

Welsh Government response to the report of the Enterprise and Business Committee: Influencing the Modernisation of EU Procurement Policy

July 2012

I welcome the report from the Enterprise and Business Committee's Inquiry into Influencing the Modernisation of EU Procurement Policy. This was a thorough and professional Inquiry into the subject matter and the Chair and Task and Finish Group members are to be commended.

In this response, I outline in detail my reply to each of the thirteen recommendations. I am pleased to accept them unequivocally.

In February I commissioned John McClelland to undertake a review into 'Maximising the Impact of Welsh Procurement Policy'. I would like to thank John for his excellent work and I look forward to publishing his findings.

Of particular interest to me is the synergy between these two independently conducted reviews. Many of the recommendations are cross cutting and follow very similar themes. I will be using both to shape our evolving procurement policy.

Predominant themes that have emerged from both reports address skills and capability, influence, remit and powers, and also the use of systems, technology and collaboration.

My officials in Value Wales work collaboratively with colleagues from across the public sector in developing and implementing cutting - edge procurement policy and practice, with considerable success.

I will be publishing my Procurement Policy Statement for Wales this, Autumn. It will clearly set out my expectations. To reinforce this message I will be providing senior executive briefing sessions which will articulate the benefits that an appropriate level of procurement skills bring to an organisation in delivering its strategic objectives.

It is critical that public bodies across Wales implement our policy imperatives. I am determined to ensure that the maximum benefit is achieved for the economy of Wales through ever more effective use of our £4.3 billion procurement expenditure and will take the necessary enforcement steps to ensure this happens.

I will be expecting Welsh Government sponsor and policy divisions to work with Value Wales to ensure that our agreed policies are adopted and implemented - for the benefit of the economy and citizens of Wales.

To address the issue of procurement skills and capacity I have asked Value Wales to provide me with a plan to deliver a full programme of Procurement Fitness Health Checks across public bodies in Wales.

The Welsh Government has recently completed such a check and I am pleased to announce we have progressed from Bronze status in 2004 to a strong Silver in 2012, with an agreed action plan to progress to Gold status within 12 months.

My detailed responses to the recommendations of the Enterprise and Business Committee Inquiry report are set out below:

Recommendation 1

The Welsh Government to continue to make representations to the UK Government and the European Commission to evaluate the impact of the Remedies Directive across EU Member States and regions and to take swift and appropriate action based on the findings; and to give consideration to how the Remedies Directive interacts with the provisions of the Draft Directives on Procurement

Response : Accept

The Welsh Government is in regular dialogue with the UK Government. I have clearly outlined my concerns regarding possible tensions between the new Regulations and the Remedies Directives.

Through our sponsor divisions we will be writing to all public bodies in Wales to ask that they share their experiences of the impact of the Remedies Directives, in order to develop a body of evidence which will be used to support our ongoing discussions.

Financial Implications – None. Any additional costs will be drawn from existing budgets

Recommendation 2

The Welsh Government to seek assurances from the UK Government that implementing regulations to transpose the Procurement Directives into law in Wales will give sufficient scope to support the Welsh Government's public procurement policy objectives.

Response : Accept

I have already written to the Cabinet Office to this effect. There are currently no indications that they would not transpose the relevant areas.

Financial Implications – None. No further action required at this time.

Recommendation 3

The Welsh Government to provide Welsh local authorities and other public contracting authorities with strong guidance on achieving the appropriate balance between risk management and creativity in public procurement, in particular around procurement below the EU thresholds, to ensure that

broader policy objectives are met. As one example, the guidance should help maximise the opportunities for protected employment.

Response : Accept

I support the intent of this recommendation and we will make strides to implement it.

In the autumn I will be launching my Procurement Policy Statement (see Recommendation 6 below). This will clearly set out my expectations on all parts of the public sector in Wales to implement fully the best practice guidance that I issue through Value Wales.

A key element of the Procurement Policy Statement will be the adoption of the SQuID, which promotes a simplified and standardised – risk based – approach to procurement activity; and the use of social clauses in relevant contracts through the Community Benefits approach.

The ‘Compact for Change’ agreed between Welsh Government and Local Government already includes commitments on behalf of all local authorities in Wales to the fundamentals of my Procurement Policy. The Asset Management and Procurement National Programme monitors the delivery of this element of the Compact. In partnership with the Minister for Local Government and Communities, I will continue to review the progress in delivering the procurement elements of the ‘Compact for Change’.

I recognise that encouraging creativity and innovation through public procurement is important. It was a theme that emerged strongly from the ‘Open for Business’ event I hosted in June. My officials are developing new ideas for engaging with business and I will announce further details on this in the autumn alongside the Procurement Policy Statement.

Financial Implications – Not currently known. These will need to be considered further as part of officials’ development of this work.

Recommendation 4

The Welsh Government’s procurement review to evaluate the efficacy of existing measures to address the procurement skills gap, build capacity and share existing best practice, including examining the range of accredited professional qualifications available, and the extend to which outside expertise and mentoring can help.

