

Council for Economic Renewal

Public Procurement Update

Background

1. This paper gives an update on progress towards commitments made in the Wales Procurement Policy Statement (WPPS), which I first launched in December 2012. It includes a summary of opportunities presented by the new Public Contracts Regulations 2015 and the expected Designation Order, an update on the Community Benefits programme and a report of the progress made by the National Procurement Service (NPS) to date and its current plans.

Public Contracts Regulations 2015 and Expected Designation Order

2. A new EU Procurement Directive came into in April 2014 after a period of review and modernisation, during which the Welsh Government worked closely with the UK Government. The UK Government transposed the new Directives earlier than the two year deadline in order to realise the benefits more quickly; the new rules were implemented through the Public Contract Regulations (PCR) on 26 February 2015.
3. The new Regulations are welcome and will help strengthen the adoption of Welsh Government policy. They simplify the rules making procurement faster and less costly for suppliers and for the public sector. Key changes include:
 - a. Simplified procurement processes through a new duty of 'proportionality' and changes such as providing for suppliers to self-certify that they meet selection criteria, with subsequent checks made only on the winning bidder. The Supplier Qualification Information Database (SQulD) has been updated to account for this new approach.
 - b. Improved SME access through, for example, new rules ensuring that larger contracts are split into lots unless not doing so can be justified, and turnover requirements are capped to twice contract value.
 - c. Updated procedures that allow for greater negotiation and flexibility, and a new Innovation Partnership that enables the public sector to engage business to develop and supply innovative goods, services or works.
 - d. An extension to the Reserved Contracts provisions allowing contracts to be reserved to companies employing at least 30% of disadvantaged persons as well as those with disabilities. This will give greater opportunity to contract with third sector firms and supported businesses in Wales.
4. Recognising the excellent progress already made in Wales, the UK Government confirmed that Part 4 of the Regulations will not apply to bodies in Wales whose functions are wholly or mainly devolved to Wales. This means that the majority of public sector bodies in Wales are not required to comply with pre-qualification and contract advertising requirements in England and can continue to use the SQulD and the Sell2Wales website for advertising contracts.

5. Officials are in dialogue with Cabinet Office seeking to secure agreement for non devolved bodies to be able to opt to adopt elements of Welsh procurement policy where they can evidence it will deliver additional value, for example by using the SQuID approach to supplier selection. This dialogue also includes seeking agreement for non devolved bodies to be able to opt to utilise contracts awarded by the National Procurement Service where such additional benefit can be demonstrated.
6. On 27 March Francis Maud wrote to me confirming agreement in principle to a general designation on procurement for Wales in line with other UK devolved administrations. The general designation is now subject to agreement by Privy Council in July.
7. I am currently considering early opportunities to strengthen the implementation of procurement policy across Wales resulting from securing the general designation. One potential area will be the option to issue Procurement Policy Notes relating to key policy principles, for example Community Benefits, which have a regulatory standing.
8. I am due to make an Oral Statement on 16 June in which I will launch an updated Wales Procurement Policy Statement and will be outlining the opportunities for Welsh Government to regulate to strengthen procurement policy.

Community Benefits

9. Good progress has been made towards greater adoption of the Community Benefits approach across the public sector and there is evidence to suggest that Wales leads the rest of the UK, in particular in the development of a uniform approach to the measurement of outcomes.
10. Since 2013, 362 (9%) of the total ¹contracts advertised, through Sell2Wales identified that the Community Benefits approach was being included in the tender. From information returned through the Measurement Tool, we know that the first 74 projects measured, with a total value of £658 million have resulted in 771 job opportunities, over 21,000 weeks of training and have resulted in 84% of the expenditure being reinvested in Wales on business and salaries.
11. Community Benefits is well embedded in a number of significant programmes to be delivered over the next few years such as the 21st Century schools, Vibrant and Viable Places and Welsh Quality Housing Standard, where the requirement to use Community Benefits is a clear condition of funding. Close monitoring of outcomes will ensure the potential for the policy to deliver significant opportunities for jobs and growth across Wales is realised.

¹ Improved monitoring available through Sell2Wales from June 2015 will provide detailed reporting on the number of contracts over £2m advertised and the inclusion of Community Benefits clauses.

