

Mark Drakeford AM  
Cabinet Secretary for Finance  
Welsh Government

18 December 2017

Dear Mark,

### **Rethinking food in Wales – Public sector procurement**

The Climate Change, Environment and Rural Affairs Committee has recently undertaken some work as part of its inquiry into rethinking food in Wales. As part of this inquiry, the Committee has spent some time considering public sector procurement of food and drink in Wales and the role this can play in the wider food and drink policy area.

The Committee heard evidence from Caerphilly County Borough Council (representing the WLGA); the NHS Wales Shared Services Partnership; Hybu Cig Cymru and the Food and Drink Wales Industry Board. The Committee also heard from Professor Roberto Sonnino, Professor of Environmental Policy and Planning, Cardiff University.

The terms of reference for our work was to investigate:

- 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.



The Committee has agreed that I should write to you about issues related to the National Procurement Service (NPS) in Wales.

### **Public sector food procurement spend**

The Public Sector Food Purchasing in Wales Report 2013, commissioned by the Welsh Government, estimated public sector food and drink spend at £74.4 million, with purchases from Welsh companies including producers and distributors accounting for 63% (£47.2 million).

The Committee heard that 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.

What is your view on whether this information should be published regularly? What would be the advantages and disadvantages of making this information available publicly?

### **Procuring fresh, nutritious, locally produced food**

Increasing the amounts of Welsh or local food procured by the public sector provides an opportunity to support local food producers. Furthermore, it provides the public (e.g. hospital patients, school children) with healthy and nutritious food.

In 2016, the Public Policy Institute for Wales reviewed the Welsh Government's food and drink strategy and action plan. Professors Terry Marsden and Kevin Morgan of Cardiff University produced the report: [Food Policy as Public Policy](#). The report's first recommendation relates to procurement:

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Placing sustainable diets at the heart of food and nutritional policy through adopting successful public health interventions such as Food



for Life and bolstering public sector food procurement and catering provision.

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How do the NPS food procurement frameworks align with initiatives such as Food for Life?

The Committee heard that EU procurement rules do not contracts specifying food that is fresh, affordable and nutritious; nor to prevent buyers from engaging with local suppliers to develop sustainable and collaborative approaches to food. We were told that Wales should take a leading role in encouraging public bodies to buy local or Welsh produce. In addition to the obvious economic benefits, it was suggested that this would have benefits in terms of reducing food miles, job creation and ensuring that value added further down the supply chain is kept in Wales.

The importance of ensuring that value, rather than price, should be the more prominent factor in procurement decisions was also emphasised to the Committee. It was suggested that decisions should place a weighting of at least 60% on quality, with price not exceeding a 40% weighting. The use of quality and assurance indicators could also support the identification of the quality of produce. However, it was acknowledged that an emphasis on healthy, local food could increase costs, particularly in the short term.

The Committee also heard concerns about the amount of food waste in the public sector.

How do NPS food procurement frameworks support the procurement of healthy, locally produced food?

How do the NPS food procurement frameworks promote sustainability (e.g. food miles); freshness (e.g. how long from field to plate); and provenance (e.g. protected status)?

How do the NPS food procurement frameworks ensure that food waste is minimised? Are there requirements to record; report and monitor food waste?

**The Welsh Government's food and drink action plan**



The Welsh Government's food and drink action plan, Towards Sustainable Growth: An Action Plan for the Food and Drink Industry 2014–2020, says that the NPS will be measured against increasing:

- 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.

One of the plan's actions (action 30) relates to public procurement:

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

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There was also a suggestion that an overarching food strategy would be helpful to ensure balance between competing policy demands such as market-based growth strategies, sustainability and health. The importance of political will and continuity was emphasised. Furthermore, leadership is needed to move incrementally to more sustainable food systems and better public health nutrition.

Do you believe there would be any benefits for the NPS from having an overarching food policy?

What assessment has been made of the progress against action 30?

Do you think sufficient emphasis is placed on public procurement of food in Towards Sustainable Growth?

What would be the advantages or disadvantages for public procurement of food of having an overarching food strategy?

## NPS food frameworks

We heard from the WLGA that there are some concerns about the appropriateness of procuring food and drink through a national framework. They told us:



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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.

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The Committee heard that some local authorities have decided not to participate in national frameworks for food procurement and will make their own arrangements.

Framework 1: Fresh Food and Drinks Products (NPS-Food-0068-16) has been in place since August 2017. How many organisations have indicated they will use this framework? How many member organisations have opted out? What is your view on the concerns expressed by local authorities about the use of the NPS for food procurement? What actions have been taken to address the concerns expressed by local authorities about the framework? What are your projections for spend under Framework 1: Fresh Food and Drinks Products for the next 2 years? How have these projections taken into account the spend during 2016-17 under the existing food frameworks? Do you believe that Framework 1: Fresh Food and Drinks Products provides sufficient flexibility for organisations to procure healthy, locally produced food?