Response : Accept

This is within the scope of the McClelland Review.

Our ESF funded Home-grown Talent project provides a good foundation. We have 24 trainees currently on placements across the public sector covering all aspects of procurement activity. These trainees will develop over a period of three years to become fully qualified and experienced procurement professionals.

The Welsh Government has also funded 57 public sector staff to gain Chartered Institute of Purchasing & Supply (CIPS) membership of which 12 gained MSC qualifications. Qualifications are important, but I also recognise that effective public procurement benefits from a wide range of expertise and experience.

Value Wales officials are already working closely with the construction and social care sectors to better understand how procurement expertise and knowledge can be developed within those areas in a relevant and cost effective way, to support the specialist knowledge that already exists.

As indicated earlier, I have asked my officials in Value Wales to act on the recommendation made to me by John McClelland to reinstate a full programme of Procurement Fitness Health Checks across Wales. This will provide a clear picture of the level and capability of procurement resource available.

Financial Implications – for 2 years within the scope of current ESF Home-grown Talent funding provision.

Recommendation 5

The review commissioned by the Welsh Government into ‘Maximising the Impact of Welsh Procurement Policy’ should investigate how to raise the profile and status of procurement expertise within public sector contracting authorities in Wales; to integrate procurement specialists more closely into corporate strategic planning and decision making processes; and to improve senior decision makers’ understanding of public procurement as a tool to meet their public sector duty to promote wellbeing and targets for sustainable economic growth.

Response : Accept

This is within the scope of the McClelland Review.

My Procurement Policy Statement will make it clear that it is a public sector duty to ensure that procurement is conducted in a fair, open and transparent way that maximises the social, economic and environmental benefit for Wales.

The Home-grown Talent project aims to raise the profile of the procurement function to a strategic level with leaders across the public sector in Wales. I will be using this project to ensure that senior executives understand the issues and are fully briefed on the benefits of effective implementation.

The Public Service Leadership Group (PSLG) which is chaired by the Minister for Local Government and Communities has three national programmes, one of which aims to secure the benefits of collaborative procurement. The PSLG has Chief Executive representatives from across the whole public sector and raising the profile of public procurement is a key priority.

Financial Implications – Financial requirement within the scope of the current ESF Home-grown Talent funding provision.

Recommendation 6

The Welsh Government to consider, in conjunction with the findings of its commissioned review of public procurement policy, whether the Welsh planning policy model could be adapted to public procurement, i.e. setting an overarching policy statement or strategy that public sector contracting authorities are required to follow, and which is supplemented by technical advice notes and procedural guidance circulars.

Response : Accept

The Planning Policy Wales model, including Technical Advice Notes, provides the policy framework within which planning decisions are made. It does not provide a regulatory framework.

My officials in Value Wales currently issue relevant policy advice notes and all advice is hosted on the Procurement Route Planner, which is an open access resource. This will therefore support my Procurement Policy Statement due for release in autumn 2012.

Financial Implications – Limited. As a support to the implementation of the Procurement Policy Statement the direct resource implications are limited and can be absorbed from current programme budgets.

Recommendation 7

The Welsh Government to use the review of procurement policy as an opportunity to assess whether Value Wales has the necessary mandate, structural and governance arrangements, and resources to drive change across all Welsh public sector contracting authorities; and to ensure that appropriate enforcement measures are introduced to speed up pace of change.

Response : Accept

This is within the scope of the McClelland review.

It is critical that public bodies across Wales implement our policy imperatives. I am determined to ensure that the maximum benefit is achieved for the economy of Wales through our public procurement activity and will take the necessary enforcement steps to ensure this happens.

Financial Implications – Not currently known. These will be considered further as part of officials' development of this work.

Recommendation 8

The Welsh Government to work with the local government sector to prioritise standardisation of the contract standing order procurement rules for local authorities, and to seek greater consistency of procurement rules, including financial rules, in other parts of the Welsh public sector.

Response : Accept

This action is covered specifically by the Local Government 'Compact for Change' under the leadership of the Minister for Local Government and Communities. This action is currently being led by the WLGA through the Society of Welsh Treasurers. The PSLG, under its national programme for Asset Management and Procurement, is monitoring progress with implementation of the 'Compact for Change'.

The NHS in Wales currently undertakes its procurement activity through a shared service, thereby delivering standardisation in procurement rules.

For other sectors, including Higher and Further Education, the Welsh Government will issue good practice guidance through the sponsor divisions.

Financial Implications – None. Any additional costs will be drawn from existing budgets

Recommendation 9

The Welsh Government to prioritise putting in place an integrated IT system to support SQuID and accelerate implementation of the xchangewales e-procurement programme across Wales.

Response : Accept

This work is currently underway. The Department for Business, Enterprise, Technology and Science is out to tender for a new provider to host the Sell2Wales website, to commence in April 2013.

