

Natural Resources for Wales' response to:

**The Economy, Infrastructure and Skills Committee inquiry
- Public procurement in the foundational economy.**

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

NRW are unable to currently provide this information with any degree of accuracy at this time.

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

This is an initiative that NRW focuses upon in accordance to the Wales Procurement Policy Statement WPPS 2015 objectives, such as using lots, encouraging the local supply chain to bid for our opportunities, advertising on S2W, advertising on social media, supplier engagements, use of Business Wales, use of ESPD European single procurement document (formerly SQuID).

With limited resources in Professional Procurement in Wales assistance and guidance on new legislation would be welcomed, as the Public sector must ensure it delivers compliant contracts in accordance to Public Contract Regulations 2015,

NPS is operating on a limited service and therefore less aggregated frameworks to utilise, therefore this will encourage the Public sector to collaborate widely and an opportunity for Public Service Boards PSBs to utilise Procurement to deliver their initiatives. The additional challenge of the reduced service that NPS will provide is that the secondary option to NPS not letting a framework is that the Welsh Public Sector utilise live Crown Commercial Services (CCS) agreements. The suppliers on CCS tend to be based in England so it does leave less opportunity to work with SMEs in Wales. NRW will need to determine whether the CCS framework allow us to meet our corporate objectives or not, and if not, standalone local procurement exercises can then be considered; this will then allow a focussed exercise where the local suppliers can be targeted.

NRW are a member of all PSBs and 11 of Wales' 19 Public Services Boards have acknowledged, in their Well-being Plan 2018-23, the contribution that public sector procurements practices make to well-being. However, not all 11 PSBs have explicitly stated in their Plan what action they will take to change procurement processes to increase contribution to local well-being. Work on delivery is the current phase of activity. We understand this request has gone directly to PSBs, so they will provide the more detailed responses for their Place.

PSBs have just published their first annual reports indicating some limited progress, Caerphilly has made the most progress perhaps because it has set up a specific group to focus on procurement and commissioning.

Public procurement often imposes disproportionately heavy transaction costs upon micro and small enterprises and community groups wishing to supply goods or services for a public purpose. Large private and third sector organisations, which may have few or no linkages with the local economy, can devote resources specifically to meet the requirements of the public procurement process, which is why they have an advantage in being awarded such contracts. Steps can be taken to mitigate this bias, such as dividing large contracts into smaller lots and/or utilising Sell2Wales S2W (register of suppliers and advertisement platform for Public sector). However, there are limits to how far such mitigation can be taken, and it is probable that alternatives to the procurement process should be considered. These might include:

- Service level agreements
- Franchises

Of these options perhaps the least familiar is the use of franchises. A similar initiative is reserved contracts for social enterprises such as Antur Waunfawr.

From a procurement perspective the other approach available and becoming more widely used is the Dynamic Purchasing System. This allows a contracting authority to let an open agreement to which suppliers can be appointed via gateway assessment process at any time during the DPS life. The pre-qualification stage is less arduous than a traditional procurement process, so it allows small business to progress to the competition stage, rather falling at the first hurdle as is often the case with a framework approach.

3. [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\)?](#)

WG and the wider Public Sector need to increase the supply chain's **awareness** of Community Benefits, and the WCFG Goals at all levels of the supply chain (national/SMEs/micro) and providing examples of innovative thinking.

WG's Environment Act and setting of NRW's purpose is to contribute to the Well-Being of Future Generations and we therefore want to understand better where and how procurement can support delivery of the sustainable management of natural resources and support rural economies, not just urban. The foundation economy as described here seems to be heavily focused to urban centres and has no reference to the basic factors of survival, clean air, water and materials for trade, shelter and

clothing, other than food. All the real foundation of life and well-being basic requirements.

Have we sufficiently thought through the concept of a foundation economy to ensure it supports the provision of these sustainably managed and used natural resources?

As a member of each PSB we obviously share the PSBs' commitments around action to develop procurement processes to increase contribution to local well-being but as an all Wales organisation, it will always be challenging for us to work consistently across the PSBs, given that each PSB will have a local agenda. Through NRW's place-based approach and contributing funds locally, we may be able to feed into local initiatives but wider than that, NRW still must think about best value, economies of scale, standardisation of purchases across the organisation and remaining compliant with the PCR 2015.

4. [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?](#)

With NPS services reduced, this places increased work to the remainder of public bodies to review requirements and procure, this is an opportunity for aggregation in local areas or across Wales but will place a strain on limited professional Procurement resource. It is recommended that Public Services Boards (PSBs) explore and identify requirements and nominate resources and lead organisations.

Currently Public Contracts Regulations 2015 requires all procurements over £118,133 to be advertised in the OJEU following the principles of open and transparent tendering. It is therefore prohibited to stipulate a local supply provision. NRW has some recent examples:

1. **Food supply for CyB and NyA Visitor centres café - £200,000 over 4 years.** The value was over OJEU, therefore stipulating local produce was not recommended to remain compliant to the PCR15 procurement rules. A collaborative framework was formed by NPS and provided a solution of Welsh meat, however as the meat was not sourced from the local North Wales area, this created an issue with the visitor centres ability to retain its tourism award; as it required the provenance of its food to be within the local area. We are currently reviewing collaborative options with Ceredigion Council.
2. **Nematodes - £150,000 over 2 years.** A requirement which as a niche market after advertisement through OJEU 2 tender bids were received, one from a national company and the other from a Welsh supplier, unfortunately the Welsh supplier was provided an uncompetitive price. On further enquires, it was found the Welsh supplier had an advanced method of growing the nematodes and therefore incurred higher business costs. However, NRW are satisfied with the basic approach and the competitive costs this approach provides, which is half the price. Is the Welsh supplier interested in adopting the basic approach?

NRW Procurement are considering how it can push the Wellbeing goals and objectives down the supply-chain through its procurement opportunities. Award questions on how bidders can support our agenda will be used to assess the supplier's potential contribution to these drivers and these can then be embedded into delivery of the contract. This will not favour Welsh suppliers in any way, but it will ensure the appointed supplier is supporting Wales directly.

5. [Can you give examples of similar public procurement initiatives elsewhere in the UK and EU?](#)

No

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