

## **Written Response by the Welsh Government to the report of the Climate Change, Environment & Rural Affairs Committee entitled Rethinking Food in Wales: Public Procurement of Food**

**24 August 2018**

---

### **Background to Current Position**

The Welsh Government currently supports the food industry in Wales through the actions described in the current action plan 'Towards Sustainable Growth - An Action Plan for the Food & Drink Industry 2014-2020'. The Plan supports the delivery for the long term Strategy, 'Food for Wales, Food from Wales 2010-2020'. The Plan and Strategy are both expire on 31 December 2019.

The Welsh Government's 'Prosperity for All: Economic Action Plan', published in December 2017, identifies the Food & Drink industry as a foundation sector for support. 'Prosperity for All' includes a commitment to build on existing work to strengthen the sector and to develop 'cross-government enabling plans to maximise impact.

Prior to the receipt of this report I had agreed with the Food and Drink Industry Wales Board to start preparation of a successor to the current strategy and action plan. This will set the future direction into the next decade and determine what support is needed to build on success to date, especially as the United Kingdom leaves the European Union. As such I welcome the timing of this report as it provides further evidence for consideration in the preparation of the successor documents.

**Detailed Responses to the report's recommendation and conclusions are set out below:**

#### **Recommendation 1**

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.

**Response:** Accept

A full response to the Recommendation and Conclusions in the report has been provided.

**Financial Implications** – None. Any additional costs will be drawn from existing programme and running cost budgets.

#### **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.

The Welsh Government welcomes the Committee's conclusion that clear progress has been made under the Action Plan for the Food and Drink Industry. The current Action Plan has broad focus with 48 actions covering the wider aspects of the food and drink sector, making connections to different policy areas including those listed in the conclusion, in addition to the economic focus of the headline target to grow the sector's value to £7 billion by 2020.

The Welsh Government agrees it is time to look further to the future, taking account of what has been achieved and lessons learnt. Having a clear strategic vision for the long term is essential to guide actions and support which help the sector to continually grow. Related to this is how the sector contributes to the wider benefit of Wales. The food and drink industry is identified within the Prosperity for All: Economic Action Plan as one of the four 'Foundation Sectors' putting it at the centre of the Welsh Government's programme for government. Future strategy and support for the food and drink industry will continue to take into account the wider contribution of the sector to Wales' benefit.

I announced on 18 July that the Food and Drink Industry Wales Board (the Board) and I have started work to develop a successor to the current Action Plan to provide strategic direction for the industry beyond 2020. This work would have commenced regardless of Brexit. A first round of public engagement is underway. Development of a successor Action Plan / Strategy will ensure that connections between the different policy areas continue to be made, delivering well-being in Wales, and providing an enabling plan for food as a foundation sector.

## **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.

The Welsh Government has a comprehensive action plan in place and the Board and I have commenced work on a successor plan / strategy for the period from 2020 which will take forward the food sector as a 'foundation sector' as prioritised by the Economic Action Plan. Consideration of the Well-being of Future Generations (Wales) Act 2015 will form one of the key policy considerations as the successor to the current Action Plan for the food and drink industry is developed. The successor Action Plan / Strategy will take account of Brexit in setting longer term strategic direction and actions and work has already started (see conclusion 1 response). In the short term the

Welsh Government already has a 'Brexit Readiness' programme underway which includes actions for the food sector.

### **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.

Public procurement of food and drink is an important matter irrespective of Brexit. The potential of public expenditure to generate business opportunities for Welsh based companies and to have wider public benefits in terms of food and drink being of good standards are important factors to be considered in the National Procurement Service's work and the Welsh Government's support for food and drink businesses. At this point in time no decisions have been taken about the scope of the longer term Action Plan / Strategy from 2020 and this conclusion can be considered as part of the collected evidence.

### **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.

The Welsh Government will be considering a wide range of evidence as it develops the future strategy and action plan for the food and drink sector in Wales. This provides the opportunity to consider the analysis and recommendations of the Public Policy Institute for Wales' review as one of a wide range of stakeholder inputs which will form the evidence base for the successor action plan.

### **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.

The Welsh Government's National Procurement Service (NPS) is a little sceptical of the suggestion that public sector procurement is not considered reliable or prestigious without seeing statistics to support this statement is the view of many food and drink businesses. However, the NPS wants suppliers to feel that public sector procurement is reliable and the review referred to in

the response to Conclusion 9 will allow the NPS to learn from supplier feedback.

