

Andrew Slade  
Director General – Economy, Skills and Natural  
Resources Group  
Welsh Government

29 March 2019

Dear Mr Slade

### **Public Procurement in Wales**

Thank you for attending the Committee session on the National Procurement Service (NPS) on 18 February 2019 and for your subsequent correspondence.

The Committee notes the amount of spending through NPS managed contracts has continued to increase, generating additional income to reduce the reliance on Welsh Government reserves. However, the Committee is concerned the current NPS model has not gained anywhere near the traction expected.

The Committee notes from your correspondence that the costs invested in developing and running the NPS are unlikely to be completely sunk through any move to a new model. We also note that the NPS has reported benefits for the wider public sector from its work and undertaken procurement activity that we assume would otherwise have resulted in some additional administration costs for other parts of the public sector.

You acknowledged in your evidence that there were lessons to learn from the experience to date with the NPS as you take things forward with public procurement. We consider that there are also wider lessons for the Welsh Government to learn that will be relevant to other areas of future policy development and implementation and the Welsh Government's overall system leadership role working with other public bodies. We would encourage the Welsh Government to capture and share those lessons across the organisation to try and avoid similar issues in future.

We are unclear how much consideration you have given with your partner organisations about the optimum delivery model for central public sector contracting



in the future. In retaining a residual national function, depending on the potential scale and positioning of this, we believe there is merit in considering the pros and cons of building on the existing NHS Wales Shared Services Partnership procurement function. We would welcome an update on the new delivery model once it has been determined, and the implementation plans are confirmed, including the Welsh Government's assessment of any transitional costs.

The Committee remains concerned about the pace of work in this area while also maintaining effective stakeholder engagement. The potential breadth of issues requiring consideration through the NPS/Value Wales review, and in a challenging timeframe after a slow start, were clear in our 2018 evidence sessions. It was evident to us that there still appears to be significant details to be pinned down and considerable implementation work required to turn the ambitions into reality.

We firmly believe that there is a strong case for making the development of public procurement a clear priority for Wales in terms of value for money. Naturally there are a number of pressures on capacity at present and you have a number of employer obligations on the Welsh Government when managing any changes that affect staff involved in the various central procurement related functions. It is this that will enable Wales to maximise the benefit of its £6 billion public procurement spend and potentially help to offset some of the potential economic impacts of Brexit. And we acknowledge that.

We appreciate the need to consult on a new procurement strategy, but we are concerned that after an already lengthy period of review, the public sector may risk missing opportunities to make progress in specific areas while this is ongoing. E-procurement is one area, for example, where some timely decisions clearly need to be made for when current contractual agreements end and agree how arrangements will be funded.

We also remain concerned about the apparent hiatus in taking forward work to support the development of the procurement profession in Wales. Although the challenge of developing the public sector's procurement capability goes beyond procurement professionals, it is now several years since the end of the Home Grown Talent programme ended and the absence of a clear set of priorities for the future in this regard is worrying.

The Committee would welcome clarification on plans for the procurement work programme. It would be helpful to see a clearer timeline with key milestones, over and above the specific decision about the new central contracting model and



consultation on a new public procurement strategy. We would like to see this cover any relevant developments specific to procurement – picking up on the areas of concern that we have explored previously – as well as the inter-relationship with any key milestones for some of the wider activity that you described, for example on the Fair Work agenda.

During our evidence session, we touched on issues relating to the Welsh Government's line of sight on the public sector's exposure to risks relating to the financial health of key suppliers such as Interserve. Since the evidence session the Swansea-based construction company Dawnus has also entered administration with reference being made in media coverage to several live public sector contracts in Wales (and beyond).

We would welcome further details about how the Welsh Government is working with the UK government in the case of Interserve and as appropriate Dawnus, and about the action that Jonathan Hopkins explained was being taken forward to increase the Welsh Government's capability to assess relevant risks in respect of suppliers' financial health on behalf of the wider public sector. In the case of Dawnus, we note that the Welsh Government provided a loan of £3.5 million to Dawnus and is still owed £1.5 million. We would like to know more about the purpose of the loan agreement and the safeguards that were put in place to protect the public purse, as well as any wider support offered by the Welsh Government. In both these cases we would request a full breakdown of the Welsh public sector's exposure once confirmed. We are likely to return to the example of Dawnus as part of our work considering Welsh Government business finance.

Finally, I, as Chair, have received correspondence raising concerns about compliance with the [Public Contracts Regulations 2015](#), specifically section 18 on the 'principles of procurement'. The concern relates to the Welsh Government adopting a policy of using the Construction Skills Certification Scheme (CSCS) on all public construction contracts, which requires a specified minimum level of qualification for tradesmen. I also understand that there is evidence that small- to medium-sized construction companies may not have been receiving the same return on Construction Industry Training Board levies as large construction companies.

I recognise that there may be good reasons for requiring a minimum level of certification to provide some assurance about the quality of workmanship. However, the assertion is that by enforcing the use of the CSCS, the Welsh Government has artificially narrowed competition on public contracts if smaller companies are also receiving proportionally less funding to support training of their workers to enable



CSCS certification. While, it is not for the Committee to determine the Welsh Government's compliance with legislation, I would welcome your response on this matter, as it has some relevance to the issues around enabling access to contracts for local and potentially smaller suppliers.

I look forward to your response. Should you wish to clarify any matters then please do not hesitate to contact the clerking team.

Yours sincerely,

A handwritten signature in black ink that reads "Nick Ramsay". The signature is fluid and cursive, with a long horizontal flourish extending from the end of the name.

**Nick Ramsay AM**  
Chair

