Generations Report 2020 in respect to Public Procurement. We are also actively engaging with the Future Generations Commissioner and her office on the way forward for the WPPS and procurement in Wales in general.

Our Value Wales (VW) team has previously provided guidance, training and tools to help authorities adopt the principles in the WPPS. These will be reviewed and updated alongside the refreshed WPPS. We have undertaken a review of all Procurement Advice Notes (PANs) which are regularly issued by VW to Welsh public sector buying organisations. It is recognised that there are some omissions and that a number of PANs need to be updated.

There are currently 18 PANs available to the Welsh public sector on the gov.wales website. Three of these link to Procurement Policy Notes written by UK Government relating to Covid-19, which WG reviewed and made available to the Welsh public sector.

In order to make the PANs more readily accessible to stakeholders, we are considering the options available to publish them in a dedicated area, organised in a chronological and a more intuitive way for buyers' convenience.

Skills

We have also taken time to further develop our Skills and Capability Plan. The Plan focuses on increasing the number of qualified procurement professionals within the

Welsh public sector. We now have a professional procurement programme underway to assist in addressing this need.

- We have launched a Welsh focused MCIPS Corporate Award programme, contextualised specifically for Wales. Expressions of interest were sought from across the Welsh public sector and demand was such that we committed to funding two cohorts. We now have a total of 36 students representing all sectors on the two cohorts starting in September at CIPS Level 4.
- We will also be launching an Advanced Practitioner Corporate Award (Level 5/6) in January 2021, again for a cohort from across the Welsh public sector. This award has already been advertised asking for applications from candidates. Students graduating from this course will achieve full MCIPS accreditation as long as they have the required number of years' experience set out by the professional body.
- In addition, to help future-proof the profession, we are running a sandwich placement scheme pilot from September, in conjunction with the University of South Wales. The pilot will see five students in the penultimate year of their Supply Chain and Logistics degree, spending a year in public sector organisations. These students will receive invaluable practical work experience whilst benefiting from our procurement capability programme and any procurement training from their host organisation. We hope to fund the retention of the students on a part-time basis in the organisations following the pilot, with a view to them applying for full time roles, ensuring a future pipeline of talent.
- We are also investigating the feasibility of apprenticeship schemes and in the longer term, are hoping to work with colleagues in Education and Careers Wales to raise the profile of procurement in schools as an attractive career option.

In addition to increasing the number of procurement professionals, we are upskilling existing staff through a suite of new eLearning modules. Early focus is on core commercial procurement modules and key procurement policy areas via a suite of eLearning modules. Modules will include Project Bank Accounts (PBAs), Supply Chain Interventions / Community Wealth Building, Decarbonisation, Circular Economy and Social Partnerships.

2. The evolution of the National Procurement Service (NPS)

During this challenging time, the evolution of the NPS into a function focussed on category management of a reduced portfolio of national contracts while delivering practical policy integration has continued. There is an ever-growing number of examples of NPS policy interventions through procurement.

The NPS framework agreement for Supply Teachers has delivered significant influence over how the supply teacher market operates, providing benefits to teachers and other school workers. The framework was co-designed through engagement across the public sector, including colleagues in WG's EPS group, supply teacher representatives and through market engagement. Market-leading

outputs include a minimum daily rate for supply teachers, on-going training and development supporting the new curriculum and robust safeguarding measures in place.

The agreement now embraces over 25 agencies from across Wales and is being used far more widely across Wales when compared to the previous framework model.

Support for the foundation economy has been a key element in a number of NPS agreements through supply chain interventions. For example, the NPS stationery agreement with Lyreco supports both the foundation economy and recycling through its Cymru Copier scheme that sees a Welsh social enterprise undertake confidential waste disposal. This has seen some 90 jobs created for the long term economically inactive, helping to directly change the lives of those involved.

The scheme is framed around the use of 100% recycled chlorine free paper, which in addition to being better for the environment is cheaper than brands using chlorine to bleach the product.