12. In February this year Cabinet colleagues supported my request to drive up the use of the Community Benefits approach in projects funded by the Welsh Government. I am establishing and chairing a pan Welsh Government Task and Finish Group, which will produce a pipeline of procurement projects and grant programmes that will deliver Community Benefits. This work will provide accurate and early information to contractors to allow time for suppliers, third sector and voluntary organisations to be able to bid and will help us to monitor the success of our policy.
13. There are several new tools available to assist the public sector. Guidance has been updated and revised to reflect new policy priorities, and the revised Measurement tool now monitors opportunities for those from workless households.
14. Further developments to guidance are underway to take account of the new Public Contracts Regulations and the new opportunities this provides for reserving contracts to organisations with a 30% disadvantaged workforce.

National Procurement Service (NPS):

15. NPS embeds the principles of the Wales Procurement Policy Statement into all of its procurements and where applicable Community Benefits clauses are included in all contracts and frameworks let by NPS.
16. From April 2014 until February 2015 NPS has reported higher levels of cashable savings than expected, with £6.117m cashable savings achieved across the Welsh public sector compared with an overall savings target for 2014/15 financial year of £4.245m of which the cashable target is £1.528m.
17. The table below shows the contracts and frameworks that NPS has awarded to date, the annual value of each and the % of Welsh suppliers and Welsh Small and Medium Enterprises (SMEs) that have been awarded a place on each.

Contract Title	Annual Value (£)	% of Welsh Suppliers	% of Welsh SMEs
Translation Services	£1.7m	100%	97%
Resource Efficiency	£4.7m	46.5%	38.9%
General Building Materials	£11.8m	60%	53%
Construction Consultancy	£13.5m	43%	40.5%
Bridging Arrangement for Printing Services	£12m	71%	71%
Stationery and Copier Paper (Lot 2)	£2.4m	0%	0%
Occupational Health	£5.4m	75%	75%
Agency Workers	£67.5m	14%	14%
Liquid Fuels	£21.2m	40%	40%
Vehicle Hire	£6.8m	44%	33%

18. NPS already has a pipeline of contracts in place for this year to the value of £1.1bn and this will grow to cover all categories with an annual value of £2.2bn during 2015/16 financial year. The table below shows the contracts and frameworks that NPS plans to deliver over the coming months and the total annual value by category.
19. A business plan is in the final stages of development which will be owned by the NPS Board and deliver to Welsh Government objectives. The plan sets out the objectives that NPS will deliver over the next 4 years and I will be launching the plan in June this year.

Category	Contract/Framework	Estimated Date of Contract Award	Estimated Annual Value
Fleet and Transport	Fuel cards	25/05/2015	£35.2m
	Tyres	03/08/2015	
	Leased vehicles	21/09/2015	
Construction Materials & FM	Furniture	18/05/2015	£39.9m
	Cleaning and Janitorial Services	15/06/2015	
	Cleaning and Janitorial Materials	15/06/2015	
	Electrical, Heating and Plumbing	28/09/2015	
People Services and Utilities	Travel and Accommodation	22/06/2015	£11m
	Staff Benefits	24/08/2015	
Professional Services	Legal Services	01/06/2015	£80m
	Construction Consultancy Phase 2	06/07/2015	
	Cash Collection	03/08/2015	
	ICT Consultancy	07/09/2015	
	Insurance	28/09/2015	
ICT	IT Products & Services	28/09/2015	£113.9m
	Mobile Telecoms	11/05/2015	
	Library Management System	29/06/2015	
	Fixed Telecoms	07/09/2015	
	Information Assurance Services	28/09/2015	
Corporate and Business Support Services	All Wales Print framework	10/08/2015	£8.6m
	Personal Protective Equipment	24/08/2015	

20. Some examples of contracts let so far by NPS include a framework for Occupational Health and Associated Services. 20 Suppliers were awarded a place on the framework. 15 of the 20 suppliers are Welsh SMEs (75%). Anticipated savings across the Framework are circa 4% in comparison to the previous framework although there is potential to increase those savings through further collaborative competitions and increased engagement. An immediate reduction of 50% is expected on Lot 2 - Employee Assistance Programme.
21. In February NPS awarded a framework for General Building Materials, with a value of over £11million per annum. Over 60% of suppliers awarded a place on the framework were based in Wales and over 53% of these were SMEs. The other suppliers all have depots located in Wales and will work with NPS to deliver employment and training opportunities locally.
22. Last year NPS worked alongside Dr Peter Bonfield in developing the British Food Plan, highlighting the excellent procurement work that is been undertaken across the Welsh public sector. An overarching food strategy is being developed with NPS working alongside business development colleagues to address some of the areas where market development will help maximise economic development from food procurement in Wales.