

Public Procurement in Wales

FAO: Nick Ramsay, AM Public Accounts Committee
Dr Jane Lynch 18/11/18

Following the Public Accounts Committee inquiry, please find my responses below to the statement published by the Cabinet Secretary 05/09/18.

The review was designed to clarify stakeholders' priorities to help maximise the value of the £6bn annual procurement expenditure across Wales at a time of unprecedented pressures on public services and as the UK prepares to leave the European Union.

I am disappointed that the Gateway Report is not available due to the confidential and sensitive nature of the evidence collected during the review period. This makes it difficult to fully respond to the statement. The participant responses could have been coded to protect anonymity but still enable access to information presented during the review period.

Since announcing the review, the National Assembly's Public Accounts Committee launched its own inquiry into procurement, which I have followed with interest. I have today written to the chair of the committee setting out how this review has sought to respond to commitments made during the inquiry and to a statement about public procurement in Plenary on 2 May.

It was not made clear why the National Assembly Public Accounts Committee was responsible for this review. I expected a review of this scale and importance to be audited by a third party, based outside of Wales.

They have told us that simply refocusing NPS and Value Wales is not enough. The review has revealed the need for an in-depth examination of how we use public funding to support public service delivery and to build economic growth across all regions of Wales.

I concur with this finding, though raise concerns about the timing of this and the length of time a full examination will take all during this uncertain period as the nation prepares for Brexit.

Future priority actions proposed for procurement:

Greater focus on delivering collaborative procurement agreements aligned to regional and local priorities. Such an approach will not only afford maximum access to Welsh suppliers, it will also complement the aims set out in the Economic Action Plan, the decarbonisation programme and support our drive to make Wales a Fair Work nation by leveraging fair work outcomes from public spending and procurement practice;

In principle this sounds feasible, but without a mandated consistent and structured approach for managing the collaboration we are at risk of transferring the same problems to a different structure. This has already been evidenced through a knowledge transfer partnership project

whereby local authorities in a region have different strategic priorities, financial pressures and capabilities. This creates barriers when trying to move towards collaborative agreements.

Delivery of a smaller number of national contracts where Wales-wide solutions, in areas such as vehicles and fleet hire, provide the greatest value for a large proportion of the Welsh public sector;

There is a trade-off to consider between better supporting local businesses and reducing overhead administrative costs in procurement. Companies stand to learn much through collaborative arrangements. Larger contracts may have been more successful if the support was in place to help suppliers and buyers manage the collaboration, i.e they did not fail due to the procurement structure. Welsh Government needs to invest considerably more on implementation.

Exploring with the UK Government how we can strengthen our relationship with the Crown Commercial Service, to fully engage where its work is aligned with Welsh needs and priorities.

This is an important development as we approach Brexit on March 29th 2019 and will expose procurement professionals in Wales to other UK practices. Secondment activity would accelerate the learning process both ways and strengthen our relationship.

Going forward, this approach will be informed by a national policy development and delivery support function.

Is there is clear project timeline for this, who is involved and importantly, what support is offered to assist with the delivery?

We will work closely with stakeholders to develop a new procurement strategy, which clarifies the future operating model and enables the full value of procurement to be realised nationally, regionally and locally.

How are the stakeholders determined, and what is the timeline for developing the procurement strategy? Brexit and the recent resignation of the Commercial Director means that we need to enforce some stability and ensure clarity in terms of guidance and support.

Stakeholders have advised that this national policy approach should aim to deliver new support in social care and construction, driving up consistency and capability in the commissioning and procurement of these vital areas of public service delivery. Effective procurement must be underpinned by a skills development programme. A new capability and capacity programme will therefore be drawn up to equip procurement officers with modern commercial techniques and create a future talent pipeline to help tackle skill shortages and gaps created by different pay and rewards structures.

How will this training programme/s differ to the one/s currently being offered? There have been some improvements but we have been promising this since the McClelland Review in 2012.

Stakeholders have also been clear about the need for a progressive future digital procurement strategy to underpin collaboration, simplify access for suppliers and provide the data and intelligence to inform future policy and decision making. We will work with our customers and stakeholders to develop this.

Data integrity is a key enabler of this successful strategy and will require significant investment in skills. This transition may also require a cultural shift in some regions.

To support these requirements, I am announcing that NPS will, over time, cease to exist in its current form. It is clear that delivering a high volume of national frameworks is no longer a priority for customers and this is reflected in the level of engagement with NPS frameworks, which falls short of the business case forecast.

There is still resistance to change across the regions. We need to ensure consistency across regions to ensure that regions are not competing against each other, but instead collectively addressing national goals.

This transition will be managed to ensure business continuity is maintained in relation to framework contracts currently in use by public bodies and to provide certainty for the suppliers who are on them.

This may still bring challenges with suppliers being awarded contracts.

A smaller operation will be set up to manage a reduced portfolio of national contracts, where such agreements can demonstrate delivery of value across a significant majority of Welsh public sector organisations.

This is the how NPS should have been set up to prevent the current situation.

The NPS team will be consulted and engaged in developing the way forward and those not part of the smaller national contracting function will be offered opportunities to be involved in delivery of regional and local priorities; the national policy development and delivery support unit or the Welsh Government's commercial and procurement programme, or other similar activities.

This is key, as Welsh Government has invested heavily and brought in some professional skills and experience within NPS. We can't afford to lose that in Wales. Hoping there are immediate plans to recruit a Commercial Director. Leadership and leadership style during a period of significant change will significantly impact on its success.

Evidence gathered through the review has informed the need for our future procurement policy and national/regional collaborative procurement programmes to be managed and delivered separately as key elements of a strategic, cross-cutting collaborative programme of work, which has greater emphasis on driving up community wealth-building across Wales.

Whilst I understand how this structure may drive improvements to community wealth building across Wales, there are concerns about the use of the term 'separately'. There still needs to be a level of consistency in process and evaluation criteria. We are also still compliant with EU Directives which may limit the scope of preferential treatment to local suppliers. This constraint would continue under GPA regulations.

Our aim is to maximise procurement spend in Wales while also using the £6bn annual procurement spend to support sustainable jobs and growth; fair work and employment practices; infrastructure and construction investment; use of public assets and improve the resilience of local businesses and their communities.

All well and good but refer to previous point.

The feedback from the review has been clear that we must also work to provide a clear link between procurement and the wellbeing goals of public bodies across Wales and ensure the supply base can better engage in public procurement.

This is not just about process, this is also about removing the stigma associated with public sector contracts to attract more suppliers. Lessons can be learned from NPS as they were already doing this to some extent.

My officials will work collaboratively with public sector partners to develop plans to move this work forward.

It is important to listen to the suppliers' perspectives too. Collaboration is still being applied very loosely. A consistent and structured approach is now required to ensure tangible benefits are achieved.

This statement is being issued during recess in order to keep Assembly Members and the industry informed. Should Assembly Members wish me to make a further statement or to answer questions on this when the Assembly returns I would be happy to do so.

I am grateful for the opportunity to input in this review and feel very passionate about what Wales could achieve given that the investment is made in offering the appropriate levels of support.

In the early stages of the Public Accounts Committee enquiry we were invited to comment on the points below. However, I don't see much reflection on these in the response made by the Cabinet Secretary.

- *The overall impact of the 2015 procurement policy statement*
- *The planned 'Programme for Procurement' and actions that the Welsh Government is taking forward*
- *Fitness Checks of Public Bodies*
- *Skills and Competences*
- *E-Procurement Adoption across Wales*
- *Plans to Merge the NPS Board and the National Procurement Board*
- *Effectiveness and impact of collaborative procurement arrangements*