



**POLICY AND RESOURCES SCRUTINY COMMITTEE –
2ND OCTOBER 2012**

SUBJECT: CORPORATE PROCUREMENT

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to advise Members of the recent Procurement reviews commissioned by the Welsh Government and provide details of the current Procurement Policies and Practices within Caerphilly CBC.

2. SUMMARY

- 2.1 Public Sector Procurement in Wales has been subject to much change in recent years. For many the function has moved from an operational devolved activity to a strategically lead, central function with standard operating practices.
- 2.2 With the current economic climate expectations are high on what Public Sector Procurement can deliver for Wales. Once more Procurement has been subject to extensive scrutiny in the past twelve months.
- 2.3 Jane Hutt, Minister for Finance and Leader of the House announced in her oral statement on 21st February 2012 a review of Public Procurement in Wales.
- 2.4 The review was to explore opportunities to further maximise the impact of the Welsh Government's public procurement policy. John McClelland, CBE, conducted the review.
- 2.5 The review would also consider the findings and recommendations of the Enterprise and Business Committee who established an EU Procurement task and finish group earlier in the year to undertake an inquiry into influencing the modernisation of European procurement policy.
- 2.6 Running in tandem with the above reviews, the Welsh Government commissioned work on the Business Case for the introduction of a National Procurement Service for Wales. The expectation being that the Welsh Public Sector "buys once for Wales", a key recommendation of the "Buying Smarter in Tougher times" report, 2010.
- 2.7 Over the past five years Caerphilly CBC has invested in the Procurement function and now operates a mature operating model with embedded eProcurement and standardised working practices. Many of the recommendations within the above mentioned reviews are already operational within the Authority.

3. LINKS TO STRATEGY

3.1 The information within this report supports the following key strategic documents:

- Buying Smarter in Tougher Times, 2010;
- One Wales, a progressive agenda for Government of Wales;
- Making the Connections in Delivering better services for Wales;
- Better Value Wales, 2000.

4. THE REPORT

4.1 Procurement Task Force - Buying Smarter in Tougher Times, 2010:

4.1.1 In 2010, the Welsh Government received the finding and recommendation of the procurement task force established as part of the efficiency and innovation Procurement work stream. The compilation of research and data was presented in the "Buying Smarter in Tougher Times" report, 2010. The report made twenty-three (23) recommendations, and is available to read in the Members' library.

4.1.2 A key recommendation of the report being "buying once for Wales" via a controlled electronic environment with standard processes and procedures. In response to the recommendation, Welsh Government has undertaken work on developing a business case for such an approach. The final business case and targeted operating model for a National Procurement Service is due for consultation in early October 2012.

4.1.3 The report also makes reference to the lack of capacity and capability of Procurement professionals within Wales.

4.1.4 Social and economic development was a recurring theme, it is widely acknowledged that all Public bodies could enhance the local economy via local spending, however, the tensions in relation to price and best value must be considered along with due regard for EU procurement legislation.

4.1.5 The 23 recommendations have been taken forward by the procurement arm of Welsh Government, Value Wales. This has resulted in six work streams being developed for improved Public Sector Procurement. Each work stream has Local Government representation.

4.2 Enterprise and Business Committee - Inquiry into influencing the modernisation of European procurement policy, 2012:

4.2.1 The European Commission's proposals for reforming and modernising public procurement policy gave Wales an important opportunity to look at its existing procurement regime and tackle any weaknesses, including investigating any barriers for Welsh businesses trying to access the market. As such, the Welsh Government's Enterprise and Business Committee established a EU Procurement Task and Finish group to make recommendations to Welsh Government.

4.2.3 The Committee made thirteen recommendations to Welsh Government, a copy is available to view in the Members' library. In summary the theme was about Policy and the need for Welsh Government to continue to make representation to the UK Government and the European Commission to evaluate the impact of the EU Procurement Remedies Directive across EU Member states. Examples of the recommendations include: -

4.2.4 To ensure that Welsh Government seek assurances from the UK Government that implementing regulations to transpose the Procurement Directive into law in Wales, which will support Welsh Government Public Procurement policy objectives.

- 4.2.5 Welsh Government to provide support to Public Sector Bodies on the allocation of risk in relation Public Sector Procurement.
- 4.2.6 Other recommendations include, addressing standardisation, skill shortages and social and economic regeneration issues.
- 4.3 John McClelland - Maximising the impact of Welsh Procurement Policy **Appendix 1**:
- 4.3.1 The latest review is very much building on the recommendation of both the Buying Smarter in Tougher Times, 2010 and influencing the Modernisation of EU Procurement Policy, 2012.
- 4.3.2 To date the publication of findings has only been released as an Executive Summary. The full report is not currently available as a Public document.
- 4.3.3 The Executive Summary has recurring themes:
- Government Policy and Development;
 - Procurement Capability;
 - Economic, Social and Environmental impacts;
 - Operating Model of procurement.
- 4.3.4 There are twenty-eight recommendations. There is clear endorsement for the recommendations set out in Buying Smarter in Tougher Times, with strong language for adoption of the recommendations becoming mandatory.
- 4.3.5 A full comparison of the recommendations is attached as **Appendix 2**.
- 4.3.6 It is no surprise that the review is keen to embed Welsh Government policy in all Public Sector organisations. There is an emphasis on linking economic development and supplier support and development to Public Procurement.
- 4.3.7 Staff resource and capability is highlighted as poor and in need of further investment along with the introduction of electronic trading and data collection.
- 4.3.8 Collaboration and the use of current consortia are addressed within the review with support for moving to a National Procurement Service for Wales.
- 4.4 Currently within Caerphilly County Borough Council:
- 4.4.1 As indicated earlier in the report, the Authority has already invested in the procurement function. It is evident to see that the Authority makes best use of all appropriate Welsh Government procurement policies.
- 4.4.2 Caerphilly CBC has a well-established team to support all procurement activities. The structure of the team is based on a Strategic Procurement Function at the centre with individual directorate Procurement Officers working in conjunction with technical officers to support the Procurement of goods, works and services across the Council.
- 4.4.3 EProcurement is fully embedded within the Authority, it is supported with other systems and policy tools from Welsh Government, such as; xchangeWales trading Hub, Purchasing Cards and data collection services from the Spikes Cavell Observatory.
- 4.4.4 The Authority has a standard approach to Procurement including terms and conditions of contracts. Others have adopted many of the Authority's policies and practices in recent years. Most recently the introduction of a standard set of terms and conditions for goods, works and services by the Welsh Purchasing Consortium was modelled on the set of conditions developed by Caerphilly. Likewise the Authority has adopted a standardised approach to

