

# Rethinking Food in Wales

## Public Procurement of Food

May 2018



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# **Rethinking Food in Wales**

## Public Procurement of Food

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# About the Committee

The Committee was established on 28 June 2016 to examine legislation and hold the Welsh Government to account by scrutinising expenditure, administration and policy matters encompassing (but not restricted to): local government; housing, community regeneration, cohesion and safety; tackling poverty; equality of opportunity and human rights.

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## Committee Chair:



**Mike Hedges AM**

Welsh Labour  
Swansea East

## Current Committee membership:



**Gareth Bennett AM**

UKIP Wales  
South Wales Central



**Dawn Bowden AM**

Welsh Labour  
Merthyr Tydfil and Rhymney



**Jayne Bryant AM**

Welsh Labour  
Newport West



**Dai Lloyd AM**

Plaid Cymru  
South Wales West



**David Melding AM**

Welsh Conservatives  
South Wales Central



**Simon Thomas AM**

Plaid Cymru  
Mid and West Wales



**Joyce Watson AC**

Welsh Labour  
Mid and West Wales

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## The following Members were also members of the Committee during this inquiry:



**Huw Irranca-Davies AM**

Welsh Labour  
Ogmore



**Jenny Rathbone AM**

Welsh Labour  
Cardiff Central

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## 1. Introduction

In June 2017, the Climate Change, Environment and Rural Affairs Committee launched a wide-ranging inquiry into the future of food in Wales. The inquiry, Rethinking food in Wales, was launched at the Royal Welsh show.

We were interested in how we can rethink food in Wales so we can have:

- Healthy, locally produced food that is accessible and affordable;
- An innovative food industry sustaining high quality jobs;
- Sustainably produced food with high environmental and animal welfare standards; and
- An internationally renowned destination for food lovers.

The first part of our work on this subject focussed on public sector food procurement.

This position paper sets out the Committee's vision for public procurement of food in Wales within the wider food sector.

### Terms of reference

1. The inquiry investigated:
  - The role of public sector procurement in supporting local produce, both to provide the public with improved access to healthy, local food and to provide markets for producers;
  - The role of sustainable public sector food procurement within wider public policies, such as health; and
  - The potential impact of Brexit on future procurement arrangements.

## Approach

**2.** As part of our wider inquiry work on food, we visited numerous food and drink businesses around Wales. This allowed us first-hand knowledge of the opportunities available to Wales' food sector and some of the challenges the face. We are grateful to the businesses which hosted our visits.

**3.** We held two meetings to discuss public sector food procurement in more depth and are grateful to those who participated:

### 18 October 2017

Liz Lucas	Procurement Manager, Caerphilly County Borough Council
Marcia Lewis	Catering Manager, Caerphilly County Borough Council.
Keir Warner	Head of Sourcing, non-medical, NHS Wales Shared Services Partnership, NHS

### 26 October 2017

Professor Roberta Sonnino	Professor of Environmental Policy and Planning, Director of Impact, School of Geography and Planning, Cardiff University
Gwyn Howells	Chief Executive Officer, Hybu Cig Cymru
Andy Richardson	Chair, Food and Drink Wales Industry Board

**4.** We also wrote to the WLGA and to Mark Drakeford, the Cabinet Secretary for Finance, as he is responsible for the National Procurement Service (NPS), to seek further information about matters raised during oral evidence sessions.



## 2. Recommendation and conclusions

This report sets out the Committee’s vision for public sector procurement of food in Wales. Chapter 1 considers the strategic direction of food policy and asks whether an overarching food strategy is desirable and necessary. The remaining chapters explore how public sector procurement of food in Wales can be strengthened.

### Recommendation

The Welsh Government must report back to this Committee on each of this report’s conclusions no later than 12 weeks after its publication. Where the Welsh Government disagrees with one of the Committee’s conclusions, it should specify its reasons for doing so.

### Conclusions

**Conclusion 1.** Towards Sustainable Growth: An Action Plan for the Food and Drink Industry 2014–20 has clearly made progress towards achieving its primary objective – the growth of the sector. However, given the potential benefits of food policies, this focus is too narrow. There is currently a need for a strategic vision for the Welsh food sector which makes connections between different policy areas, such as health, wellbeing and sustainability, alongside economic growth. The challenges presented by Brexit make this even more urgent..... Page 13

**Conclusion 2.** There is a need for a new, overarching, post-Brexit food strategy that reflects a whole-system approach. The strategy should be underpinned by the objectives and goals of the Well-being of Future Generations (Wales) Act 2015 and should be accompanied by an action plan, including measures and targets.  
..... Page 13

