



Submission of written evidence to the National Assembly for Wales' Enterprise and Business Committee

Inquiry into influencing the modernisation of European procurement policy

A joint response by the Chartered Institute of Housing (CIH) Cymru and i2i – inform to involve

November 2011

The Chartered Institute of Housing is the only professional organisation representing all those working in housing. Its purpose is to maximise the contribution that housing professionals make to the well being of communities.

In Wales, we aim to provide a professional and impartial voice for housing across all sectors to emphasise the particular context of housing in Wales and to work with organisations to identify housing solutions.

CIH Cymru also manages the i2i project on behalf of Welsh Government which aims to maximise the benefits of housing investment across Wales. One of the methods that has been successfully promoted by i2i has been the Can Do Toolkits (description below).

Chartered Institute of Housing Cymru

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Keeping it local: maximising the Welsh £



the **CAN DO** toolkit ...two years on

The CAN DO Toolkit... two years on

i2i - inform to involve



i2i - hysbysu i ymrwymo



Ariennir gan
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Keeping it local: maximising the Welsh £

The *Can Do Toolkit* ...two years on

We do things differently in housing...

Increasingly across the housing sector, there has been a move to purchasing 'regeneration' rather than just bricks and mortar. Securing added value through housing investment need not be in conflict with other objectives such as delivering quality programmes to cost and time; indeed over the medium to long term the *Can Do* approach will increase the prospects of delivering vibrant, well managed and sustainable communities as well as an enhanced asset base for local authorities and RSLs.

The great thing about this is that there is now a consistent approach to delivering regeneration benefits from procurement across the whole housing sector – from housing consortia, RSLs, stock transfers to local authorities where the *Can Do* approach has become mainstream. Many local authorities are now adopting these standards corporately and replicating the good practice in other portfolios, showing again that gaining the benefits can happen outside of housing and outside of construction.

Whilst the past couple of years have been increasingly challenging for the sector, it is still important that we don't forget some of the achievements that we have accomplished through gaining added value through procurement. The sector has also shown that this current economic climate accentuates even further how crucial it is that we use procurement as a vehicle to deliver wider value for money and objectives, which is reflected in the case studies and figures that you have sent us.

The past year has seen the *Can Do* approach, namely targeted recruitment and training (TR&T) expand into other areas including:

- Conditions of Welsh Assembly Government grants
- As core requirements of Government capital investment programmes
- Outside of the housing sector
- Outside of the construction sector and into the service sector

This briefing is a follow on from the '*One Year On*' document which showed that the housing sector had created 487 job and training opportunities by using the *Can Do* Toolkit during 2008-2009. In order to build on this success, *i2i* wanted to find out whether more had been achieved during 2009-2010 to push forward with the *Can Do* agenda... *i2i* has worked with a number of organisations over the past few years and developed a recent survey to find out:

- New job and training opportunities created by organisations using the *Can Do* ethos
- New directions the toolkit is being taken in and how wider regeneration benefits are being achieved through procurement
- What good practice is currently being developed

To view both *Can Do* Toolkits, please visit www.whq.org.uk/i2i/about_resources.

The organisations listed below responded to the survey in order to showcase what they have been able to achieve through TR&T and wider community benefits.

Cadwyn



Newydd



Bullock



Anglesey County Council



Cartrefi Conwy



RCT Homes



CCHA



V2C



Fairlake Properties



Tai Ceredigion



Merthyr Valleys Homes



Bron Afon
Community Housing



Caerphilly County
Borough Council



Carmarthenshire
County Council



You told us:

The survey results show that:

- **1183** job and training opportunities have been created between September 2008 and November 2010. This equates to **11.4** new opportunities per week showing an increase on last year's rate. This rate of growth shows a sustainable increase in trainees across a range of different RSLs and local authorities
- Out of the **1183** opportunities that you told us about, **127** trainees have moved into sustainable jobs or education having initially started training through the use of a TR&T clause
- **5** people have been employed by the contracting organisation themselves
- 9 out of 10 organisations using TR&T are using the **Can Do** Toolkit to support them in creating their training opportunities

Taff



United Welsh



Newport City Homes



Powys County Council



Swansea City Council



Cartrefi Cymunedol
Gwynedd



Looking Ahead

- Maintaining and building upon this momentum and ensuring that we promote and share this good practice not just amongst ourselves but with other sectors, will also be crucial to consistently deliver regeneration benefits from procurement.
- Since the 1 year on report, many more partners are embracing this approach in particular, local authorities who are now providing a strategic direction locally and regionally to embed, get commitment and deliver TR&T in partnership across a whole range of projects.

