

FAO John Griffiths AM

Dear Mr Griffiths,

11th August 2017

EQUALITY, LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE (NATIONAL ASSEMBLY FOR WALES)

Inquiry into making the economy work for people on low incomes

Ymateb gan Gymdeithas Contractwyr Peirianeg Sifil Cymru / Evidence from the Civil Engineering Contractors Association (CECA) Wales

Thank you for the opportunity to provide evidence to the Equality, Local Government and Communities Committee on your Inquiry into making the economy work for people on low incomes.

As Director for the Civil Engineering Contractors Association (CECA) Wales I feel that, if we are prepared to be bold and drive through a cultural change in the way public and private sectors work together in Wales on infrastructure matters, we have an opportunity to significantly increase the social value that can be delivered through investment in infrastructure and construction in its broader sense. It is by doing this that we can help to ensure that all of our people benefit from investment in infrastructure including those on low incomes.

As an organisation which represents 60 of Wales' largest and smallest civil engineering contracting businesses we see, on a day to day basis, the positive impacts that investment in infrastructure can bring for our communities. With a cumulative annual turnover in excess of £1bn and employing over 6,000 people directly, as well as many others through extended supply chains, these businesses play a huge part in supporting communities across Wales and they make a significant contribution to the economic prosperity of our nation. Our members are also major providers of training and apprenticeship opportunities and, on a more fundamental level, it is our members who will build the infrastructure that our nation needs to prosper. However, on a less positive note, it is also our members who witness poor practices and lost opportunities to better support those in our communities through this investment. This is no more evident than in the public sector procurement process which, when implemented sensitively and collaboratively, can deliver huge benefits to our communities, but, when delivered less sensitively and in a transactional environment can lead to a considerable loss of value. These poor practices, I suspect, have a disproportional impact on our less affluent communities through lost opportunity.

I realise that making the economy work for people on low incomes can take many forms. However, I have restricted my submission to :

1. opportunities to improve economic wellbeing for those on low incomes by increasing social value through the public procurement process;
2. streamlining the procurement process and making it more accessible to Welsh SMEs
3. how the Wellbeing of Future Generations Act could support those on low incomes - but only if we are willing to significantly transform our approach to procurement.

1. Making the economy work for people on low incomes – increasing social value through public sector procurement

The community benefits or social value agenda is an integral element of Welsh Government Procurement Policy and has been a familiar feature of the construction industry in Wales for many years. It comprises a range of opportunities including targeted recruitment, training and upskilling, engagement with schools and colleges and community interventions.

Current delivery, despite some examples of better practice, is largely based on the public sector seeking community benefits via individual projects either voluntarily by asking for an “offer” from a supplier or contractually by prescribing what they want via contractual conditions. In the voluntary case, this often ends up with a “mixed bag” offer which is rarely enforced and rarely produces tangible and long-term benefits. In the contractual case, targets are rarely well thought out and suppliers, particularly smaller ones, struggle to deliver meaningful results. Both approaches are difficult to apply, manage and measure and, as a result the impacts are highly variable. For many, this laudable aim is stagnating in its current form and, at worst, those involved in its implementation are experiencing (and sometimes exhibiting) increased cynicism!

However, there is some room for optimism. The Wellbeing of Future Generations Act offers a golden opportunity to rethink the processes for the procurement of infrastructure and construction works. The current drive towards regional collaboration across the Welsh public sector (notwithstanding this having been an aspiration for many over, at least, the last 15 years or so!) now has a greater impetus given the desire of the Cabinet Secretary for Finance, Mark Drakeford, for this to happen, with or without legislation. There is also the establishments of Local Service Boards and the creation of City/Growth Deals covering north, southeast, southwest and mid Wales to drive economic development and greater prosperity. The private sector has a crucial role to play in all these scenarios but success will only be achieved through a more collaborative partnership. Effective procurement is key to this, not least in supporting an increase in social value. If we are to increase social value a number of issues need to be considered :

a. Current arrangements

With the exception of some high-profile projects, current arrangements involve a relatively transactional approach to community benefits where clients set out their “requirements” in contracts documents, suppliers bid for the contract and (potentially!) make allowances in their tender to meet the “requirements”, and then successful bidders are expected to deliver the “requirements”. These “requirements” may be considered “core” to the contract in which case they are contractually binding or “non-core” in which case they are voluntary. In the former case, there is rarely a penalty for non-delivery and in the latter case there is no formal obligation to deliver.

Is this a satisfactory way to deliver such important social benefits?

b. Commitment

The level of commitment by public sector clients is highly variable despite it being a requirement of Welsh Government Procurement Policy and being continually highlighted as a key feature of the work of individual public bodies and the City/Growth Regions/Deals.

Why are all public sector clients not fully engaged with this agenda?

Is there a disconnect between policy makers, politicians and senior executives and those who procure and deliver construction projects?

Or is there a disconnect within client organisations, between those procuring works and those responsible for delivery?

c. Measurement

Measures of success are poorly understood. This is not helped by a lack of performance data. The Welsh Government's own Community Benefits Measurement Tool, which is administered by Value Wales, is not used on all projects. It is currently under review.

Why is its use not mandated on all projects? Why is there not greater clarity on social value expectations?

At CECA Wales we believe that a new model is needed to increase social value, a model that is both strategic and client/public sector led.

