

Response To: The Enterprise and Business Committee's Task and Finish Group

From: The Wales Construction Federation Alliance

Subject: The request for comments on the procedures that are followed by public sector organisations when awarding contracts for certain goods, services or works.

Date: 31st October 2011

Introduction

Below are the comments offered, on behalf of the Wales Construction Federation Alliance, on the three questions posed by the National Assembly for Wales' Enterprise and Business Committee's Task and Finish Group.

The Wales Construction Federation Alliance (WCFA)

The Wales Construction Federation Alliance is a joint initiative by construction trade associations in Wales whose aim is to work with the Government to support and improve the construction industry for the benefit of the Welsh economy. We are the Federation of Master Builders (FMB) Wales, the National Federation of Builders (NFB) Wales, the Home Builders Federation (HBF) Wales and the Civil Engineering Contractors Association Wales.

Together we aim to provide a single voice for the industry on cross-cutting construction issues in order to help brief Welsh Assembly Members on important policy decisions, and advise the Welsh Government more effectively.

The WCFA will be formally launched at Ty Hywel on the 15th November 2011.

The Questions

Q1. How effectively are the current UK procurement regulations working in Wales, both from a supplier/contractor and from a purchasing authority perspective?

It is felt that the regulations (or perhaps in some cases the manner in which they are applied and interpreted) impact adversely on SMEs in Wales. Whilst some of the comments below may not directly flow from the regulations themselves there is clearly an inextricable linkage. The main difficulties with the manner in which procurement operates currently in Wales are set out below

- Over complicated & burdensome bureaucracy, particularly PQQs [Pre-qualifying Questionnaires] with lack of consistency across the whole of Wales in e.g Local Authority Financial Regulations and turnover requirements.
- Sizes of contract lots exclude many SMEs from bidding
- Frameworks in general favour the largest companies
- Once frameworks are in place, those companies outside the frameworks are denied opportunities to tender for 4 or sometimes 5 years.
- Sub contracting to those on frameworks, often necessary on unsustainable rates, does not provide a basis for smaller companies to grow

- SMEs are often proud family concerns, with strong links to the locality, employing local labour and supporting the local economy, and cooperating or co-tendering in larger regions or different scale operations is not an easy proposition for such companies.
- A means of evaluating the value of local companies / local employment to the local economy needs to be factored into the award assessment in respect of schemes up to a certain value (say up to £0.5million – [which is below the EU Works threshold])
- Often main contractors will engage sub contractors from outside Wales for reasons of familiarity and knowledge of those partners.
- It would seem that no evidence is available that confirms that contracting authorities are policing social clauses such as employing local labour, paying on time and apprentices. However, there is much anecdotal evidence that appears to demonstrate a failure by some main contractors to conform to these elements of the contracts.

Q2. To what extent is value for money being achieved for purchasing authorities?

RESPONSE

- It is not felt that the use of frameworks necessarily provide the best value for money for clients. Often smaller companies can provide better flexibility and innovation.
- A means of identifying cost savings made, and who benefits, needs to be established to verify the value of frameworks in general. To date many frameworks are merely “select” select lists with no work programme identified. Contractors are then invited to enter into a “mini tendering” exercise to bid for the work, often with similar administrative costs incurred by them in such a tendering exercise.
- There has been a gradual erosion of expertise and knowledge in the public sector client organisations over the recent years, resulting in professional procurement officers with very little awareness of the construction industry responsible for the procurement tasks.
This often leads to burdensome requirements with little or no benefit to the project.

Q3. How should the EU procurement directives be modernised from the perspectives of Welsh Suppliers/Contractors and Purchasing Authorities?

RESPONSE

- Accommodating a more strategic view of community benefits taking into account the broader effect of contract allocations upon the Welsh economy
- Much reduced bureaucracy

Summary

The WCFA would welcome the opportunity to explore in more detail some of the comments offered and be willing to attend a meeting of the Task and Finish Group if so requested.

WCFA 31/10/2011