



# **Cynulliad Cenedlaethol Cymru The National Assembly for Wales**

## **Y Pwyllgor Menter a Busnes The Enterprise and Business Committee**

**Dydd Iau, 17 Mehefin 2015  
Thursday, 17 June 2015**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Mick Antoniw

Llafur  
Labour

Rhun ap Iorwerth	Plaid Cymru The Party of Wales
Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Jeff Cuthbert	Llafur Labour
Keith Davies	Llafur Labour
Yr Arglwydd/Lord Elis-Thomas	Plaid Cymru The Party of Wales
William Graham	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Joyce Watson	Llafur Labour

**Eraill yn bresennol**  
**Others in attendance**

Howard Allaway	Rheolwr Caffael, Consortiwm Pwrcasu Addysg Uwch, Cymru Procurement Manager, Higher Education Purchasing Consortium, Wales
Jeff Andrews	Cynghorydd Polisi Arbenigol, Llywodraeth Cymru Specialist Policy Adviser, Welsh Government
Dr Rachel Bowen	Rheolwr Polisi, Ffederasiwn y Busnesau Bach Policy Manager, Federation of Small Businesses
Christopher Chapman	Rheolwr Rhaglen, Cymdeithas Llywodraeth Leol Cymru Programme Manager, Welsh Local Government Association
Gareth Coles	Swyddog Darparu Gwasanaethau Cyhoeddus, Cyngor Gweithredu Gwirfoddol Cymru Public Service Delivery Officer, Wales Council for Voluntary Action
Iestyn Davies	Uwch Bennaeth Materion Allanol (Gwledydd Datganoledig), Ffederasiwn Busnesau Bach Senior Head of External Affairs (Devolved Nations), Federation of Small Businesses
Jane Hutt	Aelod Cynulliad, Llafur (Y Gweinidog Cyllid a Busnes y Llywodraeth) Assembly Member, Labour (The Minister for Finance and Government Business)
Rhodri Jones	Cyn-gadeirydd, Cynghrair Ffederasiwn Adeiladu Cymru Past Chair, Wales Construction Federation Alliance
Mark Roscrow	Partneriaeth Cydwasanaethau'r GIG NHS Shared Services Partnership
Kerry Stephens	Dirprwy Gyfarwyddwr—Caffael, Gwerth Cymru Deputy Director—Procurement, Value Wales
Nick Sullivan	Pennaeth Polisi a Galluogrwydd, Gwerth Cymru Head of Policy and Capability, Value Wales

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Martha Da Gama Howells	Ail Glerc Second Clerk
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Rachel Jones	Dirprwy Glerc Deputy Clerk
Gareth Price	Clerc Clerk
Robin Wilkinson	Gwasanaeth Ymchwil Research Service

*Dechreuodd y cyfarfod am 9:30.  
The meeting began at 9:30.*

### **Cyflwyniadau, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions**

[1] **William Graham:** Good morning, and welcome to the Enterprise and Business Committee. I have an apology from Gwenda Thomas. The meeting is bilingual; headphones can be used for simultaneous translation from Welsh to English on channel 1 or for amplification on channel 2. The meeting will be broadcast and a transcript of the proceedings will be published later. May I remind witnesses particularly that there's no need to touch the microphones, as they should come on automatically? And in the event of a fire alarm, would people please follow directions from the usher?

### **Caffael Cyhoeddus Public Procurement**

[2] **William Graham:** So, we go straight to our second item, which is public procurement. Can I welcome the witnesses, and may I ask if you'd give your names and titles for the record? Could I start from the right please?

[3] **Dr Bowen:** I'm Rachel Bowen; I'm policy manager at the Federation of Small Businesses in Wales.

[4] **Mr Davies:** Good morning, committee. I'm Iestyn Davies also from the FSB.

[5] **Mr Coles:** Good morning. I'm Gareth Coles, public service delivery officer from the Wales Council for Voluntary Action.

[6] **Mr Jones:** Bore da. Rhodri Jones; I'm director of CECA Wales, the Civil Engineering Contractors Association in Wales, but I'm also past chair of the Wales Construction Federation Alliance, which is an alliance of trade federations in Wales.

[7] **William Graham:** Okay. Thank you very much and thank you for your written submissions. We'll go to the first question, which is from Mick Antoniw.

[8] **Mick Antoniw:** Good morning. Since the committee last looked at the procurement issue in 2012, there have been a number of developments. It would be helpful to know what your thinking is as to what progress has actually been made since 2012.

[9] **Mr Jones:** Shall I take the floor to begin with? Thank you for that question. Obviously, I think we've got to recognise that there has been significant progress, and yesterday, if I may point at Joyce Watson, who is chair of the cross-party group on construction, the group released a very honest report. She asked me before the start of the meeting what I thought of the report and those were my words, to say that it's an honest reflection, I believe, on where we've got to. Significant progress has been made, but obviously also it's still very much work in progress, and I think that working together, both

industry and Welsh Government, all clients and stakeholders, can make the whole procurement process work better. But we're still on the road, as it were.

[10] **Mr Coles:** I'd support that. We have seen an improved legal framework now as a result of the new directives and the implementation into UK law. The view from the third sector is that there is reasonable policy in place from Welsh Government as well. The issue that still remains is implementation or adoption at local level, I think.

[11] **Mr Davies:** Yes and I think we would agree. I think generally, both within the Senedd, and more widely within Welsh Government, there is an agreement that this is a very important area where progress needs to be made. You can't just say that public procurement is important and then do nothing about it. I genuinely think there's commitment at a ministerial level to take this forward, which is a very important driver in any public policy area. So, I think, on that level, it's very good, and we are clearly seeing an increase in the percentage of spend. I guess at this point in time, as the debate matures, the questions we would have are, again: how easy is the application of the new legal framework and how effective is it, not just in terms of percentages, but really in terms of a qualitative difference, a change in the businesses and in the communities because of successful Government procurement policy? I think that's it.

[12] **Dr Bowen:** Yes. I think procurement's moved much higher up the agenda, but again it comes down to the extent to which we've put some of the good practice ideas and guidelines into actual practice on the ground and the difference that that's making.

[13] **Mick Antoniw:** You mentioned good ideas and practice. In practical terms, what are the areas you think are still weak in actually achieving further improvement in the implementation of the procurement proposals?

[14] **Dr Bowen:** If you take something like the supplier qualification information database, that's a really good idea. It limits the amount of time that small businesses need to spend putting in the same details lots and lots of times, but we know, in terms of feedback from members, that lots of local authorities or different parts of the same local authority aren't using it, so members find that sometimes on the ground not that much has changed.

[15] **Mick Antoniw:** So, what should we be doing to actually overcome that particular problem?

[16] **Mr Coles:** The view from our members is that, as I say, there's a reasonable policy and a reasonable legal framework, but the issue is enforcement. It's interesting that we're now in a situation where there's been a designation Order secured, so the power to regulate. So, we may move from a position of encouragement of policy to mandation to a degree.

[17] **Mick Antoniw:** Do you see any impact from the potential of the Well-being of Future Generations Act 2015, because that imposes certain specific obligations? So, where we have the community benefit element, there is now a statutory obligation and framework. What is your thinking as to how that may impact on, I suppose, generally, the improvement of not only securing procurement for Welsh companies, but also in terms of implementing the community benefits element?

[18] **Mr Jones:** Can I start on that? Community benefits, obviously, has been well received, in one sense, by the industry. I think, probably, of the many different headings that comprise the interests of the construction sector, anyway, community benefits is well established. But, in saying that, nevertheless, I think we've got to be cleverer; we need to understand; and I think there's a strong client role required here, to properly understand what the opportunities are, and what the challenges are with community benefits as well.

[19] I think I made reference in my notes before the meeting of referencing that it's not a simple pounds-equals-numbers game; I think we need to be far cleverer. It starts, in my opinion, with a proper understanding of the local economy—whenever, or wherever, you define as the local base of industry and where the contract is meant to be reflective of, and so on. We need a proper understanding of what the supply side can deliver, what the materials perspective is, and so on, and so forth. If we do that, I think that we will take a lot of the sting out of the concerns that are being expressed by the small and medium-sized enterprise sector, for instance, in terms of the frameworks or the bundling, and so on, and so forth. So, that's a fundamental issue, from my perspective.

[20] **Mick Antoniw:** Can I ask one additional question—it's slightly off-script, but on this issue? Of course, Welsh companies that procure through Welsh spending—Welsh Government, local authority spending, and so on—are obviously important, but they also procure outside Wales, in the UK, just as English companies, et cetera, and Scottish companies, procure in Wales. How do you find the difference in terms of the systems—what we're doing within Wales, compared with access or procurement opportunities outside Wales?

[21] **Mr Davies:** At a recent policy meeting for the FSB, one of our members brought a complaint, essentially, to our committee. It was quite reassuring to be able to say, 'Well, actually, this is a problem that emerges outside of Wales, where the kind of best practice that is written down—it's not always put in place, but at least it's written down, and the framework is there for this kind of best practice—doesn't apply'. And, clearly, this business that was trying to engage contracts—actually, it was around the Essex part of south-east England—are having much more difficulty in doing that there than they would here in Wales. I think it does take us to trying to answer the question in its entirety. We wouldn't say—and I'm sure other third sector or business groups would say—that the problem with successful procurement is simply the Government's problem. It's about how do we grow the capacity, the skills, and the ability, on both sides, if you like, of the supply and demand relationship. So, we have to look at it in that respect.