But it still remains that if we used the can do toolkit across all public sector spend, particularly in these difficult times, this could create an additional 4000 job and training opportunities in Wales. In these difficult times where job creation and economic development is at a low, it is even more important that we use procurement as a vehicle to lever additional benefits.

- In the past, TR&T has been driven by development and maintenance programmes, but in light of current policy changes, in particular the welfare reform, ensuring that TR&T support is delivered at a local local level and linking this to community involvement, financial inclusion and housing management delivery will become even more fundamental.
- Understanding the social return on investment through measuring and monetising the impact of regeneration projects will also become more important in times of economic challenges. i2i sees this as an important project for 2011 and is already working with partners to develop a user-friendly approach in Wales. Watch this space!
- **i2i** and the Integrate Consortium's TR&T project have been gauging the views of the sector on delivering TR&T through closer partnership between the 2 projects in order to provide 1 point of contact across the sector, and pool expertise and increase resources across all areas of Wales. We are currently developing packages of support that we can jointly offer to the sector which will be launched in 2011.

Knowledge sharing across organisations is an important part of the development of TR&T, and **i2i** facilitates the TR&T network to support and to encourage the sharing of good practice. If you are interested in joining, please contact Kirsty Ellis on Kirsty.ellis@cih.org or on 07534 527544.

If you want to talk to i2i about TR&T and any of the support we are providing please contact:
South Wales Kirsty Ellis at Kirsty.ellis@cih.org or on 07534 527544
North Wales Dewi Llwyd Evans at Dewi@taieryri.co.uk or on 07786 088387

Integrate Reaches a Century

Integrate housing consortium was the first consortium to use TR&T as a CORE requirement of contract and they have been using it systematically for the last for 2 years. This commitment has led to Integrate facilitating its 100th trainee through collaboration by committing resources across the consortium to enable hands-on support to achieve TR&T and wider benefits through procurement activity.



Daniel Connelly, aged 23 from Cardiff was recruited by Westwards Energy in August 2010. Daniel had always wanted to take up a gas / plumbing apprenticeship since he watched the boiler being serviced in his parents' home when he was at primary school. Upon hearing the news that he had been selected for the scheme Daniel said: *"I can't believe this has happened at last, I'm overjoyed. If this opportunity hadn't come along it may have been too late for me. I've been able to learn many new skills and the whole experience so far has been fantastic."*

Michelle Smith, Project Manager at Integrate said:

"This project provides real opportunities to get people trained and back into work. Our contractors and partners have been very supportive of what we are trying to achieve and on the whole every trainee has grasped the opportunity with both hands. We now view these social inclusion clauses as a core requirement within our contracts and hope to help many more people in the future. So far the scheme has been able to demonstrate best practice and innovation, as well as making a real difference to people's lives."

Since mid 2010, Integrate has continued to deliver regeneration benefits through procurement and had delivered its 160th trainee at the time of submitting this survey response.

For more information on Integrate's TR&T programme, contact Michelle Smith, TR&T Project Manager at Integrate on msmith@uwaha.co.uk or on 07813893241

Good Practice Note

- Providing a dedicated resource to provide hands-on support to deliver TR&T has been the key to Integrate's success and has resulted in a real commitment from all partners of the consortium
- Collaboration on TR&T across the members of the consortium enables the sharing of information and pooling of knowledge and expertise

Working together to deliver more

Through its WHQS programme, V2C has achieved:

- Over 500 weeks of jobs and training opportunities provided to disadvantaged (targeted) residents
- 8 long term employment opportunities created
- Approximately 17 NVQ construction qualifications awarded
- 11 multi skilled training opportunities created for unemployed residents completing NVQ level 2 construction qualifications
- Local training providers and referral agents used, including The Construction Training Centre (TCTC), BTCV, Jobmatch and Want2Work, all of which target disadvantaged individuals providing basic skills training as well as work based learning for those in receipt of welfare benefits



Good Practice Note

- Having an open dialogue with your contractor is crucial in order to negotiate on TR&T delivery and deliver more than their initial contractual requirements
- V2C also has a dedicated resource to support the TR&T delivery who works across HR, maintenance and the community regeneration team which enables cross-departmental ownership of the project
- Working in close partnership with another RSL helps to sustain and support displaced trainees and ensure that they remain within employment or training

In total, through all its investment programmes, including Arbed, V2C has created **211 training and job opportunities through using procurement as a vehicle.**

V2C has also collaborated with its maintenance contractor; Cowlin to create 6 training opportunities as a core requirement of their procurement programme. The trainees were recruited from disadvantaged groups through a local training provider The Construction Training Centre (TCTC) referred from Careers Wales or Job Centre Plus. They will train to complete construction NVQs in bricklaying and carpentry. In addition to their contractual requirement, Cowlin also agreed to take on a displaced apprentice from a United Welsh contract after a 2 week work trial enabling him to complete his bricklaying qualifications at Bridgend College.