tendering in using the questionnaire tool set developed by Value Wales called the Supplier Qualification Information Database (SQUID). This provides a structured process for determining pre-qualification questions and the level of preparation required for a Procurement project. It will eventually be developed into an electronic on-line database holding supplier details, which will reduce process duplication for buyers and suppliers alike.

4.4.5 The Authority understands the importance of Community Benefits and Targeted Recruitment and Training initiatives that ensure wider social and economic issues are taken into account when tendering construction, service or supplies contracts. Welsh Government policies and documentation have been adopted within our standard Procurement documentation.

4.4.6 Collaboration is a focal point of all recent reviews. The Council remains committed to collaborative working when this is appropriate for the Authority.

The Authority is a key member of:

- The Welsh Purchasing Consortium;
- County Borough Supplies.

4.4.7 In the last two years the Authority has taken a collaborative approach to support less mature organisations in their Procurement activity. As such the Authority has provided support to both Neath Port Talbot and Merthyr Tydfil Councils. The relationship with Merthyr Tydfil Council is on going for the foreseeable future. In addition officers provide support, advice and guidance on two key strategic waste projects namely Prosiect Gwyrdd and Heads of the Valley (HOV) organics project, which are collaborative projects between a number of Local Authorities.

4.4.8 The Authority has successfully secured placements for the Welsh Government training initiative, Home Grown Talent. Last year two trainees completed a twelve-month placement with the Authority. This year support is being given to one trainee and coaching and mentoring is being provided to trainees placed within other Public Sector Organisations.

4.4.9 The Authority has been keen to use its systems to drive improvements within the procurement life cycle. Data in **Appendix 3** highlights the improvements in managing and developing the supply chain.

4.4.10 The Authority currently has twelve fully qualified Procurement professional in the central Procurement team. The team has two officers who are currently in the later stages of qualification and are expected to qualify before the end of 2012. This will result in a fully qualified central Procurement team.

5. FUTURE CONSIDERATION

5.1 In the coming months, the Authority will need to consider issues relating to how procurement in Wales and Caerphilly is organised and commissioned in the future.

5.2 Areas for consideration will be

- Does Caerphilly wish to be part of a National Procurement Service for Wales?;
- How will that impact our local economy and supply chain;
- Impact on current Staffing Structure.

5.3 The Procurement arm of the Welsh Government 'Value Wales' is working with Public Sector stakeholder organisations under the project name 'xFutures' to consider options for the future provision of collaborative eProcurement tools and systems across the Welsh Public Sector. The project will deliver the next generation electronic trading platform, which will underpin delivery of the cross sector aspirations associated with the proposed National Procurement Service (NPS).

The Authority is an advanced and mature user of eProcurement in many areas with robust stand-alone systems. As current users of the xchangewales Marketplace for eTrading/ eInvoicing, we have a vested interest in the future of collaborative eProcurement in Wales and will benefit from the continuation of centrally managed and funded/subsidised Welsh Government provision. However, it is unclear at this stage how the project will progress and what costs are likely to befall user organisations.

6. EQUALITIES IMPLICATIONS

- 6.1 This report is for information purposes, so the Council's EqIA process does not need to be applied.

7. FINANCIAL IMPLICATIONS

- 7.1 There are no financial implications associated with this report.

8. PERSONNEL IMPLICATIONS

- 8.1 There are no personnel implications associated with this report at this time. The report is for information only.

9. CONSULTATIONS

- 9.1 Officers have been consulted on the content of the report and views have been reflected within the report.

10. RECOMMENDATIONS

- 10.1 It is recommended that Members note the content of the report and the recommendations of the various procurement reviews undertaken by Welsh Government during the last twelve months.

11. STATUTORY POWER

- 11.1 Local Government Act 1972 and 2000.

Author: Elizabeth Lucas, Head of Procurement, lucasej@caerphilly.gov.uk
Consultees: Nicole Scammell, Head of Corporate Finance, scammn@caerphilly.gov.uk
Nigel Barnett, Deputy Chief Executive, barnen@caerphilly.gov.uk
Cllr Keith Reynolds, County Councillor, reynokv@caerphilly.gov.uk

Background Papers: Procurement Reviews File
Procurement KPI File
Procurement Spikes Observatory Database
Buying Smarter in Tougher Times Recommendations: Report available in Members' Library
Influencing the modernisation of European procurement policy, 2012 - Report available in Members' Library

Appendices:

- Appendix 1 John McClelland - Maximising the Impact of Welsh Procurement Policy - Executive Summary
- Appendix 2 Full Comparison of Recommendations of the 'Buying Smarter in Tougher Times' and 'Influencing the modernisation of European procurement policy, 2012'
- Appendix 3 Caerphilly CBC KPI's Spend Data Yearly Comparison