[22] Just speaking to a business recently, for instance, about a large higher education contract that they had won, they are successful, and they can compete, because they have access to good cash from good capital. If you're not able to do that, your ability to price a job and be able to manage a job, over the long term, is constrained as well. So, it is, in fairness, not just about getting the big stick out at the Government, and saying, 'There's the legal framework, now you must make sure this is followed'. That clearly—and I think we're all kind of pointing in that direction—has to have some teeth about it, and whether that's the future generations Act, or some other mechanism, I'm not quite sure. But, unless we address the capacity issue as well, then we'll always be putting, if you like, the blame on one side of the equation, and, in fairness, we have to get the balance of the equation appropriate.

[23] **Mick Antoniw:** Two points emerge. You refer to training, and you, in your evidence, refer to perceived barriers, as opposed to actual barriers. To some extent, the two may go hand in hand. How well are we doing in terms of, or what could we or should we be doing in terms of the training, and, I suppose, raising that capacity?

[24] **Mr Davies:** I think, from the public sector point of view, it's actually getting procurement officers to understand the real value and the difference that good, effective local procurement policy can have, in the communities they live in themselves. So, we see the point of effective procurement as sustainability, as creating capacity within communities, and within businesses, not simply, you know, finding the cheapest quote so I can tick the box and maybe rise up the procurement chain in my particular organisation. So, it's changing that culture, still, but also trying now to build the bridges from the business community to say,

‘Well, actually, there has been a sea change; it’s an iterative process and it’s changing over time’, and actually making sure that the meet-the-buyer events, which we’ve talked about in the past, become a meaningful exchange of relationship—that they’re much more relational rather than transactional. So, I think that’s where we need to go, but until we’ve got a better evidence base for what’s happening—where is the cash flow going and where is the capital staying; is it sticking in the local area—I think it’s going to be very difficult to demonstrate that we’re reaching the kind of success that we would want, which is a qualitative change and not necessarily more percentages going to a particular area.

[25] **Mr Jones:** Can I just come in briefly on that? Obviously, one of the major issues that we have, again in the construction field, is whilst we have the WIIP document—the Wales infrastructure investment plan—and so on, it’s the detail that’s included there. Again, if you haven’t seen the report, it’s well worth a read. It is. I’m not plugging it particularly because—  
. [*Laughter.*]

[26] **Mick Antoniw:** You have right now.

[27] **Mr Jones:** But I think it does bring to the fore lots of these particular issues. Having a permanent understanding about what the needs of the industry are, in terms of the workload, will allow the investment and the training and so on to receive a much higher profile amongst, certainly, my industry.

[28] **William Graham:** Jeff and then Eluned.

[29] **Jeff Cuthbert:** Yes, thank you. I’ll embrace the question that I have here. Rhodri, you referred earlier to community benefits, so I think it’s the right time to just explore that a little bit more fully. I know that the FSB, particularly in your evidence, said—or used words to the effect—that it perhaps focuses too much on local job creation as opposed to dealing with local small firms. Perhaps you could expand upon that. But, clearly, community benefits are very important from the Welsh Government’s point of view, in terms of local people developing new jobs, the skills to go with it, and, of course, as far as possible, local small companies benefiting from the public purse. So, how well do you think that is happening and what improvements can be made?

[30] **Mr Jones:** Okay. Certainly, as I mentioned, the construction industry, which I represent, has accepted the principle and practice as well in that sense. But I think we’ve got to look at job retention, and it’s not a simple issue of scheme by scheme. We’ve really got to look in the mix as to what the potential legacy is from job to job and in locality to locality. We’ve got some wonderful examples of shared apprentice schemes, for instance, in west Wales, allied to the building side of construction and not the civil side, unfortunately. We’re trying to replicate that in terms of ensuring that we’ve got a throughput of civil based engineers and technicians and operatives and so on. It’s not always easy to do that, bearing in mind that the shared apprentice approach is based very much on the craft side and you can understand that you can shift from contractor to contractor in short spaces of time and so on, as the schemes progress. So, it’s important to understand that.

[31] It’s important also to look at what’s happening more widely in terms of community benefits. We’ve been lauded, obviously, elsewhere, outside of Wales, as being extremely good practice and we welcome that. But if you look, for instance, at Scottish Water’s approach to it, they’re talking about frameworks—they’ve got five or six years or possibly longer frameworks—and the way that they’ve approached taking on graduates and apprentices is they have set out over the time frame of the framework already what their capacity is and so on, and I don’t think that we’re there yet with that. We’re going very much hand to mouth and it’s not really appropriate that we do that. I think we’ve got to look at the wider mix of things to see how best we can ensure that there is a lasting legacy from the

investment in the contract and the additional training and the bringing on of people who are out of work. We've got to understand what the cost implications are as well. There are cost implications.

[32] **William Graham:** We've only got 25 minutes and we're still on question one.

[33] **Jeff Cuthbert:** I'm bringing in question 2 as well.

[34] **William Graham:** So, I'd appreciate shorter questions and answers, please.

[35] **Jeff Cuthbert:** I was just wondering if the FSB could expand a little bit on what they meant by focusing too much on jobs as opposed to firms.

09:45

[36] **Mr Davies:** Yes. Jobs can be a very simple output measure: 'We created x number of jobs on a particular project'. Again, we're interested in how that is changing firm level behaviour and building capacity, because some of those jobs created could be jobs employed by a gang or a contractor, but they could be just mobile labour from anywhere. Again, we would like to see growth in, for instance, the capacity of genuine Welsh-based firms to rise up the supply chain in the civils market, for instance. So, it's trying to establish that difference. That is an observation we would make more widely about Welsh Government policy. It's not just about the jobs; it's the jobs in the context of the communities and the overall growth of the economy.

[37] **Eluned Parrott:** I think we hear two policy imperatives described through procurement, one of which is the need to get the maximum community benefits out of contracts that are being awarded publicly, but alongside that, there's the need to make sure that we're retaining as much of the value of that in the local economy or the Welsh economy as possible. I'm wondering, given the structure of the Welsh economy is much more geared towards smaller businesses than larger businesses, and given the fact that community benefits, such as apprenticeships, are much more likely to be a factor of a bigger and long-term contract, is there an inherent conflict there and do we need a more structured approach to get over it?

[38] **Mr Davies:** Good question, but it'll probably be a long answer. I think—

[39] **William Graham:** Not today. [*Laughter.*]

[40] **Mr Davies:** Not today; no. I think, perhaps, for the committee, it's probably that you acknowledge that intention, and that intention is implicit because of the way the Welsh economy's structured. The easy answer is not always the right answer.

[41] **Mr Coles:** Just briefly. We're definitely support the community benefits agenda; we think it's time—. It could be broadened out now—different types of contracts, service contracts and different types of community benefits as well, and a much lower level as well, proportionate to the scale and nature of the contracts.

[42] **Eluned Parrott:** Just very briefly, have we got the definition of 'Welsh' right, because I notice from the statement last week, the Minister said that it was companies with a Welsh billing address and clearly that's relatively easy to get?

[43] **Dr Bowen:** Yes. There are issues over how we collect those data and a simple postcode analysis, as we've pointed out in our submission, doesn't really cut the mustard on this. Yes, that's a fairly simple, easy way to collect data, but that's not really meaningful; it's

quite easy for an organisation to have a depot based in Cardiff or Swansea and to get invoices sent there, but that tells us nothing about whether that business actually spends or retains most of that money in Wales. I think that more complex measurements obviously take time to develop, but they're worth doing if you want to know the real value that's being retained here.

[44] **William Graham:** Thank you. Oscar.

[45] **Mohammad Asghar:** Thank you very much, Chair. I think I'll ask a very short question to each witness. The first one to Rachel is: have Welsh Government efforts to improve training for procurement professionals made any difference? The second is on the impact the national procurement service has had on opportunities for Welsh small and medium-sized businesses to bid for work. The third one is on whether the Welsh Government should use its new power of a general designation for public procurement to put its procurement policy on a regulatory footing. Finally, the FSB suggests that Welsh SMEs are often put off bidding for work by perceived rather than actual barriers. How can these preconceptions be tackled? What role do the witnesses' organisations have in this regard, please? One by one; thanks. Do you want me to start again? [*Laughter.*]

[46] **Mr Jones:** Well, I'll do the easy bit. I'll take the last question, because I remember that. [*Laughter.*] I think I alluded to the answer earlier on. I think, if we do a proper audit of what the local supply chain can deliver, it would go a long, long way to taking out a lot of the concern that the SME sector, particularly in the construction industry, would have. When they see large contracts on their doorstep, if we already have in place a clear understanding that the capacity of the SME market is a particular level and limit and so on—. I know we've got the opportunities for collaboration, but I think we've also got to be mindful that many of these smaller companies are very proud companies—they're family-run companies and so on—and that doesn't sit too easy. So, I think we've got to look at doing far more work in terms of clearly demonstrating what the capacity of that market in the locality can deliver.

[47] **William Graham:** [*Inaudible.*]

[48] **Keith Davies:** Can I just follow that up?

