

# **Local Government and Public Services Committee**

**LGPS(2)-08-06(p4)**

**Meeting date: Wednesday 17<sup>th</sup> May 2006**

**Location: Committee Room 2, Senedd, National Assembly for Wales, Cardiff Bay**

**Title: Update on Local Authority Procurement in Wales**

## **Purpose**

1. The Committee is asked to note a paper covering progress in the development of Local Authority Procurement in Wales, and its' engagement with Value Wales.

## **Summary / Recommendations**

2. The paper is being presented at the request of the Committee to provide an update on the progress made by Local Government in improving its' procurement activity across Wales. The paper summarises the Value Wales programmes, describing the projects being undertaken, and highlights Local Authority engagement.

## **Background**

3. Value Wales is a division of the new Department for Public Services and Performance, established as a result of the Making the Connections Review of Public Services in 2004. The procurement arm of Value Wales was formed from the Welsh Procurement Initiative which was established to implement the recommendations of the 'Better Value Wales' review of procurement in 2001. In 2005 the Welsh Local Government Procurement Support Unit funded by Welsh Local Government merged with the procurement arm of Value Wales.

4. In 2005 Welsh Assembly Government published the "Delivering the Connections" Action Plan, and defined Value Wales as "a catalyst for change to seize Value for Money opportunities through smarter procurement, streamlining support functions and maximising value from capital investment". The procurement arm of Value Wales is therefore responsible for helping the Welsh public sector to realise the 'Making the Connections' value for money savings targets of £120 million by 2008.

5. Value Wales has four procurement programmes (VFM Collaborative Procurement, E-procurement,

Sustainable Procurement and Operational Procurement Policy) which provide advice and guidance and central tools and systems to the wider public sector. The VFM Collaborative Procurement programme also acts in an operational capacity to establish and manage contracts either directly or through external leads, using the best practice and tools developed by the other programmes. Local Authorities therefore benefit from engagement with Value Wales across all four programmes in taking forward the development of their own procurement functions.

## **Consideration**

### **VFM Collaborative Procurement**

6. This programme aims to deliver value for money through using collaboration to share expertise, promote efficiency, and maximise the leverage of the expenditure of the public sector in Wales. The programme is working to establish clear processes for collaborative procurement through external leads, contract management and reporting engagement, efficiencies and performance.

7. To date Value Wales has realised £20M value for money savings for the wider public sector. Over £14.6M of this is through direct price reductions from Value Wales frameworks, some of which made use of e-actions, and best practice initiatives such as signpost advertising. Over £4M has come from process savings associated with use of the Welsh Purchase Card.

8. Existing contracts include Vehicle Hire, Telecommunications, PC's Laptops and Printers, Stationery and Office Supplies, Photocopiers, Recruitment Advertising, Procurement Training Partner, and Commercial Vehicles. Over 30% of the public sector are using each Value Wales framework. 123 organisations (including individual schools) are now using the PC's, Laptops and Printers Framework Agreement, with expenditure of £19M and savings of £6M. All contracts are available for Local Authorities to draw from. Details are found on the 'buy4wales.co.uk' website.

9. Collaborative projects are also underway on Specialised vehicles, Tyres, Postal Services, Interactive Whiteboards and Projectors, Food, Computer Consumables, and work has started to re-let the contracts for PC Laptops and Printers and Procurement Training.

10. A sourcing plan is being developed for the whole public sector in Wales. This will provide a recommended approach to the main expenditure areas, and specifically identify areas which are best suited to national, regional, local, single or cross sector collaboration. The objectives of the sourcing plan are to:

- Provide a Strategic Procurement approach to Public Sector Expenditure in Wales
- Identify appropriate collaboration models for each expenditure area
- Provide a clear forward plan of Value Wales activity
- Reduce duplication
- Release procurement resource to strategically important areas

- Focus Value Wales on areas of highest impact
- Provide recommendations for different collaborative groupings to review, and draw together the different projects receiving funding from the Making the Connections Improvement Fund.

11. A first draft will be produced for consultation in May, and the target is for an agreed plan by October 2006. This will not only identify future Value Wales activity but also start to identify other opportunities for cross sector collaboration.

## **Sustainable Procurement**

12. This programme aims to mainstream sustainable procurement principles and use the leverage of the Welsh public sector to produce better long-term decision making and delivering economic, environmental and social benefits. It includes a Sustainable Procurement programme of training and support, including a self-assessment tool. The programme also aims to make public sector contracts more accessible to smaller, more local suppliers, through the implementation of the Business Procurement Taskforce action plan. This work started with the 'Food for Thought' guidance and case studies which aimed to develop the best approach working in food procurement. Carmarthenshire Council is a member of the project and their work is covered in the Case Studies published. A charter for SME friendly procurement "Opening Doors" will be launched on 14<sup>th</sup> June 2006. To date 62 organisations have signed up to the overall programme and 42 have signed up to the Charter.

