

# Brexit Update

## **Brexit has dominated the news over the past three years, and this shows no signs of abating.**

The current deadline for the UK to exit the European Union (EU) is 31 October, and Prime Minister Boris Johnson has been categorical in his position that the UK will leave the European Union on this date – either with or without a deal. Much focus has been placed on the potential for a no-deal Brexit but, while leaving with an agreement would allow for a more orderly transition, the full consequences would of course depend on the specifics of that agreement.

While past form suggests there will be many twists, turns and parliamentary and legal challenges still to come before Brexit – and a likely General Election later this Autumn – discussion around the impact of Brexit on public procurement has been relatively modest. In part, that's because in the short term, not much will change – at least in terms of procurement process. However, in the longer term, Brexit will give the UK government more latitude in shaping its approach to a massively valuable area.

Brexit – or more correctly, the UK's exit from the EU – creates a significant opportunity for businesses wanting to engage within the public sector supply chain. This is not to downplay the challenges that a no-deal Brexit in particular could cause; but the value of the UK public sector alone makes it a robust and dynamic marketplace capable of absorbing disruption.

Even at a high level, the degree of spending on Brexit-related opportunities is considerable. For example, the awards database within BiP Solutions' **Tracker Market Intelligence** solution shows that the Cabinet Office committed £75m in funding in July alone to Brexit-related contracts, while the Department for Transport has committed £30m and Defra £27m. Consultancy services are amongst the highest value contracts being let, but the outcomes of reviews of existing programmes will create further opportunities within the supply chain. Areas such as IT and infrastructure, and particularly ports, are also seeing further investment.

Public spending is high on the Government's agenda. The one-year Spending Review on 4 September saw the Chancellor of the Exchequer commit to additional funding in a number of areas, including infrastructure, healthcare, education, defence and policing. The Review was billed as the fastest planned increase in routine departmental spending for 15 years, with growth set to be 4.1% above inflation in 2020-21. The Government has claimed that no department will see a reduction in its day-to-day budget – the first time since 2002 that this has been the case.

Whether this is a true increase in funding, or simply restoring spend to pre-Austerity levels is open to debate – but in either case, the commitment to spending more on public services should be welcomed by the entire public sector supply chain.

Bearing these many factors in mind, this report describes some key areas from which future business opportunities will come.

- **Increased pre-Brexit public sector spending** – in the run-up to Brexit, the UK public sector will be spending more on preparedness. This is likely to mean increased spend in areas such as research, consultancy, legal services, security, logistics and infrastructure (digital and physical) – much of which was seen before the previous deadline for leaving the EU in March. For example, in August, the Government Digital Service awarded three contracts worth £1m each in a bid to boost the preparedness of critical online services before Brexit. The contracts sought suppliers which can provide teams, or resources to supplement existing teams, to work on urgent EU Exit-related projects. Deloitte LLP, Cognizant and PA Consulting Services were the successful bidders.

While some of these opportunities may be short-term in nature, they still represent an opportunity for businesses to either develop existing relationships or build new ones.

- **Increased post-Brexit public spending** – the most pessimistic economic forecasts predict that a no-deal Brexit could tip the UK into recession, even though the

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latest data for July suggests that economic growth has been sustained, and may have even improved slightly in August. However, while it's encouraging that the UK economy is demonstrating robustness, there are concerns that the underlying trend – particularly in areas such as manufacturing – is negative.

Given these circumstances, the UK Government has a significant lever to pull to generate economic activity – public spending. The Government has recently announced a funding increase of £14 bn over the next three years for England's schools, as part of its new Education strategy. In addition, increased investment for defence and healthcare has already been committed as part of the one-year Spending Review. After 31 October, there's every chance that spending will be increased to offset any short-term economic impact caused by Brexit – irrespective of which political party, or parties, form the Government after the planned General Election.

- **More focus on the UK supply chain** – as part of the EU, the UK has created an open and transparent marketplace for its requirements, particularly in areas such as defence. Not all countries – including those outside the EU – are as even-handed in their approach, often favouring domestic suppliers. Ministers are considering how Brexit can be used to create more opportunities for UK businesses of all sizes to participate more in the supply chain, particularly in high value and high-profile services such as shipbuilding.
- **Depending on the terms of the exit**, opportunities may open up for UK businesses to take up the slack left by reduced engagement from EU-based companies. UK companies will therefore be able to work with a multibillion-pound domestic market for their services. There is also of course a large market beyond the EU.
- **While EU countries** may want to ensure their opportunities are placed with EU-based, rather than UK-based, suppliers, it's important to note that UK companies will not be prevented from dealing with EU nations post Brexit. Rather, the UK will be treated as a 'third country'

for such procurement. Amongst the EU regulations are a stipulation that no more than 50% of an EU requirement may be sourced from a third country. While this reduces scope for UK businesses, it by no means removes it entirely.