**Conclusion 3.** Given that the most recent official figures estimated public sector food and drink procurement spend to be £74.4 million per year, it is vital that the wider benefits of that spend are realised. This funding is used to provide food in our schools and hospitals, and should be thought of as an investment in the health and wellbeing of the Welsh people. We believe that public procurement of food should form a central part of a post-Brexit food strategy..... Page 13

**Conclusion 4.** The Public Policy Institute for Wales’ review of the Welsh Government’s food and drink strategy and action plan was published in 2016. It is still relevant for policy and planning and should be used to inform the approach to enhancing public sector food procurement. We believe it would be helpful for the Welsh Government to publish its response to that report..... Page 13

**Conclusion 5.** We were concerned by the suggestion that, in Wales, public sector procurement is not considered by suppliers to be reliable or prestigious. An overarching food strategy, which sets the highest standards, would address the perception that public procuremet is not prestigious. Having a clear, long-term strategic direction may also address a broader perception of a lack of reliability. In any event, we believe the Welsh Government and the sector must work together to identify and address the reasons for this perception..... Page 18

**Conclusion 6.** There is merit in exploring tools that can provide a more sophisticated assessment of costs for procurement purposes. For example, local employment could be expressed as a cost factor. The Well-being of Future Generations (Wales) Act 2015 provides an ideal foundation for the development of such tools and can provide the basis for the Welsh Government, the WLGA and other relevant organisations to develop an approach that reflects Welsh priorities. .... Page 18

**Conclusion 7.** The Committee is pleased that organisations in Wales, including the NPS and an increasing number of local authorities, have signed up to the Courthald 2025 agreement. Reducing food waste should feature in the development of an overarching food strategy and any associated action plan. .... Page 18

**Conclusion 8.** An overarching food strategy should be supported by measures to increase the skills and expertise of procurement professionals in Wales, to ensure that its objectives can be delivered effectively. Supporting training and exchange of best practice through working groups at a local level has been effective in the past..... Page 19

**Conclusion 9.** The Welsh Government has two roles in relation to public sector procurement of food. It is responsible for the National Procurement Service (NPS) and is also responsible for setting the overall policy framework. It appears that, in recent years, Welsh Government resources have been targeted towards developing the NPS at the expense of providing support for procurement outside the NPS..... Page 24

**Conclusion 10.** Central procurement is not necessarily incompatible with supporting local suppliers. An overarching food strategy, supported by a consistent assessment of cost that reflects its objectives, can accommodate both central and local procurement approaches. However, for the foreseeable future, it appears that public organisations will continue to spend a significant amount of public money outside NPS frameworks. The Welsh Government needs to consider how it can support public organisations to continue to improve procurement practices. Contributors to this inquiry provided several suggestions of how this could be taken forward, including through improved collaboration between Government, public procurement and industry. .... Page 25

**Conclusion 11.** Concerns about the NPS frameworks have been reported to this Committee and the Wales Audit Office. We are concerned that the projections for spend in year one of NPS Food Framework 1 is considerably lower than the estimated value that appeared in tender documents. Given that the Wales Audit Office has also concluded that the potential use of Frameworks has been over estimated by the NPS, we strongly believe the Welsh Government should keep this matter under review. .... Page 25

**Conclusion 12.** The NPS appears to have responded positively and constructively to initial concerns about the structure of NPS Food Framework 1. We note that the Welsh Government is currently undertaking a review of the NPS and believe that the food frameworks should form part of that review. .... Page 25

**Conclusion 13.** There is a lack of information available about public sector spend on food. We believe the Welsh Government should consider how this can be addressed. A possible approach could include publishing, on a biennial basis, information on spend via public sector food procurement. This would enable the identification of long-term trends and gaps in the supply chain. .... Page 25

**Conclusion 14.** The extent to which EU regulations have constrained procurement practice has been exaggerated over many years. It is clear from practice in other EU countries that the system does not prevent the procurement of food that is locally produced, healthy and sustainable. .... Page 27

**Conclusion 15.** Brexit creates both challenges and opportunities that can be addressed by refreshed food policies in Wales. It is necessary to investigate what regulations, standards and structures are needed to replace those which are currently derived from EU-legislation. The Welsh Government should take the lead on this work as it applies in Wales. .... Page 27

### 3. The need for an overarching food strategy

Contributors told us there is a need for a new overarching food strategy in Wales, encapsulating health, social and environmental benefits alongside economic benefits.

**5.** A food and drink strategy, Food for Wales, Food from Wales 2010–2020, was introduced by the Welsh Labour and Plaid Cymru coalition Government in 2010. Although the lifetime of the strategy continues until 2020, in practice, it has been replaced by Towards Sustainable Growth: An Action Plan for the Food and Drink Industry 2014–20 (Towards Sustainable Growth).