[49] Roeddet ti'n sôn yn gynharach—fe wnaef ofyn yn Gymraeg—am gyfleoedd, ond mae yna ganllawiau i gwmnïau bach i ddod at ei gilydd. A yw hynny'n gweithio i gael y contractau mawr? You spoke earlier—I'll ask in Welsh—about opportunities, but there are guidelines for small companies to come together. Does that work to get those larger contracts?

[50] **Mr Jones:** Mae yna enghreifftiau yn sicr o hynny yn gweithio. Nid wyf yn credu eu bod nhw'n niferus iawn, iawn, ac rwy'n credu bod hynny yn ffordd i'r sector ddod at ei gilydd. Ond nid wyf yn credu bod hynny'n ateb cyffredinol chwaith; rwy'n credu ei fod yn un ateb, ond nid yw'n ateb cyflawn. **Mr Jones:** There are examples certainly of that working. I don't think they're very, very numerous, and I think that is a way for the sector to come together. But I don't think that that is a general answer either; I think it is one answer, but it's not a full solution.

[51] **Keith Davies:** Diolch.

**Keith Davies:** Thank you.

[52] **William Graham:** Can we go back to the original questions from Oscar, please?

[53] **Mr Coles:** Shall I have a go with this? Regarding the question about the power to regulate, yes, I think so. Very briefly, if we have a legislative framework that's a requirement, I would guess that this power to regulate would sit in implementing the policy. The Minister has said, I think, that the policy is one where she's considered legislation for a while, as it has



been a policy of encouragement. The view from our members now is that some degree of mandation or enforcement is needed.

[54] **Mr Davies:** Just on the last question talking about NPS, we'd probably support that, I think. We would have liked to have seen more generally the transposition of the EU directives into Welsh law where it was applicable, which is similar to the situation in Scotland. But now we definitely need to see the use of the legislative powers we've got, either through the Well-being of Future Generations (Wales) Act 2015 or, indeed, through specific powers.

[55] On the question of the NPS—the national procurement service—Gareth and I sat around the table for long months about four years ago discussing this issue. I think we were both very sceptical, if I remember rightly, about whether or not this organisation would be a cost-cutting or a value-adding agency; I'm sure if you asked them, they will say they're both. But it does, I suppose, make me think—going back to Eluned's question—is it possible to do both? And I think in the end the value of something is a better consideration than the cost of something.

[56] **Dr Bowen:** You asked about the training of procurement professionals and whether that had made a difference on the ground. I guess the answer to that is it's patchy; it has made a difference in some places, but not in others. We need to get over the attitude of 'We've always done things this way so we keep on doing them that way'. There's some really good work that's been done by Dr Pedro Telles and Professor Dermot Cahill at Bangor—Pedro's now gone to Swansea—that looked at simplified open procedures that involved getting local authorities, rather than using the procurement documentation that they'd always used, which ran into hundreds of pages, to start from a blank sheet about what it is they really, really need to know and reducing that down to 10 or 20 pages. But it's about getting people to overcome the idea of 'We need to know all these things and we need to know them now', and thinking genuinely about 'What are the essentials?', because, obviously, the simpler things are, the easier it is and more attractive it is for small companies to bid.

[57] **William Graham:** Joyce.

[58] **Joyce Watson:** I want to ask the panel about the capacity within the procurement services locally, i.e. the procuring officers that sit wherever it is they happen to sit, and whether you feel as organisations that you are listened to and understood by those officers in—. Because that's obviously where you're going to have the trickle down. I'd like your answers.

[59] **Mr Davies:** [*Inaudible.*]—direct exposure to all of those in local authorities or public sector bodies. The feedback we get is that sometimes they're being spoken to, not listened to. I think, again, I wouldn't want to do the industry or the sector a disservice. At least in the relations we have with the academics who are trying to oversee and develop best practice, I think there's a realisation at that level that things need to change, and as Rachel has pointed out, there's evidence not just in Wales but elsewhere of how you can do it better. So, I think there still needs to be a chasing down, if you like, of improving the skills at a procurement level. At the same time, we accept responsibility in business that we also need to address the structural deficiencies that exist continuously within the SME community as well.

[60] **Mr Jones:** Can I come in on that? It is just to add, really, the concern from the construction sector is that whilst the procurement discipline may well have improved, or there's a recognition of the changes needed, quite often there is a lack of understanding of the construction procurement process, and that, I think, is an issue that we need to address as well.

[61] **Mr Coles:** Can I just add to that from the third sector point of view? I suppose I'd say

that 10 years ago the third sector was funded—. The majority of income came from grants. Five years ago, there was a fundamental shift towards contracts, and many in the third sector blame procurement regulations for an erosion of dialogue between the public sector and the third sector. They're not irreconcilable and I think there are new regulations—regulation 40, I think, in the public contracts regulations—that enables pre-market dialogue, and this is very, very important—that liaison between the sectors.

[62] **William Graham:** Rhun.

[63] **Rhun ap Iorwerth:** Os cawn ni, jest am ychydig o funudau—rwy'n ymwybodol o'r amser hefyd—edrych ar ymarferoldeb ceisiadau am gytundebau. Mae'n rhywbeth sydd wedi cael ei gyffwrdd arno yn barod. Gareth, os gallaf ofyn i chi ehangu ychydig bach ar beth rydych yn ei ddweud yn eich tystiolaeth chi i'r pwyllgor, sef bod nifer, yn enwedig cyrff llai, yn adrodd yn ôl bod prosesau tendro yn cymryd llawer gormod o adnoddau, a bod yr adnoddau sy'n gorfod cael eu rhoi mewn yn anghymesur i faint y contract. A fyddech yn ymhelaethu rhywfaint ar hynny?

**Rhun ap Iorwerth:** If we could, just for a few moments—I'm aware of the time as well—just look at the practicality of contract bids. It's something that has been touched on already. Gareth, if I can ask you to expand a little on what you say in your evidence to the committee, that many, especially the smaller bodies, report back that tendering processes take far too many resources, and that the resources that have to be put in are disproportionate to the size of the contract. Can you expand a little on that?

[64] **Mr Coles:** Diolch yn fawr. Rwy'n mynd i ateb yn Saesneg. Mae'r nodiadau i gyd yn Saesneg.

**Mr Coles:** Thank you very much. I'm going to answer in English. The notes are all in English.

[65] Apologies for that. I actually wanted to address that and to pick up my colleague's point about the simplified open procedure. I think there's an example of very good practice there, which really reduced things to the essentials of what was required. There was an emphasis on self-selection, first of all, and then self-certification. So, there are examples of practice, but that's a rare example. I think what we're seeing is we're going back to the issue of the supply of qualification information database. Good policy in theory, but in practice, it needs to be implemented; it needs to be implemented proportionately. And I think the proportionality is often missing, and that's what, certainly our smaller members, are often seeing.

[66] **Rhun ap Iorwerth:** Felly, mae egwyddor y SQuID yn iawn, ond nid yw e cweit yn gweithio.

**Rhun ap Iorwerth:** So, the principle of SQuID is right, but it doesn't quite work.

[67] **Mr Coles:** Nid ledled Cymru, byddwn yn dweud.

**Mr Coles:** Not across Wales, I would say.

[68] **Mr Davies:** Mae yna lefydd, yn ôl tystiolaeth yr ymchwil, lle mae'n amlwg ei fod gweithio'n dda, ond rwy'n credu ein bod yn mynd yn ôl at bwynt rhinwedd y peth. Os nag yw hynny'n cael ei roi ar led, ar lawr gwlad, mae jest yn creu gagendor rhwng yr hyn sy'n digwydd mewn un lle a'r llall, ac mae hynny, mae'n debyg, yn wir—nid ydym wedi paratoi hyn gyda'n gilydd—beth bynnag yw eich sector chi.

**Mr Davies:** There are places, in terms of the research evidence, where it works well, but I think we're going back to the point about of the virtue of it. If it's not spread out, at grass-roots level, it just creates a gap between what's happening in one place and another, and that, it appears, is true—we haven't prepared this together—whatever your sector is.

[69] **Rhun ap Iorwerth:** A fydddech yn licio gwneud sylw ar hynny hefyd?

**Rhun ap Iorwerth:** Would you like to make a comment on that as well?

[70] **Mr Jones:** Rwy'n meddwl mai'r consŷm mwyaf sydd gyda ni yng nghydestun y SQuID yw cytuno ei fod wedi tynnu pethau at ei gilydd, ond nid yw bob amser yn cael ei ddefnyddio yn yr un modd. Ond, hefyd, rydym wedi bod fel diwydiant yn gofyn i Lywodraeth Cymru a Gwerth Cymru—Value Wales—yn y gorffennol i sicrhau bod system gyfrifiadurol yn ei lle i ddal y data sy'n cael eu cyflwyno fel bod y busnesau bach dim ond yn cael eu cyflwyno unwaith a'u bod yna mewn bas data. Byddai rhaid ei ddiweddarau e yn amlwg, a byddai hynny'n gyfrifoldeb ar y cwmnïau eu hunain, ond rwy'n meddwl nad ydyn ni cweit wedi cyrraedd y man hwnnw eto. Byddai hynny o gymorth mawr; byddai'n lleihau amser a lleihau costau ar y busnesau bach.