For more information, contact Rhian Burke, Development and Training Placement Officer, Valleys to Coast Housing on Rhian.burke@v2c.org.uk or 01656 727906

Carmarthenshire County Council – Achieving through Partnership

The Carmarthenshire Homes Standard has been the catalyst to delivering employment and training through procurement. Through the Contractor partnering framework, Carmarthenshire County Council, in partnership with Coleg Sir Gar and Carmarthenshire Construction Training Association Ltd (CCTAL) has been able to influence traditional construction training in the area to make it more focused on the needs of WHQS.



A partnership has been developed in Carmarthenshire between CCTAL, Coleg Sir Gar and the Council to encourage local contractors to take on construction apprentices. The benefit here is that it is nil cost to the contractor because the apprentices are employed by CCTAL. This partnership has allowed the training to become more focused, has provided opportunities to host trainees on major programmes and the involvement and representation of local contractors. At the current time, 160 apprentices have spent time on the Carmarthenshire Homes Standard programme

This partnership is also delivering a shared apprenticeship scheme which is funded by the Welsh Assembly Government. It began in September 2007 and initially took on 24 apprentices per annum. This scheme differs from the modern apprentice route as the apprentices are employed by CCTAL not the contractors, with the contractors providing work placements for the apprentices during the three year apprentice course.

In the current climate where there is a big focus on doing more for less and enabling collaboration, Carmarthenshire County council are inviting regional RSLs in west Wales to be named on their forthcoming contractor partnering framework. This will enable others to have an opportunity to influence construction training locally and also benefit from the knowledge and experience of regional contractors already working on the framework.

Good Practice Note

- engage local construction training colleges as early as possible and continue dialogue with them throughout schemes
- talk to your contractors – find out what their skills gaps are
- through partnership is the only way to achieve this – working together to benefit communities

For more information, please contact Rachel Davies, Carmarthenshire homes standard manager, Carmarthenshire county council on ramdavies@carmarthenshire.gov.uk or 01554 784619

City & County of Swansea Beyond Bricks & Mortar Initiative

No. of CCS Contracts containing Social Benefit Clauses	16
No. of contracts with other organisations influenced by BB&M containing clauses	7
From the Contracts above the number completed	3
From the Contracts above the number ongoing	6
The remaining contracts likely to start in first half of 2011	10
No. of training places gained	22
Person weeks of Training achieved (many at the start of their training period)	266

Since 2009 the City & County of Swansea has taken the corporate approach to the inclusion of Social Benefit Clauses and TR&T into its regeneration projects, making clauses core requirements of the contracts.

The Beyond Bricks & Mortar (BB&M) Team are the champions for social benefits within the Council and this approach was made a Council policy in March 2009. Since then to team has:

- Launched the Beyond Bricks & Mortar Charter for Partners and Contractors to gain buy-in and commitment;
- Put Social Benefit Clauses into 16 Council projects;
- Put Social Benefit Clauses into and/or influenced 7 other projects with external organizations such as Arriva Trains and the Welsh Assembly Government;
- In dialogue with the local NHS board on their future developments;
- Of the 3 completed contracts and 6 current contracts, found 22 training places, 12 of which are ongoing achieving 266 person weeks to date;
- Worked in partnership with South West Workways who, since August 2010, has placed 16 trainees on the BB&M projects. South West Workways is a project designed to enable the economically inactive and long term unemployed return to the labour market.

