Review of the National Procurement Service and Value Wales

1. Introduction

- 1.1 The review of the National Procurement Service (NPS) and Value Wales was announced in September 2017 by the Cabinet Secretary for Finance.
- 1.2 The review sought to develop organisational proposals for using the public sector's £6bn annual procurement spend to maximise the economic, social, environmental and cultural well-being of future generations across Wales.
- 1.3 The review was taken forward in collaboration with public sector, business and social partners to further evolve the NPS and Value Wales into service models which address stakeholders' current and future requirements.
- 1.4 The conclusion of the review was announced on 5 September 2018 by the Cabinet Secretary for Finance who also wrote to the Chair of the Public Accounts Committee (PAC) to provide an update on the Written Statement (Annex 1) and the work undertaken to reflect how the review sought to respond to matters discussed on 5 March 2018 at the PAC Session.

2. Findings from the Review

- 2.1 The Welsh Government established a small team to manage and coordinate the review process. The review team was led by a Deputy Director independent of the procurement function. This arrangement was welcomed by stakeholders.
- 2.2 Draft terms of reference were developed by Welsh Government and shared with interested stakeholders. Stakeholders were asked to nominate representatives to work with Welsh Government to deliver the review. A range of officers from across the Local Government, NHS Wales, Higher Education, Police and Fire and Rescue sectors engaged in the review process. In addition, the Federation of Small Businesses Cymru and the Future Generations Commissioner participated in the review.
- 2.3 A Welsh Government Oversight Board monitored progress of the review. External engagement was secured via a Stakeholder Group. At the first Stakeholder Group meeting members proposed that the detailed work should be taken forward by a Delivery Group comprising procurement practitioners and specialists from key categories such as social care and construction, to take the work forward to develop the proposals, with the Stakeholder Group retaining an overview role.
- 2.4 Stakeholders quickly clarified that the original premise of achieving savings through the NPS was no longer, in their view, the overriding priority and that different delivery approaches were required to deliver against national wellbeing goals.

- 2.5 To enable stakeholders to engage fully, Welsh Government provided the secretariat for the review, providing the data, information and resource to enable options to be explored.
- 2.6 The review gathered candid insight from stakeholders who engaged with the review with regard to their perceptions of the NPS and Value Wales:
 - It became evident through the course of the review that refocusing the NPS and Value Wales was not what key stakeholders wanted;
 - There was considerable strength of feeling amongst most stakeholders in respect of the NPS. Issues including relationship management and service delivery prior to the review had negatively impacted on the level of positive engagement with the service;
 - Many stakeholders considered that the NPS had gone beyond its original brief, had introduced 'scope creep' in order to maximise levy and had also become an agent of Welsh Government rather than the independent body as defined in the original business case;
 - Some stakeholders believed that the NPS had not succeeded as it had not delivered the benefits set out in the original business case;
 - There was strong consensus regarding the positioning of Value Wales. Most stakeholders wished to see Value Wales removed from the NPS structure to manage perceived conflicts of interest and ensure clearer accountability;
 - Stakeholder requirements of Value Wales included development of new national procurement policy and delivery support and capability and capacity building, especially in foundation sector areas such as social care and construction:
 - Some stakeholders felt that imperatives had changed since the NPS was established. The demand for national contracts appeared to be limited only to those areas where Wales-wide contracts would yield an optimum level of value;
 - Most stakeholders indicated that national contracts which did not deliver distinctly different Welsh policy or provide no additional value to Wales should not duplicate Crown Commercial Services (CCS), or other UK-wide contracts:
 - Some stakeholders favoured more regional and local approaches to procurement, whereas others felt national approaches were still important;
 - Work to develop procurement professionalism across the public sector would be beneficial to help stakeholders grow capability, capacity and enable organisations to retain their skilled workforce;
 - Customers sought assurance that a future digital procurement strategy would complement policy development and capability building programmes. Digital procurement was outlined as being integral to collaboration, could simplify access for suppliers and provide the data and intelligence to inform future policy and decision making; and

 To drive up involvement of indigenous businesses in procurement, many stakeholders called for more coordinated support to fill business supply voids and to increase the capability of cooperatives and mutuals and the voluntary sector to deliver public contracts and services.