**Mr Jones:** I think the greatest concern that we have in the context of the SQuID is the agreement that it has drawn things together, but it isn't always used in the same way. But, also, we as an industry have been asking the Welsh Government and Value Wales in the past to ensure that there is a computerised system to capture the data that are produced so that small businesses are only introduced once and are there in a database. It would have to be updated obviously, and that would be a responsibility of the companies themselves, but I don't think we've reached that point yet. That would be of great assistance; it would decrease the amount of time needed and reduce costs for small businesses.

[71] **Rhun ap Iorwerth:** Mae'r cynnydd fu ers, dywedwn ni, 2003-4 ymlaen yn y nifer o gontractau sy'n aros yng Nghymru wedi arafu yn y tair blynedd diwethaf—rhyw gynnydd o ryw 3 y cant, rwy'n meddwl, sydd wedi bod yn fesur eithaf *blunt* o faint o gytundebau sy'n aros yng Nghymru. Oes perthynas rhwng hynny â'r ffaith bod arafwch yn y broses o'i gwneud hi'n haws i dendro? Hynny yw, oes methiant wedi bod i'w gwneud hi'n haws—yn llawer haws felly?

**Rhun ap Iorwerth:** The progress that's been made, say, since 2003-4 onwards in the number of contracts that remain in Wales has slowed down in the last three years—it's an increase of about 3 per cent, I think, which has been a rather blunt measure of how many contracts stay in Wales. Is there a relationship between that and the fact that there is slowness in the process of making it easier to tender? That is, has there been a failure to make it easier—much easier that is?

[72] **Mr Davies:** O'm rhan i, nid ydym yn ymwybodol o'r dystiolaeth, oni bai bod rhywbeth gan Rachel a'i phartneriaid ym Mangor a llefydd eraill i awgrymu hynny, efallai. Ond yr hyn rwyf yn credu yw ei bod hi'n amlwg bod yna lefel lle y bydd hi'n anodd iawn dros ben i'w chroesi oni bai ein bod ni'n gwneud rhywbeth er mwyn ehangu capasiti y tu mewn i fusnesau cynhenid Cymreig er mwyn gwneud hynny.

**Mr Davies:** From our point of view, we're not aware of the evidence, unless Rachel and her partners in Bangor and other places have something to suggest that, perhaps. But what I believe is that it's obvious that there is a level where it will be very difficult to go beyond unless we do something to expand the capacity within indigenous Welsh businesses to do that.

[73] Ar ddechrau gwaith yr NPS, roedd asesiad o'r gwagleoedd, a lle roedd y twf yn mynd i fod pe baech yn defnyddio busnesau cynhenid Cymraeg er mwyn llenwi'r *void* hynny. Nid wyf yn ymwybodol fod y gwaith hynny gyda ni bellach—rhyw bump neu chwe blynedd lawr yr hewl, fel petai. Felly, un peth efallai y gallai'r pwyllgor ei ystyried

At the beginning of the NPS work, there was an assessment of the deficiencies, and where growth was going to occur if you were to use Welsh businesses to fill that void. I'm not aware that we still have that work—some five to six years down the line, as it were. So, one thing that the committee could perhaps consider would be a case for undertaking that

yw a oes achos dros wneud hynny o'r newydd. Mi gafodd y gwaith hynny ei wneud ar y *common repetitive spend*, ond nid wyf yn ymwybodol ohono yn cael ei wneud hefyd y tu mewn i gontract sifil ac adeiladu yn ehangach. Mynd yn ôl ydym ni i'r pwynt hwn o ddata a gwybodaeth a beth rydym yn gwybod am natur gynhenid ein heconomi ni.

work anew. That work was undertaken on the common repetitive spend, but I'm not aware of it being done within civil contracts and construction more widely. We're going back to that point of data and information and what we know about the nature of our indigenous economy in Wales.

[74] **Mr Coles:** A gaf i jest ddod i mewn? **Mr Coles:** May I just come in?

10:00

[75] The other thing I wanted to add is that we are seeing a trend in certain service areas to fewer, larger, regional generic contracts, meaning that, certainly in the third sector, no indigenous Welsh third sector organisation could bid alone, so I think the issue is that procurement necessitates a vibrant sector and a diverse sector in which to operate, so that viable organisations can bid competitively. The danger with this scale of contracts is that there won't be a market in which for it to operate, so we'd be concerned about that plateau—or a potential decline, actually.

[76] **Dr Bowen:** And, if there is this slowing down that we've referred to of an increase of just 3 per cent, that's based on the postcode analysis, and we'd question how valuable those data are anyway.

[77] **Rhun ap Iorwerth:** Yes, those are just the data we have, I think, isn't it?

[78] **Dr Bowen:** Yes, of course.

[79] **William Graham:** [*Inaudible.*]—We'll come to that. The scheme has been going for about two years. What about the Welsh Government's efforts to increase the opportunities by advertisement? Has that been helpful, particularly in reference to your experience of Sell2Wales?

[80] **Mr Davies:** I think across the sectors—I was speaking to some consultants who work primarily in the third sector recently, so they're members of the FSB but, if you like, their market, their service, goes to Gareth's particular sector. I think, again, even there, there was this realisation that a lot of contracts are let by word of mouth, or you need to know what's going on, you need to be networked and part of, if you like, a culture working together, and, again, speaking to one of the successful companies that I know have been very successful over the last few weeks or months in a large public sector contract outside of Government expenditure, it's because they have the skills, the knowledge and the people in-house, but also the cash flow to commit, as I mentioned earlier on to previous colleagues. So, if you can say, 'Right, we've got the capacity to bid, we can get people on board, we can front-load our costs, because cash flow's coming through', if you can do that, then you have the ability to move on irrespective of the sector. So, we don't get very far from the structural inadequacies of the Welsh economy. I think that is the brake, ultimately, I would say—in support of the Welsh Government—rather than the commitment to this as a principled area of policy.

[81] **Mr Jones:** Can I come in? From my sector, certainly, I use Sell2Wales on a daily basis. I prepare marketing information for members, as you would expect of a trade organisation, and we obviously value the information that's put out there, but I think that, allied to that, though, it mustn't be seen as a substitute for good communication between industry, Government and all the stakeholders, and I think that we need to go some way to redress that balance as well.

[82] **Mr Coles:** And very briefly, in order to develop the sector, we'd certainly support the point made there, and, for many in our sector, a £10,000 contract would be their bread and butter. If they're not visible because of the £25,000 threshold, issued through a request for quota or similar, that would be a means of developing that sort of potential market as well and access to those opportunities.

[83] **William Graham:** That's a question we're suggested to pose here. The UK Government's is £10,000, the Welsh Government's is £25,000. Would that make a significant difference, do you think?

[84] **Mr Coles:** I don't know. Again, I don't have the data. I don't know the number of opportunities, but, certainly, the message from our members is 'Yes, we'd like those sorts of scale opportunities'.

[85] **Mr Davies:** A point I meant to make earlier on is I think we treat procurement as one item, if you like, but there's a difference between common and repetitive spend, large civil WIIP contracts and the kind of stuff that you need to be able to promote locally through a relationship. So, we wouldn't want to hinder the development of relationships locally with businesses that people know and trust, but, at the same time, we wouldn't want to preclude others from accessing because that the threshold is set too high or too low.

[86] **Dr Bowen:** In terms of changing the threshold, it depends on the approach that we take when we're asking for information from small companies. It needs to be proportionate.

[87] **William Graham:** Quite so. Also, the minimum turnover requirements—that has been a source of complaint in the past. Is that an improvement?

[88] **Mr Davies:** Again, we wouldn't have any evidence to say 'yes' or 'no', but I'd just acknowledge, if you're a start-up, or you're in an entrepreneurial phase, if you like, it's very difficult to demonstrate turnover, accounts and all the other kinds of things. So are we in danger of going to a very constricted market because we are not being, if you like, entrepreneurial enough ourselves in our approach to using public procurement to generate new players in the market?

[89] **Dr Bowen:** And is that really necessary, and is it set at the right level, you know? It comes back to doing things the way we've always done them, rather than choosing a more horses-for-courses approach.

[90] **William Graham:** Quite. I see the point to drive down price, in terms of having a large number of people putting in for a contract, but isn't it necessary, from the point of view of the person letting the contract, to make sure that the person hoping to supply will be able to do the job?

[91] **Mr Davies:** Yes. I wouldn't disagree across our individual areas or sectors, but if the purpose of public procurement, or one purpose of public procurement, is to generate entrepreneurial growth and grow capacity, you have to get that balance right, and, as Rachel has pointed out, if the balance used to be, in the past, 'do things the way we've always done it' to manage risk, you won't get any entrepreneurial gain or growth, and you won't get any bounce.

[92] **William Graham:** Very true.

[93] **Mr Davies:** The Government needs to choose what it wants to do.

[94] **Mr Jones:** Yes, it was the inconsistency, perhaps, between adjacent authorities, for instance, that created concerns. So that—

[95] **William Graham:** Yes, that 50 per cent rule was discouraging, wasn't it, to small businesses?

[96] **Mr Jones:** Yes.

[97] **William Graham:** Thank you. Dafydd.

