

## **Council for Economic Renewal**

### **Procurement**

#### **Introduction**

1. The priority remains to improve both public procurement practice and the outcomes secured from the annual £4.3 billion expenditure. This is clearly expressed in the Programme for Government commitments.
2. Good progress has been made, with Wales based businesses now winning over 50% of expenditure compared to 35% in 2003. In construction, two-thirds of awards for contracts or places on frameworks are now won by indigenous businesses.
3. The McClelland Review, published in September 2012, commended this progress. John McClelland reported that Welsh Government procurement policy was well documented and communicated with 'community benefits' policy being well developed. However, he concluded that adoption was variable and identified a key factor as being the level of professional procurement resources in place within each public sector organisation. The review had considerable synergy with the findings and recommendations of the Enterprise and Business Committee's Inquiry which I accepted in full following publication of its report in May 2012. McClelland made a number of further recommendations and these are being taken forward as detailed in this paper.

#### **Wales Procurement Policy Statement**

4. The McClelland Review recommended that Welsh Government publish one single document covering all aspects of procurement policy. I published this on 6<sup>th</sup> December and it was well debated in Chambers on 15<sup>th</sup> January 2013. It is attached at Annex 1 and contains a clear articulation of Welsh Government intent, covering the 9 principles against which public procurement should be carried out, along with specific actions for Welsh Government and the Welsh public sector.
5. It makes clear that adoption of the Wales Procurement Policy is not considered to be optional and that the potential of legislating to ensure the progress the Welsh economy and public services require is being considered.
6. Adoption of the Wales Procurement Policy will be driven through in partnership with the Minister for Local Government and Communities' Public Services Leadership Group (PSLG), with Value Wales overseeing implementation. It is anticipated that business support for the Policy will be co-ordinated through the Council for Economic Renewal.

7. The Wales Procurement Policy contains a number of significant provisions, including the points that:
  - 'Value for money' includes the consideration of social and economic benefits and minimisation of negative environmental impact;
  - The 'community benefits' approach should be integral;
  - Public sector organisations have a duty to assure themselves that they have in place adequate procurement skills and resources;
  - Public sector organisations should participate in Procurement Fitness Checks;
  - Processes should be simplified and standardised using the SQuID approach to ensure proportionate and risk-based practices that reduce cost and make contract opportunities open to all;
  - There should be a commitment to collaborative procurement for common expenditure areas;
  - Dialogue with suppliers should be improved;
  - Outcomes should be more robustly monitored.

### **Procurement Fitness Checks**

8. Work is underway to set up a programme of fitness checks to provide an independent assessment of public sector organisations' capability against a procurement 'maturity model'. It is anticipated that this will be available from Spring 2013. The PSLG is providing support and Jon House, CEO Cardiff Council has agreed to undertake the first assessment.

### **Home-grown Talent project**

9. The *Transforming Procurement through Home-Grown Talent* project, funded by the ESF Convergence Programme, is improving the skills of existing staff and creating new capacity. This is helping to embed modern procurement approaches and accelerate adoption of the 'xchangewales' e-procurement programme.
10. Twenty procurement trainees are now being supported to attain professional procurement qualifications, while helping to deliver improved outcomes across Wales. Four trainees have already moved into permanent positions within the public sector.
11. Over 30 procurement officials are also being supported to study towards professional membership of the Chartered Institute of Purchasing and Supply.
12. Leadership recognition of the impact of investing in procurement is essential and a Creative Procurement Forum has been established. This is an informal collaboration between Bangor, Cardiff, Glamorgan

and Swansea Universities and will be utilised to co-ordinate research to inform the development of future procurement policy initiatives.

### **Community Benefits**

13. The Compact for Change commits Local Authorities to adopt social clauses in all suitable contracts over £2m and this has been mirrored by Welsh Government. Use of social clauses to secure training, employment and supply chain opportunities underpins the 'Tackling Poverty Action Plan' and has now been applied to 80 projects worth over £4 billion.
14. The results from the first seventeen projects that have used the approach – show that over 81% has been re-invested in Wales - £74 million directly on salaries to Welsh citizens, and £152 million with Wales-based businesses, 82% of which were Welsh SMEs. Some 357 disadvantaged people were helped into employment, receiving over 13,000 weeks of work experience; this includes over 12,000 weeks of training provided to apprentices.
15. A Task and Finish group has been set up, chaired, in a personal capacity, by Martin Mansfield General Secretary of the TUC. The Task Group is working to strengthen the policy, strengthen the support to help delivery on the ground, and ensure full adoption across all relevant programmes and projects.