3. Internal Assurance

- 3.1 The Senior Responsible Officer for the review programme instigated internal assurance mechanisms, at various points in the review process, including a Gateway review.
- 3.2 These mechanisms confirmed there was limited mileage in seeking to refocus the current NPS structure. Stakeholders requested continuation of NPS work which was valued, with the remainder of the agreements being run down.
- 3.3 Due to the outcome of the review, which was not intended to produce a detailed implementation plan, no formal report containing recommendations was compiled.

4. Written Statement

- 4.1 Stakeholder insight captured during the process reinforced the need for the procurement review. This feedback informed the proposed new direction set out in the Written Statement, issued on 5 September by the Cabinet Secretary for Finance, attached at Annex 1.
- 4.2 Better and more detailed understanding will be developed of the £6bn annual procurement expenditure to identify future trends and opportunities so that delivery of added value, such as employment and training through community benefits is maximised. Greater synergy with the Wales Infrastructure Investment Plan will help realise these opportunities.
- 4.3 The statement clarified that the NPS will transition to a smaller contracting unit which will oversee delivery and management of a reduced portfolio of national contracts. This reduced portfolio will capture those agreements which deliver optimum national value for a significant proportion of the public sector and will not compromise regional or local wellbeing priorities.
- 4.4 Plans to transition to a smaller contracting unit are being developed and, to minimise any potential disruption, will be taken forward over the coming months in conjunction with customers and suppliers.
- 4.5 Closer engagement with the CCS and other public buying organisations, will enable the Welsh public sector to fully engage in UK wide solutions for which there is no benefit in implementing national agreements in Wales.
- 4.6 A new national policy development and delivery function will be established to operate separately from a smaller national contracting function. This will avoid any conflicts of interest, perceived or otherwise.

- 4.7 The policy development function will lead on engaging stakeholders with strategic influence to shape a future collaborative procurement strategy which recognises and enables public bodies to deliver national, regional and local priorities through procurement, in line with the Wellbeing of Future Generations goals.
- 4.8 Policy delivery support will include focus on building procurement capability in the key foundation sectors of construction and social care.
- 4.9 A new, broader approach to growing procurement capability and professionalism will be established in collaboration with stakeholders across the public service. This capability programme will enable public bodies to work together more effectively and deliver a pipeline of future talent to help mitigate the impact of pay differentials across the Welsh public sector.

5. Public Accounts Committee Inquiry into Procurement

- 5.1 During the Public Accounts Committee's work on procurement earlier this year, a range of considerations were discussed, including capacity and capability building; NPS engagement and pipeline; and strategic alignment.
- 5.2 The review clarified a number of current and future capability building priorities and opportunities. This information will inform the development of a new procurement skills and procurement fitness check programme which will be developed collaboratively and support delivery of the future procurement strategy.
- 5.3 In the meantime, work has been progressed to provide resources which enable the public sector to identify decarbonisation priorities and to capture and record wider wellbeing goals as part of the community benefits approach. A Decarbonisation Dashboard has been developed to enable the carbon emissions associated with different categories of spend to be base-lined and measured. This work will identify high carbon emitting categories for further analysis and will help inform development of decarbonisation guidance, tools and delivery support for the wider public sector across Wales.
- 5.4 Further to the Written Statement, stakeholders, businesses and social partners will be engaged to undertake a review of the NPS contract pipeline. This work will shape the future, reduced portfolio of national contracts.
- 5.5 It is recognised that the potential of procurement will need to be realised through alignment with strategic policy. The future direction of travel must be informed by the objectives of the Economic Action Plan, the goals set by the decarbonisation goals and findings of the Fair Work Commission.
- 5.6 The approach to the in-depth examination of public funds is being developed. The future procurement programme will be aligned to this wider strategic review.