### **Alternative procurement structures**

The Committee was told that local authorities could work together, independently of the NPS, where they have common procurement needs. It was suggested that dedicated regional innovation budgets could be deployed to support innovative procurement. Shared solutions could allow more resources to be deployed and risks to be reduced.

### **Brexit**

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.

However, 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 local authorities to promote local suppliers.

On 12 September 2017 you issued a written statement, Repositioning of the National Procurement Service and Value Wales, setting out the refocusing of the NPS and Value Wales to ‘take advantage of any changes in procurement rules which follow Brexit’:

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We will also work with businesses 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. And we will explore how we can best align infrastructure investment with our regional development funding programmes to maximise their impact and promote inclusive economic growth and prosperity across Wales.

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What consideration is being given to how Brexit may impact on food procurement?

What work has been undertaken to develop local supply food chains or to support Welsh food businesses to bid for public sector contracts in Wales and further afield?

I would be grateful if you could respond to this letter by **2 February 2018**. I look forward to receiving your response.

Yours sincerely,



*Mike Hedges*

**Mike Hedges AM**

**Chair of Climate Change, Rural Affairs and Environment Committee**



Mark Drakeford AM/AC  
Ysgrifennydd y Cabinet dros Gyllid  
Cabinet Secretary for Finance



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref  
Ein cyf/Our ref

1 February 2018

Dear Mike,

### **Rethinking food in Wales – Public sector Procurement**

Thank you for your letter of 18 December 2017 highlighting the work undertaken by the Climate Change, Environment and Rural Affairs Committee as part of its inquiry into rethinking food in Wales, and specifically the role that public sector procurement of food and drink in Wales can play in the wider food and drink policy area.

You noted that the Committee heard evidence from Caerphilly County Borough Council (representing the WLGA); the NHS Wales Shared Services Partnership; Hybu Cig Cymru and the Food and Drink Wales Industry Board. The Committee also heard from Professor Roberto Sonnino, Professor of Environmental Policy and Planning, Cardiff University.

The Committee has identified a number of issues relating to the National Procurement Service. For ease of review I note these in the accompanying annex together with their respective responses. Some issues have been grouped where they refer to overlapping matters.

As the Committee is aware the NPS fresh food framework has only been in operation since September 2017 and the NPS packaged ambient products since November 2017. It is therefore inevitable that some of the answers will be tentative due to the early nature of the frameworks.

The NPS fresh and packaged ambient product frameworks have also been identified as one of a number of pilot exercises being supported by the Well being of Future Generations Commissioner to identify and share best practice in public sector procurement to support the well being of future generations. The NPS is therefore working closely with the Commissioner and other industry leading bodies.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Best wishes,



**Mark Drakeford AM/AC**

Ysgrifennydd y Cabinet dros Gyllid  
Cabinet Secretary for Finance

**Annex 1**

**Public sector food procurement spend**

*1. What is your view on whether this information should be published regularly?*

The Public Sector Food Purchasing in Wales Report 2013, commissioned by the Welsh Government, estimated public sector food and drink spend at £74.4 million, with purchases from Welsh companies including producers and distributors accounting for 63% (£47.2 million).

The Public Sector Food Purchasing in Wales Report 2013 provided an estimate of public sector food and drink expenditure as well as the proportion spent with Welsh companies.

Today 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 data from this system could be published regularly. A two year reporting cycle would allow the effective tracking of changes and the identification of emerging patterns.

*2. What would be the advantages and disadvantages of making this information available publicly?*

Making the information publicly available 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 2<sup>nd</sup> tier supply chain activity.

A potential disadvantage is that the data can only be analysed by spend with supplier and not further broken down by products supplied. It can only ever provide a high level overview of performance, without being able to capture Welsh produce being sourced through 2<sup>nd</sup> or lower tier activity. This could lead to misleading conclusions being drawn.

**Procuring fresh, nutritious, locally produced food**

3. *How do the NPS food procurement frameworks align with initiatives such as Food for Life?*

The NPS frameworks have been influenced, designed and developed by a wide range of stakeholders drawn from across the Welsh public sector. These stakeholders include food policy specialists, nutritional experts, catering managers, food safety advisers, waste policy specialists as well as input from the food industry and the work with the Well being of Future Generations Commissioner.

The frameworks therefore embrace a wide range of policies and initiatives such as Food for Life and have been designed in a way that such initiatives can be fully supported.

4. *How do NPS food procurement frameworks support the procurement of healthy, locally produced food?*

The procurement of healthy, locally produced food is a key aim of the frameworks and this has been brought to the attention of the suppliers both through the framework documentation and the pre procurement engagement events that were held across Wales.

The NPS will work with suppliers and its public sector customers to identify and source a greater range of local produce where this is possible.

The framework has been designed in a way that allows the addition and promotion of new products.

