

Following reports published by the Auditor General for Wales on **Public Procurement in Wales in October 2017** and the **National Procurement Service in November 2017**, please find observations and suggestions for going forward noted in this document for managing Public Procurement in Wales.

I concur with the recommendations presented on pages 14–16 of the Wales Audit Report which, based on my own observations and experiences, are unquestionable and completely justifiable. For R2 (p.14), please refer to my suggestions at the end of this report.

Major reviews like this are not new (e.g. McClelland) which in itself raises some fundamental questions. Wales is not a large nation and so one might argue that getting procurement right should not be so challenging. Yet, the deep and underlying issues which seem to prevent strategic procurement from being embedded and leveraged in Wales for achieving sustainable benefits have yet to be fully realised.

Each of the areas invited for comment are now discussed:

- *The overall impact of the 2015 procurement policy statement*

Under the leadership of Jane Hutt AM, Public Procurement in Wales (2012–2015) made great strides to improve its strategic position and public bodies progressed in understanding how procurement can become a strategic tool for delivering economic benefit to the wider community in Wales. The emphasis on Community Benefits, the revised SQUiD and the introduction of the Joint Bidding Guide should have provided a solid platform to deliver sustainable value-added benefits to all in Wales. Whilst good practices have been observed and are publicly evident through flagship construction projects, there has not been a consistent enough approach across Wales to fully optimise procurement in making a marked difference to the economy. I note at this point that procurement is not viewed as a panacea to all national problems. The untapped potential and scope was noted in the Community Benefits review (2013) (not published) and Joint Bidding Lessons Learned report (2015) (published). In my experience of international Public Procurement practices and observations over the years, Wales designs some of the most innovative procurement policies globally, but invests little, if any, funds in their implementation. Today, ironically, I have received another request by email for advice and support; *“there is some frustration amongst companies where they believe they are missing out on the business as it is being placed outside of Wales”*.

The Welsh Public Procurement Policy Statement (WPPPS) was last updated in 2015. Since then, we have experienced the EU Referendum, new procurement policies (Code of Practice) and several new legislations including Well-being of Future Generations Act (Wales) 2015; Modern Slavery Act 2015; and Public Contracts Regulations 2015. In Wales, we have also gone through change in Cabinet Secretary's support since 2015. The Referendum has led to political uncertainty in Wales and the UK, which has driven a perceived barrier between society and the government, not just in Wales. The Referendum has triggered social unrest which indicates a lack of trust and confidence. All of these substantial milestone changes will inevitably have impacted procurement and the market environment. This is at a time when pre-market engagement in procurement has become essential to drive best value and competition for public contracts. Recent discussions (last 6 months) with several procurement professionals in Wales reveals that the sector is 'waiting' for new direction through the WPPPS and the unexpected absence of an update has created some uncertainty about strategic emphasis and direction.

- *The planned 'Programme for Procurement' and actions that the Welsh Government is taking forward*

We might first question whether "Prosperity for All" was the appropriate phrasing given the current economic situation in Wales. To prosper, we first need to improve professional opportunities for those employed. The public sector in Wales employs 27.6% of people living in Wales which, compared to UK figures, is a much higher ratio than those people employed in the private sector. This means that any minor changes have a greater impact on the national economy. Internal promotional opportunities are key for driving skills and salaries up which will in turn improve the economic situation in Wales. Yet, Welsh Government report that median gross weekly earnings for full-time adults working in Wales increased by 1.0 per cent between 2016 and 2017, compared to a 2.2 per cent increase across the UK.

- *Fitness Checks of Public Bodies*

The methodology developed by Value Wales and deployed for producing fitness check reports by KPMG (2013) and PMMS (2014) enabled a snapshot view of the current fitness of procurement across the public bodies in Wales and these individual reports were published by Welsh Government. The report findings highlighted variation in approaches and level of professional competence across sectors (e.g. LA vs HE) and within sectors (e.g. HEPC). In PMMS report, key activities were frequently highlighted for improvement such as strategic development, action plan design, implementation of category management strategies, use of basic tools

developed by Value Wales, market engagement, and value adding benefits recognised through effective procurement. Whilst these reports provide us with benchmark comparisons, they do not enable us to reflect on year on year improvement. This limits the analysis in terms of understanding the journey and in showcasing what 'good procurement' looks like.

In these reports, not enough emphasis has been placed on the current lack of understanding about the strategic relevance of procurement in Wales. The fitness checks identified this issue, but the method and presentation of the final results somewhat masked and diluted the consistent findings, which should have been realised from these investigations.

