

# **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.

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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.

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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.

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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.

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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

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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.