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**Cabinet Secretary for Finance**



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*Deu Hick*

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I have today issued a written statement about the outcome of the review of the National Procurement Service (NPS) and Value Wales and the next steps.

The review process has captured valuable insight from a wide range of stakeholders. I am grateful to public sector colleagues, the Future Generations Commissioner and business representatives for the time committed to support the review.

Through the review, Welsh Government has also worked with stakeholders to consider the recommendations of the two procurement reports published by the Auditor General for Wales; commitments emerging from the Public Accounts Committee inquiry into procurement and observations you made during your statement about public procurement on 2 May.

When I announced the review in September 2017, I was clear a new approach to procurement was needed to safeguard the long-term interests of Wales as the UK prepares to leave the European Union and as a result of the ongoing impacts of austerity.

The perspective gathered through the review has underlined the need for change and highlighted that refocusing the NPS and Value Wales will not deliver the necessary transformational change. The written statement announces important structural and delivery changes.

The review has found that the NPS model of delivering large, national frameworks and maximising price savings through aggregation of common and repetitive requirements is no longer the overriding priority for a significant number of customer organisations. In a large number of national frameworks, it has proven impossible to deliver agreements which

satisfy the priorities of all customer organisations. Consequently, customers have made alternative arrangements.

Stakeholders have advised that collaborative procurement support with a regional and local focus is required to enable them to deliver against the national wellbeing goals. This will complement the aims of the Economic Action Plan and seize opportunities for using procurement expenditure to deliver the aims of the Fair Work Commission.

We will work with the NPS team, its customers and other key stakeholders to transition the service into a new business model. I am not expecting this change will lead to any job losses. In the meantime, several actions have been initiated to achieve savings and address the funding issues associated with the NPS.

It has been clear from the review that stakeholders want a stronger national policy development unit, coupled with a new skills and capability programme. This approach will provide customers with the necessary support, resources and capability to innovatively deliver better outcomes through procurement, in line with the Wellbeing of Future Generations Act. Plans to develop this unit and its programme of work will be taken forward with stakeholders.

Procurement is a strategically-important lever which we will use as a central element of a wider, strategic approach to drive up economic and community wealth and wellbeing across all parts of Wales. I will provide updates to the committee and to Assembly Members as the plans to implement this transformation programme progress.

In the meantime, I have attached an update to reflect how the review has sought to respond to matters discussed on 5 March when the Welsh Government attended a session of the Public Accounts Committee and the recommendations of the two procurement reports published by the Auditor General for Wales at the end of 2017.

Thank you for your ongoing interest in procurement and I look forward to working with you in the autumn.

Best wishes,

Mark

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## **Public Accounts Committee – Inquiry into Public Procurement**

### **1. Introduction**

- 1.1 The Welsh Government gave evidence to the Public Accounts Committee (PAC) on 5 March.
- 1.2 In addition to general procurement evidence, a range of areas were identified which could be explored through the Review of the National Procurement Service and Value Wales.
- 1.3 The Review has been coordinated by a dedicated team from within the Welsh Government. The process has been supported by the time and commitment of a wide range of stakeholders from across the Welsh public sector, the Future Generations Commissioner and business. This broad engagement has helped establish the scope for reaching consensus on future service priorities.
- 1.4 The Wellbeing of Future Generations Act has been embedded within the work of the Review and helped inform some of the future service model and delivery options which have been explored with stakeholders.
- 1.5 This paper provides a themed update, illustrating how engagement with stakeholders generally and through the Review has helped progress and inform development of several procurement work streams.

### **2. Capacity and Capability Building**

- 2.1 Building of the procurement profession across all parts of the Welsh public sector was a key theme in the evidence submitted to the PAC.
- 2.2 Through the Review, stakeholders have been encouraged to identify current and future needs to help shape a future capability building programme.
- 2.3 This engagement has identified the need for a multi-faceted future skills and capacity building programme to include a refreshed competency framework; a Wales-wide professional programme; updated short course training with particular focus on new commercial skills, decarbonisation and Wellbeing of Future Generations; and development of on-line capability development resource.
- 2.4 In addition, opportunities will be explored to strengthen relationships with schools, colleges and universities to promote procurement as a career of choice and to provide a future talent pipeline to help mitigate the impact of pay differentials across the Welsh public sector.