[98] **Yr Arglwydd Elis-Thomas:** Rydw i wedi sylwi ar yr arfer cynyddol gan gwmnïau sydd yn gweithio o fewn y trydydd sector, yn enwedig ym maes tai, i geisio dosrannu eu cytundebau nhw yn becynnau derbyniol sydd yn gallu cael, wedyn, eu ceisio amdanyn nhw, o safbwynt caffael, gan gwmnïau llai. Yn amlwg, rydych chi'n cymeradwyo datblygiadau fel hyn, ond i ba raddau ydych chi'n meddwl bod yna le i wneud mwy o ddatblygiadau fel hyn ac iddyn nhw fod yn fwy llwyddiannus i sicrhau cyflogaeth leol?

**Lord Elis-Thomas:** I've noticed this increasing practice by companies working in the third sector, especially in the housing area, to try and share out contracts into more acceptable packages that can then be applied for, in terms of procurement, by smaller companies. Obviously, you approve of such developments, but to what extent do you think there is scope for more developments such as these and for them to be more successful in order to secure local employment?

[99] **Mr Davies:** Efallai, yn gyntaf, cyn mynd at Rhodri, mae'n bwysig nodi nad yw cymdeithasau tai yn dod o dan y ddeddfwriaeth bresennol, felly mae yna gwestiwn fanna, yn nhermau unrhyw ddeddfwriaeth newydd neu ddatblygiad o ddeddfwriaeth, a ddylai hynny gael ei ehangu, ac, yn y bôn, ehangu diffiniad sector y cyhoeddus sydd yn cael ei wneud fanna, tuag at rywbeth rwy'n credu fy mod i wedi'i ddweud yn y gorffennol—nid wyf yn siŵr beth yw'r term yn y Gymraeg—ond i bethau sydd bellach yn *emanations of the state*. Pethau a fyddai wedi cael eu darparu gan y Llywodraeth yn hanesyddol—

**Mr Davies:** Perhaps, first of all, before turning to Rhodri, it's important to note that housing associations don't come under the current legislation, so there is a question there, in terms of any new legislation or the development of legislation, as to whether it should be expanded, and, essentially, the definition of the public sector is being expanded there, towards something I think I have said in the past—I'm not sure what the term is in Welsh—but to things that are emanations of the state. Things that would have been provided by the Government historically—

[100] **Yr Arglwydd Elis-Thomas:** Former emanations.

[101] **Mr Davies:** *Former emanations of the state*, ie. So, mae hynny yn gwestiwn sy'n mynd yn ôl at gwraidd y peth. Beth yw byrdwn y polisi? A yw e cwtogi ar wariant neu hybu twf ym musnesau cynhenid Cymru?

**Mr Davies:** Former emanations of state, yes. So, that is a question that goes back to the root of the issue. What is the policy intent? Is it to restrict expenditure or to promote growth within indigenous Welsh businesses?

[102] **Mr Jones:** Fel rhan o'r gyfundrefn rydym ni'n ei gweithredu, fel cymdeithasau sydd yn gweithio yn y diwydiant adeiladau, mae'r FMB ar yr un llaw ac mae'r HBF ar y llaw arall, felly rydym ni'n cyplysu yn ein trafodaethau y busnesau bach undyn a'r cwmnïau mawr sydd yn datblygu tai ar raddfa eang iawn. Rwy'n meddwl, mewn

**Mr Jones:** As part of the system that we operate, as associations that work in the construction industry, the FMB is on the one hand and the HBF is on the other, and therefore we encompass in our discussions small one-man businesses and the large companies that develop houses on a very broad scale. I think, in a way, that we need to

ffordd, fod angen i ni fod yn fwy gofalus am sut rydym ni yn gwahaniaethu rhwng a naill a'r llall, a hefyd gweld beth ydy'r buddiannau o well gweithio rhwng y ddau begwn, mewn ffordd. Rydym ni wedi, fel enghraifft, awgrymu—. Rwy'n siŵr bod yna gwmnïau mawr efo tir, hwyrach, nad yw'n broffidiol iddyn nhw ei ddatblygu ar hyn o bryd, a bod eisiau eu hannog nhw i weld a oes modd cydweithio â'r sector ar lawr gwlad i ddatblygu ac i alluogi'r cwmnïau hynny, wedyn, i gael budd allan o hynny.

be more careful in how we differentiate between these sectors, and also to see what the benefits are of improved working between these two extremes, in a way. For example, we have suggested—. I'm sure that there are large companies with land that perhaps isn't profitable for them to develop at the moment, and they need to be encouraged to see whether there is a way of working with the sector at grass-roots level to develop and to enable those companies, then, to benefit from that.

[103] **Yr Arglwydd Elis-Thomas:** Roeddwn i'n meddwl, yn benodol, am y sector trwsio tai yn ogystal â'r sector adeiladu ac addasu, achos mae yna waith aruthrol i'w wneud yn y maes yna, onid oes, yn amlwg, a fyddai ar gael i gwmnïau llai.

**Lord Elis-Thomas:** I was thinking, specifically, about the housing repair sector as well as the construction and adaptation sector, because there's a great deal of work to be done in that area, isn't there, clearly, that would be available to smaller companies.

[104] **Mr Jones:** Wel, nid wyf yn amau bod y sector cynnal a chadw, i raddau helaeth, yn dibynnu ar gwmnïau llai felly. Rwy'n meddwl mai'r gamp ydy sicrhau bod y cwmnïau llai sydd o fewn ardal y datblygiad yn prynu i mewn i hyn neu'n cael y cyfle i ddod i mewn i hynny.

**Mr Jones:** Well, I don't doubt that the maintenance sector, to a large extent, does rely on smaller companies. I think the trick is to ensure that the smaller companies within the area of the development buy into this or have the opportunity to come into that.

[105] **Yr Arglwydd Elis-Thomas:** Diolch yn fawr.

**Lord Elis-Thomas:** Thank you.

[106] **Mr Davies:** I don't want to prolong the discussion, Chair, but it possibly is a question to ask the Chartered Institute of Housing: what percentage of your members' spend goes to local independent SMEs or third sectors—they might be emerging or collaborations—and how much goes to your own set-up enterprise under your overall brand? Some of the housing associations have quite large organisations and large brands.

[107] **William Graham:** Quite so—worthwhile. Joyce.

[108] **Joyce Watson:** I just want to ask, finally, we have a Wales infrastructure improvement plan: how well linked do you think that is with this procurement policy and have you any comments to make about further linkage?

[109] **Mr Jones:** Right. I think that we've obviously welcomed the development of the WIIP document—there is more and more added to it. But what we've asked the Minister is to ensure that there is more detail allied to each scheme so that we can get a better understanding and also make better use of it as a working tool so that we can look at the potential for investment, look at the opportunities for linking schemes, perhaps, that are in the same area but in different disciplines, to bring those together. So, I think there are huge opportunities, and the training and the opportunities that you're suggesting will come out through there. We're looking forward, obviously, to the next iteration, and I hope that—I think probably the December iteration will be available in an Excel format, which will allow us to chop and change and adjust as the industry requires.

[110] **Mr Davies:** I think, from our point of view, it's important that the solutions that are

then prescribed from the WIIP are solutions that business in Wales can deliver—so, the design is not based on a particular bespoke project or product that's made in a particular part of the UK, based on a particular lintel size or staircase size that a contractor can't actually provide here in Wales. So, that has to go. So, advance warning to the sector, and small businesses in particular, of what kind of projects are being procured, and growing the ability then to actually define that solution within Wales, will, hopefully, help some of that capital to stay within Wales.

[111] **William Graham:** Well, thank you very much for your attendance today. As you know, you have the opportunity to check the transcript of today's evidence in due course. Thank you very much for your attendance.

[112] The committee will recess for 10 minutes.

*Gohiriwyd y cyfarfod rhwng 10:10 a 10:19  
The meeting adjourned between 10:10 and 10:19*

### **Caffael Cyhoeddus Public Procurement**

[113] **William Graham:** May I welcome our witnesses to the third part of our meeting today on public procurement? Could I ask you to give your names and titles for the record? Let's start with Howard.

[114] **Mr Allaway:** I'm Howard Allaway. I'm the purchasing manager for the Higher Education Purchasing Consortium, Wales.

[115] **Mr Roscrow:** I'm Mark Roscrow. I'm the director of procurement for NHS Wales.

[116] **Mr Chapman:** I'm Chris Chapman. I'm programme manager, efficiency and procurement, for the Welsh Local Government Association.

[117] **William Graham:** Thank you very much, and thank you for your submission. Now we'll go to the first question, which comes from Mick Antoniw.

[118] **Mick Antoniw:** Good morning. This is setting the scene, really. Since this committee looked at this issue in 2012 and produced a report, there've been obviously a number of changes. What progress do you feel that we've actually made in improving procurement, access to procurement, and also, I suppose, the community benefit of procurement?

[119] **Mr Roscrow:** If I take it from an NHS perspective, I think, in the time we've brought procurement together under the shared-service umbrella within NHS Wales, we've got a far more collaborative approach to procurement, and we've got a much greater handle on our information and our expenditure. I think as far as small and medium-sized enterprises and developing business is concerned, it's moved on from things like the Sell2Wales site, which is better. I think the approach to lotting strategies to support wider opportunities has improved. I think some areas have not, potentially, progressed as well as they could've done. I think the communication through the supplier champions who exist, and the links between us and those organisations have still got some way to go. I think there are other areas. Welsh Government produced a report around innovation, and that's often a challenge that comes procurement's way: how do I get innovative product into the NHS? There's the recent report through Welsh Government, with a number of recommendations on that, which I think is useful. I know the Minister is currently looking at how a number of those are implemented. I think that's an opportunity for us in the NHS to do some more with that.