The team is now about to embark on including social benefit clauses as a core requirement in its first service contract

Good Practice Note

- in order to get buy-in from within and outside the council, creating this as Council corporate policy is fundamental
- resourcing a team to lead on this and making this core to regeneration delivery enables a holistic approach to 'delivering more for less'
- identifying opportunities to develop this approach through wider service contracts enables the team to continue to build on innovation and good practice

For further information contact:
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www.swansea.gov.uk/bbm



Saving – it's more than money

The Welsh Assembly Government's ARBED programme is the first major Assembly grant programme to feature TR&T as a CORE requirement. The aim of the grant is to increase the use of green technologies in Wales to reduce Welsh carbon output and to decrease fuel poverty as well as achieve social, economic and environmental objectives from this investment. The requirement stipulates that recipients must create 156 training weeks for every £1 million pound of grant funding. With £30 million pounds of spend this will result in 4680 trainee weeks being created between April 2010 and March 2011.

JobMatch alone has provided a minimum of 82 trainees for the ARBED programme in partnership with housing providers: here are some examples of what has been achieved:

Blaenau Gwent / Tai Calon: In partnership with The Mark Group, JobMatch has provided 5 participants with previous construction experience to be up-skilled for fitting external wall insulation.

Wales & the West and United Welsh: working with Solar Gibson Technical Services, they have employed 1 office administrator and committed to 4 trainees on a JobMatch employment Route. Also, through working with Filsol Solar they have employed 1 Solar PV Junior installer and committed to 2 trainees on a JobMatch employment Route. Finally, All Around Scaffolding have recruited 2 trainee scaffolders as part of this programme.

Warm Wales, Charter Housing, Bron Afon Community Housing and Melin Homes have recruited 10 Community Energy Wardens through JobMatch's Employment Route. The energy wardens provide advice to tenants on using green appliances within the home to ensure that they maximise energy and cost savings.

Good Practice Note

- Using TR&T as a grant condition emphasises the Assembly's commitment to delivering more value for the money given. Using a welfare to work provider, such as Jobmatch, to monitor and report on outcomes is less resource intensive for client and contractor
- Provision such as Jobmatch's employment routes programme enables the contractor and client to deliver TR&T at nil cost

RCT Homes and Bron Afon Community Housing with **SERS Ltd** have committed to recruiting 2 trainees each for an external wall insulation employment route.

Through JobMatch provision, all trainees on employment route programmes have to have a reasonable commitment from employers to secure permanent positions at the end of the training programme.

If you would like more information on JobMatch please contact Steve Millard on Stephen.Millard@rhondda-cynon-taff.gov.uk or on 07870 407675



Doing things differently

Tai Eryri has been using their local knowledge and regeneration experience to develop unique approach to delivering the ARBED project. They have developed a PhotoVoltaic “cluster” on the Pencraig estate in Llangefni. 140 installations are happening in 2 phases, the first 40 systems were installed by Dulas – a leading UK company in solar technology based in Machynlleth. Dulas have then worked with 6 local companies to help them achieve MCS accreditation and who have then go on to install the next 100 systems on the estate. Phase 3 of the project sees another 100 systems being installed across Gwynedd & Mon. Each company will be providing at least one 6 month training placement to unemployed young people during the course of the project.

Not only is the project saving tenant’s fuel bills, it is also upskilling local companies so that they become trained in solar installations and can compete for new business.

Contact Dewi Llwyd Evans at Dewi@taieryri.co.uk or on 07786088387 for more information



Good Practice Note

- Understand what your communities need through community profiling and use this knowledge to plug skills and experience gaps.
- Be creative about how you deliver regeneration benefits through procurement

Cartrefi Cymunedol Gwynedd – Building a better future

An innovative procurement model is at the core of Cartrefi Cymunedol Gwynedd’s £136 million Welsh Housing Quality Standard investment programme which aims to maximise local economic benefits and secure a lasting legacy.

CCG is currently undergoing a tendering exercise with 60 % of WHQS investment work likely to be allocated to a main contractor and 40% to trade SMEs. Included in this process is the establishment of CCG’s own supply chain. Tenders will be awarded in next few months and a support structure will be put in place to deliver the procurement strategy.

Along with contributing towards local economic regeneration, training and creating jobs are central to CCG’s vision. As a basis for the WHQS improvement programme, therefore, the procurement procedure ensures that contractors commit to target recruiting and training (TR&T). In line with this assurance, CCG’s main contractors have pledged to employ 16% of their workforce under the TR&T scheme.

This is in line with good practice as seen across the organisation, with CCG investing significantly in its own Direct Labour Organisation (DLO). To develop the skills of its workforce, CCG has teamed up with local training provider Coleg Menai to create a dedicated ‘Multiskill’ course. The course means exiting craftsmen learn new trade skills to supplement their existing expertise. Following the course 12 members of the DLO will achieve an NVQ Level 2 qualification.