- Skills and Competences

The Home Grown Talent project funded by WEFO provided opportunity for 25 young professionals. Whilst the project was seen as an opportunity to grow procurement expertise in public sector in Wales, this did not transpire. Many of the candidates moved to private sector organisations, taking the government invested skills with them. Whilst this evidences success for the individual candidates and is testimony to the quality of the training provided, for Welsh Government, this loss of skills represented a major failure for that project. A recent 'request for information' reported that it was not known how many candidates remained in employment with Welsh Government. The absence of this type of data and issues with transparency is a sign of mismanagement and failure.

Recruitment of skilled procurement professionals continues to be a major stumbling block as part of the procurement delivery plan. In many instances, public organisations are faced with the dilemma of employing from a small pool of applicants rather than employing the right person who is adequately experienced and qualified for the job. There seems to be a shortage of procurement professionals who consider public procurement in Wales as their career of choice. These constant shortages place even greater pressures on remaining staff and presents higher risk for government. Three senior procurement executives [that I am aware of] took early retirement in the last eighteen months and they have not been replaced. This does not leave the remaining procurement teams with much confidence about the significance of procurement in Wales and the leadership that it requires to constantly deliver best value when facing severe budget cuts.

– *E-Procurement Adoption across Wales*

Most public bodies now embrace the electronic tools and software available but there remains challenges with basic needs, such as broadband and internet access in some parts of Wales. This doesn't seem to have been noted in the reports. It is disappointing to see that some Local Authorities still do not engage fully with Sell2Wales for advertising contract opportunities. This is not helped by the introduction of other supplier portals such as Contracts Finder and Supply2Gov. It is also worth noting the flexibility when engaging with these portals. For example, introduction of a Joint Bidding Tab (tick box) took 18 months to install.

– *Plans to Merge the NPS Board and the National Procurement Board*

Constant governance restructuring that takes place in government and at the local level raises serious concerns going forward. The latest being the regions and the public service boards (though I feel this new structure is a positive development). Wales is a relatively small nation compared to that of Scotland and England, which means that we should be better placed to deliver high impact through effective procurement which brings benefits quickly to the community. Our current situation is far from this which brings into question the executive representation for procurement in Wales and their influence on making change happen. We are fortunate to have a strong, highly motivated Commercial Director, who brings strategic insight and knowledge to Wales. However, one procurement leader is not enough to influence and build the transformational changes required to ensure that procurement helps to lead Wales forward. Here, I allude to the senior governance structure and the role of the National Procurement Board. When I started co-chairing the Joint Bidding Steering Group in November 2013, there was regular mention by members (most procurement managers) about a National Procurement Board. Yet, no one could name the board members or even the Chair. It took more than two years to gather this information and trying to understand their role in leading and influencing strategic procurement remains unclear. This lack of transparency is surely indication as to why a consistent message and list of strategic priorities is lacking in Wales by the people who lead and manage procurement of goods and services.

– *Effectiveness and impact of collaborative procurement arrangements*

There are pockets of good practice identified with the collaborative arrangements in place for NWSSS, NPS and HEPC. Yet, over half the annual procurement spend still lies with Local Authorities. This demonstrates the scope for future collaborative agreements but importantly highlights that £3.3 billion of tax payers'

money is still being managed by organisations which evidence varying levels of competence and capability

The focus on procurement continues to be on direct spend categories. It is refreshing to see that National Procurement Service (NPS) have introduced categories for services such as Corporate and Business Support, Information and Communications Technology, People, Utilities and Professional Services.

The collaborative arrangement for managing a demands-based approach to procuring these services means that data analysis can be better managed. Going forward, this will support improved transparency and scrutiny of public money.

The principles and strategy of NPS provide a sound platform for collaborative arrangements via frameworks for other public bodies to use. However, something not anticipated was the resistance of these public bodies to collaborate with NPS. Low confidence in the business model and moving to a centralised arrangement was considered a barrier rather than an enabler to more effective procurement. In my discussions with suppliers, they perceived the centralised procurement approach as a barrier to prompt payment when many local authorities had significantly improved settlement terms. Despite these concerns it must be noted that investment in resource capabilities through CIPS training, and best practices such as category management and pre-market engagement have been exemplary. My involvement has mainly been with supporting the pre-market engagement. These events have been well attended by suppliers and information shared by procurement teams is fair and consistent, but the procurement pipeline needs more careful consideration to allow sufficient time for suppliers to prepare bids, especially when joint bids are invited. The current adhoc approach only leads to further frustrations by suppliers and alienates them from future opportunities. Going forward we must harness the good work, improve capability and use it as a benchmark for future success.