5. *How do the NPS food procurement frameworks promote sustainability (e.g. food miles); freshness (e.g. how long from field to plate); and provenance (e.g. protected status)?*

As noted the NPS framework has been designed in a way allowing the addition of locally sourced products that will reduce food miles. To support freshness a 75% product lifecycle shelf life has been stipulated within the specification. Protected status products were embedded within the framework at the tendering stage and can also be added as the frameworks mature.

6. *How do the NPS food procurement frameworks ensure that food waste is minimised?*

7. *Are there requirements to record; report and monitor food waste?*

As part of the wider pilot work with the Well Being of Future Generations Commissioner, the NPS has worked closely with the Welsh Government funded WRAP waste minimisation programme and also waste policy advisers from within the Welsh Government. In addition the NPS has signed up to the Courtauld Commitment 2025, a voluntary agreement that brings together producer and consumer to make food and drink production and consumption more sustainable.

This has seen the frameworks fully embrace waste minimisation through requirements set out in the specification. Measurements will cover the following areas and allow for

the identification of trends and performance improvement.

- Greenhouse Gas (GHG) emissions
- Water consumption
- Food waste generated
- Packaging waste

### **The Welsh Government's food and drink action plan**

8. *Do you believe there would be any benefits for the NPS from having an overarching food policy?*

As noted in my response to question three, the NPS frameworks have gone a long way in this regard and I would be happy to publish the work done to ensure key policies and initiatives have been embraced.

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.

9. *What assessment has been made of the progress against action 30?*

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.

10. *Do you think sufficient emphasis is placed on public procurement of food in Towards Sustainable Growth?*

In relation of the emphasis placed on public procurement in Towards Sustainable Growth the report described that some 10% of turnover amongst the 300 suppliers surveyed relates to supply to the Welsh public sector. The emphasis on public procurement of food in TSG was designed to reflect that matrix.

11. *What would be the advantages or disadvantages for public procurement of food of having an overarching food strategy?*

I have addressed this in my response to question eight.

## **NPS food frameworks**

12. *Framework 1: Fresh Food and Drinks Products (NPS-Food-0068-16) has been in place since August 2017. How many organisations have indicated they will use this framework?*

To date, some twenty-five organisations are using or have indicated they will be using the framework in part or in full.

13. *How many member organisations have opted out?*

Two organisations formally opted out but have reserved the right to join the frameworks at a later stage.

14. *What is your view on the concerns expressed by local authorities about the use of the NPS for food procurement? What actions have been taken to address the concerns expressed by local authorities about the framework?*

The frameworks were designed by a stakeholder group drawn from across the Welsh public sector consisting predominately of Local Authority catering and procurement specialists. In addition the design was subject to peer review by the NPS Delivery Group, the providers of operational governance with representation from four senior Local Authority procurement leads. Concerns were expressed by the NPS delivery group in relation to the geographical zoning proposed and the lack of specific local authority supply zones. These concerns were addressed and the model changed to embrace local supply.

15. *What are your projections for spend under Framework 1: Fresh Food and Drinks Products for the next 2 years?*

In 2018/19 expenditure of £9 million is projected across the framework. Projections for 2019/20 will be made available as data further crystallises.

16. *How have these projections taken into account the spend during 2016-17 under the existing food frameworks?*

The projection has been based upon identifying those organisations who will transition to the NPS agreements when their existing agreements expire.

17. *Do you believe that Framework 1: Fresh Food and Drinks Products provides sufficient flexibility for organisations to procure healthy, locally produced food?*

As I noted in response to question four the framework has been designed in a way that

allows the addition and promotion of new healthy and locally produced products.

## **Brexit**

*18. What consideration is being given to how Brexit may impact on food procurement?*

As you noted I issued a written statement on 12 September 2017, the Repositioning of the National Procurement Service and Value Wales. Part of this review will allow Wales to take advantage of any changes in procurement rules. The review is currently on going and I will report initial findings in due course.

In addition the Welsh Government will soon be publishing a document that considers the potential impact of Brexit on the rural economy.

*19. What work has been undertaken to develop local supply food chains or to support Welsh food businesses to bid for public sector contracts in Wales and further afield?*

As I described within the response to question nine, the NPS has undertaken significant work in this area with the positive early indicator that 80% of the Fresh food framework providers are Welsh based and 73% are Welsh based SMEs.

In addition, the Welsh Government Food division continues to provide significant support for the Welsh food industry through supply chain support and introduction to wider markets. Numerous business support packages has seen investment in innovation, marketing and people. The Food Business Investment Scheme has investment approved of nearly £30 million for thirty four expanding businesses. In terms of innovation, Project Helix is encouraging a culture of innovation and entrepreneurship and, supported by an investment of £21 million, practical support is delivering new products and processes to meet market demand and maximise value. The business cluster programme revolves around six key clusters and special interest groups, involving over four hundred businesses actively engaged in important business areas of the food and drink action plan. As common interest groups, clusters are a powerful engine for driving growth, opening new opportunities, adding value and creating stronger supply chains.