

Council for Economic Renewal **Procurement Update**

Introduction

1. Public procurement across Wales amounts to approximately £4.3bn, around a third of the annual Welsh public sector budget. Of this overall expenditure, business won by Welsh based companies now exceeds 50%, having been 35% in 2003.
2. Historically, three issues have been known to limit the ability of smaller, local suppliers to win more of this business: lack of awareness of opportunities; the procurement process being perceived as too complex or restrictive; or limits to public procurement capability.
3. Steps have been taken to simplify processes to ensure public procurement opportunities are open to all. This paper outlines some of the actions underway to improve public procurement in Wales.

Awareness of Opportunities

4. Visibility of contract opportunities is fundamental to indigenous business growth. The National Procurement Website [sell2wales](http://sell2wales.co.uk) is used by every major public sector organisation in Wales to publish notices of upcoming contracts. In excess of 50,000 suppliers are registered on the Website, of whom, over 30,000 are Welsh.
5. Through the *Breaking Down Barriers*' project, policy is being developed to encourage greater visibility of lower value, sub-OJEU contract opportunities advertised via the National Procurement Website. These contracts are of great interest to smaller, more local suppliers.
6. During 2010-11, sub-OJEU contracts advertised on sell2wales.co.uk increased by 24%. This represented 57% of the overall volume of contracts advertised via the Website. This financial year has seen continued growth in the publication of sub-OJEU contract notices, which is encouraging progress.
7. Major projects provide sub-contracting opportunities which can assist in the development and growth of smaller businesses. Therefore, visibility of these opportunities is important.
8. As part of the continued drive to embed Community Benefits into procurement, public bodies are encouraged to request main contractors to advertise sub-contracting opportunities via the "Tier 1" sub-contracting portal on the National Procurement Website. Its use is growing and has helped Welsh suppliers win valuable supply-chain contracts.

Procurement Process

9. Pre-qualification in procurement has acted as a major barrier to SMEs accessing public contracts. The development of the SQulD approach to pre-qualification simplifies this part of the procurement process by encouraging procurers to use a risk based approach to setting proportionate qualification criteria from a common set of questions.
10. Over 400 public sector procurers have been trained in the use of SQulD resulting in its extensive use across Wales. The NHS, the majority of the local government sector and a number of education institutions have committed to using the SQulD approach. Its development has also been warmly welcomed by business.
11. Use of the SQulD has helped Welsh contractors secure awards in 27 of 44 major framework and contract awards over the last 18 months.
12. Embedding Community Benefits is core to our approach of securing added value from procurement expenditure. This involves encouraging suppliers to focus on developing local supply chains, engaging with the third sector, providing training and employment opportunities, and adopting fair payment practices as part of the contract delivery.
13. In order to better monitor the effectiveness of the Community Benefits policy a measurement tool has now been developed to capture the 'value' of the outcomes delivered. Use of the measurement tool will provide data to help inform future policy regarding application of "core" and "non-core" Community Benefits. The construction supplier community has responded positively to this development and its use will help suppliers demonstrate their experience at delivering community benefits when they tender. Value Wales has also issued guidance to help business understand the policy and better respond to public sector tenders.
14. The supplier community has expressed concern at the use of framework agreements across the public sector in Wales, particularly where these are used for supporting collaboration. The Minister for Finance and Leader of the House initiated a lessons learned exercise following the award of two major construction frameworks. This review is due for completion imminently and will help inform future policy regarding framework agreements.
15. A new project has been initiated to consider the possibility of moving to a standard set of conditions of contract for the public sector in Wales. An interim feasibility report is due this Autumn.

Procurement Capability

16. Public procurement capability directly impacts upon the use of modern procurement approaches that deliver better value for money procurement outcomes.
17. The *Transforming Procurement through Home-Grown Talent* project, funded by the ESF Convergence Programme, is progressing support to improve the skills of existing staff and to secure additional procurement trainee resource. This will help embed modern procurement approaches procurement and accelerate adoption of the xchangewales e-procurement programme.
18. 12 Procurement Trainees were recruited in May 2011 and are being supported to attain professional procurement qualifications, while helping deliver improved procurement outcomes across a number of project placements across Wales. A further 12 trainees will be recruited in the next few months.
19. Over 30 public procurers are currently being supported by Welsh Government to study towards professional membership of the Chartered Institute of Purchasing and Supply.

Conclusion

20. The way that the public sector procures has a profound effect on the Welsh economy. There is a need to balance the approach to efficiency with consideration of the local economic impact. It is important that we monitor key procurement outcomes in order that we develop a rich data base. This will shape our ongoing development of procurement policy and also complement initiatives that provide business support and address supply voids.