

Procurement Task and Finish Group

Meeting Venue: **Committee Room 3 - Senedd**

Meeting date: **Wednesday, 14 March 2012**

Meeting time: **11:26 - 12:48**

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



Concise Minutes:

Assembly Members:

Julie James (Chair)
Byron Davies
Eluned Parrott
David Rees
Leanne Wood

Witnesses:

Alison Standfast, Deputy Director of Procurement, Value Wales
Nick Sullivan, Value Wales
Kerry Wilson, Value Wales

Committee Staff:

Lara Date (Clerk)
Sarah Bartlett (Deputy Clerk)

1. Introductions; Apologies and Substitutions

There were no apologies or substitutions.

2. Inquiry into influencing the modernisation of European procurement policy : Evidence session

The Chair welcomed Alison Standfast, Nick Sullivan and Kerry Wilson from Value Wales.

Risk aversion: a number of factors cause risk-averse behaviour in the procurement sector in Wales: the culture of the public sector places a lot of emphasis on process and getting things right, and there are greater consequences for getting it wrong than taking a chance. The behavioural culture of some organisations rewards risk-aversion more than it rewards risk-taking. A lot of Value Wales work is around sharing good practice to encourage people to take more chances.

Value Wales noted that the legal consequences of being non-compliant are much greater than four or five years ago; purchasers can face fines and infraction and have the contract suspended, therefore lawyers tend to be even more risk averse and that advice often takes precedence over legal advice. Value Wales has been looking to address this with training and workshops for lawyers to discuss opportunities and reach a consensus view. Three workshops in February and March were well-attended by procurement specialists, but only some lawyers and heads of legal services attended, so there is more work to be done.

Developing the community benefits policy:- Where efforts to put social clauses into contracts have worked it has not just involved the procurer pushing the policy, but the legal team, project manager and budget holder also understanding, and a team of people involved in the decision-making having one mind as to what they are trying to achieve.

The ability of procurement professionals to influence within their organisation depended on both their technical competence and how much they are able to communicate and influence changes in behaviour. Individuals also earned the right to influence within organisations by showing they could deliver.

In response to questioning why Wales and/or the UK seemed to be more risk averse than other EU Member States, Value Wales had commissioned some research to explore whether the evidence really supported the claims. Risk aversion was not just the only factor influencing progressive approaches to procurement.

The group explored the status of procurement specialists within public contracting authorities. Typically in most organisations the head of procurement would report to the head of resources or finance director, or even be one or two tiers below that, and that distance could be an issue. By contrast in the private sector the buyer would typically be on an equal level and would make a joint decision: a partnership approach with joint accountability for the outcome. A lot of public sector organisations have a procurement department there to give advice but they do not necessarily take the advice. Strengthening the role of procurement is something that is being looked at within the Welsh Government itself, including through up-skilling measures and engaging with legal advisers to strengthen the advice given and influence the flexibility of the legal advice. Externally in other parts of the Welsh public sector there is evidence that where the head of procurement is at a more senior level the results are definitely stronger.

It was noted that there had been some public sector organisations whose procurement activities had until recently fallen outside the remit of Value Wales, e.g. CADW, The group explored the extent to which Value Wales had the 'teeth' it needed to promote progressive procurement policy right across the Welsh public sector, and what levers were available to the Welsh Government. Value Wales' role was to identify the right things to do and push engagement in changing behaviour. Aside from legislation, the Welsh Government was looking at possible levers around performance measures, how organisations report what they have achieved, and the link between performance and funding, and grant conditions. In giving Value Wales more 'teeth' it was important not to go so far that energy was driven towards resisting what was being asked. Engaging people in policy and working together to develop tools leads to greater adoption at the end. Where there is resistance though, it would be helpful to have some mechanism to

deal with that. Arrangements and powers varied by sector, and also the Welsh Government and many sectors had shied away from publishing outcomes and comparing organisations' performance in the past.

It would be helpful if Welsh contracting authorities were required to have a certain level of capability or access to it – that was something that had been looked at in Scotland.

The amount of time and effort the Welsh Government spent on pushing change was frustrating, and the costs incurred in trying to promote change were often disproportionate to the change achieved. Anything that could speed up the response of outside organisations to trying new things would be helpful.

It was being considered whether there should be a stronger 'badged' Welsh Government statement on what Welsh procurement policy should look like - to drive Government priorities, and with recognition from public contracting authorities that the Welsh Government had the right to set that, and that they were required to adopt the policy at local level.

To give procurement a better status and make it more interesting it was important to focus on outcomes rather than process, and for buyers to use the right language for the people they want to influence. Putting the procurement function in a wider context and giving professionals the opportunity to work in other areas, managing contracts and money and taking on roles beyond procurement, would help. Procurement outcomes should be linked back to over-arching corporate strategic objectives, and the adoption of outcome-based key performance indicators would help and some work has been done on this.

There was a discussion as to whether the Chartered Institute of Purchasing and Supply (CIPS) qualifications were appropriate in the fields of big spend areas such as construction and social care where those purchasers tended not to be from a procurement background or have CIPS qualifications. It was noted that in these areas additional skills and knowledge were also required. It was noted that work was also being done to look at National Occupational Standards and social care qualifications.

National Procurement Service (NPS)- there was discussion of whether this proposal to buy 'Once for Wales' could pull in the opposite direction of efforts to lot contracts rather than aggregate, in order to address the concerns of small businesses trying to access the market. It was intended to bring the spend in existing all-Wales agreements together to be more cost effective and also see if there were any inward investment opportunities arising, for example on the distribution side. However Value Wales was very conscious of the potential economic impacts and would be assessing that to ensure that the overall outcome was beneficial. The NPS would be aimed at the approximately 20 per cent of public sector spend on commodities that were mostly not manufactured in Wales. The operating model options and whether organisations could opt in or out were still under consideration. The Chair noted that if it was voluntary then there could be an audit element built in to assess the impact for organisations that did not opt in.

With regard to concerns of micro-businesses about the SQUiD pre-qualification tool being hard to work with and not always relevant to their circumstances, the group asked about electronic implementation of the system. The intention was for organisations to be able to add to the standard questions in SQUiD as far as is relevant to the particular tender, but it was noted that some people might add to it a lot. There

had been a delay in electronic implementation but if it became electronic it would allow monitoring of how it was being used. The system would look more 'clunky' to businesses until it was electronic, and it was hoped that it would move forward from Ministerial 'pause and review' stage again soon.

Contract management – in response to a question about concerns that procurers were choosing the simplest forms of contract because they did not have contract management capabilities, Value Wales noted the effect of budget cuts on the staff resources available to manage multiple suppliers. It was about having a balance. Using a lot of small suppliers directly carries greater costs and greater risks if the organisation fails to manage the contracts. Alternatively you use a larger company but focus on the supply chain and community benefits policy where projects are of the size that that makes sense – that is the decision that has to be made when setting the procurement strategy.

It was noted that the group had had very different perspectives on that issue from organisations and it was asked what guidance the Welsh Government gave. Value Wales advised contracting organisations to do what is necessary to protect employment in Wales. This did not necessarily mean direct contracts but ensuring the strategy had that aspect built into it. The procurement route planner gave guidance on thinking about the employment impact and other impacts, both positive and negative, at the start of the procurement process.