In-house skills have also been put to use on a 44 house WHQS pilot scheme run by CCG. The hope is that this is something that can be developed and that the DLO will carry out a proportion of the investment programme work.

CCG’s commitment to training and apprenticeships extends beyond its WHQS programme. In partnership with local contractors on an Arbed grant funded project to improve energy efficiency in 94 homes, 8 workers were employed under the Future Jobs Fund. The aim is to develop this initiative so that more are employed under the scheme in the future.



Good Practice Note

- Include training requirements at the procurement stage to ensure a commitment to contribute to the local economy
- Implement a solid framework to create equal opportunities for small and medium businesses and to offer expertise and guidance

Good Practice Note

- using the external support that is available to you to making this happen
- ensuring that your targets are achievable and relevant to the size of your contractors, particularly in rural areas
- starting the journey with a robust business case and a community profile to find out what funding and training provision is available in the area

Powys Council have used a voluntary agreement to get two local trainee on site on its new school development in Llandrindod Wells on of which is hoping to be taken on full time. Working in partnership with Powys Training's Skillbuild programme and ConstructionSkills these training opportunities have been delivered at nil financial cost to employer and contractor.

Building on this success Powys council is now making TR&T a CORE requirement of contract for the new schooling Ystradgynlais and are looking to build on their partnership with Powys training.

Contact Claire Powell on claire.powell@powys.gov.uk or on 01597826469 for more information



Partners in Success

We asked everyone who they had collaborated with to deliver TR&T and we want to give a big thank you to all the agencies mentioned below who have been integral to making TR&T so successful.

Integrate TR&T project

i2i

South West Workways

Rhyl City Strategy

JobMatch

CREST

A4E

Manpower

Rathbournes

Glyncoch Partnership

Pontypridd High School

Elite Training Agency

New Deal

Newport Council Future

Jobs Fund

Careers Wales

The schemes you have been using to deliver TR&T include:

Apprenticeship programmes

Pathways to apprenticeships

JobMatch employment routes

Skillbuild

Future Job Fund

Independent Labour Market (ILM)

Volunteers

Community payback schemes

Good Practice Note

Undertaking a community profile to identify potential partner agencies and funding routes to deliver TR&T and providing this to contractors at the Invitation to Tender (ITT) stage allows you to fully comply to the anti discriminatory requirements of EU regulations and helps contractors to deliver successful training placements at virtually nil cost.

i2i has worked with many of you to carry out a community profile to discover which funding routes are available to deliver TR&T as close to nil-cost as possible and which welfare to work providers are operating in the area.

Community Benefits: Maximising the Welsh £ - Launched

Value Wales have developed their Community Benefits guide to assist organisations to get the most out of public money. It covers all aspects of Added Value through procurement; covering practical advice on implementation, good practice examples and useful contacts. This document has been designed to be continually updated as new developments emerge.

If you would like a copy, please contact Lisa Thomas-Lewis at lisa.thomas-lewis@wales.gsi.gov.uk or on 01685729120. Alternatively, click on the link for an electronic copy: <https://www.buy4wales.co.uk/PRP/general/strategy/procstrat/sustainabledevelopment.html>

CAN DO Toolkit 2 – SME Friendly Procurement

In addition to acquiring job and training opportunities from procurement you can also develop your procurement programme to maximise opportunities for Small and Medium Enterprises (SMEs) through the competitive tendering process.

To address this **i2i** launched its new CAN DO Toolkit 2 on SME friendly procurement to provide a guide to organisations who want to increase the opportunities for smaller business to win work. Our survey showed that 90% of organisations who responded have heard of this guidance with over half already starting to use its principles. The guide can be found at www.whq.org.uk/i2i/about_resources

Tai Ceredigion is currently tendering for contractors to deliver its WHQS main improvement programme and has used many SME friendly principles throughout the procurement process including:

1. indicating the criteria for tendering through 3 turnover categories:

£100,000 to £1m,

£1m to £15m and

£15m plus

contractors can only tender for one lot in the framework, which they will decide on according to their company turnover. This means that all contractors will only be competing against companies of similar size, leading to a fairer process.