### **3. Communications and Engagement**

- 3.1 At the time of the Welsh Government's attendance at PAC, a commitment was made to improve communications and engagement with the Review.

- 3.2 A communications and engagement plan was developed and implemented for the Review. This has involved communicating through newsletters, social media and of course the formal groups and boards which were established to support the Review.
- 3.3 All major parts of the Welsh public sector were represented and engaged in the Review process, as well as business and the future Generations Commissioner.
- 3.4 Engagement has taken place with key user groups such as transport managers, food hygiene managers and the wider procurement community.
- 3.5 The communications and engagement plan has also supported dissemination of messages across the NPS and Value Wales teams.

#### **4. Policy Development – Community Benefits and the Supplier Qualification Information Database (SQulD)**

- 4.1 Discussion at PAC centred around developing the Community Benefits measurement tool to allow public bodies to capture and record wider value which could be delivered through procurement.
- 4.2 As part of its ongoing development, the measurement tool now incorporates a carbon measurement facility, enabling decarbonisation achievements to be recorded against specific contracts, as well as other environmental, social and economic benefits.
- 4.3 The SQulD has been redeveloped to incorporate the new European Single Procurement Database requirements. To support its consistent application, supplier selection guidance has been produced and issued across the Welsh public sector.

#### **5. NPS Engagement and Pipeline**

- 5.1 It was outlined that, notwithstanding the Review, efforts were being made to better understand customer requirements and to ensure that NPS offerings would be viewed as agreement of choice.
- 5.2 Through the Review process, customers have been invited to examine each contract area and to indicate their preferred model and approach for future contracting across all of the NPS agreements. This information will help shape the next steps.
- 5.3 In addition, NPS customers have been consulted to establish new approaches to communications, improved access to NPS agreements and development of case studies setting out the benefits of using NPS agreements. Advantages of using the NPS agreements are now articulated on the website and delivered through simpler messaging.
- 5.4 The opt-out process has been discussed with customer organisations as part of each framework. Through improved understanding of customer requirements, a more flexible, informal opt-out approach has been in operation. The NPS has now supported over 30 'committed' mini competitions. Consequently, actual expenditure against NPS frameworks in 2017-18 amounted to £299m, compared with an initial forecast of £248m.
- 5.5 Future approaches to funding of NPS have been discussed with customers through the Review process. Further work is required to achieve a consensus view on the

funding model and this will be informed by the outcome of the in-depth examination of how public funding is used more strategically. In the meantime, several steps have been taken to reduce the gap between the NPS costs and its income.

- 5.6 Now that this stage of the Review has been concluded, further case studies and reporting will be developed to enhance awareness of NPS offerings across customer organisations and to increase the prospects of SMEs growing their share of expenditure.
- 5.7 Work is ongoing to examine the benefits of engaging with the UK Government's Crown Commercial Services and other public buying organisations.

## **6. Procurement Fitness Checks**

- 6.1 Through the Review process, customers have outlined that a new programme will be required to grow capability both at organisation and officer level. This will be developed in consultation with stakeholders and will reflect the opportunities for supporting delivery of value nationally, regionally and locally.
- 6.2 Dialogue is ongoing with the Welsh Local Government Association to explore the suitability and applicability of an approach developed by the English Local Government Association.

## **7. Strategic Alignment**

- 7.1 During discussion at PAC, procurement was acknowledged as a cross cutting policy which needed to be strategically aligned to support other policies and priorities.
- 7.2 As part of the Review, stakeholders were asked to evaluate a range of future service models to identify the best fit option which could complement priorities such as Brexit, the Economic Action Plan, budget constraints and Wellbeing of Future Generations goals.
- 7.3 It was noted that different parts of the Welsh public sector had different priorities and therefore consensus on a future NPS service was not achieved across all categories of expenditure.
- 7.4 Consequently, high level proposals were identified as preferred options for future NPS and Value Wales service model delivery. Implementation of these will be explored in more detail with public sector leaders and their senior managers.
- 7.5 The NPS Delivery Group was used as the core vehicle for undertaking work within the Review. Future governance and monitoring of procurement will flow from the in-depth examination of how we use public funding to support public service delivery and to build economic growth and wealth across Wales.