

**Response To: The Enterprise and Business Committee Task and Finish Group**

**From: The South East Wales Construction Forum**

**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: 28<sup>th</sup> October 2011**

**Introduction**

We are delighted to give our comments on the questions posed by the Enterprise and Business Committee Task and Finish Group and have set out our responses below. By way of introduction we thought that you might like to know a little about who we are, who we represent and what we do.

**Background to the South East Wales Construction Forum**

The South East Wales Construction Forum was established to contribute to a strategic view in tackling issues which face the built environment sector in these difficult economic times, recognising that the construction industry can play a key role in lifting Wales out of the current economic downturn.

Its members represent procurers and suppliers, educationalists and trainers, regeneration specialists and more from the South East Wales area.

Its aims are to:

- Promote accessible, relevant skills training throughout Wales
- Promote greater understanding of the industry and the issues it faces to Assembly Members and other relevant groups
- Act as ambassadors, communicating initiatives and promoting opportunities
- Facilitate dialogue and provide feedback to consultations

The Forum meets generally on a quarterly basis and links with existing strategic groups within the sector, building upon and establishing new relationships to achieve maximum communication and efficacy.

It currently contributes representatives to the All Wales Construction Procurement Steering Group, a group convened at the behest of the Minister for Finance and Leader of the House, to implement the recommendations of the No Turning Back Report. This report seeks to prevent a return to the pre-Latham and Egan era of adversarial practices and a lowest price culture within Construction Industry contracts. The overall aims of 'No Turning Back' are to promote a partnering approach and commitment to the wider aims of economic, environmental sustainability for the people and enterprise of Wales.

Our response, set out overleaf, is made in the light of our experience of construction procurement processes from the supplier and procurer perspective and the feedback that we receive from our partners and members.

Although our observations relate to our sector some general observations may apply to other sectors too.

## **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?**

The whole process is significantly influenced by EU procurement directives. Our impressions are that processes are:

- Overly complex
- Bureaucratic
- Too varied
- Lacking standardisation
- Costly
- Burdensome
- Time consuming and involving lengthy time frames

Consequently:

- Inhibiting the engagement and success of Small and Medium Enterprises
- Delivering mediocrity to ensure compliance with regulation at the expense of creativity and excellence
- Preventing/delaying progress and development
- Preventing/delaying access to funds which often have limited windows of opportunity

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

This question can be interpreted in different ways; with value for money meaning different things for different people. To some individuals and disciplines within procurement it can mean lowest price; to others with a wider and joined up agenda it can mean cost, plus quality, plus life time costs, plus community benefits. Our view is that procurers need to consistently adopt the wider interpretation and think about wider 'value'. The Construction Procurement Steering Group is seeking to address this issue under recommendation 3 and 5 of the No Turning Back Report promoting the creation of integrated teams which have the capability and capacity to create this joined up approach. We wholly agree with this.

Another consideration when measuring value for money is the cost of the actual procurement process for the purchasing authority in terms of time, resources and the ability to access to funding windows which can be lost through procurement process timescales.

Although this question (Q2) particularly addresses value for money for the purchaser, value in terms of the sustainability of the construction industry should also be considered. The resources applied to procurement processes especially when the company could be unsuccessful can be prohibitive and in some instances crippling for smaller and in the current climate also larger companies. The risk of costs and time involved can prohibit participation.

Our perception as a Forum is that value for money is not on the whole achieved, as the cost in terms of process, lost opportunity for creativity and excellence, loss of grant opportunities, delays and abortive work would suggest that we are missing opportunities to create greater value for money.

The work being undertaken by the Construction Procurement Steering Group seeks to promote the wider community agenda and also create a tool to calculate the value being generated in terms of wider community benefits. This will go some way to quantifying value and contributing to combating the paucity of quantitative evidence in one aspect of this argument and therefore will contribute to help answer the value for money question.

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

Our impression from other EU countries is that EU procurement directives are more flexibly applied outside of Wales. This is particularly apparent when finance is provided through European Funds. Bodies on the continent appear to use the EU processes to favour the wider social aims of procurers and communities rather than create a barrier between the two, as can appear to be the case in Wales. It can feel like process for process sake rather than working together to achieve social and economic development for our people.

We would like to suggest that your committee investigate how other countries approach European Directives and how they find ways to speed up the procurement process, make it less complicated and meet the wider aims of bringing prosperity and well being to their population.

In addition we would like to suggest having bands where appropriate contractors can compete. Smaller local firms are competing against firms with multi millions of pounds and even billions of pounds turnovers, for smaller projects of say £500,000 value. This means that they appear to be immediately at a disadvantage as larger firms have greater resources to commit to the procurement process and also more sophisticated and practised ways of presenting their evidence of internal processes and past performance. However our view is that they may not always deliver greater 'value for money' in the wider interpretation.

#### **Summary**

We hope that these comments help. We note that the Task and Finish group intend to explore the impact of the proposed EC changes and would welcome the opportunity to support your efforts to address the issues mentioned in your press release. Ie

- The involvement of more small and medium-sized enterprises (SMEs), including social enterprises, in public procurement
- The use of public procurement to advance other policy objectives, such as social and environmental policies
- Complexity and flexibility within the public procurement system.

The work of the Construction Procurement Steering Group to which we contribute to has amongst it's aims similar ambitions to yourselves and we see a significant synergy with your task group, whilst recognising that your task group has a much wider agenda.

Jeanette Hawrot on behalf of  
SEWales Construction Forum  
1.11.11