**6.** The Welsh Government published Towards Sustainable Growth in 2014. The action plan addresses business growth; market development; innovation; development of a skilled workforce; food safety; healthy eating; and food security. Its central objective is to increase turnover in the food and farming priority sector of the food chain by 30% from the 2013 baseline of £5.2 billion, to £7 billion annually by 2020. It also aims to increase Gross Value Added of the food and farming sector by 10%, to £1.4 billion annually by 2020.

**7.** Despite this focus on economic growth, the then Minister, Alun Davies, emphasised that the action plan has a “much broader vision”, described as:

“an industry that demonstrates strong leadership, is growing sustainably and this growth is fuelled by cutting edge research, innovation and knowledge transfer, and is producing products with a global reputation for quality and safety. The vision encapsulates food businesses of all sizes, producing market driven product ranges; businesses with very different ambitions, some with a local customer focus whilst others will be major players in export markets. The vision is one of green growth where businesses are the custodians of our natural resources, businesses that are both environmentally and socially responsible, and producing safe food to secure improvements in the health and vitality of the people of Wales. We want to see growth in the industry driving change across Wales, helping us to achieve our ambitions to tackle poverty and to create a place for food at the centre of our vision for the future of Welsh society.”

**8.** The Cabinet Secretary for Energy, Planning and Rural Affairs, Lesley Griffiths, **told the Assembly** in January 2018 that the “Welsh food and drink industry

continues to go from strength to strength”. She said that since her last update in November 2016, the industry’s sales turnover had increased from £6.1 billion to £6.9 billion, putting the industry “on the threshold” of the £7 billion target in the food and drink action plan.

**9.** Contributors to the inquiry recognised that Towards Sustainable Growth has made considerable progress towards achieving its goals. However, many contributors believed it does not reflect the broader vision described by the then Minister. They felt it is too narrowly focused on post farm gate activity and economic impact, to the detriment of taking a holistic view of a sustainable food system that could also provide social, public health and environmental benefits.

**10.** A Public Policy Institute for Wales (now the Wales Centre for Public Policy) report: Food Policy as Public Policy (2016) said, in reference to the abandoned Welsh Government Food Strategy:

“The Welsh Government’s Food Strategy set out a vision for the Welsh food sector which sought to reflect the interconnections between food and wider policy objectives. The subsequent Action Plan narrowed the food policy focus in Wales. At the same time, the actual macro-food policy agenda and its relevance to the well-being of Welsh businesses, communities and people has got significantly wider and deeper.”

**11.** There was considerable support for an overarching food strategy, to ensure balance between competing policy demands such as market-based growth strategies, sustainability and public health. This would give a clear direction from politicians, support continuity, and ensure policy integration. In this context, Professor Sonnino emphasised the “multifunctional potential of food” and said that “ a national food policy” would be:

“connected with other policies—transport, housing, environment, the economy and so on. Because the key, and most distinctive, feature of food as a policy area is that it has this capacity to advance so many other policy goals.”

**12.** In reference to whether an overarching food strategy is necessary, the WLGA told the Committee:

“It is entirely necessary that our Government has an overarching strategy for food. This would assist public bodies in Wales in delivering the procurement of food in Wales.”

**13.** Professor Sonnino said the strategy must be flexible to respond to changing priorities, and should be focussed on incremental change, building on the good practice that is already in place. She said that national targets accompanying a strategy “should be few, clear, and built around paramount priorities like access to good food”.<sup>1</sup> She also emphasised the importance of harmonising national and local targets.

**14.** The Welsh Government is yet to respond publicly to the Food Policy as Public Policy report. The WLGA said they believed it would be useful for a response to the report to be published. This would not only assist in developing a transparent way forward for food procurement in Wales, but would also “show that Welsh Government are serious in improving the way in which the public sector procures food for our most vulnerable citizens”.

**15.** This Committee’s report on the future of land management in Wales discussed food production in Wales after Brexit. The Committee concluded that Brexit provides an “opportunity for Wales to become a more resilient, more self-reliant, food producing nation”. To meet the challenges arising from Brexit for food, it recommended that:

“The Welsh Government must develop a food culture in Wales that: values local production; reduces food miles and carbon footprint, and protects high animal health and welfare standards. This should ensure access to the Single Market for our producers and continue our ‘Made in Wales’ reputation for high quality goods.”