### **Procurement Process**

16. 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, setting proportionate qualification criteria using a common set of questions. Its development has been warmly welcomed by business and its use has helped Welsh construction contractors maintain the position of winning two-thirds of all major contract or framework awards in the last 2 years (up from one –third in 2010/11).
17. Over 600 public sector procurers have been trained in the use of SQulD and all Local Authorities and local Health Boards plus a number of education institutions have committed to using the approach.
18. The north Wales 21<sup>st</sup> century schools framework is being led by Denbighshire Council and has committed to use the SQulD and 'community benefits' approach. In response to the concerns of indigenous businesses, the 'lotting' strategy has been reviewed and the strategy that is in final sign off by the authorities now provides these businesses with realistic opportunities.

### **National Procurement Service**

19. The McClelland Review recommends that the actions proposed in 'Buying Smarter in Tougher Times' be implemented, including the establishment of a National Procurement Service (NPS). Work is well underway to establish the NPS to procure common and repetitive spend 'once for Wales'. This is being taken forward by the PSLG and will build upon the work of Value Wales (which has to date realised efficiency savings of over £130m).
20. The business case was endorsed by PSLG in September and letters of invitation to join issued on 8<sup>th</sup> October. To date 70 positive responses have been received, including all Local Authorities and Local Health Boards, and it is anticipated that the NPS will go live in November 2013. It aims to cover some 20-30% of the total public sector procurement spend in Wales. In addition to work to define the scope, benefits and operating model, a group of business representatives were asked to consider the economic impact. Currently only some 15% of the relevant expenditure is won by Wales based businesses and the group concluded that the NPS presented an opportunity and therefore supported the business case to proceed.

## **Conclusion**

21. As we agreed in Chambers on 15<sup>th</sup> January, 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. The McClelland Review notes good progress and identifies areas for improvement that are being taken forward. The Wales Procurement Policy statement makes clear my expectations of the Welsh public sector and the potential of future legislation. Adoption of its principles is already delivering results, particularly in the construction sector, as seen by the 'community benefits' and SQUID outcomes. Support is being provided to develop capability and key developments include the Procurement Fitness Check programme and the establishment of the National Procurement Service.

**Jane Hutt AM**  
**Minister Finance and Leader of the House**

## **Wales Procurement Policy Statement**

As a result of the McClelland review, this Wales Procurement Policy has been developed to support implementation of the recommendations of the 'Maximising the Impact of Welsh Procurement Policy' report. It clearly sets out the principles against which the Welsh Public Sector, namely Local Authorities, the NHS, Education, Fire and Rescue and Welsh Government Sponsored Bodies should carry out procurement and the expectations for the way that they will do so. Leaders of these organisations should assure themselves that they are compliant and are fully adopting the more detailed guidance and tools referred to within this document and accessed through our web-based [Procurement Route Planner](#).

The National Assembly for Wales' Enterprise and Business Committee's inquiry into the modernisation of EU Procurement Policy also highlighted the need for the Welsh Government to develop a clear procurement policy.

The Welsh public sector spends approximately £4.3bn per annum through procurement. This accounts for almost a third of the overall Welsh public sector budget and can, therefore, provide a vital springboard to support economic growth in Wales. We must use innovative, evidence based, approaches to procurement to support the design and delivery of efficient and effective public services **and** to optimise the added value that is delivered to the economy and communities of Wales.

Added value means that, wherever possible, we will utilise public procurement creatively as a strategic tool to deliver economic benefit to the people and communities of Wales through employment, training and supply-chain opportunities.

Our approach in this important area has been strengthened by the work being undertaken by a specialist Task and Finish Group chaired by Martin Mansfield, and supports the "Tackling Poverty" action plan.

Being strategic involves making early decisions on the best approach to commissioning goods, works and services, including whether grant or procurement is the most appropriate funding mechanism.

Procurement decisions should of course be made on a quality/cost/risk basis but we must also be mindful of the long-term impact. By doing so we are supporting the principles upon which the Sustainable Development Bill will be shaped.

This Policy Statement captures the approaches developed over recent years through consultation and engagement. They are tested and proven to work. There are no reasons or excuses why all organisations cannot fully adopt them and there must be no delay in so doing.

