WLGA Council **Item 10**
27th November 2015

THE FUTURE OF LOCAL GOVERNMENT PROCUREMENT

Purpose

1. On the 27th February 2015 the WLGA Council [item 13 refers] received a paper on the impact of the National Procurement Service (NPS) and the cessation of the Welsh Purchasing Consortium (WPC) from March 2016. This paper, considers medium term requirements to enable future collaborative procurement following consultation with authorities, the WPC Members Committee and a number of interested stakeholders, and proposes a way forward.

Background

2. At the Council meeting of 27th February 2015 members were advised of the winding up of the Welsh Purchasing Consortium in March 2016, following the implementation of the National Procurement Service [NPS]. It is considered of some importance to retain the collaborative legacy that has been developed across all of local government and to build this further to improve delivery in the emerging environment. This raised a number of questions around how to realise the previous achievements and share approaches including those of the outgoing WPC, across the wider local government procurement family, and how to build upon them to create improved consistency and co-ordination, leading to greater collaborative procurement opportunity across Local Government in the future; specifically around:

    - The representative conduit for local government procurement.
    - Collaborative mechanisms for local government procurement.

3. This paper is also written against the need for approaches to procurement to contribute to the enablement of a more holistic agenda being put in place including; legislation such as the Future Generations Act and Wellbeing Act, the role of strategic procurement and commissioning around infrastructure delivery, supporting communities through jobs and economic opportunity, using environmentally friendly systems and materials etc. The benefits of scale, collaboration and integrated working in reference to procurement have been outlined by Welsh Government through numerous reports, such as those from John McClelland, Williams, and more recently KPMG, around models purportedly designed to create more joined up and cohesive approaches to the delivery of Public Services.

4. Collaborative strategies are generally driven by broad outcome related delivery, and by nature are consistent with the objectives of numbers of partner organisations, enhancing a more inclusive approach, encouraging partnerships across all of the sectors. Tools are being developed which can inform such approaches, for example the Wales Infrastructure Investment Plan, Local Government Capital Profiling, Green Energy Investment Profile, and Asset Mapping. There is huge potential to utilise these tools together to inform collaborative investment decisions, for growth and jobs etc., across communities. Delivery in such an environment cannot be the domain of the individual professional doing their piece in isolation. By its nature this environment requires a more inclusive approach with generic and specialist skills feeding into it as required and producing elements of the whole product in a co-ordinated programme and within a robust governance structure.

5. The changing environment and improved forward planning brings into stark focus the additional element of supply chain management. The opportunity to influence the supply chain and encourage investment and development, innovation and growth, based on the potential pipelines of work within the forward programmes. Integrated strategies can be rewarded by their ability to draw down funding from a variety of sources, including the EU, Government, as well as private forms of investment. Procurement has a part to play as an element in such delivery.

Longer Term Considerations

6. The medium to longer term view includes uncertainty around the future of Local Government structurally and financially. The impact of potential public sector reorganisation in Wales, the impending UK Government Spending Review and Welsh Government considerations around alternative delivery models, means that whilst longer term considerations need to be understood, to avoid compromising potential future opportunities, the focus must currently be on enabling effective medium term measures.

The Current Picture

7. The current [2015] procurement related expenditure for the public sector is £5.5bn, of which £2.2bn is deemed to be common and repetitive and therefore should come within the scope of the NPS. The NPS now being in place is anticipated to deal with this common & repetitive spend; approximately 40% of procurement expenditure, of which a substantial element would have been the traditional coverage of local government procurement. This does not however relieve local authorities completely from their responsibilities and activity in this area of spend. Over and above their general responsibilities for all of the activity undertaken in delivery of their services, Local Government must continue to have a considerable input in relation to their local policy objectives and technical requirements, as well as subsequent contract management, which need to be integrated through all arrangements in order that they work effectively across the diversity of the public sector landscape that Wales presents.

8. £3.3bn falls outside of NPS scope as complex, high risk, high value projects. Local Government typically accounts for approx. 50% of procurement expenditure which would suggest £1.65bn of this falls within the Local Government portfolio.