[120] **Mick Antoniw:** Would you be able to give us some examples of what you think specifically has worked, and some examples of what particularly has failed within it? What could we do better and how? What has not worked, and why?

[121] **Mr Roscrow:** I think if I take the e-procurement agenda as an area of example, we've developed a lot of systems. We in the NHS have one system, and the communication through to suppliers around that area in terms of order transmission is quite good, but the flip side of that is the invoices coming back in, and the challenge for that is from very small organisations to very large organisations. How best able are they to deal with that? I don't think that's been well understood. I don't think the IT systems that we've had have always been helpful in that. With the changes in the EU regs that mandate that, going forward, I think that remains a big challenge.

[122] **Mick Antoniw:** Is it a training and investment issue?

[123] **Ms Roscrow:** It's a combination of things, to be honest. It's the willingness of organisations to integrate their systems with the myriad different systems that are out there. So, if you're a supplier, we might want one thing, and somebody else wants something else. Understandably, that can be a challenge. Some of that comes back to the system that you have in place. So, you know, we have a very small option, which is fairly easy for people to do, which is 'Give us a pdf e-mail'—with the small companies that we speak to, that's not an unreasonable request—through to where we want to completely get back-office integration and knit the systems together, which requires much more effort. Some of that's training, some of that's investment, and some of that's knowledge and how to do it.

[124] **Mick Antoniw:** One of the statutory areas that will have an impact in a perhaps more general sense is of course the Well-being of Future Generations (Wales) Act 2015. That creates a statutory framework in terms of a series of objectives. How do you see that playing out? What consideration have you given to how that may impact on procurement? Might it be of benefit? Are there disadvantages to it?

[125] **Mr Roscrow:** I think there are some challenges. At the moment, we've got a sustainable risk assessment process that is embedded, and we've got community benefits on the end of it. Community benefits have tended to focus around infrastructure/construction-type procurements. I think there's a general assumption in some areas that we're going to derive community benefits out of almost everything that we buy, and that's just not going to be the case. So, I think it's a better understanding of that, and targeting it where we think it can have a benefit and what that benefit might be. So, for us, we've done quite a lot of work recently around mental health provision and improving the patient outcome, which, to me, is a community benefit. I'm not sure people would necessarily have seen it as part of that in the past, but the fact that I think we've got a better patient outcome is extremely important in that.

[126] **Mr Chapman:** Can I add to that slightly? I agree very much with what Mark was saying about what's been done well in terms of a lot of the tools and processes that have been established now. The procurement process is there and we can tap into it if we need to. One of the issues that was raised through Europe was the fact that the huge SME base is out there and needs to be tooled up and brought up to speed so that they are aware and able to deal with us when we move forward, because there's no point in us expecting them to operate at a high level in terms of systems just because we have. They have to be at that level or make allowance for them to deal with us at a different level. It's recognising in the EU that 'electronic' can just be an e-mail, depending on what level you're going to.

[127] Having said that, I think that, over the last 10 to 14 years, there's been huge progress made across the board in those areas of tools that are available to us. The next step, from my

perspective, is to actually look at some of these bigger issues, and the future generations Act, for me, is quite important in that it starts to capture what local authorities' objectives are moving forward. So, if you've got those high-level objectives, what we should be doing is trying to cascade those into the procurement processes that we are taking forward and utilise those tools. So, it's very important from our perspective, that broad understanding of what our objective is. We then translate that appropriately into the right areas to get the best results out of it. I think, as Mark alluded to, probably construction and things like social care are probably very available to the use of community benefits, and you see the community benefit in different ways. If you look at a regeneration project in the whole, rather than just producing a building, and you take it that the project is regeneration, the objectives coming out of the future generations Act can be widely put into that and cascaded through it and then become an integral part of the procurement, and then we can actually build it in properly.

[128] **Mick Antoniw:** Is measurement—measurement of outcomes, achievement, progress—a problem? You're talking about a sort of multifactorial system. What challenges does that actually present in terms of evaluating how it's working?

[129] **Mr Chapman:** I think the challenge really is about what it is you recognise you need to measure. If we're talking about outcomes, then you are measuring them at that high, strategic level. I think that's probably where you want to focus. Organisationally, we will want management information so that we can manage our internal organisational processes better. I think, to some degree, that should be more left to each organisation to determine what they have to be. They can do that dependent on the scale of their resources to do it, really, because it can become an industry, if you're not careful.

[130] **Mick Antoniw:** Yes, yes.

[131] **William Graham:** Perhaps we can move on now. Jeff.

[132] **Jeff Cuthbert:** Yes. Thank you. Linked very much to the points that Mick has alluded to and certainly the provisions of the future generations Act, is the issue of community benefits. As you know, the Welsh Government are very, very keen that procurement can help to produce positive outcomes for local communities, whether it's in terms of boosting small local firms or indeed creating new jobs. How do you feel that the principle of community benefit is operating in practice, and can we do better? By 'we', I mean collectively.

10:30

[133] **Mr Allaway:** I think, from a HE perspective, it's something we've picked up on. We've tried to include it in the last construction contracts that we've done for the new campus builds and projects of that nature. It's worked very well, and we've got some strong evidence, particularly on the Swansea bay area, where around 40 per cent of the contracts let have been won by local businesses as well. Within Cardiff as well, they've built a new school of management, and they've got some strong evidence there as well in terms of the benefits that have been delivered from that: over £17 million of local development and £10 million of construction contracts through that agreement. For ourselves within HE, there are other opportunities, I think, for community benefits as well. Some areas that are being looked at are to include within contracts opportunities for suppliers to take on graduates as trainees or provide placements on that. So, there's a definite link between procurement and the careers service within the universities, looking at opportunities so that they can actually use community benefits in the contracts going out to the marketplace, to try and provide those opportunities for students and learners as well to benefit from.

[134] **Jeff Cuthbert:** Thank you.

[135] **Mr Roscrow:** I think it's a little bit of what I said earlier. We've got community benefits in a number of areas, and it's recognising that we can realise them in things like the mental health example earlier. You know, outsourcing of certain services that help. We're not going to derive community benefits from everything we do. So, if you buy surgeons' gloves, there are probably only three manufacturers in the world, in reality, and it's very difficult to realise for those things. So, I think it's important to recognise where we think we can derive the benefit and deal with that, and accept that it is not going to be in every instance.

[136] **Jeff Cuthbert:** Okay. I can understand that, yes.

[137] **Mr Chapman:** I wouldn't disagree with that at all. I think that, in community benefits, we've embedded the idea quite well in a lot of areas. I think one of the things that we need to do is recognise where we can achieve it more. We've got now the Wales infrastructure investment programme. If we look at those pipelines and see how those pipelines can be utilised better, particularly by re-addressing it as a regeneration programme in certain instances and feeding objectives through, you can build in a lot of community benefits. It isn't just about the job training issue. As Mark alluded to, there are other benefits that come out of it, which are community linked. Recognising that, you've got this local issue about what the needs of communities are, and I think it is quite right that we have the opportunity to balance our priorities in each project that we do, to say that that one can achieve greater community benefit than trying to force it into something, as Mark alluded to, which it isn't really going to work very well in. So, to do it across the board is not necessarily a good idea, in our view, but what we do want to do is take that principle forward positively and apply it in a wider number of areas so that we achieve it properly in the right places. So, I would reinforce the idea of doing it, push the principle of doing it, link it back into these higher-level objectives, and cascade it through in the right way. But the decision as to where it goes and where it's best applied, I think, is down to the organisation.

[138] **Jeff Cuthbert:** Okay. Fair comment, but obviously you need to identify ways in which local communities can benefit, but a particular biggie, of course, is jobs, especially for young people, because of the issue of NEETs—those not in education, employment or training—and our desperate need to reduce them, which is one of our key objectives. For example, when you have a major capital project coming up, do you insist that those tendering for it can show that they will take on X number of apprentices, and that they will have a commitment to recruiting locally—where that is appropriate and the skill level is right; I accept those caveats? Is that a principle that you would pursue?

[139] **Mr Chapman:** I think it's a principle that we do pursue. I think we're very aligned to that principle. I mean, we were there at the beginning of the community benefits pilots and projects, and I, particularly, worked on it right at the beginning when it was WIIP and the like. I was involved in that project, developing it. I understand the principles. Local government is very signed up to it and we can utilise it. As it stands at the moment, industry wants it. They're very interested in how we can help them to get people into jobs. There's going to be massive demand for jobs in the construction industry with the infrastructure projects that are coming online. The difficulty with that is, over the next five years, we're going to have a huge peak and, after that, we're going to have a huge drop-off. So, we need to manage that very carefully, as well.

[140] **Jeff Cuthbert:** Okay, thank you.

[141] **William Graham:** Rhun.

[142] **Rhun ap Iorwerth:** A very good morning to you. Could I look at your opinions on how the national procurement service is actually performing, a couple of years in, and maybe

ask you, Mr Roscrow, to expand on what you tell us in your evidence, that there's a certain frustration that it's perhaps not fully operational and that you might expect it to be fully operational by this point.

