

National Assembly for Wales
Public Accounts Committee: Public Procurement
Evidence from Welsh Local Government Association – Richard Dooner, Project manager

1. The Welsh Government's leadership role for public procurement in Wales.

i. the overall impact of the 2015 procurement policy statement

There is little if any impact of the WPPS 2015; which was a light update to earlier policy and was considered to be a holding statement pending the development of a more comprehensive statement.

The draft policy was considered to be in need of review and update. In recognition of this Welsh Government has assured Local Government that the 2015 policy statement temporary in nature, to be reviewed and renewed.

Local Authorities were promised consultation on any future procurement policy.

ii. the planned 'Programme for Procurement.'

This planned programme has yet to be published.

iii. Actions that the Welsh Government is taking forward to review the fitness of individual public bodies' procurement arrangements.

A proper externally validated Procurement Fitness Check programme would be welcome as it can raise the profile of procurement within an organisation and highlight both what is good and what needs to improve.

There has however been a hiatus in the Welsh Government programme and there have been no checks for two years. These periodic inspections were a slimline version of an earlier procurement Fitness Check programme, aligned to Value Wales work streams; a necessary compromise between cost and utility.

The gap in continuity during a time of major change in Public Services and Local Government in particular, affords the chance to re-think the approach.

WLGA, with Heads of Procurement in Local Authorities, are in the early process of considering a Welsh equivalent of the measures supporting Local Government in

England. These have replaced Procurement Fitness Checks there, are available and LGA is willing to work with WLGA on the forward programme.

This alternative approach to performance management is aligned to business outcomes. The measure uses 31 Business Value Codes (BVCs) – things that mattered with defined outcomes.

Key lessons from LGA's early adopters are that a procurement strategy needs to be focused on 'what matters' and support actual change. A low score doesn't signify that improvement is required if it is not part of the core proposition for the organisation. County and Borough authorities were found to have different priorities and pressures and different development trajectories. There was also an emerging commonality of future priorities between the regions.

The alternative use of BVC's in England might read across well to Wales. The broad procurement pressures are common and underlying practice is similar.

The BVC process is said to be more resource efficient than PFC's as it is able to be integrated with existing business process and does not require an audit-like intervention. It does however require forms of measurement that are as yet unfamiliar to Welsh Local Government and the prospect of measuring 31 new Business Value Codes is concerning given the already constrained resources of the Welsh procurement community.

iv. Actions that the Welsh Government is taking forward to promote eprocurement.

Conceptual promotion is unnecessary as some form of e-procurement is in place with all Welsh Local Authorities, many of which were early adopters of the technology. Most if not all Welsh Authorities have engaged positively with Welsh Governments implementation programmes and all are committed to eprocurement.

Support for these programmes was however withdrawn by Welsh Government in 2017 at short notice, with much work undone. There is presently deep concern for the ongoing viability of e-procurement systems, their funding and their coordination.

Local Authorities, as Welsh Governments partners in this enterprise, are in limbo pending further information on continuation of support and funding. As a result, Authorities are considering their options for moving forward without Welsh Government involvement.

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

Recruitment and retention of key procurement capability requires an infrastructure for procurement; which we currently do not have.

The establishment of the National Procurement Service has had unintended consequences for procurement capability in Local Government; having both recruited scarce resource from within Authority ranks that could not be replaced, and then adopted methods which require a high level of input by the remaining staff. Some Local Authorities reduced the size of their procurement teams as a result of the existence of the National Procurement Service.

Unanticipated issues with new NPS arrangements being late or unsuitable for application has further denuded resources in the emergency production of interim arrangements or continuation of legacy frameworks.

The numbers of procurement staff in Local Government are depleted and falling. There is a particular shortage of experienced, senior staff able to contribute to Local Government reform and exploit the opportunities presented by changing legislation and wider environment shaping initiatives such as the Wellbeing of Future Generations Act.

The lack of Value Wales support for staff currently studying is a current issue and one that should be tackled, along with bringing back affordable, good quality procurement training courses for staff in Wales. This is an area in which we have gone backwards in recent years.

An unintended consequence of Value Wales' academic programme has been to up-qualify inexperienced junior staff, without up-skilling them in anything which is useable within procurement teams. This has resulted in qualification linked pay increases over and above the pay of more skilful and experienced staff; affecting morale. This links with other broader and significant aspects such as the general shortage of Procurement people and the age profile of many Procurement staff – which the Value Wales scheme did aim to redress before it was unfortunately stopped.

The ongoing business need is for a robust procurement function for Wales, that all Local Authorities can use, which enables Authorities to manage procurement opportunities and risks to deliver better front line services.

We regret to conclude that this need is not presently being met and that much of the good progress made through previous initiatives has been undone.

vi. 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.

National Governance needs to be supportive of the needs of public service leaders in Wales and responsive to their priorities.

The Welsh Government's plans to merge these Boards seem sensible, given that the NPS is a strategic resource to be deployed within the environment managed by the National Procurement Board, along with all other resources.