## The importance of public procurement in food policy making

**16.** Contributors emphasised the importance of public procurement of food within a wider food “system”. Professor Sonnino, who described public procurement as the most powerful tool Governments have at their disposal to shape sustainable food economies. She explained:

“It’s an enormous percentage of our GDP, normally 13, 14 per cent in European countries, up to 70 per cent in developing countries, so it is a golden opportunity to decide what kind of food markets do we want to create, for whom and how.”

**17.** The WLGA stressed the potential broader, social value of public procurement:

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<sup>1</sup> Professor Sonnino

“There is a significant role as an influencer, because of what public procurement is and where it happens. [...] the public procurement of food products should be considered as a lever within a whole system approach. Public spend is important; not because of its quantity, because of its influence.”

**18.** Contributors believed that an overarching food strategy would deliver benefits of food procurement. It would ensure a consistent approach and high standards which would both, in turn, foster confidence within the sector and the wider public. The WLGA said a food strategy would give Public Bodies the necessary direction to ensure they could deliver healthy, nutritious and safe food to all areas of the public sector.

## CONCLUSIONS

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**Conclusion 1.** Towards Sustainable Growth: An Action Plan for the Food and Drink Industry 2014–20 has clearly made progress towards achieving its primary objective – the growth of the sector. However, given the potential benefits of food policies, this focus is too narrow. There is currently a need for a strategic vision for the Welsh food sector which makes connections between different policy areas, such as health, wellbeing and sustainability, alongside economic growth. The challenges presented by Brexit make this even more urgent.

**Conclusion 2.** There is a need for a new, overarching, post-Brexit food strategy that reflects a whole-system approach. The strategy should be underpinned by the objectives and goals of the Well-being of Future Generations (Wales) Act 2015 and should be accompanied by an action plan, including measures and targets.

**Conclusion 3.** Given that the most recent official figures estimated public sector food and drink procurement spend to be £74.4 million per year, it is vital that the wider benefits of that spend are realised. This funding is used to provide food in our schools and hospitals, and should be thought of as an investment in the health and wellbeing of the Welsh people. We believe that public procurement of food should form a central part of a post-Brexit food strategy.

**Conclusion 4.** The Public Policy Institute for Wales’ review of the Welsh Government’s food and drink strategy and action plan was published in 2016. It is still relevant for policy and planning and should be used to inform the approach to enhancing public sector food procurement. We believe it would be helpful for the Welsh Government to publish its response to that report.

## 4. Procuring fresh, nutritious, locally produced food

This chapter explores the potential of leveraging public procurement of food to maximise social, health and environmental benefits.

**19.** The Public Sector Food Purchasing in Wales Report 2013, which was commissioned by the Welsh Government, contains the latest official estimates of spend in public procurement. It estimated public sector food and drink spend at £74.4 million in 2012, with purchases from Welsh companies including producers and distributors accounting for 63% which amounts to £47.2 million.

**20.** NPS-Food-0068-16 - Framework 1: Fresh Food and Drinks Products, which has been in effect since August 2017, is divided into 14 lots, with each lot being divided into 33 geographical zones. The Cabinet Secretary for Finance informed the Committee that approximately 73% of the suppliers appointed to this framework were Welsh SMEs. However, it was noted that such statistics do not indicate whether the produce is local, only that the supplier is located in Wales.

**21.** Professor Sonnino emphasised that suppliers and producers have traditionally been attracted to public procurement contracts because it is “reliable and it’s also a very prestigious market”. She went on to say:

“It’s a good marketing strategy to be able to say, ‘I supply Welsh schools or Welsh hospitals.’ So, these are the two pillars upon which we can build to try to use procurement as a tool to create quality markets for farmers.”

**22.** However, the Chair of the Food and Drink Wales Industry Board said this was not the case in Wales. He explained that “one of the challenges we have is that businesses don’t see public procurement as an accolade”.

**23.** The representative of Caerphilly Borough Council said there was, increasingly, a lack of trust between suppliers and public bodies. She said this was partly due to an inability on the part of the procuring body to build long-term relationships with suppliers and producers. She said:

“when we are talking about building sustainable jobs, sustainable businesses that can grow, we’ve got to give a commitment. And I



suppose one of the barriers could be they're seeing that we put these large frameworks out ... and people may never, ever get any work from them. So, how can you ask anybody to invest into their business if we are not giving a commitment?"

## Developing a more sophisticated assessment of cost

**24.** Professor Sonnino said a “cultural shift” was needed, so that procurement of food is considered in terms of investment, rather than cost. She said:

“How much money are we actually saving in other budgetary accounts by investing in public food services, human health and, I would add, environmental health as well, if we do get good food on the plate?”

**25.** Contributors to the inquiry emphasised the importance of balancing quality and cost, and that value, rather than price, should be the more prominent factor in procurement decisions.