The NPS Cleaning and Materials framework was brought rapidly into action in mid-March, used to support organisations in responding to Covid-19. With suppliers drawn predominately from across Wales it has effectively delivered a number of key policy interventions.

The framework directly supports the WG's policy initiative to tackle period poverty and we've been in close liaison with a number of local authorities to support them to purchase sanitary items via our framework. Work has been undertaken with framework suppliers to support the local economy and increase supply chain resilience by bringing on new suppliers as part of the supply chain e.g. Swansea University and Newhall collaborating on hand sanitiser.

Supporting the Welsh economy, Chemsol Cymru Ltd, a family business based in Conwy, were awarded a place on the new NPS Cleaning and Janitorial Materials Framework in February 2020. The family business, based in Conwy, have since been awarded a range of new business via the NPS framework including a contract with Cardiff Council to supply 1500 hand sanitiser stations which were manufactured in Conwy.

The NPS Solicitors framework was subject to review as part of a wider consideration of the legal sector in Wales undertaken by the Justice Commission. At that time, spend with Welsh based firms was 91% of the overall spend through the framework of circa £5 million per annum. Building upon recommendations from the Commission, a new procurement model has evolved from that sound foundation and aims to further widen business opportunities for Welsh based legal practices. The original NPS framework let in 2015 was successful, especially in terms of providing opportunities for the Baglan based supported business Ministry of Furniture. (MOF). Under the framework Swansea Council and MOF delivered a

range of savings both financial and carbon based by refurbishing the Council Civic centre with remanufactured product.

The new framework has seen another supported business appointed, Merthyr Institute for the Blind, along with a number of existing and new Welsh SMEs. The framework has been reengineered to support the use of remanufactured product instead of purchasing new, and work has commenced with the Welsh Government funded WRAP programme to provide guidance to public sector framework users to help them adopt this approach that will reduce both expenditure and carbon content. The framework also requires the suppliers to work with Welsh social enterprises ensuring that economic benefits will remain in Wales.

In addition, as part of the Critical Equipment Requirements Engineering Team (CERET) PPE work described later in this paper, the NPS is working closely with repurposed Welsh manufacturers to help support their longer term sustainability. While the work is in its infancy, the NPS has facilitated business relationships between three of the manufacturers and wider UK distributors. The policy interventions referenced, together with the many others being deployed across NPS frameworks have helped promote the use of the frameworks across the public sector.

At the end of the Financial Year 2018/19, framework expenditure was some £366 million; and in 2019/20, this has increased to some £390 million. These figures are positive in light of the fact the number of NPS agreements are reducing in response to the written statement made by the then Cabinet Secretary for Finance in 2018 in respect of the repositioning of NPS and VW.

In developing its revised national plan, the NPS has worked alongside the WLGA who have been developing their own regional approach. This has rightly taken time to allow thorough consideration of the best approach to adopt for Wales, across the original NPS programme of 67 frameworks. The result is a planned national programme of 32 frameworks, with a WLGA regional approach for a further 15 frameworks in development. The other frameworks in the former NPS pipeline of 67 have been explored and will be delivered through other routes. e.g. through local organisational arrangements, other UK wide agreements such as Crown Commercial Services, (CCS), or through consolidation into new NPS frameworks as appropriate.

As the NPS transitions to the new pipeline, NPS staff numbers have reduced. However, the posts have not been lost and have been reallocated to support wider procurement transformative work.

Also in response to the written statement, further work is being undertaken to develop the new Procurement Policy and Delivery Service which integrates the NPS delivery service with the policy development and support team. This service will aim

to provide an integrated service that not only tests policy but also the effective and efficient delivery of Wales-wide frameworks. The development of the new service is still in the inception phase; when it is further developed we will consult on our initial plans with key stakeholders to maximise the benefits to the Welsh public sector.