The Board requires proximity to leadership, expertise in procurement and expertise in working with those who deliver public services. Its priority must be to be outstanding in the areas that matter most. In austerity the rest needs only to be good enough; the available resource should be prioritised to leaderships need.

Procurement cannot afford to be a pedestrian, inactive, reactive, defensive activity. Its Board must therefore be anticipatory; to provide public services with what its leaders need, when they need it. The Board must therefore be agitating and proactive; not risk averse. 'Safe Fails' must be allowed if potential opportunities are to be explored and exploited.

vii. 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.

The National Procurement Service has generally been ineffective. This is evidenced by non-use by public services and the rejection of NPS arrangements, which for reasons unknown have attracted higher pricing than before while reducing the pool of suppliers able to bid for business. Some frameworks have acted to freeze out local suppliers and prevent incumbent providers from bidding.

Overall, the organisation has had a negative impact on competition and the operation of competitive supply markets in Wales. The prevailing view among practitioners is that the National Procurement Service has taken procurement backwards. Its impact on the WPPS has been negative.

Some of this is due to operational choices with regards to contract lotting strategies and resource allocation. Tactical choices concerning the NPS have also led to the organisation trying to be all things to all people. This is an impossible task. Instead, the organisation needs to be service driven and targeted to activities where national coordination has real impact.

Establishment of the NPS meant the demise of the Welsh Purchasing Consortium which has left a void, not just for collaborative procurement amongst local authorities, but for valuable networking and information sharing amongst procurement leads.

In August 2017 11 representatives of the Heads of Procurement in Local Government undertook a task and finish exercise to review 92 categories of procurement and procurement related services such as supplier engagement or market development activities such as identification of supply voids. This collectively identified the appropriate place for Strategy, Project Management and Procurement Process; identifying each to a National, Regional or local approach. This analysis could provide the basis to identify activities where national coordination should focus.

viii. Other considerations relevant to leadership of procurement in Wales – Social Value.

Welsh Government has led in the development of new and innovative policies; for which procurement can be a powerful enabler. This enabling capability needs to be deployed in order to realise the benefits of these new policies and support public service reform.

The Wellbeing of Future Generations Act is a good example. Procurement can contribute to this Act strategically and also by changing its operational process to provide the better determination of value which the Act defines.

WLGA officers are in the process of assessing potential applications for the Themes Outcomes and Measures (TOMS) tool that was launched in November 2017 in support of the Social Value Act in England. The toolkit contains 5 principal issues, 18 Outcomes and 35 Measures.

Measure NT1 for example is for more people in local employment: No. of local people (FTE) employed on contract for one year or the whole duration of the contract, whichever is shorter. This is measured as number of people FTE x £28,213 to provide a Social Value Proxy.

Our Wellbeing of Future Generations Act goes further than the Social Value Act; particularly in informing pre-procurement processes such as specification of need. WLGA is evaluating whether the TOMS tool reads across and whether we can borrow with pride from the larger community of procurement practitioners outside Wales. There is a capability for 'plug-ins' to accommodate any additional requirements which may be relevant here.

WLGA will be comparing the 5 principle issues for TOMS in England with those for procurement in Wales and examining the relevance of the outcomes and measures it uses to the delivery of policies here; including those of the WPPS.

2. The Auditor General's Reports

A short informal review of the Auditor General's Report "Are Welsh public bodies getting value for money from procurement?" is appended.

This includes commentary relating to the National Procurement Service as a vehicle operating within the wider strategic procurement environment. Much of this commentary also relates directly to the questions above concerning Welsh Governments leadership role for public procurement. It can be considered supplementary.

It is not therefore necessary to comment further on the second report; except to acknowledge its content as reflective of the experience of Local Authorities and to offer broad agreement with its recommendations.

Appendix:

1. Review of WAO Report: Are Welsh public bodies getting value for money from procurement?

Background

The Wales Audit Office has examined whether there is evidence that current procurement arrangements in Wales are helping to deliver value for money in public spending and are fit for the future.

A report was released on 17th October 2017. The conclusion was that national governance arrangements for procurement could be strengthened and there is clear scope for improvement in procurement arrangements at a national and local level. Public bodies also face challenges in balancing potentially competing procurement priorities, responding to new policy, legislation and technology, and in the recruitment and retention of key personnel.

Issues

The Changing Landscape

The WAO identified that in a changing landscape there is clear scope for improvement in procurement arrangements at a national and local level.

In 2015–16, public bodies in Wales spent around £6 billion through procurement on a range of goods, services and works but need to improve their performance to ensure value for money. In a changing landscape, public bodies face challenges in balancing potentially competing procurement priorities, responding to new policy, legislation and technology, and in the recruitment and retention of key personnel.

In August 2017 11 representatives of the Heads of Procurement in Local Government reviewed 92 categories of procurement and procurement related services such as supplier engagement or market development activities such as identification of supply voids. This collectively identified the appropriate place for Strategy, Project Management and Procurement Process; identifying each to a National, Regional or local approach.

