

Welsh Public Sector Procurement Update

Purpose

1. This paper responds to interest expressed by the Council for Economic Development in the Written Statement issued on 21 September (Annex 1) by the Cabinet Secretary for Finance and Local Government.
2. The update covers:
 - Welsh public sector sourcing from within Wales;
 - Supply chain development and improving smaller Welsh businesses ability to compete for contracts; and
 - Future steps.

Context

3. The Welsh Government is providing this paper to note at the request of the Council for Economic Development. The Council requested an update on public sector sourcing from within Wales and improving smaller Welsh businesses ability to compete for contracts.

Recommendation

4. The Council for Economic Development is invited to note the contents of this paper.

Welsh public sector sourcing from within Wales

5. The Welsh public sector spends approximately £5.8bn annually through procurement of works, goods and services.
6. To enable analysis of this expenditure, data has been gathered from creditors' systems across the Welsh public sector and collated in one database. Sourcing from within Wales is classified as suppliers with a Welsh postcode payment address.
7. From a baseline of 35% in 2004, sourcing from within Wales has consistently been at around 50% of total expenditure since the 2007/8 financial year.
8. Analysis of 2015/16 expenditure data illustrates that spend by sector is as follows:

| Sector | Total | Spend in Wales | |
|-----------------------------------|----------------|----------------|-----|
| Welsh Government | £676,241,214 | £295,370,979 | 44% |
| National Assembly for Wales | £11,220,143 | £2,371,318 | 21% |
| Further Education | £15,645,119 | £9,702,333 | 62% |
| Fire & Rescue | £45,119,362 | £21,747,085 | 48% |
| Higher Education | £279,039,028 | £96,587,610 | 35% |
| Local Government | £3,176,145,789 | £1,862,822,538 | 59% |
| NHS | £1,333,500,624 | £547,945,722 | 41% |
| Police | £135,395,498 | £57,577,866 | 43% |
| Welsh Government Sponsored Bodies | £83,321,273 | £31,494,721 | 38% |

9. The National Procurement Service (NPS) manages common and repetitive spend on behalf of 73 customer organisations. As of September 2017, the NPS has awarded 58 frameworks to 710 suppliers. Of these suppliers 48% (340) are Wales based and 39% (278) are Welsh SMEs.
10. From April 2015 to June 2017, £422.9m has been spent through the agreements managed by NPS with £122m (29%) going to Welsh Suppliers and of this £87.4m (21%) of total spend has been spent with Welsh SMEs.

Supply chain development and improving smaller Welsh businesses ability to compete for contracts

11. Procurement policy and delivery has recognised the need to develop approaches which enable the involvement of smaller, more local businesses.
12. Visibility of lower value contract opportunities is vital for small businesses. Public bodies in Wales have been supported to grow their use of sell2wales to advertise lower value notices, which now account for over 80% of all contracts advertised on the portal. Suppliers in Wales win over 60% of the contracts awarded on sell2wales.
13. Community Benefits policy encourages public bodies to work with larger contractors and open up supply chain opportunities for smaller, local suppliers. Measurement of contracts which have applied community benefits, with an overall value of £1.4bn, illustrates that 81% of this spend has been delivered through Welsh supply chains.
14. Public bodies are encouraged, through the Joint Bidding guide, to adopt procurement approaches which enable smaller suppliers to form consortia in order to increase their capacity and chances of winning larger value contracts. Pilot projects undertaken to support development of the guidance illustrated that the approach can help smaller businesses to collaborate and to succeed in winning high value contracts.
15. Close working with Business Wales helps connect smaller, local suppliers with procurement opportunities through a combination of 'meet the buyer' events and one to one business support.

Future steps

16. Current and future spend profiles will be mapped against the make up of the Welsh economy to help develop procurement plans which play to the strengths of local suppliers. Businesses will be engaged to explore all possible options to develop local supply chains and to fill any supply voids across Wales so that Welsh businesses are well-placed to compete and bid for public sector contracts here in Wales and further afield.
17. A new programme for procurement is being developed. This new programme will respond to the needs of public bodies across Wales and will seek to provide support required to maximise the potential of procurement expenditure.

18. Opportunities which may arise from the UK's exit from the EU will be exploited to allow the development of Welsh specific process which helps increase involvement of smaller, local suppliers.
19. Intelligence developed on planned public procurement expenditure will be underpinned by cross-government working to strengthen support for businesses in Wales to enable them to maximise their share of Welsh public procurement expenditure and to improve processes to allow more Welsh SMEs to win contracts.
20. Pilot projects are underway to embed the Wellbeing of Future Generations Act in procurement. The learning which emerges from these pilots will be promoted across Wales.
21. Development of future approaches will be progressed in consultation with social partners and business in order that all opportunities are explored to use the Welsh public sector's £5.8bn annual public procurement spend to drive sustainable economic growth in Wales.