2. only requiring smaller companies to complete specific parts of the PQQ therefore they are not in competition with main contractors and won't be penalised for not having e.g. equal opportunities policy, environmental policy, corporate social responsibility policies
3. maintaining contact with small contractors who are successful at PQQ stage but do not make it onto the final framework in order to upskill them, in order to win sub-contract opportunities
4. Working with local suppliers to agree a "Ceredigion price" for materials, which will be applicable to all contractors on the framework, which will create additional community benefits and a churn in the local economy.



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For further information on this response please contact:

Elin Brock-Jones (Housing regeneration manager) at the above address or email: elin.brock-jones@cih.org

Background

CIH Cymru recognises that this inquiry has a wide remit in considering the way in which national and local procurement policies help to deliver Welsh Government priorities. As a national housing organisation, our evidence will focus on the way in which housing organisations deliver under the following considerations, although we will make the links to other policy areas where appropriate. CIH Cymru and i2i would strongly make the case that any public investment in Wales has the potential to drive forward procurement as a policy tool to deliver on a range of other policy areas, including social and economic regeneration, employment and training and SME development, as has been highlighted through the use of the Can Do Toolkit, and should therefore be of a central consideration in relation to procurement regulations at a national and local level.

i2i has developed a series of Can Do Toolkits to enable public bodies in Wales to maximise their benefit through seeing procurement as a policy tool. These include:

- The Can Do Toolkit on Targeted Recruitment and Training (TR&T) where jobs and training is legitimately hardwired into the procurement project as a core requirement of contract

- The Can Do Toolkit on SME Friendly procurement which gives guidance to purchasers on how they can ensure that their procurement processes are delivered in a way that support the development of local SMEs

Increasingly across the housing sector, there has been a move to purchasing 'regeneration' rather than just bricks and mortar. Securing added value through housing investment need not be in conflict with other objectives such as delivering quality programmes to cost and time; indeed over the medium to long term the Can Do approach will increase the prospects of delivering vibrant, well managed and sustainable communities as well as an enhanced asset base for local authorities and RSLs.

The past year has seen the Can Do approach, namely targeted recruitment and training (TR&T) expand into other areas including:

- Conditions of Welsh Assembly Government grants
- As core requirements of Government capital investment programmes
- Outside of the housing sector including health, education and transport
- Outside of the construction sector and into the service sector

This is absolutely crucial in enabling the Welsh economy to grow and enable the creation of job and training opportunities through procuring smarter. Within the housing sector, this has enabled the creation of 1183 job and training opportunities over the last 2 years and using the Can Do Toolkit approach complies with all EU procurement regulations. Irrespective of how the EU procurement regulations may potentially change, i2i and CIH Cymru believe that the requirement to deliver the Can Do Toolkit approach across all public sector spend is fundamental to supporting the Welsh economy to prosper.

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

CIH Cymru and i2i acknowledge that the economic downturn has had a severe impact on procurement over the last few years, particularly with relation to delivering value for money. Anecdotal evidence also suggests that there is still considerable mystification (from purchasers) surrounding complying with UK and EU procurement regulations.

This is primarily down to The **interpretation** of procurement regulations by purchasing authorities which impacts on how effective the regulations work in Wales. There are some great examples across Wales where local authorities and housing associations have complied with regulations whilst also keeping the pound local, supporting the creation of jobs and training opportunities and supporting Welsh businesses. There is a huge variation across Wales in how these regulations are interpreted and therefore a huge variation in the outcomes achieved through procurement projects.

Where there is now a drive in the current economic climate to collaborative procurement across regions, this can cause tensions between localism and best value. Inevitably, the value of goods and services across a region is going to be greater through collaboration, but this does at times omit Welsh businesses (99% of whom are SMEs) from tendering because they are not big enough to win and deliver the work.

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

The means of achieving Value for Money should be based on three pre-procurement decisions:

- what the purchaser is trying to achieve, e.g. is it just building a new school or is it wider physical, economic and social regeneration?
- how best to procure the requirements and then
- what should be included in the specification

In essence, procurement professionals and buyers should ensure that when they are purchasing goods or services, best value, not best price, is their guiding principle. This principle should extend to areas such as sustainable development, environmental issues and benefitting the local economy.

Welsh Government has issued guidance to Welsh local authorities – “Power to Promote or Improve Economic, Social or Environmental Well-being”

This:

- lists ‘measures to encourage small business’ in a list of key factors that contribute to the improvement of well-being;
- emphasises the role of the power in encouraging innovation and indicates that this can be a ‘power of first resort’ and may be used for activities for which other bodies are primarily responsible;
- lists ‘promoting sustainable development’, ‘reducing inequalities’, and ‘promoting economic development’ amongst the list of activities that can be undertaken; and
- makes clear that the power enables a local authority to ‘incur expenditure’ under the well-being provision.