## **E-procurement**

13. This programme aims to improve the use of e-procurement across the public sector, developing an e-strategy and promoting use of e-tools such as e-auctions. The programme provides access to the national procurement website "sell2wales.co.uk" and "buy4wales.co.uk" which host contract opportunities. To date 14,000 suppliers have been advised of £1.25 billion of contract opportunities. It also manages the Welsh Purchase Card. European P2M2 funding has recently been obtained for the SME-engage project to ensure that suppliers develop in line with improvement in public sector use of e-procurement in Objective 1 areas.

14. To date, £3M savings are directly attributable to the use of e-Auctions through Value Wales collaborative contracts, and savings of between 10-20% have been realised through support to individual e-auctions. 62 organisations use buy4wales to advertise contracts.

## **Operational Procurement Policy**

15. This programme aims to develop a more professional and robust public sector infrastructure in Wales through the training and development programme, collation of procurement information from the Welsh public sector, use of the Procurement Efficiency Measurement System, and advice and guidance on recording savings. The programme is also developing a Procurement Routeplanner suite of document templates and guidance that will promote a consistent best practice approach to procurement drawing

from all the Value Wales programmes. The programme is funding an apprenticeship scheme for school-leavers, a Masters programme and a professional qualification scheme. It also supports procurement fitness checks and the resulting action plan development.

## Local Authority Engagement with Value Wales

16. Most Local Authorities are quite well engaged with Value Wales, and a number have led or are leading collaborative framework contracts for Value Wales. There is however still potential for greater engagement to yield even further benefits.

## Engagement: VFM Collaborative Procurement

17. The following information summarises Local Authority engagement at the end of March 2006. Local Authorities have spent £20M through the Value Wales frameworks and saved an estimated £3M or 15% in reduced expenditure. The breakdown of usage is as follows:

Framework	Number of LAs	Spend to date	Savings to date
PCs Laptops and Printers	20	£6M	£1.9M
Stationery	15	£2M	£0.6M
Photocopiers	17	£1.6M	£0.16M
Telecomms	Not available	£10.4M	£0.317M
Vehicle hire	2	£17K	£5K
Procurement Training	12	£37K	£54K
Total		£20.05M	£3.036M

Local Authorities have also saved a further £2M through a move to sign-post advertising, £1.5M through use of regional agency agreements and £750K in process savings associated with the use of the Welsh Purchase Card, making a total saving of £7.3M.

## Engagement: Operational Procurement Policy

18. Nine Local Authorities have completed procurement fitness checks through the IDEA model and a further 3 are scheduled for 2006. Carmarthenshire Council were the first Local Authority to undertake a fitness check in Wales. Local Authorities now have 46 staff who are qualified Members of the Chartered Institute of Purchasing and Supply, and have invested in 1304 delegate days of training since 2003.

## **Engagement: Sustainable Procurement**

19. To date fourteen Local Authorities have signed up to the Sustainable Procurement Programme, and ten to the Opening Doors Charter. Five have completed the Sustainable Self Assessment Tool, although none have developed an action plan.

## **Engagement: E-Procurement**

20. All Local Authorities are set up on Buy4wales and using the website to advertise contracts. Thirteen have Welsh Purchase card programmes, and have spent £5.2M to date through the 406 cards in place, generating process savings of £750K on 26,756 transactions. All Local Authorities have agreed to provide Management Information and Eighteen have completed with ten having been fully mapped.

## **On-going Development of Procurement**

21. Procurement in Local Authorities is developing, and gradually getting a higher profile. The Welsh Local Government Association have appointed a political spokesperson for Improvement and Procurement Councillor Russell Roberts the Leader of RCT CBC.

22. Local Authorities have engaged well with Value Wales, however there is scope for greater take-up of frameworks and best practice advice. There is also scope for procurement in the Local Authorities to secure greater internal influence. This will be particularly important as Value Wales starts to address higher expenditure and more service critical areas such as social services, waste, education and construction. The Welsh Local Government Association is establishing Regional Partnership Boards to develop the Making the Connections agenda and these will be particularly useful in raising the profile of procurement and its' role in delivering results. Local Government network events for procurement officers also continue to be run through Value Wales and the WLGA.

## **Compliance**

23. There are no compliance issues associated with this paper.

## **Financial Implications**

24. There are no financial issues associated with this paper.

## **Cross Cutting Themes**

25. It should be noted that Value Wales seeks to develop and embed sustainable development principles into public procurement while at the same time delivering value for money. Therefore issues such as equal opportunities, environmental issues, and opportunities for Small and Medium Sized Enterprises

(SMEs) are addressed in procurement policy development and also during individual procurement exercises.

### **Action for Subject Committee**

26. The Committee is asked to note the update contained in the paper.

Sue Essex AM

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