6. Wales Audit Office Recommendations

- 6.1 Through the review process and business-as-usual activity across Welsh Government functions, several recommendations from the reports into procurement published by the Wales Audit Office (WAO) in 2017 have been completed. The current status of the recommendations is outlined in Annex 2.
- 6.2 The Written Statement announced a new direction for the NPS and Value Wales teams. Therefore, it is proposed that those recommendations which are still in progress be closed as events have effectively overtaken them. They would, however, help shape the detail of the future procurement programme which we will develop in dialogue with the WAO.

7. First Minister Manifesto

- 7.1 The First Minister's leadership manifesto contained a number of commitments relating to procurement, including development of capability; utilising flexibilities in procurement rules; further growing the involvement of Welsh and using the power of procurement to secure better, broader outcomes for the people and public services of Wales.
- 7.2 These commitments are informing the development of the future procurement plans, which are being taken forward at a pace which allows full engagement with key stakeholders, avoiding the risk of over-promising on timescales.

8. Next Steps

- 8.1 Plans are being progressed to transition the NPS to a smaller national contracting unit and to establish a policy development and delivery unit.
- 8.2 When this initial work is completed, interested and experienced stakeholders (including practitioners) will be engaged to develop the detail and approach to delivering wider future procurement strategy. The office of the Future Generations Commissioner is involved in the process, providing helpful perspective on the approaches being developed.
- 8.3 The potential impact of Brexit is acknowledged and initial risks and opportunities have been identified. Close working relationships with the UK Government have been established and these will be maintained as the full effect of Brexit becomes better understood.



WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE Review of the National Procurement Service and Value Wales

DATE September 2018

BY Mark Drakeford AM, Cabinet Secretary for Finance

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 will write to the chair of the committee to explain how the review of NPS and Value Wales has sought to respond to commitments made during the inquiry and to a statement about public procurement by the committee's chair in Plenary on 2 May.

A range of stakeholders, including public sector leaders, procurement officers, businesses and the Future Generations Commissioner have taken 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
- explore with the UK Government how we might strengthen our relationship with the Crown Commercial Service in order for Wales to fully engage in UK-wide contracts in areas where we do not have a distinctly different Welsh policy.

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 deployment of 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 therefore announcing that the NPS in its current form will be closed. It is clear that delivering a high volume of national frameworks is no longer a priority for customers and this is reflected by the level of engagement with NPS frameworks which falls short of the business case forecast.

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

None of the NPS team will lose their job as a result of its closure. 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 opportunity to be involved in delivery of regional and local priorities, the national policy development and delivery support unit or the Welsh

Government's own inward facing 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.

Wales Office Report – Public Procurement in Wales

AGW Report	Recommendation	Target date	Progress update	Proposed action
Title				
Public	R1 We recommend		Welsh Government will review its guidance for engagement with	RECOMMENDATION CLOSED
Procurement	that the Welsh		the spend analysis project and emphasise to participating	
in Wales	Government:		organisations the importance of verifying the accuracy of the data	
	encourage public		provided.	
	bodies to review		The 0047 40 are added by the constant is also always demonstrate.	
	the accuracy of the		The 2017-18 spend analysis exercise is already underway. An	
	data that they		invitation has been extended to the Further Education sector to	
	provide for the		participate in the exercise. Engagement with the sector will be	
	Collaborative		organised to clarify the opportunities for colleges to benefit from	
	Spend Analysis		the data analysis exercise. Opportunities for engaging Welsh Government sponsored bodies in the exercise will be explored.	
	project, reflecting on the issues		Government sponsored bodies in the exercise will be explored.	
	identified in the		As part of the ongoing work with the Spend Analysis service	
	course of our work;		provider and further development of the associated work a	
	and explore with		number of actions and steps have been taken which address	
	the further		recommendation 1.	
	education sector		recommendation 1.	
	and the missing		Work has been underway from June 17 and September 17	
	Welsh Government		between the service provider (Atamis) who have contacted all	
	sponsored bodies		member organisations. The aim of this work was to:	
	why they will not		monitor organization this anni or and none had to	
	engage with the		Enhance and improve engagement and understanding of the	
	Collaborative		benefits of the spend analysis system.	
	Spend Analysis		Inform and advise end users again of the Atamis system and	
	project,		discuss with them new and extended features.	
	•			
			Discuss and complete data validation work on behalf of the	
			member organisations.	
			Maintain and provide access to improved frequency of	
			submission of data to Atamis for upload to their local and the	
			NPS regional system.	
			This was achieved by inviting each participating organisation to a	

preliminary webinar intended to provide training on new features, validation of data, and bespoke customisation of their system where requested.