It is fundamental that these points are reiterated to buyers to ensure that procurement processes deliver the intended outcome.

i2i and CIH Cymru advocate that purchasers identify the outcome of their procurement at a very early stage to ensure that value is achieved – this has to include economic, social and environmental value, which currently is not being delivered consistently across all parts and sectors in Wales.

i2i’s Can Do Toolkit on SME friendly procurement identifies a number of activities that purchasing authorities can fulfil in the pre-procurement stage to deliver the desired outcomes and that comply with EU procurement rules. These include:

Separating materials and labour

Procuring the materials and fittings separately from the labour can encourage SMEs to win contracts, as this approach provides more control over the source of materials and fittings – and allows SMEs to bid for uncomplicated packages of work.

This approach may also reduce the cost to the purchaser because they are not paying a profit margin to the works contractors on the materials and fittings, and can get the benefit of 'money-back' arrangements between suppliers and contractors. This is especially true where a public sector buyer or social landlord or a consortium of landlords is purchasing a large volume of supplies (e.g. boilers, window units, kitchens).

Lotting

Buyers can advertise an entire contract in 'lots'. The size of the lots and any restrictions on the number of lots to be awarded to one bidder should be included in the contract notice. This aims to enable firms of a range of sizes obtain work.

Potential contractors would submit separate bids for one or more lots, and the value for money or best value assessment would be made on a 'lot' by 'lot' basis. Where invitations to tender for each lot are based on PQQs it is important to review the questions and remove barriers that could prevent SMEs being invited to tender. The questions need to be geared to assessing the capacity of the potential bidder to undertake contracts of different sizes, rather than expecting all bidders to demonstrate the same level of capacity and experience.

Using frameworks to maximising opportunities for SMEs – Powys County Council

To achieve its policy commitment to support the local economy the Council agreed to procure its £4.6m in WHQS works through a Framework Agreement divided into 8 categories: kitchen replacements, bathroom replacements,

rewiring and internal decorations for the North and then the South of the County. Contracts will be issued in these 8 categories over the next 4 years with an annual expenditure for each contract typically under £400,000. Through this process 3 contracts were awarded to larger and non-local suppliers, and 5 were awarded to local SMEs, where `local` is defined as based in Powys or an adjoining authority. This broad definition of `local` was considered necessary in order to get the required competition.

The Council has now procured framework contractors for property maintenance and construction jobbing and small projects with a value of less than £25,000. The framework has four Lots, two for `jobbing works` (North and South) and two for Small Projects. To provide service managers with appropriate local options 61 contractors have been appointed to the frameworks, of whom 59 are `local` and most are SMEs.

In each procurement process the Council worked closely with the Local Supplier Development Service, Menter a Busnes, that was able to advise and assist local companies. The Council advertised the contract opportunities in the local Press, the Welsh Assembly website (sell2wales), simplified the PQQ form and issued guidance on how to complete the PQQ.

i2i believes that Value for money must include a commitment to support SMEs.

The pre procurement stage is absolutely crucial in ensuring that Welsh companies are engaged in the tender process. Through the work of i2i, we have identified many considerations that buyers need to agree before commencing the tender process. These include:

Identifying the buyer's **aims** from existing powers, policies and financial procedures, or perhaps enhancing these to better express the new thinking in the organisation;

- Selecting **targets**: which firms is it hoped will benefit and where are they located?
- What **supplier support activity** could increase awareness of opportunities and SMEs' capacity to compete successfully for these?

- Explore how the use of **external resources** like the Supplier Development Programme can support SMEs in winning contracts?
- How can contracts be **designed** to ensure that SMEs can bid?
- **Can the specification be extended** to include requirements that better reflect the purchasers aims e.g. 'economic multiplier' or 'supply-chain development' requirements?
- How should the **procurement process be changed** to reflect any SME-friendly aims for the procurement e.g. at the PQQ, contract notice, specification and award stages?
- How will any SME-friendly requirements be **measured and monitored**?
- **Contract Management:** who will co-ordinate and progress-chase the SME-friendly agenda and support services?

Using targeted recruitment and training as a core requirement of contracts and grants will also provide better value for money. The impact of this has been significant in the Welsh housing market and has created 1183 new job and training opportunities that would not have been created if the Can do Toolkit had not been used during the procurement process.