Recommendations

Going forward, the following suggestions are offered for improving the current standing for public procurement in Wales:

- *Developing a competitive nation*

The goals and essential ways of working highlighted in the Well Being of Future Generations Act (Wales) 2015 should be more fully utilised to provide the

leadership and direction for Public Procurement in Wales. This legislation is not only important for Wales, but it feeds into the United Nations' Sustainable Development Goals. We operate in an uncertain political climate and the outcome of Brexit remains unclear. Any changes that are made now should reflect Wales as part of a global economy and not just a member of the EU. That means that individuals and procurement teams should be upskilled to coordinate relevant support for suppliers and be able to recognise areas for improvement. Investment in skills to support the five essential ways of working will bring wider benefits to Wales. There are resources available to support this, e.g. ISO 20400:2017 Sustainable Procurement. Important skills to support the five ways of working include; communication, business strategy, innovation, risk management and collaboration. The procurement professional needs to have an enquiring mind to challenge current processes, drive innovation, encourage collaboration both inside the organisation and outside.

- *Integration*

In Wales, finance, procurement and economics need to be more closely integrated as critical to the future of Welsh economy. The notion of departmental silos has been an ongoing issue (not just in Wales and not an issue limited to public sector) and noted in the Cabinet Secretary's title: Minister for Finance. The Minister [for Finance] also oversees procurement (National Procurement Service and Value Wales) and the responsibility extends to many other procurement related activities: *Strategic Investment; Value for money and effectiveness; Provision of strategic direction and management of the resources of the Welsh Government; City Deals; Invest to Save; WBFG and liaison with FG Commissioner; Acquisition, maintenance and disposal of property and other assets.*

For Wales to more fully realise the strategic socio-economic impact that can be achieved through procurement, it is important for procurement professionals to coordinate with businesses in Wales, improve its engagement with third sector organisations, to understand entrepreneurial activity and skills development and shortages in Wales. This helps procurement teams to recognise supply chain voids and better understand the competitive landscape in Wales when designing tenders. Closer collaboration with the supply market will lead to wider sustainable benefits and improved value for money. Development of these areas currently fall under the Cabinet Secretary for Economy and Transport, i.e. *Support and advice to assist the establishment, growth or development of business; Entrepreneurship, enterprise*

and business information; Social Enterprise and the social economy; Simplification and integration of business skills and business development services.

- Governance

Driving sustainable change starts at the top. The National Procurement Board should be reviewed, in terms of its membership and strategic direction, influence and scrutiny. Simply merging it with NPS board may bring more issues later on.

Wales would benefit from a centralised procurement structure which is strategically supported by all. This not only leads to more efficient use of public money, it leads to tighter control, easier performance management. All of these benefits lead to reduced risk. Collaborative arrangements are important for innovation and efficiency gains but there is no evidence of a consistent framework for managing these partnerships. The International Standard (ISO 44001:2017 Collaborative Business Relationships) provides a framework and structured approach which focuses on the alignment of goals, objectives and working together. This would also allow for better management and for public scrutiny. A centralised approach is not without challenges: e.g. skills and resistance to change. A higher skilled workforce, which has already been identified in this report, is in shortfall and so more investigation and investment is required to overcome this. Managing change is a development area for skills improvement.

- Data Integrity

This must be a key priority going forward with General Data Protection Regulation (GDPR) coming into effect 25th May 2018. Using a structured approach for managing governance and investing in technological skills and competences will make auditing more manageable. This applies not just to procurement but also the suppliers being contracted in.

- Investment

Welsh Government has previously secured WEFO funds to invest in professional development at the entry and management levels in procurement, and this report emphasises that future investment needs to continue but that it should be further matched with investment at the top, at the strategic and national levels. Importantly, any future investment also needs to be managed. There needs to be clear, well communicated targets and critical evaluations built in as part of the process.

- *Measuring what matters*

The existing collaborative arrangements such as National Procurement Service may be failing in terms of meeting their original objectives, but the criticisms are overlooking what has been achieved successfully, and the reviews do not tackle the root causes of the issues preventing their effectiveness. The greatest challenge and barrier for NPS and other collaborative arrangements has been that by transferring business to these arrangements, there is a perceived loss of skills and control held at the local level. As noted previously, managing the change, making the objectives clear and communicating the benefits are critical for future success.

- *Sharing Good Practice*

There is no doubt that the reviews and fitness checks have identified serious shortcomings, but they have also identified areas of good practice. These exemplary cases should be better captured, and examples of best practice disseminated to inspire and motivate others. This can be achieved through newsletters, reward mechanisms and showcasing events. The Procurex Awards have gone some way to support this but there was a noticeable drop off in submissions by Local Authorities this year.

Finally, a key issue which has been highlighted with the recent collapse of Carillion brings other new challenges to the management of procurement in Wales. An investigation is required into the management of major contracts, especially in preparation for the major infrastructure projects forthcoming. This again highlights the need for greater interdependence and communication between procurement, finance and economics. Using the words of David Watt, IoD Scotland, *“Procurement needs to move away from large contracts that favour very large contractors. Smaller-sized contracts under improved public sector management offers the best way forward.”*