In conjunction with this exercise, the service provider conducted a variety of procedures in order to improve the quality and extent of classification of data in the local organisation systems, with efforts made to engage member organisations to ensure that classifications aligned with each organisations understanding of their data.

exercises via automated mapping from Companies House Data and manual research/verification.

The work completed to date has supported activity which has seen an increased proportion of classified spend within the NPS regional system. In particular, significant improvements for the level of classification detail available across key sectors. The overall result has achieved a 2% reduction in unmapped spend to the level of spend classified in the system. The proportion of spend classified has increased from 96.5% to 98.5% for financial year 2016/17.

In relation to F.E. and WGSB and in order to improve the level of engagement data provision and classification for the WGSB and FE sectors; there are a number of actions currently being progressed ready for early 2018.

- a. Firstly, a simplified guidance document which uses FE and WGSB-specific terminology will be produced with a view to encourage a higher participation level.
- b. Secondly, the service provider are willing to consider additional site visits and group training sessions, in an effort to re-engage with those organisations who have not yet participated.
- c. This will also be used to understand fully why certain organisations did not participate previously and provide any lessons learned for future engagement.

Public Procurement in Wales	R2 – accountability and governance structure for public procurement in Wales to be set out on website. WGSB,OFGC, and other NW public	30 th June 2018	 d. The Welsh Government will also be contacting each organisation directly in the New Year to increase engagement and buy-in A Written Statement was issued by the Cabinet Secretary for Finance concluding the Review of the National Procurement Service and Value Wales on 5th September 2018. The Statement confirms a national policy development and delivery support function will progress future work, including establishing new accountability and governance which will be published on the internet. 	Proposal: As part of the future policy development and delivery support function, governance arrangements / representation will be determined and made available electronically. Ensure the new body publicises its
	bodies representative in merger plans. Lead – Jonathan Hopkins			governance arrangements on its website and provides comprehensive representation for all relevant stakeholders.
Public Procurement in Wales	R3 – Encourage Public bodies to review procurement strategies and policies on annual basis to ensure they reflect wider legislative changes. Lead – Jonathan Hopkins	31 st October 2018	 As above - A Written Statement was issued by the Cabinet Secretary for Finance concluding the Review of the National Procurement Service and Value Wales on 5th September 2018. Paragraph 11 of the Written Statement confirms that 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. 	Proposal: As part of the work with stakeholders to develop a new procurement strategy for Wales, public bodies will be supported to review existing strategies to ensure wider legislative changes are reflected.
Public Procurement in Wales	R4 – ensure Procurement Fitness Checks undertaken	31 st October 2018	 As above - A Written Statement was issued by the Cabinet Secretary for Finance concluding the Review of the National Procurement Service and Value Wales on 5th September 2018. 	Proposal: As part of the new capability and capacity function for skills development, procurement fitness

	consistently for effective benchmarking. Provide guidance for follow up assessments. Work to analyse results to support further improvement Asses where public bodies are in relation to the WPPS for example McClelland (one professional per £10m spend) Lead – Jonathan Hopkins		 Paragraph 12 states that 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 commissioning and procurement of these vital areas of public service delivery. A national policy development and delivery support function will progress future work. A new capability and capacity function will be drawn up in collaboration with stakeholders to equip procurement officers with commercial techniques and create a future talent pipeline to help tackle skills shortages and gaps created by different pay and reward structures. 	checks and procurement maturity assessments are likely to be rolled out. Guidance will be provided for follow up assessments Results to be analysed to support further improvement. The existing WPPS is likely to be updated when the new strategy for Wales is developed.
Public Procurement in Wales	R5 – Community Benefits toolkit updated taking account of WFG and learning from best practice using community benefit champions. Lead – Jonathan Hopkins	30 th June 2018	 Completed. Community Benefits Toolkit is now updated to reflect WFG and wider social value. Engagement with community of best practice / piloting taking place. 	Recommendation overtaken and we proposes to close, in discussion with WAO.