**26.** The NPS framework that relates to Fresh Food and Drink products (NPS-Food-0068-16 Framework 1: Fresh Food and Drinks Products) requires a weighting of 70% on quality and 30% on price.

**27.** In relation to weighting of other factors, such as nutritional value or provenance, the WLGA told the Committee that “the procurement practice aspect of this is in the specification process. These requirements can all be specified and awarded upon. Whether they are specified depends on the needs of the organisation, the availability of supply and the relative value attributed to them”.

**28.** The Welsh Government’s Wales Procurement Policy Statement (2015)<sup>2</sup> details the procurement practices the Welsh Government is seeking from public bodies buying goods, works and services in Wales. The policy states that the Wellbeing of Future Generations Act provides an opportunity to deliver “more sustainable outcomes from our procurements”. The policy sets out several principles to be followed, including an “Economic, Social and Environmental Impact Principle”. It says the public sector should use a whole-of-life costing approach that considers “benefits to society, the economy, and the environment both now and in the future”.

**29.** Calculating the cost of food for procurement purposes was a key issue. The representative from Caerphilly County Borough Council explained their approach:

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<sup>2</sup> **Wales Procurement Policy Statement (2015)**

“one thing that people forget is that there is a cost for a product, but a product that is procured locally will have another benefit, which is the social and economic benefit. So when we benchmark and people look at cost, they will take into consideration that it’s local. So, there may be an extra cost for delivery of our milk, for instance; it may cost us a penny more because we use a local distributor, and we’ve decided in our award criteria that’s acceptable to Caerphilly. However, what does that penny more per pint of milk do to the local economy? Because that local milk distributor will go and buy a van, hopefully from a local supply chain within Caerphilly, and he will employ people to deliver that milk. So, it’s about keeping that Welsh pound, or the Caerphilly pound, as we call it, in Caerphilly, or in the surrounding areas...”

**30.** The WLGA said there needs to be a more sophisticated approach to determining the true cost or value of food and suggested an outcome and measurement framework based on the Wellbeing of Future Generations Act. They said that the Themes Outcomes and Measures (TOMS) tool that was launched in November 2017 in support of the Social Value Act in England, could form the basis of a new approach in Wales.

**31.** An example measure in the TOMS tool relates to the number of local people employed as a result of a relevant contract and for this to be expressed as a cost or benefit. The WLGA is in the process of evaluating the TOMS tool in conjunction with the Wales Heads of Procurement network.

## The Food for Life programme

**32.** The Public Policy Institute for Wales’ review of the Welsh Government’s food and drink strategy and action plan referred to Food For Life, the Soil Association’s accreditation scheme for healthy and sustainable food. The review recommended:

- that the Food For Life Catering Mark should be adopted across the Welsh Government’s catering service, and be promoted among the Welsh Government’s delivery partners.
- adoption of the Food for Life Partnership Model in the education sector. This is a whole school approach to food that combines school food provision with educational messages around growing, cooking and food choices.

**33.** The WLGA informed the Committee that the majority of Welsh Local Authorities do not participate in the Food for Life programme. Flintshire County Council has adopted the programme, but “other Authorities have not been convinced it offers value for money”. They said:

“The catering aspect of the programme (previously called 'Catering Mark' now called 'Food for Life Served Here') comes at a cost of £2,388 per year (£1,194 for primary school menu + £1,194 for secondary school menu).”

**34.** They went on to say that the ambitions of the programme are already reflected in local policies. For example, local authorities were engaged with the Welsh Network of Healthy Schools Scheme (which is based on a whole school approach to health, including food).

**35.** The Cabinet Secretary for Finance told the Committee that NPS frameworks for food procurement have been designed to be able to accommodate initiatives such as Food for Life.

## Food waste

**36.** The Committee was told that the NPS has signed up for the voluntary Courtauld Commitment 2025, the objective of which is to cut the resource needed to provide food & drink by one-fifth in ten years. The targeted overall outcomes from 2015 to 2025, calculated as a relative reduction per head of population, are:

- 20% reduction in food & drink waste arising in the UK;
- 20% reduction in the GHG [Greenhouse Gas] intensity of food & drink consumed in the UK;
- A reduction in impact associated with water use in the supply chain.

**37.** The Cabinet Secretary told the Committee these outcomes had informed the development of the specifications for the NPS food frameworks, and that Greenhouse Gas emissions; water consumption; food waste; and packaging waste will be measured to identify trends and areas for improvement.

**38.** The WLGA told the Committee it was encouraging Local Authorities to sign up to the Courthauld 2025 agreement. Cardiff and Monmouthshire Councils have been among the early adopters.