Despite being part of the public-sector landscape for many years it is becoming clear that, with the exception of some high-profile examples, the level of commitment to community benefits and, hence, our ability to improve economic conditions for those on low pay is not as widespread as it needs to be. Arguably, although the policy has delivered some good results, the current method of implementation, based on a transactional and contract based approach, is limited and not suitable for achieving the widespread results needed across Wales.

Given that the real beneficiaries of a successful social value programme are our people and our communities across Wales then this agenda must be owned and managed strategically by the Welsh public sector and not delegated to the private sector in a transactional and contract-specific manner which leads to fragmentation, a loss of consistency and continuity and, ultimately, a loss of benefit to communities.

A new model to increase social value from construction investment needs to be based on a strategic and client led approach, delivering social value requirements at a programme/regional level over a long term rather than a local/contract-specific level over a short term.

It needs to be client-led rather than supplier led (although suppliers will continue to have a key role in delivery).

It will need support structures/mechanisms to be established by client organisations at a regional level so that successful suppliers for individual contracts (or frameworks) can utilise these arrangements as and when they successfully “win” contracts.

The current approach is short term, disruptive and ineffective but a strategically coordinated, regional/programme based approach driven by the client would give continuity, longevity and better results. The key is that it's client led and supplier supported – and underpinned by a collaborative ethos where there are no losers!

2.Streamlining the procurement process and making it more accessible to Welsh SMEs

For every £1 invested in infrastructure and construction projects current research estimates that a further £2.84 is generated through employment and purchasing via extended supply chains. Welsh civil engineering and construction SME's, particularly the smaller ones, by their very nature tend to work very locally, delivering services within their regions. They employ significant numbers of local people and are seen as good employers within their communities. As well as employing professional people they also employ skilled tradesmen, labourers and administrative staff. Jobs are also well-paid relative to Welsh averages. They provide high quality training and upskilling opportunities and, as long as there is a strong “pipeline” of work, they are able to provide long term employment opportunities.

However, the ability of smaller companies to access opportunities through the public sector in infrastructure and other sectors is impacted by unnecessarily lengthy, costly and bureaucratic procurement processes. We have championed the principles set out in the Welsh Government's Procurement Policy Statements for many years and believe that, if fully and sensitively applied, would support the efforts of local businesses to access public sector contracts. ***We would recommend that the current procurement practices of public bodies be reviewed in the specific context of the construction sector given the amount of expenditure involved and the significant opportunities for people on low incomes and from disadvantaged communities.***

CECA Wales and its partners across the UK recently produced its “CECA Procurement Report - Directions in Policy for the UK Construction Sector” which we have shared with a number of major infrastructure clients across Wales. The report contains recommendations for improving the procurement process which continues to be far too bureaucratic and costly across, not just Wales, but the UK as a whole. Since this report was published CECA Wales have prepared their own Welsh specific report in partnership with the Association of Consulting Engineers and the County Surveyors Society (CSS) Cymru to draw out any specific lessons for the public sector in Wales. I have appended the draft report (we hope to have finalised the report by the time this Committee sits) but have highlighted 3 key opportunities for the future :

1. Many of the challenges and recommendations for improvement depend on having an **“informed public sector client”**, adequately resourced and sufficiently competent to make sensible and sensitive decisions over procurement strategies, “lotting” strategies for frameworks and encouraging the participation and growth of SMEs as a result of public infrastructure investment.

2. The need for **regular and high quality engagement and communication** between all parties to the delivery of infrastructure at all stages is clear. This is not a difficult issue to address.
3. Specific attention needs to be given to **growth opportunities for Welsh based SMEs** via the public sector procurement process. Although a cornerstone of Welsh Government Procurement Policy the focus on this area varies considerably across Wales with successful practices in some areas counterbalanced by little or no attention paid in others. The role of an “intelligent public sector client” is key to this.

We feel that these 3 opportunities must be addressed if we are to improve the process of construction procurement for the benefit of people on low incomes.

3.The implications of and opportunities arising from the Wellbeing of Future Generations Act

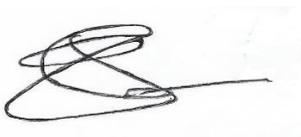
How the Wellbeing of Future Generations Act could support those on low incomes – but only if we are willing to significantly transform our approach to procurement.

The Wellbeing of Future Generations Act offers a huge opportunity to change the way we procure goods and services across the Welsh public sector. Whilst the Act is viewed by many as public sector focused its impacts should be felt across the Welsh economy and especially amongst private sector suppliers to the public sector – through the procurement process. If the Act is applied sensitively and intelligently there is an opportunity to improve the economic wellbeing of people on low incomes through better procurement and improved social value – as considered above. However, if it is seen by public sector procurers as a “tick box” exercise for them to gain “approval to proceed” and then merely “codify” the requirements of the Act into a set of contractual conditions which are inserted into tendering documents for the private sector to decipher and put a price on them then we will all have failed and, in effect, we will have exacerbated the two issues mentioned above. We will have further complicated an already onerous procurement process and further complicated the social value process.

We would like to see a bottom up approach taken to this whereby the private sector is fully engaged with the public sector to shape a procurement process which delivers for the Welsh economy, which delivers for those on low incomes and which embraces the goals within the Wellbeing of Future Generations Act.

I trust that these views and observations are helpful to you and your Committee but please contact me should you wish to discuss these matters in greater detail.

Yours sincerely



Ed Evans
Director, CECA Wales/Cymru