

## Welsh Government Leadership Role

Welsh Government plays an important role in setting direction, developing policy on areas important to Wales and providing strong, clear leadership in relation to public procurement in Wales. It has done this through the Wales Procurement Policy Statement (WPPS), which clearly sets out ten principles and outlines what is expected of public sector bodies and the Welsh Government in order to secure improved outcomes through procurement. Welsh Government also seeks to lead by example wherever possible and has adopted many of the procurement policies and tools in the WPPS through its own procurement activities.

## The Wales Procurement Policy Statement

The Wales Procurement Policy Statement (WPPS) was first issued in 2012 by the then Minister for Finance. A [refreshed WPPS](#) was published in 2015 so that its principles reflected the recent changes to the Public Contracts Regulations 2015 and signalled intent to meet the requirements of the recently passed Wellbeing of Future Generations Act. The public sector in Wales signed up to the Wales Procurement Policy Statement, recognising it as setting Welsh Government's policy direction for procurement in Wales. Sign-up has taken the form of formal letters and/or endorsement at Procurement Board.

The impact and progress achieved against each of the principles of the 2015 WPPS is summarised below:

### Strategic

The WPPS requires that procurement be recognised and managed as a strategic corporate function that organises and understands expenditure; influences early planning and service design and is involved in decision-making to support delivery of overarching objectives.

To help achieve this, a programme of Procurement Fitness Checks was facilitated by the Welsh Government in 2014, delivered across 31 organisations. Welsh Government offered support to enable organisations to address improvement plans which had been identified through the reviews. Following stakeholder engagement in 2015, an updated review approach was developed, based on a self assessment approach which was then piloted with a small number of public bodies. A new capability review programme is now being developed, in line with the review of the National Procurement Service and Value Wales, as announced by the Cabinet Secretary for Finance on 21 September 2017. The WAO Report on Public

Procurement recommends more consistent application of Fitness Checks, with better guidance and analysis provided by Welsh Government, and through collaboration it is intended that a new approach to these checks will be achieved through a new programme for procurement.

### Professionally Resourced

The Welsh Government has promoted the Chartered Institute of Procurement and Supply (CIPS) global standard as the framework to which Welsh public sector bodies should be aligned to support development of professional capability and provide individuals with routemaps for skills development to aid future career progress. The ESF Home Grown Talent project, which ended in June 2015, delivered amongst other things 28 new procurement trainees, who helped a range of host organisations save in excess of £7 million.

### Social, Economic and Environmental

The Welsh Government has provided clear leadership and direction to support delivery of wider, positive impacts through procurement. Public bodies have been encouraged to adopt the wider definition of 'Value' in line with the WPPS and to avoid awarding contracts based on price only. Value Wales has developed policy advice and guidance in this area to support the WPPS principles and made it publicly available on the Procurement Route Planner – specific guidance has been produced on the following key policy areas:-

#### The Code of Practice

The Code of Practice on Ethical Employment in Supply Chains, published in March 2017, ensures fair treatment and terms for employees involved in public contracts and addresses issues such as modern day slavery, living wage and false self-employment. All organisations in receipt of public funding, directly, or through grants or contracts, are expected to sign up.

#### Reserved Contracting

The Welsh Government was the first administration to take advantage of the opportunity to reserve contracts for sheltered workshops. Engagement with these arrangements was disappointing and there remains a perception that such reserved arrangements do not provide the same value for money as can be achieved through open market competitions. The Welsh Government is leading on clarification of the eligibility requirements to facilitate use of reserved contracting

provisions and is working with Social Business Wales to improve market information for the public sector and supply side.

### **Better Jobs Closer to Home**

Work is also progressing on Better Jobs Closer to Home – this programme is focused on coordinating a range of policy interventions, across Welsh Government, to utilise public procurement to create jobs and training in our poorest communities. The programme is included within the ‘Our Valleys Our Future’ delivery plan and is implementing four pilots, models of commercial interventions that, if successful, can be replicated elsewhere.

### *Atamis Spend Analysis Tool*

In order to better understand how the potential of public procurement can be realised, Welsh Government has provided a centrally funded spend analysis service to the public sector. The access to up to date and regular stakeholder spend information was seen as important area to individual organisations, across the public sector and Welsh Government including NPS and Value Wales and the Digital and Data group. Since August 2015, through the current service provider, work has been ongoing with NPS and organisations across Wales to gather and provide access to this.