The public sector, including Welsh Government itself, has a collective responsibility to ensure that we use public money wisely, for the benefit of the people of Wales and a duty to ensure the right skills and resources are in place.

It is important that strong dialogue is maintained between the public sector and businesses to ensure continuous mutual improvement. This Policy Statement builds upon 'Opening Doors, the Charter for SME Friendly Procurement', and will ensure that public procurement helps to make Wales a good place for doing business, developing a strong supply base, and contributing to a healthy economic infrastructure.

Both the McClelland and Enterprise and Business Committee reviews identify the considerable variability in procurement skills resources, particularly in the local government sector.

In the Spring, a programme of fitness checks will be implemented and will enable all organisations to re-assess their functions and to address any deficiencies. The checks will also identify exemplary practice and allow others to learn and adopt.

I do not consider adoption of this Statement's policies to be optional and the potential of legislating to ensure the progress the Welsh economy and public services require is being considered.

The Welsh Government will also consider whether it will be beneficial to transpose or regulate for the new European Directives. These EU proposals support many of our policies and provisions that can help to drive progress. If the Welsh Government policies have not been fully embraced we remain prepared to strengthen public procurement duties through additional regulation or legislation.

Adoption of the principles of this Policy Statement will be driven through in partnership with the Minister for Local Government and Communities' Public Services Leadership Group. Business support for the Policy will be co-ordinated through the Council for Economic Renewal. The Welsh Government's Value Wales team will oversee the implementation of this Policy and will closely monitor its adoption.

There is no doubt that good procurement can drive efficiencies and generate local benefits. I trust this Policy Statement will assist to secure greater levels of both in the future.

**Jane Hutt, AM**  
**Minister for Finance and Leader of the House**

**December 2012**

## Definition of Procurement

This policy adopts the Sustainable Procurement Task Force<sup>1</sup> definition of procurement:

*“the process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment”.*

## The Principles of Welsh Public Procurement Policy

In carrying out procurement activity the Welsh Public Sector in Wales is expected to adopt the following policy principles:

1. **Strategic** - Procurement should be recognised and managed as a strategic corporate function that organises and understands expenditure; influencing early planning and service design and involved in decision making to support delivery of overarching objectives.

*How will this be achieved?*

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• set out a ‘maturity model’, against which development of procurement can be measured across the Welsh public sector.</li> <li>• develop and fund Welsh Procurement Fitness Checks.</li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• measure themselves against the maturity model, by undertaking regular Welsh Procurement Fitness Checks and reporting the recommendations and action plan progress to Welsh Government.</li> </ul>
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2. **Professionally resourced** – procurement expenditure should be subject to an appropriate level of professional involvement and influence, adopting the initial benchmark of a minimum of one procurement professional per £10m of expenditure.

*How will this be achieved?*

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• publish a competency framework setting out qualifications, experience and expertise that will support a</li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• ensure adequate skills and resources are in place to carry out effective procurement and contract management.</li> </ul>
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<sup>1</sup> Procuring the Future, 2006

<ul style="list-style-type: none"> <li>structured procurement career.</li> <li>provide routes to training and development, including those which enable public bodies to cultivate professional procurement expertise.</li> </ul>	<ul style="list-style-type: none"> <li>have a procurement training plan which addresses resource and skills gaps and share this with Welsh Government to support future skills development strategy.</li> </ul>
Policy link : <a href="#">Procurement Training</a>	

3. **Economic, Social and Environmental Impact** - Value for Money should be considered as the optimum combination of whole-of-life costs in terms of not only generating efficiency savings and good quality outcomes for the organisation, but also benefit to society and the economy, whilst minimising damage to the environment.

*How will this be achieved?*

<b>Welsh Government will:</b> <ul style="list-style-type: none"> <li>provide tools such as the Sustainable Risk Assessment to ensure that procurement decisions take account of long-term impact on the combination of benefits.</li> </ul>	<b>The Welsh public sector will:</b> <ul style="list-style-type: none"> <li>apply these tools appropriately in their decision making process.</li> <li>Use the information generated by these tools to inform the annual returns to be required under the Sustainable Development Bill.</li> </ul>
Policy link : <a href="#">Sustainability Tools</a>	

4. **Community Benefits** – delivery of added value through Community Benefits policy must be an integral consideration in procurement.

