

9 November 2018

Dear Nick

Public Accounts Committee: further response to procurement inquiry

Many thanks for this further opportunity to contribute to the Public Accounts Committee inquiry into public procurement. As I highlighted in my evidence to the Committee earlier this year, and in subsequent discussions and correspondence with the Cabinet Secretary, I believe there is a significant opportunity to transform the way procurement is undertaken in Wales to deliver much wider economic, social, environmental and cultural benefits in line with the requirements of the Well-being of Future Generations Act.

In my [evidence to your Committee](#) I highlighted a number of concerns but also suggested areas for improvement including:

- a need to clarify what outcomes procurement could deliver across the public sector in Wales by looking through the lens of the Well-being of Future Generations Act, and I would expect these to be included in the proposed five-year Programme for Procurement;
- The current Wales Procurement Policy Statement should be updated to reflect all four elements of well-being;
- Using spend analysis to prioritise where procurement can deliver wider benefits / outcomes;
- Addressing the ongoing tension between lowest cost and achieving wider outcomes because value for money (lowest price) is still seen as the key driver;
- Need for clearer leadership at all levels.

Following the Cabinet Secretary's announcement of a review into the National Procurement Service and Value Wales (back in September 2017) I was pleased to be involved in the Stakeholder Reference Group that was established to support this review. The first meeting took place in February and the group met on a monthly basis until June.

The review was initially focussing on the National Procurement Service and seeking the views of procurement practitioners on what type of service they wish to see in the future; once this was done the review would move on to consider the wider procurement landscape, what the vision for procurement is for the long-term and Value Wales' role to support implementation. Whilst I appreciate the need to deal with the uncertainty around the future of the NPS I emphasised several times, both to Welsh Government officials and to the Cabinet Secretary, how important it is to ensure that we take a **root and branch look at procurement policy** in Wales as well as the infrastructure that supports it. I was concerned that focussing on the NPS model before looking at the wider landscape risked creating another service which is not fit for purpose today or in the long-term and therefore if it was felt essential to carry out this work first I sought assurance that further work on the vision and strategic policy context for procurement would be undertaken very quickly afterwards, and that any new arrangements for the NPS are sufficiently flexible in being able to respond and deliver against this new vision.

Indeed, I welcome the Cabinet Secretary's recognition of this; his statement on the outcome of the review states that through involving stakeholders they have also highlighted that refocusing NPS and Value Wales is

not enough and that there is a “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”

I have consistently emphasised the need for the **Well-being of Future Generations Act** to be the **starting point** and **overarching framework** within which Welsh Government’s work (on developing the vision and new delivery models) should be delivered. Although I felt the review was making progress, I still had some concerns as outlined in a letter to the Cabinet Secretary (on the 19 June 2018). Whilst I welcomed references to the Act in the review’s Terms of Reference - *“The overarching objective of the Review is 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 in every part of Wales”* - I felt that further work was needed to ensure all those involved in the process had sufficient understanding of the Act to make sure this will be delivered in reality. In terms of the outcome of the review I have yet to see clear evidence of these proposals.

As you recognised in your statement on 2 May, with which I agree: “The Committee believe there is much to be gained by maximising the potential of the annual £6 billion public sector procurement spend and by transforming public procurement in the context of the Well-being of Future Generations (Wales) Act 2015. It is clear to the Committee that this potential is some way from being realised fully for a number of reasons and that some significant development work and consensus building is required to move forward in a collaborative way and respond to some of the concerns that have been raised about the approach taken by NPS to date.”

In developing a new procurement system that is fit for the future and delivers wider value it is important that **stakeholders outside of procurement** and related professions are being engaged. We have encouraged Welsh Government officials to seek wider engagement from outside the sector, and I have suggested bringing in others with a different perspective. We have made a number of suggestions over the last few months including bringing in external innovation and challenge, widening membership of the stakeholder group to include economic/business development, skills, supply chain, innovation - areas where procurement can demonstrate its potential to support wider organisational objectives. I feel there is a lot more that they could do on this, and that wider engagement is critical to find innovative solutions.