The service has given secure access to both view and analyse procurement spend data, providing increased visibility on a number of key spend indicators. This spend data has supported collaborative procurement opportunities in key category areas, also the development and planning of procurement strategies and wider policy and programme requirements such as Better Jobs Closer to Home and the Decarbonisation agenda. The work undertaken has progressed positively and has been successful in meeting its objectives, most notably in the scope and scale of spend data collected from organisations

In response to the recent WAO Report on Public Procurement in Wales WG is reviewing its guidance for engagement with the spend analysis project. An invitation has been extended to the FE sector to engage and we are exploring opportunities for involving sponsored bodies.

It is intended that a summary of actual spend through its Frameworks will be included in NPS Annual Reports.

## Joint Bidding

Innovative approaches like our Joint Bidding guidance is helping ensure public contracts are written in a consortia-friendly way and helping overcome challenges faced by SMEs in winning large value, collaborative public sector contracts which, on their own, they couldn't compete for. Sell2Wales reporting data shows that during 2017, 25% of all contract notices advertised on Sell2Wales ticked the Joint Bidding box indicating the tenders were suitable for consortia bids (928 of 3599 notices).

## Blacklisting

The Welsh Government was the first administration to take a firm stance on blacklisting and the Procurement Advice Note that was developed provided much-needed clarity for buyers on the instances where suppliers involved in using blacklists could be excluded. Its use across Wales has had a positive effect on the industry

## Community Benefits

Welsh Government has provided support and guidance to enable the Welsh public sector to optimise the value of procurement through delivery of community benefits. A series of Community Benefit pilot schemes is being facilitated by the Welsh Government to enable public bodies to embed Well-being of Future Generations considerations in procurement. A Community of Practice for public sector officers with an interest in or a role in delivering Community Benefits meets twice yearly. We have developed drivers to promote application of Community Benefits and incentivise its use. A new Community Benefits eLearning module will be launched in early 2018 which will help build capability and further promote its use.

## Open, accessible competition

Ensuring public contract opportunities are open and accessible is vital to small suppliers and third sector firms and advertising all contracts over £25k on Sell2Wales is requirement of the WPPS.

## Low Value Notices

The number of low value contract notices advertised on Sell2Wales (i.e. those which are below the OJEU – Official Journal of the European Union – threshold and more likely to be won by smaller Wales-based suppliers and Third Sector firms),

have increased from 80% of all adverts placed in 2015–16 to 84% in 2016–17. This has driven up the number of low value contracts being won by Wales-based businesses from 50% in 2015–16 to 55% in 2016–17.

Welsh Government notes the WAO recommendation that it should promote better use of the SQuID (Supplier Qualification Information Database) and will establish a survey to establish usage and clarify further support for embedding its use.

### Simplified Standardised Processes

A number of initiatives have been taken forward to help ensure procurement processes are open and transparent, based on standard approaches and use of common systems that appropriately minimise complexity, cost, timescales and requirements for suppliers.

#### eProcurement Service (ePS)

The centrally funded eProcurement Service programme ended on 31 March 2017. The ePS programme comprised a range of eProcurement services (electronic tendering, trading, payments) and change support to enable deployment of the technology. Welsh public sector bodies were able to access the services and change support free of charge. Whilst the programme formally ended on 31 March 2017, contracts remain in place to January 2019 up to which Welsh public sector bodies may continue to use the technology without charge.

Advice is being prepared to recommended way forward after the contracts come to an end.

#### Project Bank Accounts

To address the issues often faced by small firms in relation to late payment, Welsh Government led on the introduction of Project Bank Accounts (PBA). This ensures fair and timely payment to sub-contractors and improves supply chain relationships.

#### Collaboration

The WPPS required that areas of common expenditure should be addressed collectively using standardised approaches and specifications managed by the National Procurement Service (NPS) to reduce duplication, to get the best response from the market, to embed the principles of this Policy Statement for the benefit of Wales; and to share resources and expertise. Since its inception the NPS, alongside Value Wales, has enabled progress in maximising the value of procurement in its

broadest sense through growing the number of Welsh suppliers, in particular SMEs, in winning public contracts and embedding the Wales Procurement Policy Statement in public sector procurement in Wales. Through the NPS, the Welsh public sector has access to collaborative procurement solutions developed and delivered in Wales for Wales.

