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National Assembly for Wales  
Economy, Infrastructure and Skills  
Committee

Procurement in the foundational  
economy

Evidence from Wales Centre for Public  
Policy

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# Submission to the Economy, Infrastructure and Skills Committee's Enquiry on Public Procurement in the Foundational Economy

## The Wales Centre for Public Policy

1. The Wales Centre for Public Policy seeks to improve policy making and outcomes by enabling public bodies, the Welsh Government and other decision takers to access authoritative independent evidence about what works. We collaborate with leading policy experts to bring together and summarise the existing evidence to develop fresh thinking about how to address the key economic, social and environmental challenges facing Wales.
2. As part of an ongoing programme of work on public procurement, we have recently published two reports [Beyond Contracting: Public Service Stewardship to Maximise Public Value](#) and [Sustainable Public Procurement](#) which are relevant to some aspects of the Committee's inquiry on public procurement in the foundational economy. This note summarises evidence which we believe may be useful.

## Evidence

### ***To what extent could increasing 'local procurement' by the public sector create stronger local supply chains and build wealth in communities across Wales?***

3. There is no conclusive evidence on the effect of local procurement on local economies, which is a recent policy development in the UK. However, there is some evidence to suggest local procurement can facilitate responsive systems capable of



meeting local needs, including building capacity in local businesses and robustness in supply chains (Tizard and Mathias 2019, 18).

4. The evidence also indicates that local procurement practices can, when part of a wider set of interventions known as community wealth building, enhance resilience and economic security for local communities (McInroy 2018). This is particularly true if procuring authorities ask for social value criteria in their contracts, which offer an opportunity to align policy objectives with spend (Tizard and Mathias 2019: 19). Collaboration between public service bodies, business and local service users would enhance this effect.
5. Some researchers point out that local procurement is, or could be, a zero-sum game, in which the economic benefits to a local area come at a cost to other areas (Jackson 2016: 13-14). In a situation where local procurement was universally adopted and practiced, local businesses would only be able to sell to local markets and growth outside of these would be restricted, artificially limiting the growth potential of some firms. While procurement legislation makes this latter outcome unlikely, as direct preference for local suppliers would be illegal, there is a risk that local procurement may create wealth for one area at the expense of another (Jackson 2016: 13-14).
6. To avoid the risk of harming other communities, procuring authorities could carefully evaluate where local procurement (or other sustainable procurement practices) could bring benefits and where the costs may outweigh these benefits. They should find, in Jackson's words, 'a correct balance ... ensuring that benefit comes through a range of means regardless of geography' (Jackson 2016: 14).

***What is your view of the Welsh Government's intended approach to increasing the amount of 'local procurement' undertaken by the public sector in Wales (including how 'local procurement' will be defined and monitored; how the principles of sustainable and ethical procurement are being applied; and how the statutory goals set by the Well-Being of Future Generations (Wales) Act are being met)?***

7. It is not possible to provide evidence about the impacts of the Welsh Government's intended approach before it is implemented. However there is evidence about how local procurement has been practised elsewhere which may be relevant to the committee's inquiry.
8. The evidence points to the importance of sustainable procurement at all levels including the national, regional and organisational as well as local (Tizard and Mathias 2019: 24). So it is important that there is an effective national framework to facilitate place based approaches.



9. The evidence shows that increasing local procurement is best achieved by ongoing engagement and support to local suppliers rather than direct preferential treatment in tender selection, which in any event is disallowed under procurement legislation (Bell 2019: 17). Early and sustained engagement with local businesses, including pre-procurement, enables public bodies to understand what local supply markets are able to offer and to take steps to increase the proportion of local businesses who are able to compete for contracts (Bell 2019: 17).
10. Understanding and helping to nurture local supply markets has been central to a range of public procurement initiatives, including the widely cited 'Preston model'. Work by the Procure Network notes that local suppliers can be encouraged to bid for contracts in a number of ways, including:
  - Linking local ambitions and needs (for instance, reducing local unemployment) to contracts;
  - Reducing barriers to bidding for local businesses or SMEs, for instance by simplifying the bidding process; and
  - Using social and environmental criteria in contract specifications (Jackson 2016: 16-18).

