

Thank you for your recent correspondence and invitation to attend the Public Accounts Committee on 5th February 2018. As requested please find below a response from Denbighshire County Council (“Council”) against the areas you have highlighted.

1. The Welsh Government’s leadership role for public procurement in Wales

i. The overall impact of the 2015 procurement policy statement;

The Wales Procurement Policy Statement (WPPS) 2015 has provided a set of useful principles for the Welsh public sector in the development of their procurement function. The Council has incorporated the statement principles within our new Corporate Procurement Strategy.

However, the practical implementation of the policy principles still remains very challenging especially within a devolved procurement environment whereby the Council has a small Corporate Procurement Team of 10 staff in the centre which is trying to influence and take forward procurement improvements across multiple service areas which consists of up to 150 service officers who undertake procurement activities on a daily basis.

It is felt that there are elements of the policy statement which are impractical to deliver. For example:

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

Based on this benchmark the Council would need to recruit an additional 5 Procurement professionals at the cost of £300,000, which in the current climate of reduced budget funding would not be achievable or affordable.

Although many of the other policy principles have been welcomed and adopted in reality the other main challenge is for the Welsh Government in how best can they support the implementation of the statement principles across Wales.

Over the last few years there has been a gradual reduction of support available from Value Wales to support individual public sector organisations in implementing the policy statement and this is especially an issue for such Welsh public sector organisations which have limited procurement capacity.

Due to the reduction of Value Wales resources over the years there is a stark difference in the quality and depth of on-line procurement support available in Wales in comparison to what is being provided by the Scottish Executive on procurement matters in Scotland.

The Scottish Executive website has a wealth of procurement guidance and policy notifications available on a numerous topics e.g. Construction, Social Care etc. The Policy notes are very clear, concise and contains the appropriate legal advice and sample contractual clauses and tender questions. The Procurement Route Planner website provided from the Welsh Government on the other hand has not been regularly updated and refreshed and the content is considered inferior in comparison to Scotland.

Additionally, we have seen a number of procurement policies being launched by Welsh Government, for example the recent Code of Practice on Ethical Employment in Supply Chains, whereby there has been very limited prior consultation with procurement practitioners in developing the policy, which has resulted in individual organisations having practical difficulties in being able to implement.

ii. The planned 'Programme for Procurement':

Although the Programme for Procurement has been shared in high-level terms at an NPS Delivery Group, to date there has been limited wider consultation on the programme content and we are under the impression that the programme development has been put on hold until the internal review of the National Procurement Service and Value Wales has been completed.

The new Programme for Procurement needs to take Welsh public sector procurement to the next level and must be seen as something fresh , innovative and will make a difference in comparison to what has been promoted in the past. Therefore, there needs to be lessons learnt that practical hands on support for individual organisations is required to improve their procurement practices rather than policy and initiative overload being launched from central government.

The new Programme will need to address a number of key improvement areas such as:

- Category Management
- Contract Management
- E-Procurement
- Procurement Training Framework
- Procurement Policy especially in relation to Community Benefits best practice and also promoting Local Supplier Development
- Develop a Target Operating Model on how future organisational structure of Procurement across the Welsh Public sector could be developed to ensure a consistent and fit for purpose delivery model is in place; in order to deliver commercial best practice and to deliver against the policy objectives, whilst addressing the current resource capacity issues and staff retention considerations as well as ensuring regional and local consideration are strengthened

iii. [Actions that the Welsh Government is taking forward to review the fitness of individual public bodies' procurement arrangements](#)

The Fitness Checks that were undertaken in the past were welcomed in principle, but the way the Fitness Checks was carried out was flawed.

The appointment of external consultants who undertook the fitness checks review and were allocated only 1 day on site per organisation to undertake interviews etc. was insufficient and could never realistically begin to understand and assess the level of procurement maturity progress within a typical organisation.

The Fitness Checks measures that organisations were being assessed against had also several weaknesses, since for example there was an expectation for individual Councils to adopt best practice such as category management implementation, where in reality the size and structure of the organisation being assessed wasn't suitable to implement the desired improvements. Therefore different size public sector organisations were being unfairly benchmarked against each other.

We would be supportive of continuing to use fitness checks in the future on the provision that the approach and format is changed and funding is made available to organisations to support them to implement any procurement improvement recommendations.

iv. **Actions that the Welsh Government is taking forward to promote e-procurement.**

Welsh Government through Value Wales over the years has invested substantial amounts of funding on the development and implementation of e-procurement across the Welsh public sector.

However, the level of take up of various e-procurement tools amongst individual organisations has been inconsistent and very poor considering the central funding investment provided to certain software providers under contract.

Denbighshire Council although we are using the e-trading marketplace we are however receiving limited benefits, due to the difficulty in getting suppliers to engage to provide catalogue content and e-invoicing due to the software not being very user friendly.

The Welsh Government E-procurement programme has at times lacked sufficient strategic direction with too much emphasis put on funding and promoting the e-trading marketplace which is a transactional procurement solution which hosts electronic supplier catalogues and promote electronic invoicing. There should have more focus on e-sourcing solutions including contract management as well as exploring category management tools which more aligned to strategic sourcing requirements rather than promoting and extensively funding software which dealt with ordering and payment transactions.

Over the last ten years Denbighshire County Council has implemented and adopted an alternative e-procurement tools from PROACTIS, since it has been our vision that we need an integrated solution from a single software provider to cover the full procurement cycle rather than adopt the Welsh Government approach whereby different software providers provide different solutions which are not integrated and in some instances the software providers are duplicating functionality which is causing confusion within the sector.