The Wales Audit Office (WAO) NPS report recognises the challenges faced in delivering collaborative procurement solutions acknowledging the great difficulty in meeting the needs of all organisations. It is worth reflecting that the higher performing areas of NPS collaborative activity are evidenced in those areas where organisations have specific staff with responsibilities for those areas. So collaborative models within energy, fleet, agency staff and ICT have generally delivered successful solutions and provided an environment for regular feedback and improvement.

### Supplier Engagement and Innovation

The WPPS encourages dialogue with suppliers to help get the best response from the market place, to inform and educate suppliers, and to deliver optimum value for money. To support this, Welsh Government introduced the Supplier Feedback Service (SFS) to enable suppliers to raise concerns and provide feedback on public procurement in Wales. By providing a single point of contact for suppliers, public procurement issues can be dealt with effectively by an independent and impartial team (the SFS is managed by the Value Wales team which develops policy and capability and is independent of contracting authorities). The SFS has been actively promoted to business and contracting authorities. We are taking steps to more widely advertise the service to suppliers – for example asking authorities to advertise it and provide a link on their websites.

### Policy Development and Implementation

Since the launch of the 2015 iteration of the WPPS, Welsh Government has supported the Welsh public sector to undertake public procurement through development of a range of policy initiatives which have concentrated on matters important to Wales. Guidance and policy advice has been developed and published through Procurement Advice Notes (PANs) covering Community Benefits, Project Bank Accounts, Blacklisting, Code of Practice on Ethical Employment Practices in Supply Chains, Joint Bidding, Supporting the Sourcing of

Steel in Major Construction and Infrastructure Projects, Umbrella Payments, Framework

Agreements, Speculative Framework Agreements, Reserved Contracting, updated SQuID (Supplier Qualification Information Database), Revised Code of Practice on Workforce Matters and eProcurement Tools.

## Measurement and Impact

A range of indicators designed to measure the impact of the WPPS and to support development of procurement maturity across Wales are appended to the WPPS. These were developed through discussion with public sector stakeholders, but for a variety of reasons, have not been universally adopted.

## WPPS Conclusion

As has been outlined in this document, widespread adoption of the WPPS principles has had a positive impact in a number of key areas and has seen direct benefit to Wales. In summary:-

Suppliers have benefited: Simplifying procurement and ensuring contracts are open and accessible has meant spend with Wales-based suppliers has remained around 50% and in key sectors like construction, adoption of WPPS principles is resulting in over 70% of major contracts awarded through Sell2Wales now going to Welsh contractors.

The economy and citizens of Wales have benefited: Community Benefits policy is helping tackle poverty in the poorest parts of Wales, ensuring money spent in Wales, stays in Wales and providing disadvantaged people with employment and training opportunities.

Public sector stakeholders have benefited: Value Wales has provided clear direction and guidance to public sector bodies to enable them to maximise positive outcomes from their procurement activity. Through the Procurement Fitness Checks coupled with financial support, public sector bodies were able to improve their capability and benchmark themselves against other organisations.

Employees working on public contracts have benefited: Policies like the Code of Ethical Employment, Blacklisting, Umbrella Payments have helped ensure fair the ethical employment down public sector supply chains.

The NPS has commenced the production of a series of case study reports to help raise awareness of the provision it is making to support opportunities for small and medium enterprises.

The planned 'Programme for Procurement' and actions that the Welsh Government is taking forward to review the fitness of individual public bodies' procurement arrangements, to promote e-procurement

A full Programme for Procurement will be finalised through the process of the review which was announced by the Cabinet Secretary for Finance in September 2017. In the meantime, the Welsh Government will continue to provide leadership and support to enable the Welsh public sector to realise the value of procurement.

Value Wales will continue to manage the creation of policy, monitoring practice, supporting and advising professionals, developing the procurement profession and enabling compliance with EU regulations. It will deliver this work with and on behalf of everyone spending money on goods and services in the Welsh public sector (including Welsh Government and the NPS).

