

AGENDA ITEM 3

WELSH PURCHASING CONSORTIUM

MANAGEMENT BOARD

24 SEPTEMBER 2014

REPORT OF THE SECRETARY TO THE CONSORTIUM –FUTURE OF THE WPC.

1 INTRODUCTION

- 1.1 The current funding commitment from member Authorities for the WPC will end on 31st March 2016.
- 1.2 The WPC Management Board has therefore instructed the WPC Officers Group to undertake a Strategic Review which will include the current organisational model and the potential for a meaningful Forward Work Plan in light of the establishment of the Welsh Government's National Procurement Service (NPS).
- 1.3 The NPS was created to establish and maintain procurement arrangements in areas of spend identified as "common and repetitive" which are intended to be used by the whole Welsh public sector.
- 1.4 The Board will be aware that there has been a lack of clarity from the NPS in terms of their Forward Work Plan and the Secretary to the Board was instructed to write to the Director of the NPS to obtain further information. This letter and the response received from the NPS is enclosed as Appendix A.

2 DEVELOPMENTS

- 2.1 An initial Workshop was held on 22nd July which focussed on identifying the critical issues for the WPC and potential future options for consideration by the Board. Senior procurement representatives from the majority of member Authorities attended.
- 2.2 The principle outcomes from the Workshop were :-
 - 2.2.1 There was an acceptance that the NPS will take the vast majority of current WPC Arrangements which will have a hugely significant effect on the WPC portfolio.

- 2.2.3 Officers accepted the general reality of the situation and agreed that formal positive relationships with the NPS will be essential if we are to protect the interests of WPC member Authorities and ensure the timely transfer of information and documentation. The primary responsibility of individual WPC Lead Authorities and the CMT is to focus effort on safeguarding compliance for Authorities, making sure as far as possible that the NPS establishes fit for purpose, value for money arrangements that are readily accessible.
- 2.2.4 The Director of the NPS confirmed in the response to our letter that their 5 year Business Plan is due to be agreed in October 2014 and considered that this will provide local government with clarity as to what the NPS will actually do and when.
- 2.2.5 Following an open and candid debate on the financial pressures within all member Authority Procurement Units, it was agreed that the Officers Group considers recommending to the Board that funding for the current WPC model be formally terminated on 31st March 2016. Colleagues were mindful of the position of staff within the CMT in that all contracts of employment will end at this time and agreed that supporting staff would be a paramount consideration.
- 2.2.6 Cardiff Council Finance be asked to provide some projections for the subsequent costs and impact on the Reserve. These have subsequently been received and are as follows :-
- ***Impact on the Reserve if no full member subscriptions charged for 2015/16***
 - *Full membership subscriptions amount to £230,850.*
 - *If there were no full member subscriptions charged in 2015/16, there would be a requirement to draw down £207,500 from the WPC reserve in order to fund the costs of the WPC in 2015/16. This would leave an estimated balance of £201,500 in the reserve at 31st March 2016 (These figures are based on the assumption that £23,000 will be transferred to the reserve at the end of 2014/15, making a balance of £409,000 available as at 1st April 2015).*
 - ***Estimated CMT related termination costs (at 31.03.2016)***
 - *These are estimated at £169,988.53.*
- 2.2.7 HR in Cardiff have confirmed that the Voluntary Severance Scheme for 2016 is not known at this time.
- 2.2.8 There was an acceptance that a small number of sector specific WPC Arrangements would remain post March 2016 and there was a debate

on how these might be managed and delivered. The options identified were :-

- Continue with a reciprocal arrangement based on shared effort. (similar to the present model but without a CMT), coordinated directly by an Officers Group.
- Introduce a levy based approach similar to the model adopted by the NPS whereby a percentage sum is recouped from suppliers based on spend by authorities This model would need further consideration as there are a number of sub options

2.2.9 There was an acknowledgement that positive progress has been made by the WPC particularly in terms of the practical initiatives that have been established ie the development of a suite of Standard Documentation, Standard T's & C's and Legal Guidance and felt that it was essential that these, and the practical benefits of networking, must be maintained and further developed.