- **In the event of a no-deal Brexit**, the UK will use the existing World Trade Organisation (WTO) rules and Government Procurement Agreement (GPA) as the basis of its procurement approach, and build upon that. WTO members confirmed in February 2019 that the UK will join the GPA as an independent member if it leaves the EU without a deal. The GPA is an agreement within the WTO framework between its 19 members, including major economies such as the United States, Canada, Japan and the EU. The UK's independent membership would give British businesses the certainty that they will be able to continue bidding for public sector contracts overseas on almost the same terms as they do now, within the terms of the GPA.



With the UK as an independent member of the GPA, overseas businesses will be able to bid for £67bn worth of public sector contracts in the UK every year. In return, British suppliers will be able to bid for £1.3tn worth of government contracts overseas in a wide range of sectors, from large infrastructure to professional and business services.



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- **Post Brexit**, and depending on the nature of the agreement, the UK will be able to reform its approach to public procurement. It is important to note that the EU Public Procurement Directives of 2014 are already enshrined in both UK and Scottish law, meaning there will be little immediate change to UK procurement regulations regardless of whether or not there is a negotiated withdrawal agreement. Any further changes to UK procurement legislation will only come about as a result of a change to UK law, or legislation passed by the UK's devolved governments. At the same time, senior figures within government are now being challenged to think boldly about the opportunity that public procurement offers outside the terms of EU membership, and how it could be delivered better without the existing constraints. The full implications of change will take time to become apparent, so for businesses which view the UK public sector as a long-term customer, this is an important area to track.
- **The Government is pushing transparency** within public procurement and emphasising the importance of making opportunities available to more businesses throughout the entire supply chain. The disaggregation of opportunities, and greater visibility of which buyers are opening up their supply chains, will mean more opportunities for a wider range of businesses, including SMEs. This process was in flight pre-Brexit, but has even more impetus now. Approaches such as early engagement and market management are gaining traction across the public sector, as buyers realise that they need to understand their supply base in more detail than ever before. In part this is to identify opportunities to improve efficiencies, but it is also to avoid another Carillion-type incident, where a major contractor goes under and takes its supply chain with it. This greater transparency will therefore alleviate some concerns around the visibility of opportunities in a post-Brexit landscape. You can learn more about how supply chains are being reshaped and made more transparent in our recent market report, **'Is Procurement Good Business?'**





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## How can BiP Solutions help?

BiP Solutions has been named in Cabinet Office guidance as one of the first e-Senders in the UK to confirm that it will integrate its services with a new UK e-notification service that would, in the event of a no-deal Brexit, replace the requirement for UK tenders to be published in the Official Journal of the European Union (OJEU).

At a time of considerable change, it is vital to have complete insight into current and future opportunities, and to understand the dynamics that are changing the public sector supply landscape. BiP Solutions' portfolio of business intelligence and market engagement tools, events and consultancy services provides unique insights and connectivity into the multibillion-pound procurement sector. BiP's [Tracker Market Intelligence](#) tool provides access to the largest database in Europe of contract and award notices (including OJEU opportunities), while [Supply2Gov](#) allows SMEs to receive tender alerts that are the most suited to them from throughout the UK and Ireland. [Defence Contracts International](#) meanwhile offers tender alerts and market intelligence from throughout the defence supply chain. [Delta eSourcing](#) makes it easier for buying organisations to have full visibility of their supply chain, while [CompeteFor](#) opens up access to major supply chain projects for businesses that may not otherwise have visibility of them.

BiP's Procurement Advice and Support Service (PASS) is holding a Brexit-themed webinar at 11am on Wednesday 18 September. To learn more and register, [click here](#).

As the leading provider of business intelligence and analytical services for the UK public sector supply chain, BiP Solutions is fully immersed in Brexit and public procurement dialogue across the buyer and supplier communities. Our customers receive the latest information and insights, ensuring they are fully informed about the latest updates to procurement procedures and processes.