3. The procurement process undertaken for Jobs Support Wales and the conclusions of the review undertaken by the Permanent Secretary

On 27 January 2020, advice was submitted to the Minister for Economy and Transport recommending the procurement exercise designed to award the framework to deliver Job Support Wales (JSW) should be discontinued following legal advice received and that a different means of delivering the policy outcomes be developed. The recommendation was approved by the Minister.

The First Minister discussed the matter with the Minister for Finance and Trefnydd, asking her to commission a rapid review of the issues with this procurement, and of any related risks that could arise elsewhere in the Welsh Government.

The review was completed by governance officials within ESNR Group's central Operations Team in March 2020, quality assured by the Welsh Government's Internal Audit Services, and reported to the Director, Treasury within the Permanent Secretary's Group.

The scope of the review included:

- a) To ascertain the facts of why the first attempt to procure this framework was abandoned.
- b) To obtain, review and check for implementation the lessons learned from this first process.
- c) To ascertain and verify the facts of why the procurement for this framework was abandoned for a second time.
- d) To produce a lessons learned report on what went wrong.
- e) To provide a recommendation on whether further investigation is required across other tenders.

In March 2020, the review was ready to conclude with the report being cleared and advice being prepared for Ministers. The review has not been published sooner due to officials being heavily involved in the Welsh Government's emergency response to the Covid-19 pandemic which involved non-Covid-19 related work being paused. The report has now been sent to Ministers, and the operational and administrative recommendations in the review have been acted upon.

The Minister for the Economy and North Wales has undertaken to update members of the Welsh Parliament with the outcome of the review which we anticipate will happen when the Welsh Parliament reconvenes after summer recess.

4. ESNR's contribution to the procurement of PPE during the C-19 pandemic

The huge challenge of ensuring critical Personal Protective Equipment (PPE) demand across Wales could be met has required procurement professionals across the Welsh public sector, and the wider UK, to work collaboratively to ensure appropriate, effective delivery.

This is exemplified by the establishment of CERET by the WG. CERET was set up at the beginning of the Covid-19 pandemic to work with Welsh Industry to procure critical supplies and equipment for the NHS and Social Care via the shared service arm the National Health Service Shared Service Partnership (NWSSP). The group is comprised of representatives from business areas and organisations including:

- Economy – Innovation, Thematic Sectors, CPS, International Relations, Foundational Economy (ESNR Group).
- Health and Social Services Group.
- Surgical Materials Testing Laboratory (SMTL).
- Life Sciences Hub.
- Industry Wales.
- National Health Service Shared Service Partnership (NWSSP).

The remit of CERET is to support the NWSSP with a focus on delivering Welsh manufacturing solutions to create far greater supply chain resilience for Welsh health and social care. There have been many success stories including four Welsh companies now producing medical grade masks, visors being produced by the Royal Mint, hand sanitiser from a number of sources, and a small industry of sewers helping to produce hospital scrubs.

Welsh Government Commercial and Procurement staff drawn from the NPS and CPS have supported CERET in a number of ways including:

- Supporting the rapid establishment of commercially robust contracts for a range of goods and services, using the greater flexibility afforded under emergency regulations;
- Working alongside the Life Sciences Hub contributing to the processing of over 2000 offers;
- Developing guidance on PPE due diligence, which was shared across the Welsh Public sector;
- Sourcing PPE for other public sector settings; and
- Supporting the new manufacturers by bringing them greater market reach through NPS PPE framework providers.

Addressing future PPE demand, NPS are now working in close partnership with NWSSP to explore new PPE procurement arrangements.

When the world became aware of Covid-19 and the outbreak in China, the WG undertook a risk assessment of its collaborative agreements operating across the Welsh public sector. This identified a number of agreements, particularly those related to ICT, protective clothing and other smaller office use commodities that had a greater dependence on Chinese supply chains. Engagement with key suppliers allowed identification of their plans to address these issues.

