

The National Assembly Economy, Infrastructure & Skills Committee inquiry into public procurement in the foundational economy

Introduction

Ten years ago the social housing sector radically changed the way it did procurement by developing the [Can Do Toolkits](#), delivering jobs and training in the community and helping support local supply chains. This meant successfully challenging the conservative procurement orthodoxy at the time that said you couldn't do this without falling foul of European and UK regulations.

Ten years on and Welsh Government is exploring this bolder, more radical approach as a means of addressing chronic problems within many local economies. Lee Waters, Deputy Minister for the Economy and Transport for example, recently made a clear link between the foundational economy and the toolkits stating that the former:

'... builds on work pioneered in Wales a decade ago. The Can Do Toolkits were an early initiative in this area to help public sector officers build community benefits into procurement'.

Professor Kevin Morgan of Cardiff University has emphasised the need to learn from the experience given the severity of economic challenges we face:

'The Can Do Toolkits are a successful example of public sector innovation and we urgently need to learn the lessons of their success'

This paper submitted by Keith Edwards is based on his and colleagues experiences in extracting social, economic and environmental value from public procurement. Contributors include **Professor Karel Williams**, Can Do Toolkit author **Richard Macfarlane**, Can Do Toolkit legal adviser **Mark Cook**, Chief Executive of Cartrefi Cymru **Adrian Roper**, **Dr Eurgain Powell** from the Office of the Future Generations Commissioner, **Vince Hanly** independent procurement consultant, **Rhian Edwards** of the Wales Co-operative Centre and **Elin Brock** independent community benefits consultant. The responses are based on the questions posed by the Committee.

What is the current position regarding the proportion of public contracts in Wales that go to Welsh suppliers?

Our understanding is that the around 50% of public contracts go to Welsh suppliers although this will vary. For example, public bodies in South Wales have access to more extensive supply chains when compared to rural authorities where choice is often more limited, and this will affect the overall proportions.

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

Working in some of our most disadvantaged communities, securing local jobs and developing the local economy are key drivers for housing organisations. According to Community Housing Cymru, in 2017/18 Welsh Housing Associations spent an estimated £1.2 billion, 84% of which remained in Wales.

As anchor organisations they are important local employers in their own right and have a strong track record of using investment to deliver social, economic and environmental outcomes for the people and communities they work with. In partnership with their supply chains (including many SMEs and social businesses) they are major contributors to the foundational economy.

If other public investment could be marshalled in the same way there would be huge potential to grow local supply chains, create job opportunities and enhance wealth in disadvantaged communities, as well as more generally. To maximise the potential however a radical approach to procurement is needed. We are currently working with a range of public, third and private sector organisations in developing a *Can Do Declaration* (latest iteration attached separately) that builds on housing's legacy in an up-to-date context. The aim is to extend the reach of this approach to include Public Service Boards, Regional Partnership Boards, local authorities and other public bodies and utilities by for example

- Adopting the 'procurement flip' – taking a long-term view of value and challenging the lowest price default position.
- Co-designing procurement involving the '3 Cs' - clients, contractors and communities – to set objectives, define value, specify community benefits and make processes easy and accessible.
- Moving from competitive procurement to a longer-term relationship based approach.
- Embedding a *Can Do* approach into Well-being plans and Public Service Boards.
- Introducing a consistent framework of incentives and penalties relating to delivering *Can Do* contracts.
- Developing a monitoring framework across Wales so that Welsh Government can record and monitor progress in delivering a *Can Do* approach.

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?

Based on the experience of the housing sector, the potential is huge and we welcome the new approach. We agree with the Future Generations Commissioner, speaking at the *Can Do* Toolkit 10th anniversary event in July, referring to £60bn the public sector will spend in procuring goods, services and works in the next decade:

'If this money was being spent to buy things and improve the economic, social, environmental and cultural well-being of people and communities in Wales – imagine what would that mean? Wales has a great opportunity now to think about how and where to spend that money in the interests of future generations':

There is some frustration at progress in integrating procurement practices within the seven well-being goals of the Future Generations Act and applying the five ways of working although the recently announce inquiry into procurement under section 20 of the Act will help focus attention on this. It follows that the Act should be used as the basis for monitoring impact and outcomes of a new approach to procurement.

Another opportunity to increase local procurement lies within section 16 of the Social Services and Well-being Act which encourages consideration of co-operatives and third sector providers, many of whom will be local and active in the foundational economy, as deliverers of services.

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?

The public sector could be encouraged to treat low value spend (up to the value of OJEU thresholds) in a way that will encourage and develop local supply chains. However significant There are many gaps in capability and capacity and companies complain about the bureaucratic processes for tendering and quotations which are often a burden and these need to be simplified.

In terms of client and contractor skills there needs to be significant additional investment including in the procurement function (to embrace modern, more 'challenging' approaches) and to support SMEs and social businesses to join local supply chains and grow.

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

Others are better placed to provide detailed responses, but we are aware, for example, of the efforts and apparent successes of public procurement initiatives by Preston and Bristol city councils

The *Art of the Possible* resources produced by the Future Generations Commissioner are also useful sources of information about innovative approaches to procurement:

<https://futuregenerations.wales/the-art-of-the-possible/>,
<https://futuregenerations.wales/a-globally-responsible-wales/>,
<https://futuregenerations.wales/aotp/prosperity/>