2.2.10 It was agreed that a meeting be convened with Steve Thomas, Chief Executive of the WLGA to discuss the outcomes from the Workshop and a potentially enhanced role for the WLGA Procurement & Efficiency Unit.

3 PROGRESS

3.1 This meeting was held on 25th July. The WPC was represented by the Secretary to the Board, Chair of the Officers Group and the WPC Procurement Manager.

3.2 The following points were stressed at the meeting ;-

- The recommendation from the Officers Group to the Board will be that the WPC, in its present form, will cease to exist in March 2016.
- All stakeholders must act collaboratively to ensure a seamless transition of WPC contracts to the NPS.
- Consideration must be give as to what local government joint procurement collaborative arrangements need to be in place post 2016.
- The above will clearly impact upon local government procurement in Wales

3.3 The outcomes from the meeting were:-

3.3.1 To assist in identifying the way ahead, Steve Thomas agreed to convene a meeting with Sue Moffatt, Director if the NPS and Senior Officers of the WPC.

- 3.3.2 Senior Officers at the WLGA to brief Will Godfrey, Chief Executive, Newport City Council and Chair of the Procurement Board on collaborative procurement in local government, our expectations of the NPS and the current WPC position.
- 3.3.3 WLGA to consider the consensus view of Procurement colleagues in the WPC regarding the type and range of procurement support required of the WLGA post 31st March 2016.
- 3.3.4 WLGA to consider the potential for a Welsh “Local Government Procurement Group” which includes all 22 Authorities post 31st March 2016.

4 RECOMMENDATIONS

- 4.1 The WPC Officers Group considered this draft report at their meeting on 11th September and agreed that the following recommendations would be presented to the Management Board for consideration.:-
 - 1 That funding for the current WPC model be terminated at 31st March 2016.**
 - 2 That the full member subscriptions for the year 2105/16 be paid for out of the WPC Reserve.**
 - 3 That a further Report be considered by the Board in February 2015 which will detail ;-**
 - **Current and potential local government specific collaborative procurement arrangements that will require management taking account of the detail contained in the NPS 5 year Business Plan.**
 - **The potential for a WLGA led “Welsh Local Government Procurement Group”**

Paul Lucas
Secretary to the WPC



Welsh Purchasing Consortium

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Our Ref: WPC/PJL

Your Ref:

Date: 9th July 2014

Dear Sue,

Welsh Purchasing Consortium

At the meeting of the Management Board of the WPC, held on the 25th June, Members considered the "Transfer Protocol" between the NPS and the WPC and it was resolved that I write to you as Secretary of the WPC seeking clarification of the issues raised below:

The WPC has supported and will continue to support the NPS.

The WPC has supported the transfer of their existing framework arrangements that were within the original scope of the NPS. This original scope formed the basis of the decisions taken by individual local authorities to sign up to the NPS.

Secretary: Mr.P.Lucas, Rhondda Cynon Taf County Borough Council, The Pavilions, Clydach Vale, Tonypany, CF40 2XX

Constituent Authorities

Blaenau Gwent
Bridgend (Pen y Bont Ar Ogwr)
Caerphilly (Caerffili)
Cardiff (Caerdydd)
Carmarthenshire
Ceredigion
Denbighshire (Sir Ddinbych)
Flintshire (Sir yfflnt)

Merthyr Tydfil (Merthyr Tydful)
Monmouthshire (Sir Fynwy)
Neath Port Talbot (Castell-nedd Port Talbot)
Newport (Casnewydd)
Pembrokeshire (Penfro)
Powys

Rhondda Cynon Taf
Swansea (Abertawe)
Torfaen
Vale of Glamorgan (Bro Morgannwg)
Wrexham (Wrecsam)

The WPC has been planning to add new categories/sub categories that were not within the original scope of the NPS to its contract portfolio. However, it has become apparent that the NPS is in the process of significantly increasing its scope. There does not appear to be a definitive list of categories, sub categories and contracts of the proposed extended scope of the NPS.

This will prevent the WPC from moving into new areas and maximising the use of the scarce resource of procurement within local government in Wales. This was a significant element of the NPS Business Case signed up to by the local authorities.