## Workforce

**39.** The Public Policy Institute for Wales' review also referred to the need for sufficient investment in procurement staffing resource. The report said:

“Procurement professionals have to be afforded the status and provided with the skills necessary to maximise the state’s purchasing power, not just in terms of value for money but also ‘values’ for money; in other words, social, environmental and economic benefit.”

**40.** The representative from Caerphilly County Borough Council believed there is a “capability and capacity issue in procurement within Wales” and emphasised the importance of a skilled procurement workforce. She cautioned that budget constraints had severely impacted on staffing levels with, in the case of Caerphilly, a reduction of staff from 28 to fewer than 13.

## CONCLUSIONS

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**Conclusion 5.** We were concerned by the suggestion that, in Wales, public sector procurement is not considered by suppliers to be reliable or prestigious. An overarching food strategy, which sets the highest standards, would address the perception that public procurement is not prestigious. Having a clear, long-term strategic direction may also address a broader perception of a lack of reliability. In any event, we believe the Welsh Government and the sector must work together to identify and address the reasons for this perception.

**Conclusion 6.** There is merit in exploring tools that can provide a more sophisticated assessment of costs for procurement purposes. For example, local employment could be expressed as a cost factor. The Well-being of Future Generations (Wales) Act 2015 provides an ideal foundation for the development of such tools and can provide the basis for the Welsh Government, the WLGA and other relevant organisations to develop an approach that reflects Welsh priorities.

**Conclusion 7.** The Committee is pleased that organisations in Wales, including the NPS and an increasing number of local authorities, have signed up to the Courthald 2025 agreement. Reducing food waste should feature in the development of an overarching food strategy and any associated action plan.

**Conclusion 8.** An overarching food strategy should be supported by measures to increase the skills and expertise of procurement professionals in Wales, to ensure that its objectives can be delivered effectively. Supporting training and exchange of best practice through working groups at a local level has been effective in the past.

## 5. The Welsh Government and public sector procurement

The Welsh Government has two roles in relation to public sector procurement of food. Its primary responsibility is to set the policy framework. Second, it is responsible for the National Procurement Service (NPS).

**41.** Towards Sustainable Growth: An Action Plan for the Food and Drink Industry 2014-2020, includes one action (Action 30) that relates to public sector procurement of food. It is to:

“Enable public sector market opportunities to be developed for the food industry and in particular SME and micro food businesses.”

**42.** Towards Sustainable Growth says the NPS will be measured against increasing each of the following:

- the opportunities for food businesses to supply the public sector;
- the number of suppliers and volume/range of product supplied; and
- the benefits to food producers targeting this marketplace.

**43.** In response to a question about how progress has been assessed against Action 30, the Cabinet Secretary said:

“Action 30 describes how public sector market opportunities should be developed for the food industry and in particular SME and micro food businesses. In developing its frameworks this was supported by the NPS through the measures described below.

Delivery of twelve Wales located pre-procurement market engagement events designed to capture market issues and help smaller businesses prepare to bid.

Delivery of how to tender workshops during the procurement aimed at helping smaller businesses more fully understand the tendering requirements.

Implementing a geographical zone structure within the procurement that would allow smaller businesses to bid to supply at a local level.

A key measure of the success of these actions is evidenced by the fact that of the suppliers appointed to the NPS fresh food framework some 73% were Welsh SMEs.”

**44.** Several contributors to the inquiry believed that the Welsh Government had taken less of a leadership role during recent years. The representative from the NHS Wales Shared Partnership said there had been “a clear decline in the support we get from Welsh Government”. He said that the National Procurement Service’s food team was a forum to deal with operational matters. However, there was a lack of a mechanism to show leadership.

**45.** The representative from Caerphilly County Borough Council said:

“going back 10 years ago, there were a number of initiatives on procurement within Wales, and, obviously, we’ve seen the benefits of what procurement could bring in terms of social and economic regeneration, and there was a big push on it. Of late, I don’t think that has been to the same standard as what we’ve experienced previously. There needs to be more direction, and there needs to be some overarching strategy in terms of what food we want to procure and how we’re going to procure it. And there needs to be a far more joined-up and collaborative approach.”

**46.** The NHS Wales Shared Partnership and Caerphilly County Borough Council referred to the Value Wales food group, “planner to procurement” and “food route planner” as initiatives that had been discontinued in recent years. The WLGA told the Committee the “food route planner” had been developed with local authorities and had provided a best practice approach to food procurement. However, it was now out of date and had not been refreshed.