An interim programme of policy and capability projects has been agreed with customers. This programme of work will be taken forward during the term of the review and in advance of the full Programme for Procurement. Projects being progressed include:

- Wellbeing of Future Generations pilots (covering standardised support tools; food procurement; plastic and packaging; and training);
- Decarbonisation policy and support;
- Better Jobs pilots;
- Circular Economy pilot;
- Development of a new capability programme, including a new approach to procurement fitness checks; and
- Developing a new definition of procurement value which delivers against Prosperity for All and the Economic Action Plan.

The NPS will continue to put in place and manage contracts and frameworks for the common things that most organisations buy. The NPS has a pipeline of future activity and plans to deliver these contracts and frameworks will be delivered in conjunction with its 73 customer organisations in Wales.

Value Wales will also maintain the relationship on procurement policy matters with UK



Government; provide policy input into the Brexit process as it relates to procurement; advise Welsh Ministers on the impact of commercial and procurement policy; and manage corporate Welsh Government commissions.

### Issues relating to access to the recruitment and retention of key procurement capability

There is great awareness of the value that strong procurement and commercial capability can deliver for organisations, both public and private. This has led to strong demand for expenditure which can be scarce in parts of Wales or within sectors. The need to explore the impact of differential pay, across different sectors, for procurement staff, is acknowledged in the WAO Public Procurement Report. The presence of large UK Government agencies with a strong commercial and procurement function has increased pressure on the Welsh public sector due to better terms of employment being offered by UK Government.

These issues have previously been expressed at Procurement Board as a concern for NHS Wales. Customers have advised that they wish to work with Welsh Government to develop a future procurement capability programme, through which an approach to considering and developing joint solutions to this recommendation may be progressed.

The new Programme for Procurement includes a new Capability and Leadership arm dedicated to raising procurement capability and professionalism across the Welsh public sector.

The effectiveness of national governance arrangements, also in the context of the Cabinet Secretary for Finance and Local Government's recent statement (21 September 2017) and the Welsh Government's plans to merge the NPS Board and the National Procurement Board.

There have been various levels of governance in existence for Value Wales and NPS in recent years. The Procurement Board has provided the most senior layer of governance for the implementation and delivery of public procurement policy across Wales, reporting directly to the Cabinet Minister with responsibility for Procurement. The NPS is accountable for its performance to the member stakeholders through an NPS Board which provides strategic direction and to a NPS Delivery Group which provides operational direction.

Governance of procurement will be reviewed as part of the work to refocus the NPS and Value Wales, as announced in the Written Statement issued by the Cabinet Secretary for Finance and Local Government on 21 September 2017.

The effectiveness and impact of collaborative procurement arrangements through the main Wales-based procurement consortia and public buying organisations, with a particular focus on the role and development of the National Procurement Service.

This has been covered under the 'Collaboration' section on page 5. The National Procurement Service (NPS) established in November 2013 acts as a focus for procurement collaboration across the Welsh public sector securing efficiencies and embedding Value Wales policy within its activities. The principle is to buy once for Wales and its impact and success is based upon all organisations utilising it for common and repetitive spend categories.

The Wales Audit Office (WAO) NPS report acknowledges the challenges faced in delivering collaborative procurement solutions acknowledging the great difficulty in meeting the needs of all organisations. It also recommends that further work should be put in hand to promote usage of NPS Frameworks and articulating the benefits, and this work is in hand. This will also include introducing a new process to ensure clarity regarding the opt-out process

**Views on the Auditor General for Wales' reports on Public Procurement in Wales in October 2017 and the National Procurement Service in November 2017.**

We are pleased that the Wales Audit Office recognises the importance role procurement plays in delivering public services for Wales. The findings of the reports on Public

Procurement in Wales and the NPS are both welcomed. The recommendations in both reports have been accepted; they will greatly assist in building upon progress to date and are very timely in respect of the repositioning of Value Wales and the NPS announced by the Cabinet Secretary for Finance on 21 September 2017 . Work is underway to address the recommendations from both reports in consultation with public sector stakeholders, business and social partners. For ease of reference copies of the WG responses issued on 6

November 2017 and 14 December respectively are attached below:-



2017-11-06 Letter to WAO - Re... 2017-12-14 Ltr to AGW re NPS s...