In order to be as efficient as possible and optimise the scarce procurement resource in the Welsh public sector, a detailed plan of those procurement areas to be undertaken by the NPS and the WPC, including the timescales for implementation needs to be developed as a matter of urgency.

As a first step in developing this detailed plan, please could you provide a definitive list of the categories, sub categories and contracts and timescales involved for those areas that you consider to be within the scope of the NPS, together with a succinct and unequivocal definition of "common and repetitive spend".

This will allow the WPC to develop a new contract portfolio that will supplement the work of the NPS and prevent any wasteful duplication of effort. It will also facilitate a seamless transfer of contracts from the WPC to the NPS.

Procurement within the Welsh public sector will be much more efficient if both organisations work together more closely to achieve a jointly agreed overall plan for procurement in the future.

Yours sincerely,

Secretary to Welsh Purchasing Consortium.

Secretary: Mr.P.Lucas, Rhondda Cynon Taf County Borough Council, The Pavilions, Clydach Vale, Tonypany, CF40 2XX

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18 July 2014

Dear Paul,

Thank you for your letter dated 9th July, regarding the Management Board of the WPC, held on 25th June.

Before I respond to your specific points, I feel it only appropriate to outline the governance regarding the operation of the National Procurement Service (NPS) as outlined by the Minister for Finance as part of the Implementation Programme for the NPS and following the McLelland Review that the Minister initiated on governance.

As Director of the National Procurement Service, I report into the NPS Board which is made up of senior stakeholder representatives and an independent Chair, recruited under the Nolan Principles as a Ministerial Appointment. From a day to day management perspective I also report into the Welsh Government as 'host' organisations for the NPS. The NPS Board subsequently reports into the PSLG Procurement Board as one of the Procurement work streams and I attend that meeting on behalf of the Chair of the NPS Board and also attend PSLG on invitation to provide regular updates there.

The NPS Board decide the scope and remit of the Board and in line with some of the concerns raised in your letter, it was acknowledged at the Board meeting on 11 June that the Business Case that led to the creation of the NPS was in fact only an outline document based on 10/11 spend data and not based on firm assumptions regarding a standard taxonomy for categorisation of common and repetitive spend (CaRS) which now sees a small number of organisations cherry picking or determining their own definitions based on personal or organisational decisions including where some organisations receive a levy or rebate from suppliers and in such financially constrained times there is a desire to minimise the financial impact of relinquishing those contracts.

Therefore while I can provide a clear definition of what is common and repetitive spend, through sending you the presentation agreed by the Implementation Board (attached as an appendix to this letter), I cannot at present provide a definitive list other than the 6 top level categories as individuals as without the standard agreed taxonomy applied to the categories to determine the sub categories, everyone has their own views and definitions as to what CaRS is or should be.

While there were clear criteria in the Business Case and decisions were made, as part of the Implementation Programme as to what CaRS was, member organisations had opted in and out or were undecided as to where they were in terms of adopting some categories, which is now causing confusion. Unfortunately this is leading some individuals to become solely focussed on the scale and scope of an outline business case document rather than

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focus on working with the NPS on delivering the much needed cash savings across the Welsh Public Sector.

At the 11 June board, I received an action to deliver a five year Business Plan for the NPS to the next meeting on 8th October which will clearly outline the assumptions, scope and breadth of the NPS against the 12/13 spend data exercise which has just been concluded by Value Wales, which will subsequently be refreshed against 13/14 and ongoing data collection exercises. This Business Plan should provide the level of granularity you seek and any subsequent changes to the categories and sub categories will go to the Board for approval.

What has not changed is the 6 overarching categories outlined in the original business case, although the NPs teams are structured slightly differently they do actually cover the 6 categories. The confusion relates to what the sub categories are beneath these and also Food which was at the time partially in and partially out of the scope of NPS. As you will see from the presentation attached which defines common and repetitive spend, the original scope of the Business Case proposed using vCode taxonomy and actually classified over £2.8bn spend as CaRS. However areas such as Social Care and specific areas of Health which are pertinent only to those sectors were subsequently removed reducing this amount to around £2.3bn.