## The National Procurement Service (NPS)

**47.** The Welsh Government established the National Procurement Service (NPS) in 2013 to ensure common and repetitive commodities were only procured once. All local authorities, the NHS, all higher and further education institutions, the four police services, the three fire services, nine Welsh Government sponsored bodies, the Welsh Government itself and the Assembly have all agreed to buy goods and services that are within the remit of the NPS.

**48.** In 2017, the Wales Audit Office published a **report** on the performance of the National Procurement Service. Indicative figures show that public bodies in Wales spent £234 million through NPS frameworks and contracts in 2016-17. However, the report concluded that public bodies are not using NPS frameworks as much as anticipated, resulting in concerns over its funding, less than anticipated savings – £14.8 million reported for 2016-17 – and many of its members dissatisfied with the service they receive.

**49.** Several contributors to the Committee’s inquiry expressed reservations about the appropriateness of food as a “repetitive commodity” for procurement via the NPS. The WLGA told the Committee

” There are however now concerns among officers that the issues experienced with the food category reflect some difficult truths; that food does not suit aggregation and needs to be an exception to the ‘buying once for Wales’ philosophy.”

**50.** Hybu Cig Cymru commended the concept of the NPS but believed it was an appropriate time to review progress.

**51.** The Wales Audit Office report on the performance of the National Procurement Service contains data about four frameworks relating to the procurement of food. They are:

- Supply and Distribution of Prepared sandwiches, sandwich fillings;
- Supply of Frozen Plated Meals, Tex Modified Meals, Soups and Side Dishes;
- Framework 1: Fresh Food and Drinks Products; and
- Welsh Purchasing Consortium Framework Agreement for the Supply of Fresh Frozen & Cooked Meats (This is an inherited framework).

**NPS-Food-0034-15 - Supply and Distribution of Prepared sandwiches, sandwich fillings**

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**52.** This framework deals with the supply and distribution of sandwich fillings, pre-prepared sandwiches and buffets. The framework has been in place since November 2016 and is due to end in November 2018. In 2016-17, 6 organisations used this framework. This amounted to a total spend of £121,317.



## NPS-Food-0038-15 - Supply of and Frozen Plated Meals, Tex Modified Meals, Soups and Side Dishes

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**53.** This framework deals with the provision of frozen plated meals, texture modified meals and frozen soups and frozen side dishes. The framework has been in place since November 2016 and is due to end in November 2018. In 2016-17, 12 organisations used this framework. This amounted to a total spend of £544,587.

## NPS-Food-0068-16 - Framework 1: Fresh Food and Drinks Products

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**54.** This framework deals with “fresh meat (including poultry and eggs), bread, rolls, cakes and associated products, fresh fruit and vegetables, fresh milk”. The framework has been in place since August 2017 and is due to end in August 2019. Due to the framework being introduced only recently, there is no data on usage yet.

**55.** The Cabinet Secretary for Finance informed the Committee that 25 organisations are using or have indicated that they will be using this framework in part or in full. Two organisations have formally opted out of the framework but have reserved the right to join the frameworks at a later stage.

**56.** The Welsh Government estimated the value of this framework to be £135 million, excluding VAT, over the two year period of the framework. However, the Cabinet Secretary informed the Committee that NPS projection of expenditure across the framework for 2018/19 is £9 million. This projection was based on identifying those organisations that will transition to the NPS agreements when their existing agreements expire”. He said that projections for 2019/20 will be made available “as data further crystallises”.

**57.** The Committee was told that Local Authorities had expressed concerns about the NPS for food procurement. The Cabinet Secretary acknowledged that concerns had been identified, particularly in relation to geographical zoning, but that had been addressed and the model had been changed to “embrace local supply”.

**58.** He emphasised that the frameworks had been designed by a stakeholder group consisting predominantly of Local Authority catering and procurement specialists. The frameworks were then subject to peer review by the NPS Delivery Group, which consisted of representation from four senior Local Authority Procurement leads.

**59.** In response to a question about whether the NPS would benefit from an overarching food strategy, the Cabinet Secretary said:

“At this stage the NPS is focussing its energy on the implementation of a range of policies and initiatives and we are not attracted at this stage to diverting that attention to new policy development.”

## Public sector food and drinks spend

**60.** There is no public source for accurate and up to date figures on public sector procurement of Welsh food. It was suggested that the Welsh Government should ensure this information is updated and published regularly.

**61.** The Cabinet Secretary did not object to this and suggested that a two year reporting cycle would “allow the effective tracking of changes and the identification of emerging patterns”. Making this information available publicly would “help publicise the significant spending with Welsh suppliers and potentially encourage other local suppliers to consider bidding for future opportunities, or to supply local products as part of second tier supply chain activity.