[143] **Mr Roscrow:** Yes. I think the work that was done in advance of NPS being created—both the 'Buying Smarter in Tougher Times' report and subsequently, the McClelland report—all pointed to a number of things, including that common and repetitive spend areas could be dealt with in a better way, and I think the creation of NPS is the right vehicle for that. I think it's taking longer to get up to speed and operational. I mean, it was, effectively, I think, November 2013 when it was established, and there had been quite a long lead period into that, with boards set up to try and get it to hit the ground running. We talked a lot about quick wins at that time, and, generally, those have not been realised. So, whilst it's operational now, and it's fully staffed now, they've still used the phrase around when they intend to be fully operational from April 2016. Now, to some degree, they're there now; they're working, and they're doing things. So, it doesn't quite align, to me, in terms of that phrase, to be frank.

[144] **Rhun ap Iorwerth:** What's not quite right, then? What's not happening?

[145] **Mr Roscrow:** I recognise the challenges they've got. They've got the difficulties of balancing quite a large customer base. I think there are 74 organisations signed up to that, and I don't think all of those organisations initially aligned to the outcomes that they all would like to see. So, it's quite a difficult thing to try and hold the ring on, from their perspective, but I think it's taking too long to actually get into some of the key areas and deliver some of the benefits that we were looking at. Part of the challenge for that is that there is this traditional problem of trying to drive the wider benefit when you're also trying to balance some of the local issues, SME opportunities, lotting strategies. So, working through the mechanics of that has taken some time.

[146] **Rhun ap Iorwerth:** I wonder whether you two agree that things aren't quite as they should be, and, if you do agree with that, whether you think that is, in general, frustrating wider attempts to strengthen the whole procurement area within Wales.

[147] **Mr Allaway:** I think, for us, within the sector, we have a fairly well established and mature collaborative programme, as well, which we undertake on a national level across HE. The spend across HE is larger than the Welsh total spend as well, so, on certain things, we can get, potentially, better deals for the aggregation of spend on that level.

[148] A lot of the areas that NPS is looking at are areas that we already have covered by sector-wide agreements, as well. So, there's a decision for us to make in terms of assessing both agreements, or both sets of agreements, to see which one delivers better value, and I think it would be foolish to think either approach will deliver the best value overall across all of the different commodities that we buy. So, we probably will need a balanced and a mixed portfolio in terms of NPS agreements and sector-led agreements on things, as well.

[149] Up until now, a lot of the work that NPS has done on the tenders that it has renewed have been for areas that are outside the scope of the sector, so they wouldn't be things that we would normally buy as a matter of course. What we would like to see, I think, is NPS looking at areas where we don't currently have any coverage in terms of collaborative agreements and that could certainly be a benefit for us then.

[150] **Rhun ap Iorwerth:** Such as?

[151] **Mr Allaway:** Around professional services. We don't have a lot of contracts in that area, and that may be an area where it's something that could deliver value for us, certainly in

the long term. So, bear in mind with that as well that some of the professional services that we buy within the sector, because each of the institutions are competing against each other, don't always want to use the same suppliers to do professional services for them. So, if they want architects and things like that if they're looking for a new campus build, they'd be looking for something different to actually differentiate from other universities. So, for us, it's a challenge in terms of knowing where are the right areas to collaborate on, recognising the differences across the sector as well, in terms of what they're trying to deliver, but to optimise those opportunities for collaboration where they exist. So, we're keen to work with NPS as best we can. What we're mindful of is that a heavy-handed approach to using those agreements may not always deliver the best value for us across the board.

[152] **Rhun ap Iorwerth:** And it can be a bit heavy-handed as it is?

[153] **Mr Allaway:** The requirement to opt in or opt out has been something that causes us some concern. Within the sector, our approach has always been that we will assess what's available to us and take a view then. Maybe the success factor will be actually concentrating on those organisations that it can take forward rather than trying to meet a requirement for all of the public sector bodies and maybe not achieving satisfaction for anyone, then, with everybody trying to look for a different way of procuring it.

[154] **Rhun ap Iorwerth:** Any thoughts?

[155] **Mr Chapman:** Yes, actually. I think heavy-handedness is not too far from the mark, in a sense.

[156] **Rhun ap Iorwerth:** For the same kind of reasons? The in/out?

[157] **Mr Chapman:** Yes and no. I think what I would add to it is the fact that we are very committed to actually getting the NPS working. We need it to work. We're signed into it. We want it to take the common and repetitive spend element so that we can concentrate on other things. As far as we're concerned, these teething troubles that we're alluding to at the moment shouldn't be there, but they're going to be there—I recognise that. Part of that is that they've gone away and, as professionals, they've produced what they understand would be a very good programme of work for them. Unfortunately, on a number of occasions, when they've brought that out to our specific professional bodies and consulted with them on that programme, it hasn't met the needs in a number of areas. So, what that has meant is they've had to go back to the drawing board. So, they haven't consulted the people who they needed to to make their programme in the first place. They've produced it, and then brought it back heavy-handedly, saying 'This is what's best for you and what we're going to do', and when we've said it isn't going to deliver what we need—hence, there are some tensions in that. I'd quote things like simply the salt arrangement, legal services, food arrangements, and things like this. So, if it was one thing, maybe it would be a non-issue, but it is one or two things now, which I think is slowing down this transition to their full operation.

[158] **Rhun ap Iorwerth:** Your paper also suggests that the positioning of NPS within Welsh Government in itself is a distraction.

[159] **Mr Roscrow:** Yes, I think, once it was agreed NPS would be created, there was a process about hosting it, which a number of organisers went through, and it was then determined through that process that it would sit within Welsh Government. I think that some senior officials within the NPS have become drawn into wider Welsh Government issues that Welsh Government may need some expert advice on, but I think that the fact that it's now almost seen within Welsh Government as an arm of Welsh Government, not a service provider to the wider Welsh public sector, causes that tension.

[160] **Rhun ap Iorwerth:** I have to say I like the idea of a procurement tendering process for hosting the national procurement service.

[161] **Mr Roscrow:** We could talk about that for a while, but, yes, it was interesting.

[162] **Rhun ap Iorwerth:** There are even issues like levels of pay within NPS that may be—

[163] **Ms Roscrow:** I think this goes to a broader issue, that the profession of procurement is becoming increasingly complicated, and certainly in the NHS, and I think in the wider public sector, we have a huge problem in the recruitment and retention of professional procurement individuals.

10:45

[164] That's not new. We've had that for a number of years, and it's not particular to Wales, either. In the creation of NPS, which is fine, their salaries were very attractive—several thousand pounds greater than we were paying in broad terms in other parts of the public sector. Welsh Government also pay a retention premium linked to professional qualifications. So, if you get your professional qualification, there's another payment that goes with that. I think that's fine, but it's not consistent across the public sector. So, it's produced a kind of two-tier payment within the sector. So, it's inevitable that, as those opportunities come, people from outside of Wales, but also in Wales, are drawn to those jobs. I understand that, but it's not a level playing field. We are competing in a very different market.

[165] **Rhun ap Iorwerth:** Which leads us on to the need for training.

[166] **Joyce Watson:** Yes, it leads on very nicely, because I was going to ask about training in the procurement sector and measuring the progress within it. In the announcement that the Minister has made, this is actually mentioned, that they are training more procurement officers. So, if I just stop there for now, you obviously think it's needed, because you just said so, but do you think that will help?

[167] **Mr Roscrow:** I think, to be fair to Welsh Government and Value Wales, they've put a lot of money into training, in terms of courses, supporting the development of individuals with professional training. I think we've done a lot around that collectively, and I think that's been very welcome, and I think that has had a positive impact. What you have to recognise, though, is that you're training people who then, once they're trained and they've had several years of experience in the sector, are very marketable individuals, and they are likely to go. Now, I wouldn't ever want to stop the training and development of people, but I'd like to keep a few of the ones that we subsequently put a lot of effort into. That's the challenge. The challenge is not to look at one side of the coin, which is the training and development, which is vital, but we've then got to try and make sure we keep those people and develop them, and we have a career path that they can aspire to and follow.

[168] **Joyce Watson:** I launched a report yesterday on the construction industry, as chair of the all-party group. The other side of this, of course—and it's within that report, and you've sort of said this at a different level, with the NPS—is procurement officers not understanding the trade that lies underneath it and how the two should meet to get the best possible outcome. So, do you accept that there are weaknesses in that relationship, whatever the sector is?

[169] **Mr Roscrow:** The approach we've taken in the NHS is there's a category lead. So, if you take medical, we have a group of individuals who specialise in that area, and similarly for other categories, be it pharmacy, be it food, et cetera. I think that, generally, is recognised to

be an appropriate best practice approach, because what you're trying to do is you're trying to develop the procurement professional, but also the knowledge they have within a particular market area. So, if we're going off to talk to orthopaedic surgeons about hips, knees, et cetera, it's very useful that we've got somebody who can speak the language and can hold their own in such a forum. So, for us, it's about two tiers: it's developing the wider professional procurement and developing the knowledge, and that, again, is an area that comes with experience and comes over time. There are certainly gaps in our knowledge: across the vast array of things that we buy, I wouldn't remotely pretend that we've got procurement experts in all of those fields. It's just impossible.

[170] **Joyce Watson:** Can I ask local government?