In the future we would welcome the continuation of investment and commitment shown by WG in promoting e-procurement, but WG needs to ensure that any funding and resource support made available (NB: It is currently unclear if there will be continuation of WG centrally funded

support) must be made available to ALL Welsh public sector organisations regardless of which software provider that is being used.

Also any future e-procurement tools that are being offered need to be selected based on the feedback and specific specification requirements of the Welsh public sector users rather than adopt software tools that are readily available on convenient framework arrangements procured by others such as the UK central government. Wales needs to be in control of our own e-procurement strategy rather than being influenced by public sector organisations outside Wales.

v. [Issues relating to access to the recruitment and retention of key procurement capability.](#)

Over the years the Welsh public sector organisations have recruited and invested in Procurement professionals. For example Denbighshire County Council has invested in and created 9 new procurement posts over the years and has also put in place a collaborative arrangement with Flintshire County Council for a joint procurement service which serves both Denbighshire and Flintshire Councils.

However, since the creation of the National Procurement Service (NPS) the retention of staff has been difficult due to the higher salary grades that's been offered. This has led to locally trained Procurement Officers being lost from the sector and this has been problematic especially in North Wales where there are problems in being able to recruit Procurement professional replacements. Going forward if Wales is to succeed in building for the future we need a programme of investment in a modern procurement professional. We require a more commercial awareness, a strategic approach with continued professional development.

We also need to ensure that there is sufficient procurement resource capacity in each organisations to deal with the ever increasing workloads and the more complex procurement projects. There should be further consideration to see if central WG funding could be made available to ensure that the 1 procurement professional per £10m ratio as stipulated in the Welsh Procurement Policy Statement is complied with.

Unless the resource capacity issue is addressed and contracts are procured and managed by capable Procurement professionals then we will still have scenarios of unqualified and in the main untrained officers in service areas

which have procurement responsibilities in their job description being tasked to delivering efficiencies and being compliant with policy and regulatory requirements.

1. The effectiveness of national governance arrangements, also in the context of the Cabinet Secretary for Finance and Local Government's recent statement (21 September 2017) and the Welsh Government's plans to merge the NPS Board and the National Procurement Board.

This is something that we would welcome. However the new governance arrangements will need more strategic procurement representation, with board members who are senior procurement professionals who understand the procurement landscape and the challenges ahead.

Also the new Board will also need to ensure there is a balance of geographical coverage, since in the past there has been no North Wales representation, which has resulted in the voice of North Wales not being sufficiently heard and feedback obtained from previous Board meetings being very limited.

2. The effectiveness and impact of collaborative procurement arrangements through the main Wales-based procurement consortia and public buying organisations, with a particular focus on the role and development of the National Procurement Service.

The effectiveness and impact of the National Procurement Service for Denbighshire has been very limited. Currently we are only benefiting from 20% of the 50+ framework agreements that have been procured.

The main issue surrounds the lack of value for money considerations and the detrimental impact on our local supply chains. For example we recently benchmarked the NPS Sandwich filling agreement and established that the NPS prices were higher than our current prices. We then procured our own tender and as a result we achieved more favourable prices and awarded the contract to a local supplier.

There is a need for more robust price benchmarking to be undertaken on NPS tenders at the tender evaluation stage to establish if the particular framework agreement does indeed provide value for money against current prices being paid within the Welsh public sector.

If it's established that prices obtained by the NPS are not favourable in comparison then a decision must be made whether to proceed with the tender

award process, thus avoiding the scenario of launching and promoting NPS framework agreements that are deemed not to be providing value for money.

The NPS need to reform their operating delivery model, since in principle the theory of “Buying once for Wales” is sound in principle provided the balance of commercial delivery and local social and economic benefits can be addressed going forward.

The Council in implementing the new Corporate Procurement Strategy has had recent success in delivering efficiency savings whilst at the same time delivering a local supplier development programme in supporting local and Small Medium Friendly suppliers to win more public sector contracts.

Additionally, the Council has also led on developing and managing the Regional 21st Century Schools Construction Framework Agreement across North Wales. The approach that has been undertaken has resulted in local regional construction contractors being awarded the majority of the construction contracts whilst at the same time delivering impressive community benefits through collaboration amongst the framework contractors.

The National Procurement Service should in theory be the contracting arm of choice for the entire Welsh public sector which could see the category of spend areas that they get involved in being extended to high spend areas such as construction and social care. However the NPS will need to regain the confidence within the sectors of being capable of delivery in the first instance.

There is also the need for the NPS to consider awarding a greater number of suppliers onto respective framework agreements in order to provide greater user choice and provide more competition especially when doing further mini competitions.

The NPS also need to more sensitive to the requirements of North Wales public sector organisations since there is a tendency for Category Forums to be held in the south and mid Wales, which makes it difficult for stakeholders in North Wales to participate and to feel part of the solution delivery. In many cases the evidence suggests that engagement in Category Forum meetings whereby the procurement sourcing approach is developed for individual framework agreements is not widely attended across different sectors across Wales, which then means that take up of the framework agreements when awarded is limited.

In summary the procurement landscape across the Welsh public sector has evolved and developed over the years, however there still remains a number of challenges and improvements that must be addressed going forward as part of the Programme for Procurement.

There also needs to a more joined up and clear strategic vision on how the Welsh public sector can work together on future procurement matters without compromising any local arrangements and policy objectives.