Within the ICT sector, there was an evidence of capability to cope and this was borne out by the rapid and increasing demand for hardware to support remote working. Other areas, such as protective personal equipment, were at risk of being overwhelmed by a combination of global supply chain interruption and unprecedented global demand.

With the implementation of lockdown and a move away from normal business practice, it was clear that a number of businesses faced significant financial hardship. Through its spend analytics system, the WG undertook a risk assessment of businesses across a number of key categories. The Business Intelligence team supported a range of Covid-19 procurement activities including category recovery spend analysis reports. This included work in identifying key categories and their critical suppliers through analysis. This was combined with financial health scores, supporting narrative, and market intelligence to give internal category areas information to support their Covid-19 related activity.

5. ESNR Group's contribution to the procurement of school meals

Following the early closure of schools prior to the start of the Easter Holidays, WG Support for Learners Division was asked to develop a national system of support for the families of learners who receive free school meals (FSM) but unable to attend school because of the Coronavirus outbreak. Initial funding of up to £7m would be made available to allow local authorities to deliver local schemes for four weeks (including what would have been the Easter Holidays) until the WG could develop and deliver a national scheme.

The scheme in Wales was to be built around a national solution that would allow local authorities the flexibility to react to local requirements and to ensure that the most vulnerable children received the help in the most suitable format. This also needed to be able to identify additional groups of vulnerable children (such as those who are under age four) who could be added to aid the fight against food poverty during the Covid-19 crisis.

This unique Welsh approach would allow local authorities to either:

- a. opt in to the national scheme, which would mean that vouchers would be sent to eligible households, whilst also allowing school/LAs to identify families who need specific help, such as delivery of food;
- b. continue to provide vouchers locally;
- c. continue with arrangements to make direct payments to eligible families bank accounts; or

- d. continue to make food deliveries direct to eligible families.

Due to the challenging timescales, the WG's CPS directorate reviewed whether there was a compliant Contract or Framework that would allow a scheme like this to be delivered in Wales within a short timescale.

CPS confirmed that a framework agreement already existed with a company called Edenred for the provision of a managed service for employee benefit schemes (The "Lot" is titled "Reward and Recognition Solutions"). However, it was agreed that alternative models of delivering provision (eg working with supermarkets who might be prepared to consider providing discounts) should also be considered.

CPS worked with WG Support for Learners Division and WG Legal Services to review alternative contracting options and outline the risks of these options. Public contracts for services above £122,976 have to be awarded in compliance with the Public Contracts Regulations 2015 (PCR 2015). In these circumstances, this involves either:

- 1) utilising an existing framework
- 2) amending an existing contract
- 3) running a compliant procurement process with shortened timescales
- 4) making a direct award under regulation 32

CPS along with Legal Services advised Support for Learners Division that putting in place a contract to one supermarket, by the 20 April 2020 would have limited the potential for compliant and robust procurement exercise. Support for Learners Division were advised the option which carried the less risk would in fact be to make a call off from the Framework Agreement to Edenred.

A contract with Edenred offered parents access to a choice of vouchers from Tesco, Sainsbury, Asda, Morrison's, John Lewis/Waitrose and Marks & Spencer. Edenred were also pursuing options to include the Co-op and possibly Iceland. Support for Learners Division concluded that a contract with Edenred offered families the opportunity to select any one of a number of retailers was more demonstrably aligned with the provisions of Section 149 of the Equality Act 2010, allowing families to select the option which best suits their requirements.

However, before the contract was agreed CPS were made aware that Edenred were struggling to fulfil their contractual obligations for England and would not have the necessary capacity to service Wales' needs. At the same time, Support for Learners Division colleagues confirmed that local authorities had gone through the process of setting up their own solutions, which were already working well. On 22 April 2020, plans to provide funding to support local authorities with their own arrangements were announced and the Commercial Directorate were no longer required to advise on national-level arrangements. Once again, this was a good example of joint operations within and across Welsh Government and across the wider public sector to deliver an outcome at pace.