The Business Plan due to be agreed at the Board in October should provide you with the clarity you seek. However this should not prevent WPC from determining which areas to focus on as all Local Authorities have access to the 12/13 spend data from the exercise led by Value Wales and taking the six top level categories in their purest form applying a standard taxonomy, such as Proclass level 3 or vCode (vCode is what the previous Spikes Cavell spend collection exercises used) there is at least £3bn of spend sitting outside these categories for WPC to focus on the local authority elements in areas such as social care commissioning, home to school transport, environmental services and I am sure that by WPC and NPS working together any confusion can be overcome swiftly and effectively. All of this information has been available to WPC since the Implementation Programme for NPS was created and the attached presentation shared on many occasions, therefore I would challenge any accusation that WPC are being prevented from focussing on new categories or contracts due to a lack of clarity as there is sufficient detail available albeit not a list set in stone and the refocussing work should surely have commenced in parallel with the creation of the NPS, not nine months into our existence.

At the request of WPC, a 6 month piece of work was done to analyse the landscape and determine whether food was all in or all out. A category strategy presented to the NPS Board at both the March and June meetings and it was agreed that food was in scope of the NPS and work could proceed on operationalizing the strategy, on the basis that this was done at a sector level ensuring the integrity of the key requirements of each sector in critical areas such as food safety, nutrition and maintaining or indeed increasing the number of Welsh SMEs. Work is now in hand to move this forward cautiously and the engagement with the WPC Food Group has been critical to this and I welcome the support my team have received in this area. My team are also working closely with the WPC to iron out the issues in relation to the DoH nursery milk scheme which may well cut across existing WPC contracts and we are fully supportive in ensuring that the right solution is found for Wales that does not impact on the Welsh SMEs or current contracts in place.

Beneath the NPS Board is the NPS Delivery Group, again made up of sector representation. The role of the Delivery Group is to operationalize the decisions of the Board and agree the detail in terms of the programme of work for NPS, membership of category forums and category strategies/procurement pipeline.

As part of this operational activity there have been a number of transition issues and unfortunately NPS staff have experienced a number of issues in relation to behaviours in WPC meetings, preventing NPS from directly engaging with Local Authorities actually owning the contracts, deliberate exclusion for sections of meetings, lack of visibility of minutes and when we subsequently receive said minutes, inaccurate reporting of the NPS representatives.

Many of these issues were clearly teething problems which are natural from the creation of a new organisation and the transfer of work and have been resolved following my conversation with Andrew Maisey and subsequent discussions at the NPS Board, there are still ad hoc instances of this behaviour. I agree that by working together in what are resource constrained and financially challenging times we need to maximise effective use of scarce resource and ensure that NPS and WPC are not duplicating work. The only recent area I am aware of where this may be the case is Assistive Technologies which is categorised as IT spend. Local Authorities, Health and also Housing Associations are all major users of these technologies and following a discussion regarding the expiration of the Crown Commercial Services framework which is not being renewed, NPS were tasked by the July Delivery Group with taking this forward, however I understand WPC are also planning to run their own procurement in this area.

In addition, in relation to transfer of contracts that sat or sit within ownership of WPC, there have been significant issues preventing the transfer of the contracts to NPS, including expired contracts, lack of supporting documentation, lack of details, inaccuracy of spend going through those contracts (in some cases less than 10% of the value provided for the NPS Business Case). The transfer protocol makes it clear that the NPS will not take on responsibility for non compliant, expired or contracts with significant issues, until said issues are resolved where they can be.

All of the NPS pipeline plans are shared with the Delivery Group and NPS Board and the Sector representatives for Local Authorities should be sharing those with WPC, so are readily available to WPC members. We will also be updating them on the NPS website on a monthly basis. The Delivery Group also review and sign off membership of all category forums to ensure appropriate and truly reflective representation and this should or could also be shared across WPC members.

As you quite rightly say, by working together we can maximise the use of scarce resources in procurement across the public sector and I will share your letter and my response with Sian Davies, the Local Authority representative on the NPS board and also Steve Morgan, Chair. I am more than happy to meet to discuss if this letter does not address the concerns outlined. I appreciate your continued support and I will look forward to hearing from you shortly.

Yours sincerely,



Sue Moffatt - MBA, FCIPS
Cyfarwyddwr - Director

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