It is intended that this strategic categorisation be used to communicate the views of the officer community at that particular time and place; to help frame the future strategy for Local Government Procurement.

National Governance Arrangements

The Welsh Government's 2015 policy statement sets out the overriding principles for public procurement, in the context of relevant EU and UK procurement legislation. The WAO reported that national governance arrangements could be strengthened, with the national procurement board currently having limited effectiveness.

There was no rationale given for why the national procurement board's effectiveness was limited. It might be assumed that national governance should be strengthened to overcome resistance and improve future performance. This could be counter productive. The strategic choice by public service leadership was to make resource efficient arrangements that were suitable for local and regional deployment. Performance improvement is more likely if the board was better able to respond to the local and regional business needs which are behind this choice. In a 'pull' relationship of this nature, the strength comes from the down stream partner. If the national arrangements are suitable for purpose, they will be adopted with enthusiasm.

Collaborative Scope

WAO identified that of the £6 billion spent through procurement in 2015-16, £880 million was identified as being spent through collaborative procurement managed by the three main Wales-based consortia and public buying organisations. They report that while these organisations are reporting financial savings and other benefits, public bodies have mixed views on their effectiveness.

This illustrates the present scope of operation for consortia and public buying organisations; which has been determined as a strategic choice by public bodies. All £6 billion of expenditure is under management; not under management by the consortia or Public Buying Organisations, but by Local Government and integral to local service delivery. The challenge is to ensure all aspects suitable for aggregation and procurement through a buying organisation are being channelled in the appropriate direction; but only those that are suitable and only when the organisation provides a better outcome.

In the event of those channels proving ineffective, the tactical options are to improve the channel, find a better channel, or find a different way to execute the strategy. It is not to drive more volume to the ineffective channel, unless volume is the cause of ineffectiveness.

Scope for Improvement

WAO highlights clear scope for improvement in procurement arrangements at a local level. They report that public bodies have experienced several notable procurement failures and WAO's audit work continues to identify examples of other weaknesses. New legislation – including the Well-being of Future Generations (Wales) Act 2015 – presents new challenges and despite some investment by the Welsh Government, public bodies continue to have problems in recruiting and retaining qualified procurement personnel. Developments in technology present opportunities to make procurement processes more efficient but are not yet being used consistently.

This is a fair criticism of a profession which was doing very well here a few years ago; but has since fallen back in effectiveness. The main issue for the Local Government procurement community is that it has been denuded of resources. Alternative arrangements such as central contracting have proved not to be the resource releasing panacea they were expected to be. Tactical choices at the centre, such as the use of mini-tenders to achieve value for money, have been a further drain on resourcing; as has the necessity to make alternative provision when central frameworks are late or unsuitable or unusable.

Structural changes intended to improve collective efficiency have not maintained the inter-personal connections that previously allowed a small cadre of professionals to operate as an extended team. Instead, there has been a retrenchment from collaborative working to local priority and survival. Austerity measures within Local Authorities have also seen procurement specialists adopting other duties, diluting specialism and further denuding the resource.

The WAO identifies that procurement leaders must be capable of fully exploiting new policies and new technologies. This may involve some uncomfortable truths. The emerging need is for people with expertise in matters which are important to Local Government Leadership in the process of major change. The procurement profession has some of that; but not all and not enough. Transferrable skills and commercial experience should however mean that individuals are well placed to develop or acquire the expertise required.

The LGA Chief Executive sponsor, Dr Martin Reeves of Coventry City Council and the West Midlands Combined Authority spoke about this at the LGA's recent National Procurement Strategy Showcase. He explained why leaders need procurement to step up. To use the resource we have to be outstanding at what matters; and why, in austerity, the rest needs only to be good enough. He urged

procurement not be pedestrian, inactive, reactive. Instead to be agitating, proactive and not risk averse. Leadership can help by supporting such activity and allowing scope for 'safe fail' in the collective drive for improvement.

Recommendations of the WAO Report "Are Welsh public bodies getting value for money from procurement?"

There are eight recommendations in the WAO report. Among them is the observation that Welsh Government plans to roll out a new programme of Procurement Fitness Checks.

These periodic inspections were never perfect; a necessary compromise between cost and utility. There was therefore only light resistance when the old PFC programme was halted. This gap in continuity during a time of major change in Local Government affords the chance to re-think the approach.

A better method would be a Welsh equivalent of the measures supporting LGA's National Procurement Strategy. Pioneered and funded by Local Government in England, it is available and LGA is willing to co-work.

This alternative approach to performance management is aligned to business outcomes in Local Government; rather than the Value Wales work streams. The measure uses 31 Business Value Codes (BVCs) – things that mattered with defined outcomes.

The LGA learned that a procurement strategy needs to be focused on 'what matters' and support actual change. A low score doesn't signify improvement is required if it is not part of the core proposition. County and Borough authorities were found to have different priorities and pressures and different development trajectories. There was also an emerging commonality of future priorities between the regions. A sectoral England and Wales approach might be the way forward for improving the contribution of procurement to Local Authority business needs.