*How will this be achieved?*

<b>Welsh Government will:</b> <ul style="list-style-type: none"> <li>lead on maintaining and strengthening Community Benefits policy; strengthening support available on the ground and challenging the application.</li> </ul>	<b>The Welsh public sector will:</b> <ul style="list-style-type: none"> <li>apply Community Benefits to all public sector procurements where such benefits can be realised.</li> <li>apply the Measurement Tool to all such contracts over £2m to capture and report outcomes to the Welsh Government.</li> </ul>
Policy link : <a href="#">Community Benefits</a> <a href="#">Wales Infrastructure Investment Plan:</a>	

5. **Open, accessible competition** – public bodies should adopt risk based, proportionate approaches to procurement to ensure that contract opportunities are open to all and smaller, local suppliers are



not precluded from winning contracts individually, as consortia, or through roles within the supply chain. .

*How will this be achieved?*

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• provide <a href="http://www.sell2wales.co.uk">www.sell2wales.co.uk</a>, including the SQulD common question set.</li> <li>• maintain and develop the SQulD approach to supplier selection.</li> <li>• Improve information on forward programmes by maintaining publication of the <a href="#">Wales Infrastructure Investment Plan</a>.</li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• use <a href="http://www.sell2wales.co.uk">www.sell2wales.co.uk</a> to advertise all contracts over £25k.</li> <li>• proactively publish their forward contract programmes</li> <li>• Ensure that appropriate ‘lotting’ strategies are used.</li> <li>• apply the SQulD approach as standard to supplier selection.</li> <li>• encourage main contractors to use the ‘Tier1’ facility to advertise supply chain opportunities on <a href="http://www.sell2wales.co.uk">www.sell2wales.co.uk</a>.</li> </ul>
<p>Policy link : <a href="#">Supplier Qualification Information Database (SQulD)</a></p>	

6. **Simplified Standard Processes** – procurement processes should be open and transparent and based on standard approaches and use of common systems that appropriately minimise complexity, cost, timescales and requirements for suppliers.

*How will this be achieved?*

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• develop and promote simplified approaches to procurement based upon the adoption of common systems and processes, including the Welsh e-procurement service, that reduce the cost of doing business.</li> <li>• monitor the adoption and impact of these approaches.</li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• adopt and embed common procurement approaches.</li> <li>• Make best use of available e-procurement tools</li> <li>• Encourage supplier feedback on ease of process and channel through to Welsh Government</li> <li>• Pay all correct invoices on time</li> </ul>
<p>Policy link : <a href="#">xchangewales</a> <a href="#">Supplier Qualification Information Database (SQulD)</a></p>	

7. **Collaboration** – areas of common expenditure should be addressed collectively using standardised approaches and specifications to reduce duplication, to get the best response from the market, to embed best practice; and to share resources and expertise.

*How will this be achieved?*

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• strengthen vehicles to deliver collaborative procurement.</li> <li>• use collective leadership to drive through effective collaboration.</li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• commit to participate in collaborative procurement initiatives for the benefit of Wales and their individual organisation.</li> <li>• monitor and report on engagement with collaborative procurement initiatives.</li> </ul>
<p>Policy link : <a href="#">Contracts and Resources</a></p>	

8. **Supplier Engagement and Innovation** – dialogue with suppliers should be improved to help get the best from the market place, to inform and educate suppliers, and to deliver optimum value for money.

*How will this be achieved?*

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"> <li>• encourage public bodies in Wales to adopt approaches to procurement that are informed and influenced by feedback from the supply chain.</li> </ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"> <li>• publish a single electronic point of contact for supply chain dialogue/feedback/queries.</li> <li>• ensure de-briefing provides adequate tender feedback.</li> <li>• use outcome based specifications where appropriate to encourage business innovation</li> <li>• ensure regular contract performance management reviews are conducted and use these to encourage two-way dialogue</li> </ul>
<p>Policy link : <a href="#">Procurement Route Planner</a></p>	

9. **Measurement and Impact** – in accordance with good management practice, procurement performance and outcomes should be monitored to support continuous improvement, and examples of good and poor practice openly shared.

*How will this be achieved?*

<p><b>Welsh Government will:</b></p> <ul style="list-style-type: none"><li>• provide a framework of procurement performance measures that are proportionate and help to drive improvement.</li><li>• Collate information and ask PSLG and Procurement Board to consider performance and assist policy implementation.</li></ul>	<p><b>The Welsh public sector will:</b></p> <ul style="list-style-type: none"><li>• provide Welsh Government with regular reports of outcomes achieved through procurement.</li></ul>
Policy link : <a href="#">Measurement Framework</a>	