

## **Changes to the National Procurement Service**

### **Purpose**

1. This paper provides the Council for Economic Development with an update on plans to change the focus of the National Procurement Service (NPS) following the Written Statement issued on 5 September by the Cabinet Secretary for Finance.

### **Context**

2. The NPS became operational in November 2013. It was established on the principle of delivering efficiencies and wider policy objectives through buying commonly used goods services once for Wales. Over 70 public sector organisations committed to use the services of the NPS.
3. In September 2017, the Cabinet Secretary for Finance announced a review of the NPS and Value Wales. The objective of the review was for stakeholders to inform the development of organisational proposals to support the Welsh public sector to maximise the value of the annual £6bn procurement expenditure, taking advantage of any opportunities presented by Brexit and to help mitigate the ongoing impact of the UK Government's austerity policy.
4. The Cabinet Secretary for Finance issued a statement on 5 September announcing the conclusion of the review, setting out that the NPS will transition to a smaller central contracting unit, delivering a reduced portfolio of national contracts.

### **Recommendation**

4. The Council for Economic Development is invited to note the contents of this paper.

### **Delivery through of the National Procurement Service**

5. The NPS currently manages 60 national frameworks across a range of categories covering construction; corporate and business; fleet and transport; food; ICT; people services; and professional services.
6. There are 705 suppliers appointed to these frameworks, of which 47% (334) are Welsh based and 39% (273) are Welsh SMEs.
7. In the 2017-18 financial year, approximately £300m was spent through NPS managed frameworks. Against this expenditure, the NPS reported the following efficiencies:
  - Cash releasing - £2.8m;
  - Cost avoidance - £12.1m; and
  - Process efficiencies - £3.6m.

### **Review of the National Procurement Service and Value Wales**

8. The review process clarified that customer priorities have changed since the establishment of the NPS.

9. Whilst savings remained important, customers advised they required a different approach which provided greater support to enable delivery of regional and local wellbeing goals and priorities.
10. To support these requirements, the current programme and planned pipeline of NPS contracting activity is being assessed to support transition to a smaller unit to deliver agreements which deliver the optimum value at a national level for a significant majority of the Welsh public sector.
11. The transition to a new focus for delivering collaborative procurement will involve working with stakeholders and social partners to explore a range of criteria, including the composition of Welsh suppliers across categories of expenditure, the opportunities for market development in areas of supply voids and the potential for maximising wellbeing goals.
12. A new approach to policy development and delivery will be developed collaboratively with stakeholders. This will respond to stakeholders' clear calls for more practical support to help drive up capability and consistency across the Welsh public sector, especially in areas such as social care and construction.
13. Through the review, developments in procurement delivery have been explored across the UK, including those progressed by Preston and Manchester councils. Best practice approaches have also been considered from EU member states and the USA. This wider research will shape the future procurement programme to develop approaches which build on progress achieved and help deliver more equal economic and community wealth growth across all parts of Wales.

### **Next Steps**

14. Officials are developing the future vision and transition work and will share these details over the coming months with stakeholders to invite feedback to help inform the way forward.



Llywodraeth Cymru  
Welsh Government

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**WRITTEN STATEMENT  
BY  
THE WELSH GOVERNMENT**

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**TITLE** Review of the National Procurement Service and Value Wales

**DATE** September 2018

**BY** Mark Drakeford AM, Cabinet Secretary for Finance

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Last September, I announced a review of the work of the National Procurement Service (NPS) and Value Wales. This statement details the results of the review and the next steps.

The review was designed to clarify stakeholders' priorities to help maximise the value of the £6bn annual procurement expenditure across Wales at a time of unprecedented pressures on public services and as the UK prepares to leave the European Union.

Since announcing the review, the National Assembly's Public Accounts Committee launched its own inquiry into procurement, which I have followed with interest. I have today written to the chair of the committee setting out how this review has sought to respond to commitments made during the inquiry and to a statement about public procurement in Plenary on 2 May.

A range of stakeholders, including public sector leaders, procurement officers, businesses and the Future Generations Commissioner took part in the review.

They have told us that simply refocusing NPS and Value Wales is not enough. The review has revealed the need for an in-depth examination of how we use public funding to support public service delivery and to build economic growth across all regions of Wales.

Through the review process, stakeholders have confirmed a number of future priority actions for procurement, including:

- Greater focus on delivering collaborative procurement agreements aligned to regional and local priorities. Such an approach will not only afford maximum access to Welsh suppliers, it will also complement the aims set out in the *Economic Action Plan*, the decarbonisation programme and support our drive to make Wales a Fair Work nation by leveraging fair work outcomes from public spending and procurement practice;
- Delivery of a smaller number of national contracts where Wales-wide solutions, in areas such as vehicles and fleet hire, provide the greatest value for a large proportion of the Welsh public sector; and
- Exploring with the UK Government how we can strengthen our relationship with the Crown Commercial Service, to fully engage where its work is aligned with Welsh needs and priorities.

Going forward, this approach will be informed by a national policy development and delivery support function.

We will work closely with stakeholders to develop a new procurement strategy, which clarifies the future operating model and enables the full value of procurement to be realised nationally, regionally and locally.

Stakeholders have advised that this national policy approach should aim to deliver new support in social care and construction, driving up consistency and capability in the commissioning and procurement of these vital areas of public service delivery. Effective procurement must be underpinned by a skills development programme. A new capability and capacity programme will therefore be drawn up to equip procurement officers with modern commercial techniques and create a future talent pipeline to help tackle skill shortages and gaps created by different pay and rewards structures.

Stakeholders have also been clear about the need for a progressive future digital procurement strategy to underpin collaboration, simplify access for suppliers and provide the data and intelligence to inform future policy and decision making. We will work with our customers and stakeholders to develop this.

To support these requirements, I am announcing that NPS will, over time, cease to exist in its current form. It is clear that delivering a high volume of national frameworks is no longer a priority for customers and this is reflected in the level of engagement with NPS frameworks, which falls short of the business case forecast.

This transition will be managed to ensure business continuity is maintained in relation to framework contracts currently in use by public bodies and to provide certainty for the suppliers who are on them.

A smaller operation will be set up to manage a reduced portfolio of national contracts, where such agreements can demonstrate delivery of value across a significant majority of Welsh public sector organisations.

The NPS team will be consulted and engaged in developing the way forward and those not part of the smaller national contracting function will be offered opportunities to be involved in delivery of regional and local priorities; the national policy development and delivery support unit or the Welsh Government's commercial and procurement programme, or other similar activities.

Evidence gathered through the review has informed the need for our future procurement policy and national/regional collaborative procurement programmes to be managed and delivered separately as key elements of a strategic, cross-cutting collaborative programme of work, which has greater emphasis on driving up community wealth-building across Wales.

Our aim is to maximise procurement spend in Wales while also using the £6bn annual procurement spend to support sustainable jobs and growth; fair work and employment practices; infrastructure and construction investment; use of public assets and improve the resilience of local businesses and their communities.

The feedback from the review has been clear that we must also work to provide a clear link between procurement and the wellbeing goals of public bodies across Wales and ensure the supply base can better engage in public procurement.

My officials will work collaboratively with public sector partners to develop plans to move this work forward.

This statement is being issued during recess in order to keep Assembly Members and the industry informed. Should Assembly Members wish me to make a further statement or to answer questions on this when the Assembly returns I would be happy to do so.