It is important to note that this forms part of a broader package of economic interventions, of which local procurement is just one part.

11. In order to ensure effective accountability, it is important to have good information – at local and national level – about who contracts are let to. We have called for a 'Domesday book' of public sector contracts, that provides details on major outsourcing projects and the objective of the contract; the contractor(s) working on them; value; timescale and performance (Tizard and Mathias 2019: 16). This information would be useful for monitoring what proportion of public procurement is local.
12. Measuring sustainable and ethical procurement can be challenging, and work will need to be done to ensure that there is the capacity and the ability to ensure that targets are being met. There is not always the capacity within procuring authorities to monitor social value clauses within contracts, and the process for implementation can be difficult. This is complicated by the difficulty of measuring non-cash impacts such as well-being, although more practical issues are also apparent (Bell 2019: 21). Developing an adequate framework to capture and measure these types of value could help to ensure that sustainability targets are met.



13. Local procurement, and sustainable public procurement more generally, has the potential to contribute to the statutory goals set by the Well-Being of Future Generations Act (FGA). Our work has noted the role procurement is given in statutory guidance relating to the FGA, and in particular the need for sustainability in procurement (Bell 2019: 24).
14. This potential will be enhanced if local procurement is combined with a more ambitious programme of community wealth building, which would match local procurement with other place-based interventions (CLES 2019; Tizard and Mathias 2019: 18). We have also called for procurement to be understood as a means of creating public value (Tizard and Mathias 2019) which can contribute to creating and sustaining cohesive communities; promoting equality and global responsibility.

***In what ways can local spend and collaborative procurement be increased and sustained while working within the EU procurement framework, whatever arrangements may be in place following Brexit?***

15. Our report *Beyond Contracting* argues that it is possible to be compliant with all EU and UK procurement legislation while increasing local spend in procurement (Tizard and Mathias 2019: 19).
16. Discrimination against 'non-local' suppliers is not permitted. This means that a local procurement model based on direct preference for local suppliers in awarding tenders will be unlawful under current legislation. It is unlikely that there will be any substantial divergence from this principle post-Brexit, particularly as EU law will be incorporated into the body of UK law in the first instance.
17. However procuring authorities have the ability to add 'community benefit clauses' to contracts, which may address 'economic, innovation-related, environmental, social or employment-related considerations, provided such terms are linked to the subject-matter of the contract and advertised in advance' (Bell 2019: 11). Using these clauses, and/or similar social value approaches, may facilitate local procurement as local enterprises may be best placed to add this sort of value to contracts.

***Can you give examples of similar public procurement initiatives elsewhere in the UK and EU?***

18. Similar projects have been carried out in some UK local authorities, including Manchester and Birmingham. Preston City Council's community wealth building approach has been the most frequently cited. Evidence from the Centre for Local Economic Strategies suggests that implementing it has resulted in a greater



proportion of procurement spend being retained in the local area, and more of this money recirculating in the local economy (CLES 2019: 20). Additional economic benefits, such as an increase in workers being paid the Real Living Wage, and considerable improvements in the Indices of Multiple Deprivation, are also cited.

19. However, not all of this impact will be due to community wealth building, and not all of that will be down to a 'local procurement' strategy. Where local procurement strategies have been implemented, this is usually as part of a parcel of broader measures to boost social value (Tizard and Mathias 2019: 18-19).

## Conclusion

20. Local procurement should not be seen as a panacea, but it can form part of a range of measures that have the potential to bolster the foundational economy and local economic resilience.

21. The most successful approach will likely combine an emphasis on the social value of procurement with sustained efforts to increase the participation of local businesses in procurement contracts. It is unlawful to privilege local firms simply because they are local. But local procurement can be justified where these firms are best placed to deliver social value outcomes that strengthen local communities, and these considerations should form part of any local and national procurement strategy.

**Jack Price, Helen Tilley, Craig Johnson, and Steve Martin**

## Evidence cited

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