There are also opportunities to learn from approaches elsewhere - e.g. Preston where they have increased local spend by £200 million over six years - and see what could work here in Wales, whilst also having a greater focus on the opportunities available through considering procurement as an investment opportunity through the lens of the Act. I am pleased that following an introduction by my team Welsh Government are now exploring a piece of work with Neil McInroy, Chief Executive of the Centre for Local Economic Strategies (CLES) who was closely involved in the Preston work.

In his response to my letter the Cabinet Secretary confirmed that my concerns would be addressed as part of the review, including raising awareness of the opportunity and benefits of looking at public procurement from a different perspective following the Act’s five Ways of Working. I am aware that a wider strategic review of procurement is now underway, and that Welsh Government are developing a new vision for procurement that will be supported by an implementation plan. My team is aware of this work but have not yet been involved in taking it forward. As a member of the Stakeholder group for the review I have not received any formal communication to clarify the next steps following the review.

As the Cabinet Secretary's statement on the review outlines, 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: I would agree with taking a collaborative and integrated approach, however we need to ensure that all five ways of working are applied with a view to delivering local well-being objectives (to maximise contribution to the seven national well-being goals);
- 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: again we need to ensure that national contracts seek to deliver wider well-being outcomes and benefits;
- Exploring with the UK Government how we can strengthen our relationship with the Crown Commercial Service, to fully engage where its work is aligned with Welsh needs and priorities: the focus has to be on seeking to deliver wider benefits against all four pillars of well-being.

I welcome their commitment to work closely with stakeholders to develop a new procurement strategy, which will "clarify the future operating model and enable the full value of procurement to be realised". I am aware that a series of stakeholder events were due to take place in July but were cancelled and have not yet been rescheduled. They need to ensure that this engagement is comprehensive and meaningful, and also that significant progress is made quickly to ensure that stakeholders continue to remain engaged. I will continue to request that a much wider community of stakeholders are involved in this work going forward.

I welcome their proposal for a new capability and capacity programme to develop a skilled workforce – again critical to ensure that understanding of the Well-being of Future Generations Act, and the wider benefits that can be achieved through procurement, is a key component of this work. It is clear from my work across a range of policy areas and sectors to date that simply revising policy and guidance is not enough. The Government must allocate resources to embed awareness and understanding of new requirements and support the capacity to change if we are to see a system which genuinely embeds the new ways of working set out in the Act.

I agree with the conclusion that future procurement policy and collaborative procurement programmes should have greater emphasis on driving up community wealth-building across Wales, "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". However I would point out that it is essential that ALL of the aspirations of the Wellbeing of Future Generations Act are embraced and that policy does not focus solely on the economic benefits that can be driven from procurement without considering social, environmental and cultural well-being too. I am still yet to see evidence of exactly how Welsh Government are proposing to do this.

The statement concludes by saying "we must provide a clear link between procurement and the well-being goals of public bodies across Wales"; I have been calling for the need to ensure procurement supports delivery of the well-being objectives of public bodies (which in turn maximise contribution to the seven national well-being goals) and will continue to work with Welsh Government to ensure this happens.

Through my office's Art of the Possible programme, which seeks to set out a vision of what is possible for each of the seven well-being goals, we have recently launched our "Simple Changes" which are practical ideas for

Public Bodies to show how they are contributing to the goals. Procurement has emerged as a cross-cutting theme across all seven goals, so in addition to the simple changes we will continue to develop a more comprehensive Journey Checker, in partnership with stakeholders, to illustrate how Public Bodies can progress so they are 'leading the way'. Further information on the simple changes as well as case-studies is available at: <https://futuregenerations.wales/simple-changes/all-themes/procurement/>

My team are also working with individual Public Bodies and Public Services Boards to support their efforts to embed the Act into their procurement activities and will continue to engage with a wide range of stakeholders on this agenda. Although I am frustrated by the lack of tangible progress over the last 12 months we will also continue to provide support to Welsh Government to develop a procurement system which is fit for future generations.

Yours sincerely



Future Generations Commissioner for Wales
Comisiynydd Cenedlaethau'r Dyfodol Cymru