**62.** The WLGA said that information about public sector food procurement spend should be published regularly:

“Responsible publication of properly qualified information would allow local authorities, suppliers and the public alike the opportunity to understand the category area. It would facilitate planning and production and could address supply voids.”

**63.** However, the LGA cautioned that:

“As with any publication of data, there needs to be a reasonable balance between the cost and effort of acquiring the information and the utility of its use. Public access will also need to be appropriate to the content and its intended application.”

## CONCLUSIONS

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**Conclusion 9.** The Welsh Government has two roles in relation to public sector procurement of food. It is responsible for the National Procurement Service (NPS) and is also responsible for setting the overall policy framework. It appears that, in recent years, Welsh Government resources have been targeted towards developing the NPS at the expense of providing support for procurement outside the NPS.

**Conclusion 10.** Central procurement is not necessarily incompatible with supporting local suppliers. An overarching food strategy, supported by a consistent assessment of cost that reflects its objectives, can accommodate both central and local procurement approaches. However, for the foreseeable future, it appears that public organisations will continue to spend a significant amount of public money outside NPS frameworks. The Welsh Government needs to consider how it can support public organisations to continue to improve procurement practices. Contributors to this inquiry provided several suggestions of how this could be taken forward, including through improved collaboration between Government, public procurement and industry.

**Conclusion 11.** Concerns about the NPS frameworks have been reported to this Committee and the Wales Audit Office. We are concerned that the projections for spend in year one of NPS Food Framework 1 is considerably lower than the estimated value that appeared in tender documents. Given that the Wales Audit Office has also concluded that the potential use of Frameworks has been over estimated by the NPS, we strongly believe the Welsh Government should keep this matter under review.

**Conclusion 12.** The NPS appears to have responded positively and constructively to initial concerns about the structure of NPS Food Framework 1. We note that the Welsh Government is currently undertaking a review of the NPS and believe that the food frameworks should form part of that review.

**Conclusion 13.** There is a lack of information available about public sector spend on food. We believe the Welsh Government should consider how this can be addressed. A possible approach could include publishing, on a biennial basis, information on spend via public sector food procurement. This would enable the identification of long-term trends and gaps in the supply chain.

## 6. Brexit and food procurement

**64.** The potential impact and opportunities arising from Brexit was discussed with the Committee. Given that EU Directives relating to procurement have been transposed into UK law, there is likely to be no immediate change to procurement law from the date the UK leaves the EU.

**65.** On 12 September 2017, Mark Drakeford, the Cabinet Secretary for Finance and Local Government, issued a written statement “Repositioning of the National Procurement Service and Value Wales”. In it he announced a refocusing of the NPS and Value Wales to “take advantage of any changes in procurement rules which follow Brexit”.

**66.** It was suggested to the Committee that it would be timely to review legislation relating to procurement to ensure appropriate arrangements are in place when the UK has exited the EU. It was suggested that the review should consider:

- Whether and how state aid rules might apply, particularly in the context of service concessions.
- Whether the legislation can facilitate more flexibility to allow the promotion of local suppliers.

**67.** Contributors to the inquiry were unanimous in their view that EU legislation was not excessively restrictive. The representatives of the NHS Wales Shared Services and Caerphilly County Borough Council both agreed that European legislation was not a barrier to procuring healthy produce. In reference to the current EU legislative framework, Professor Sonnino said:

“the current European legislation is very environmentally friendly. So, for example, it’s enabled a lot of countries and a lot of cities around Europe to emphasise organic food on environmental grounds for environmental reasons. It’s a bit more complex when it comes—as you were asking—to local food.”

**68.** She suggested that Brexit provided an opportunity to “relocalise the food system”, because:

“Imports are bound to become more expensive, trade patterns are going to change and there is going to be a need to build on the local supply base. So, I can see, in terms of opportunities, the possibility of

emphasising freshness and seasonality, which are very important quality attributes when it comes to food and public health in particular.”

**69.** This suggestion was echoed by the WLGA, which said “there may be an opportunity to state in tenders a more local approach which would allow the flexibility we require to ensure the Welsh food supply chain is fully engaged”.

## CONCLUSIONS

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**Conclusion 14.** The extent to which EU regulations have constrained procurement practice has been exaggerated over many years. It is clear from practice in other EU countries that the system does not prevent the procurement of food that is locally produced, healthy and sustainable.

**Conclusion 15.** Brexit creates both challenges and opportunities that can be addressed by refreshed food policies in Wales. It is necessary to investigate what regulations, standards and structures are needed to replace those which are currently derived from EU-legislation. The Welsh Government should take the lead on this work as it applies in Wales.