### **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.

The exploration of tools that can provide a more sophisticated assessment of costs for procurement purposes is under exploration within wider work being led by Value Wales to support the Well Being of Future Generations. Initial discussions have been held with a number of organisations at the forefront of realising progressive economics for local people and places. The NPS is closely involved in this work and will be involved in future pilot activity.

### **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 Courtauld 2025 agreement. Reducing food waste should feature in the development of an overarching food strategy and any associated action plan.

The Welsh Government agrees that reducing waste associated with food production is key to the development of a successful and sustainable food and drink industry. Such an approach will benefit the industry, consumer through potential cost reductions and the wider environment by optimising the use of natural resources and waste minimisation.

The food and drink industry is already responding to consumer demand in this area, and the successor to the current strategy and action plan will link with the forthcoming revision of the Welsh Government Waste Strategy to ensure that future developments have maximum impact in benefiting all stakeholders. As the current Waste Strategy is currently under review the Welsh Government will accept the conclusion in principle, in order to ensure that adequate consideration of waste minimisation is made. It is expected that the Welsh Government will publish a consultation on a revised waste strategy this Autumn.

### **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.

The NPS coordinates a Food Category Forum which enables food safety and food procurement officers from across the Welsh public sector to collaborate and to share experience and expertise. The Food Category Forum will be consulted to develop an understanding of the priority skills development requirements for food procurement. The development of skilled professionals remains a commitment of the Welsh Government.

### **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.

A review of procurement has been initiated and consideration is being given to the allocation of support to help drive up capability across the Welsh public sector. The conclusions of this report will be considered as evidence within this review.

### **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.

The NPS will utilise its Food Category Forum to further develop its understanding of customer and business requirements. This 'lessons learned' approach will help inform future central, regional and local approaches to food procurement which maximise the value of this expenditure for Wales. These conclusions will be considered as evidence within the review of procurement outlined in the response to conclusion 9.

### **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 [sic] 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.

Adoption of the framework has been subject to factors such as organisation mobilisation, the existence of current agreements, alignment with school terms etc. Reflecting upon the findings of the Wales Audit Office reports, customer feedback, and access to more accurate management information framework values are now being based upon more realistic forecasts. The Welsh Government will 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.

The Welsh Government is pleased to note this conclusion, and can confirm that all categories within the NPS will form part of the 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.

Welsh public sector procurement expenditure is captured through a spend analytics system, Atamis, funded by the Welsh Government. This allows for a wide range of category expenditure including food to be analysed and assessed.

The Welsh Government is pleased to confirm that data from this system will be made available for publication from autumn 2018. A two year reporting cycle would allow the effective tracking of changes and the identification of emerging patterns.

### **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.

Under the current regime the NPS is actively encouraging the use of local, healthy and sustainable foods.

Supplier workshops are being run in July 2018 to discuss the introduction of a new Key Performance Indicator (KPI) tool, which will help the NPS monitor, evaluate and report on the sustainability performance of suppliers appointed under the NPS Food and Drink frameworks.

Our priority metrics include food waste generation, carbon associated with production and distribution, recycled content in packaging and the supply of sustainable products.

Suppliers meet Welsh Government officials and representatives of the Waste and Resources Action Programme (WRAP). They will also be able to develop their own individual action plan addressing sustainability impacts/opportunities within their own business and have an opportunity to comment on the tool before the NPS implements it formally.

Following Brexit the NPS will continue to support the sourcing of locally produced, healthy and sustainable food.

### **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.

The current legislative framework has developed a safe system of food supply that gives consumers confidence in the food and drink that they purchase. It is important that the high standards of production and quality currently enjoyed in Wales and elsewhere in the United Kingdom are maintained after the United Kingdom leaves the European Union. This regulatory system will continue to protect public health after Brexit and ensure that companies can continue to trade internationally and meet consumer expectations. Longer term it may be beneficial to investigate what might replace a system derived from EU legislation as Welsh / UK policy develops in the post Brexit world. Both short term and longer term work in this area would be led by the Food Standards Agency – Wales, not the Welsh Government.

### **Lesley Griffiths AM**

Cabinet Secretary for Energy, Planning and Rural Affairs