In reality there are often a significant number of competing priorities that have to be managed and negotiated at a local level and many of our partners have emphasised that there is a lack of resources within purchasing authorities to manage a larger supply chain of SMEs with some opting to select a main contractor to manage a supply chain of SMEs. i2i believes that delivering an investment programme through high quality SMEs in Wales supports local authorities to deliver many other cross-departmental objectives such as improving the local economy, putting the money in the pockets of local people, supporting the employment and training of local people and creating the local multiplier effect.

An example includes:

United Welsh Housing Association is piloting in-house contract management on a £2.5m refurbishment of sheltered housing in Cardiff. To facilitate this it has appointed:

- a project manager
- a Construction Design Management (CDM) Coordinator
- a site-based coordinator
- a tenant liaison officer.

This team – most of whom were already employed by the organisation and take on the new responsibilities as just one part of their roles - effectively replaces staff that would normally be employed by the main contractor and charged to the client in the contract price. United Welsh expects this approach to produce savings because it will give them much greater control over costs and site activity.

One element of cost savings will come by splitting the procurement of materials and components from the procurement of labour. This means that each contract is of modest scale and would be unattractive to bidders from outside the local area. Potential suppliers were identified from in and around the Cardiff, Blaenau Gwent and Caerphilly areas where the organisation operates. Negotiations were undertaken with suppliers and tenders were issued for the labour-only contractors. All of the works and supplies contracts have been awarded to local SMEs.

This is a new approach for the organisation and it will be evaluated on the basis of tenant satisfaction, cost and value for money, and relationships with the supply chain.

Another example includes:

In order to meet the objectives of Tai Ceredigion the decision was made to procure for the WHQS improvements using a framework as opposed to the main contractor model. This ensures that the organisation has more flexibility to appoint a number of different sized organisations and then to call off contract lots from the framework.

The investment area has been broken down into 3 lots, with an in-house contract manager responsible for the delivery of the work programme. This has meant that the work is managed by people who work directly for Tai Ceredigion and will benefit the organisation with their growing expertise, and will save the organisation money by not having to pay for the management service.

In addition, the framework has been split into 3 lots in terms of value, so that bidders with different turnovers apply for the appropriate lot for them.

1. Main Contractor Partner(s) – LCP Multi-disciplinary larger General Contractors with experience of large scale (sequential programmed) WHQS works in the social Housing Sector
2. Smaller Company Partner(s) – MCP Smaller, perhaps more local, companies that may have a history working on the stock, but that would not meet the financial or experience benchmarks for selection in 1 above.
3. Individual Contractor Partner(s) – SCP Contractors who only deal with one section for the works (e.g. Central Heating Companies)

The PQQ for the WHQS frameworks allows the bidders to apply for the lot size that best meets their financial capabilities as can be seen below.

LCP	<p>Large Contractor Partner Turnover >£15,000,000.00</p> <p>Multi-disciplinary larger General Contractors with experience of large scale (sequential programmed) WHQS works in the social Housing Sector.</p>
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MCP	<p>Medium Contractor Partner Turnover >£1,000,000.00 <15,000,000.00</p> <p>Companies with a lower turnover, this may be (but does not have to be) a more local business that may have a history of working on the stock.</p> <p>The key is that the business should be a general contracting multi-discipline business that would not meet the financial or experience benchmarks for selection in LCP above.</p>
SCP	<p>Smaller Contractor Partner Turnover >£100,000.00 <£1,000,000.00</p> <p>Contactors who only deal with one section of the works (e.g. Central Heating Companies). Applications are welcomed from any specialist contractors but are particularly encouraged from locally based suppliers with a history of maintaining the Tai Ceredigion stock</p>

This ensures that larger contractors do not have the opportunity to bid for and potentially win all lots as they can deliver cheaper packages due to economies of scale. It also means that LCPs are only competing for work with other LCPs and the same for the MCPs and SCPs

How should the EU Procurement Directives be modernised from the perspectives of Welsh suppliers/contractors and purchasing authorities?

For a country like Wales, using targeted recruitment and training within contracts over £500,000 should be mandatory to enable procurement to improve local economies.

Although i2i does not provide legal and procurement advice, anecdotal evidence from our partners suggests that increasing the OJEU thresholds would enable more Welsh suppliers and contractors to tender for work in Wales and

would also reduce the bureaucracy for procurement officers within purchasing authorities, as well as cut costs and promote efficiencies.