Public Procurement in Wales	R6 – explore impact of differential pay for procurement staff and potential solutions. Lead – Jonathan Hopkins	31 st October 2018	 A Written Statement was issued by the Cabinet Secretary for Finance concluding the Review of the National Procurement Service and Value Wales on 5th September 2018. This recommendation will take place as part of wider work to take forward the contents of the Statement as a whole. 	Proposal: Wider work will create a future talent pipeline to help tackle skills shortages and gaps created by different pay and reward structures.
Public Procurement in Wales	R7 – Promote use of SQuID-and assess use as part of procurement fitness checks. Lead – Jonathan Hopkins	30 th April 2018	Complete (New ESPD also available on Sell 2 Wales, supplier selection guidance has been produced to accompany it). Its use as part of PFC will be undertaken in line with R4 above.	Complete. SQuID is superseded by the European Single Document (ESPD) now in place across Wales, built into Sell2Wales. Proposal: Procurement maturity will be assessed as part of the capability work plan developed. See narrative above for R4

Wales Audit Office Report – National Procurement Service

AGW	Recommendation	Target date	Status	Proposed Action
Report Title National Procurement Service	 R 1 Identify reasons members choose to use local or public purchase organisations. Develop action plan for articulating benefits of NPS Examine whether frameworks and contracts can give more commitment to volumes and measure appetite to develop joint specifications – Explore possibilities or more regional frameworks to increase opportunities for SME's – work will follow Survey members and non members on annual basis to evaluate service Lead – Jonathan Hopkins 	30 th September 2018	 A Written Statement was issued by the Cabinet Secretary for Finance concluding the Review of the National Procurement Service and Value Wales on 5th September 2018. The Statement confirms that the NPS will, over time, cease to exist in its current form. The Written Statement confirms that a smaller operation will be set up to manage a reduced portfolio of contracts. Engagement is underway with NPS stakeholders to support the transition of the service. 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. 	As the Written Statement confirms that the NPS will, over time, cease to exist in its current form, it is proposed that these recommendations have now been overtaken by the Written Statement but will be considered as part of developing the way forward. Proposal: Ensure the new smaller operation incorporates the themes of recommendation 1 (as appropriate) as it is developed.
	R 2 – Review opt out process to ensure clear and consistent. Lead – Jonathan Hopkins	31 st March 2018	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.	Proposal: Ensure the new smaller operation incorporates the themes of recommendation 2 (as appropriate) as it is developed.

		A Written Statement was issued by the Cabinet Secretary for Finance concluding the Review of the National Procurement Service and Value Wales on 5th September 2018. The Statement confirms that the NPS will, over time, cease to exist in its current form.	
R 3 – agree a sustainable funding mechanism to place NPS on a sound financial footing. Lead – Marion Stapleton	30 th September 2018	A Written Statement was issued by the Cabinet Secretary for Finance concluding the Review of the National Procurement Service and Value Wales on 5 th September 2018. The Statement confirms that the NPS will, over time, cease to exist in its current form.	Proposal: Ensure the new smaller operation incorporates the themes of recommendation 3 (as appropriate) as it is developed.
R 4 – annual reports: include a summary of actual spend through NPS frameworks. Lead – Jonathan Hopkins	31 st January 2018	 Recommendation achieved. A Written Statement was issued by the Cabinet Secretary for Finance concluding the Review of the National Procurement Service and Value Wales on 5th September 2018. The Statement confirms that the NPS will, over time, cease to exist in its current form. 	Complete
R 5 – NPS make members aware of provisions via reporting channels to support SME's. Lead – Jonathan Hopkins	On going	A Written Statement was issued by the Cabinet Secretary for Finance concluding the Review of the National Procurement Service and Value Wales on 5th September 2018. The Statement confirms that the NPS will, over time, cease to exist in its current form.	Proposal: Ensure the new smaller operation incorporates the themes of recommendation 5 (as appropriate) as it is developed.