The creation of an electronic SQuID is part of the development plan for the Sell2Wales website. The development and funding of Sell2Wales is being taken forward by officials for the Minister for Business, Enterprise and Technology. My officials in Value Wales are providing the technical requirements for the SQuID.

Financial Implications – There are financial implications in the development of an electronic SQuID. These are not yet fully known and will be developed as detailed requirements are produced.

Recommendation 10

The Welsh Government to outline what steps it is taking to ensure that reliable data is available to assess how many companies are winning public procurement contracts in Wales are Welsh businesses capable of generating long-term benefits to the local economy and job market, as opposed to companies whose primary base is outside Wales, and to raise awareness of this issue with contracting authorities.

Response : Accept

I support this recommendation.

It is important for us to know what proportion of our procurement expenditure is benefiting the economy and citizens of Wales and my officials in Value Wales have carried out a comprehensive analysis of annual procurement expenditure on three occasions since 2003.

This analysis has shown that the proportion of expenditure going to suppliers with a Welsh invoice post code has increased from 35% to 52% in 2010-11 which is of course encouraging. We intend to undertake the most cost effective and meaningful analysis to secure this type of information in the future.

Financial Implications – There are financial implications in the collation and analysis of data and we will continue to explore options.

Recommendation 11

The Welsh Government to include in its review of public procurement policy a review of the measures it is taking to encourage strong dialogue between public contracting authorities and businesses in Wales to improve mutual understanding of how public procurement can be used as a tool to boost the Welsh economy.

Response : Accept

The McClelland Review addresses this point. I recognise that improving dialogue between public procurers and businesses in Wales is important.

As I referred in my response to Recommendation 3, this was a key theme of the recent 'Open for Business' event in Cardiff and I will be continuing this dialogue in September at a similar event in North Wales

The new 'One Stop Shop' supplier advice service to be launched by the Department for Business, Enterprise, Technology and Science, in January 2013 will strengthen dialogue and provide sources of information for businesses wishing to compete for public sector business. The new Sell2Wales website to be launched in April 2013 will help increase promotion of public procurement opportunities.

Financial Implications – These will be considered further as part of officials development of this work.

Recommendation 12

The Welsh Government to undertake robust evaluation of the outcomes of collaborative procurement exercises in Wales; to compare the outcomes with collaborative models used in other parts of the UK; and to communicate and apply the lessons learnt within the Welsh public sector;

Response : Accept

To build stronger collaboration I recognise that we can all learn from each other.

Value Wales closely measures the impact of the portfolio of collaborative projects it manages on an all Wales basis. Approximately 85% of applicable public sector bodies use these agreements. They have realised savings of over £125m in the five years since the launch of the all Wales Sourcing Strategy 'Smarter Buying – Sharing Success' in 2006.

The development of the business case for a National Procurement Service for Wales is an important next step.

The National Procurement Service will procure 'common and repetitive' spend items once for Wales. The preference for a central operating model has been confirmed by the Public Services Leadership Group and a consultation on the full business case and possible funding models will run between September and December this year.

My officials are in regular contact with colleagues across the devolved administrations, the UK Government, and other areas of the public sector, to benchmark both the level of service provision and costs of their collaborative procurement vehicles. This information is being considered fully in the development of the National Procurement Service business case.

Financial Implications – None. Any additional resources to evaluate outcomes would be found from within existing programme budgets. The financial implications of establishing a National Procurement Service for Wales will be outlined in the business case consultation.

Recommendation 13

The Welsh Government to prioritise measures to increase awareness of its Community Benefits policy among Welsh public sector contracting authorities, as well as contracting authorities and contractors operating in key areas of non-devolved spend in Wales, including transport and infrastructure.

Response : Accept

We recognise that not all contracts can be delivered by smaller suppliers. It is for that reason that our Community Benefits policy is a Programme for Government commitment – ensuring that our investments benefit local communities. It has already delivered significant results and is acknowledged by the McClelland Review as a 'leading edge' policy.

To date the approach has been applied to contracts worth in excess of £3.4bn, worth individually between £5m and £300m.

The first seven completed projects, worth £186m, have delivered almost 87% spend in Wales - £66 million directly on salaries to Welsh citizens, - and £96 million, or 52%, with Wales-based businesses, 83% of which were Welsh SMEs. Some 170 disadvantaged people received 8,600 weeks' worth of work experience, and 77 apprentices received 8500 weeks of training.

A number of actions are already underway to strengthen adoption of our Community Benefits policy, including the Local Government Compact

commitment for all Local Authorities to include the approach in all relevant contracts over £2m in value. A Community Benefits Task Group has been set up to ensure these measures are prioritised.

The Welsh Government has also made this commitment as a key part of the Tackling Poverty Action plan, launched by the First Minister on 25th June.

Financial Implications – Limited. Any financial implications from the further development of the Community Benefits policy will be found from within existing budgets.