9. Over recent years Local Government have provided forward programme data for the Wales Infrastructure Investment Plan and the local Government Capital Profile, providing a more comprehensive overview of forthcoming projects and enabling more holistic view of how benefits might be better achieved through collaboration via this substantial expenditure. Below is an extract from the capital profile for Summer 2015. The current Local Government profile currently shows proposed expenditure of £2.86bn between financial years 2015 and 2019. It is accepted in its compilation that the current view of the forward profile is only as robust at each stage as the funding structures and commitment on individual projects allow, and this becomes more established and robust as projects progress. Having said that historically the average profile runs in-excess of £1bn each year.

Sector Summary	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**Total[£k]**
Education	259,795	458,191	333,016	168,679	69,200	1,280,472
Environment	40,193	30,476	6,674	4,204	5,018	85,385
Highways/Transport	182,615	77,413	51,752	44,839	68,726	415,471
Housing	463,303	392,070	246,724	173,629	107,308	1,347,679
Parks/Leisure	42,597	31,720	13,299	4,545	475	88,352
Plant/Vehicles	35,573	33,807	17,876	16,496	5,948	108,680
Property/Buildings	55,204	44,700	27,354	21,206	15,930	160,161
Regeneration	173,554	142,584	79,383	25,926	19,600	437,964
Social Care	20,571	9,379	16,253	10,123	6,050	61,542
Other	32,471	34,628	25,259	20,885	4,777	115,566
Total[£k]	**1,305,875**	**1,254,968**	**817,590**	**490,532**	**303,033**	**4,101,273**

[Local Government Capital Profile Summer 2015-Source excel file compilation of Local Government data by CEW]

10. Some of this expenditure sits within established programmes and a number of arrangements have already been put in place which take advantage of collaborative opportunity and simplify the route to market for authorities, including:

- Regional Waste Facilities arrangements
- Regional/national consultancy framework arrangements
- Regional/national construction framework arrangements
- Regional/national engineering framework arrangements

11. Procurement leads have played a significant part in the establishment of these arrangements, but are highly reliant of the relationship and technical input from client functions which in general lead the programme or project development in each case. Others projects are in various stages of development, including:

    - Green Investment Pipeline [Energy portfolio] being developed by Local Partnerships
    - Health and Social Care being developed through Social Services Commissioning
    - ICT infrastructure being led through SOCITM [Wales]
    - Regeneration strategy led by regional regeneration boards.

12. It is important to be pragmatic and recognise that in a number of instances local authority procurement professionals do not currently play a significant part in developing delivery solution in some of these areas. By their nature major projects are developed through robust programme management approaches, the waste, energy, and schools programmes being examples of this. A procurement strategy sits as a significant element within each business case for these programmes. Options appraisal should become more relevant in the future if we are to effectively utilise innovative delivery approaches and new flexibilities available [e.g. via the Public Contract Regulations 2015] to enhance funding opportunities and engagement with the market to create better delivery solutions. However there are currently no additional resources across local government from which to draw funding to establish any substantive change in approach. Therefore whilst a long list of potential options as to the way forward could be produced, in the interim it is intended that a simple approach should be implemented for efficiency and focus during the forthcoming period.

Proposal

13. The WLGA will reconstitute its existing procurement network arrangements to facilitate a Heads of Procurement collaborative group, incorporating the heads of procurement from all of the local government family. This group will focus on how the collaborate procurement agenda can continue to be developed and delivered. The group will act both as a medium for collaboration as a procurement network and as a conduit for wider collaboration to occur, whilst enabling collaboration across local government and with other partners. Initially the group will have as its' agenda foundation:

    a) The Developing Policy agenda, including the legislative framework around procurement;
    b) Best practice development and communication;
    c) The NPS - common and repetitive spend;
    d) The Local Government Infrastructure and Capital Portfolio:
        a. Regeneration
        b. Environment

   c. Construction & Property, and Engineering

e) The Health & Social Care Portfolio;
f) E-procurement;
g) Other.

14. The WLGA through its existing web facilities will provide a means of sharing material, posting good practice and act as a conduit for appropriate communications. Actual front line collaboration already occurs within each organisation with a desire to work with others, and as such requires appropriate levels of commitment both in terms of governance and resources. On this basis and utilising the existing structures of the WLGA, it is perceived that existing governance at all appropriate levels will be sufficient to progress this agenda as necessary.

Recommendations

15. Members are asked to note the approach being taken forward.

Report cleared by: Cllr Aaron Shotton, WLGA Spokesperson for Finance

Author: Chris Chapman
Programme Manager
Tel: 02920 468606
E-mail: steve.thomas@wlga.gov.uk