[171] **Mr Chapman:** By all means. I endorse what Mark was saying there. I think that there's a need to deal with those issues. In terms of the wide scope of work that we do in local government, we obviously have no choice but to engage with professionals in other areas as well. In a lot of those areas, to be fair to the— I'm not a procurement professional; I'm a construction professional who happens to have been in procurement for 14 years. I bring a different dimension of knowledge into that and I gain a lot out of it. So, you need people who can bridge those gaps. I think part of what Mark is saying is about taking the professionals and putting them in those environments so that they understand their markets at the client side of it, but also you have to understand the supply market as well. Those professionals— construction professionals and the like—understand their supply markets. You need to sit alongside them when you go out and discuss things with the markets. If you want early engagement, you need to understand what the market is like, find out how it works and use that to put your procurement package together.

[172] **Joyce Watson:** Do you think that's happening now? I'm sorry—we're going to run out of time.

[173] **Mr Chapman:** I don't think it's happening enough, and because the NPS is in place, we're hoping that we will get the opportunity to move people in there. If I can just quickly finish this; the other thing we need to do is get our members, our senior officers and chief executives to understand how procurement can add to those wider objectives and how we can build things in through that way. We're putting some information together at the moment in a handbook, now the new regulations are there, which will be out by the end of the month—sorry, the end of July—on that particularly.

[174] **Joyce Watson:** Can I ask, then, what you think the impact might be of the Welsh Government's procurement fitness tests and if they've had any impact on the procurement capability within authorities? Because that's another bit of the same—.

[175] **Mr Chapman:** From my perspective, I haven't seen a great deal of the outcome of those fitness checks. I was involved in the original round of fitness checks and, in fact, introduced them here in Wales when I was part of the Welsh procurement initiative team, and the like. So, I'm well aware of how they work. I think that they do have role. Those fitness checks were very much focused around achieving the Welsh Government's policy, rather than looking at the internal aspects of how those organisations really dealt with procurement in the round and the fit within the organisations. So, I think there are two different things here. I'll let my colleagues—

[176] **Mr Roscrow:** I think the fitness checks, as a principle of trying to get a sense of where organisations were against a model—I understand it, it makes sense. I think the challenge has been: what's happened with them, then? I think you could pose that question. I think, in some instances, I don't see a lot of traction around it. So, if I go back to some of the recommendations in the 'Buying Smarter in Tougher Times' report, or, indeed, some of the

things that John McClelland referred to, we've addressed some of them, but not all of them. So, make a judgment as to whether that's progress, but it's certainly not across the spectrum of things.

[177] **Joyce Watson:** Howard—

[178] **Mr Allaway:** For our sector, we've only recently gone through the fitness health check programme anyway, so the reports aren't yet in the public domain. But we're hoping to have a presentation from Value Wales at the end of next week to go through the findings of that. Our plan is to look at those reports and actually develop our operation plan based on the findings of the fitness health check, to try and support the institutions going forward, to address the shortcomings that are addressed as part of that programme.

[179] **Joyce Watson:** And if I can, just finally, ask Mark—

[180] **William Graham:** Quickly, we're coming to the time.

[181] **Joyce Watson:** You said that the approach of the model used to measure procurement capacity in contracting authorities was not particularly robust. Your words. Do you want to expand briefly?

[182] **Mr Roscrow:** Very quickly. They had two service providers, for a start, with slightly different approaches, which means, when you're comparing, are you comparing apples with pears? That's the first thing. A large part of it was a questionnaire-driven process and I think it's somewhat cold; you can't really get the detail from a questionnaire that you ask people to score a number on. So, I think that's a challenge.

[183] **William Graham:** Eluned.

[184] **Eluned Parrott:** I wanted to ask about how we can encourage more procurement through Welsh suppliers. My first question, really, is: looking at your papers, you all raise concerns about this area—the WLGA says that you're worried that a culture of complacency might emerge in the future, and both the NHS and higher education make the point that, obviously, for specialist equipment, the suppliers don't necessarily exist in Wales. Can I ask—? This isn't explicitly a strategic target in the Welsh Government's framework to encourage a greater number of Welsh contracts. Is that something we should address? Should there be a specific target for the number of contracts or the value of contracts awarded to Welsh firms?

[185] **Mr Roscrow:** I think you've got to be very careful with that, because it does directly go to what the available supply base in Wales is. So, if you're going to have a target, it got to be realistic in the sense that, 'Well, do we have the capability within the Welsh country, effectively, to deliver those outcomes?' But, also, where you've got Welsh-based suppliers that currently win business, they also may lose business to each other. So, the movement within Wales also has to be recognised. So, I think if you're going to have a target, and I understand why you would want to, it's got to be realistic in the sense of what is achievable.

[186] **Eluned Parrott:** And could I ask you specifically, Mark: in your paper, you talk about, and I quote

[187] 'Awareness of Welsh based companies also can be an issue and this respect the resources that exist in WG through the Bus department have not proven to be particularly helpful'.

[188] Do you mean that purchasers' awareness of what is available in the Welsh market is



limited, or do you mean that those companies aren't aware of what the requirements of the buyers are?

[189] **Mr Roscrow:** Neither, sorry. What I mean is—I obviously didn't put it very well—there is a resource within Welsh Government; they have supply and engagement champions whose role it is to link business in Wales with the sectors. And my contention is that that function and the individuals who perform it are not always aligned to what it is we want. We tried to talk to them about that several times, but we still have a challenge in that if it is their role and they have the capacity to go and talk to Welsh-based companies far more than I do, then I would very much welcome them knowing exactly what we want to do. So, if you come back to the example of e-trading, they can't possibly know what it is we offer and how we would like to trade with those companies if they're not talking to us about what those opportunities are.

[190] **William Graham:** We're very short of time. Oscar, you have the last question. Please be quick.

[191] **Mohammad Asghar:** I'll be quick anyway. Should the Welsh Government use its new power of general designation for public procurement to put its procurement policy on a regulatory footing? And, actually, the McClelland report recommends—

[192] **William Graham:** That'll be fine. We haven't got time to answer more, so just succinctly, please, on that particular point.

[193] **Mr Chapman:** I think that there's definitely a need to get the principles of the policy addressed, as I said earlier, and cascaded through. I think the more you actually specifically deal with it by saying, 'The procurement process has to be done in this way', you actually limit how people then think, and it may actually work against you.

[194] **Mr Roscrow:** I concur. I think it's dangerous to go down that road; I don't think that would be right, personally.

[195] **William Graham:** Okay. And Howard?

[196] **Mr Allaway:** I would agree with what's been said.

[197] **William Graham:** I'm sorry; time has beaten us. Thank you very much for your answers; you answered a lot of questions from the committee. We are most grateful for your attendance today. Thank you very much.

11:00

### **Caffael Cyhoeddus Public Procurement**

[198] **William Graham:** Good morning, thank you very much for coming to see us today. Minister, do you want to make a brief opening statement?

[199] **Jane Hutt:** I think that, hopefully, my written statement lays out—

[200] **William Graham:** Splendid.

[201] **Jane Hutt:** Also, I gave an oral statement last week on the refreshed Wales procurement policy statement, so I'm sure you've got questions.

[202] **William Graham:** Yes. We'll have some questions for you on that, I'm sure. Thank you very much, Minister. Could I ask you to give your names and titles formally, starting with the Minister?

[203] **Jane Hutt:** Minister for Finance and Government Business. Would you like me to introduce my colleagues?

[204] **William Graham:** Would they introduce themselves for the record, please?

[205] **Jane Hutt:** Right. Jeff?

[206] **Mr Andrews:** I'm Jeff Andrews, the Minister's special adviser.

[207] **Mr Sullivan:** Good morning. I'm Nick Sullivan, the head of policy and capability at Value Wales.

[208] **Ms Stephens:** Good morning. I'm Kerry Stephens, deputy director for Value Wales.

[209] **William Graham:** Thank you very much. We'll move to the first question, which is from Mick Antoniw.

[210] **Mick Antoniw:** Good morning, Minister. The most significant change in procurement culture and policy, obviously, is arising from the European Union procurement directives. I was just wondering how you feel Welsh Government has actually embraced those directives and what practical benefit it has achieved from them.

[211] **Jane Hutt:** Thank you very much, Mick. Obviously, as you know from my statement last week, we very much welcome the new EU procurement directives; they took effect in February of this year. Many of the new provisions are, in fact, in line with current Welsh Government policies, and I think some of the important new rules do enhance small and medium-size enterprise access to public procurement, which, of course, is very welcome. Just giving some examples of that, also, new rules helping to simplify procurement processes make things easier for smaller and third-sector firms to bid for public sector work. Also, of course, our designation Order does mean we can maximise new procurement policy opportunities.

[212] There are a number of other areas that are very important in terms of the EU directives. I would say it's very important that we look at the community benefits approach, which we are, obviously, pioneering in Wales, strengthened by provisions of article 20 of the new regulations, simplifying the selection process with a proportionate approach, which is very much in line with the supplier qualification identification database, and new rules to support open accessible competition, helping business in Wales to work with the Welsh public sector. Electronic procurement is another very important development in terms of mandating that under the new rules, with timescales reduced and increased dialogue with suppliers—new provisions will support that. There's many more and, maybe, there are questions on those—I don't know—but there are issues that are very supportive towards mutuals and employee-led organisations. I think, interestingly, there are possibilities for looking at new opportunities through the EU directives that can take us forward, and I'm sure the committee will have views on this.

[213] **Mick Antoniw:** I wonder how you think—. I'm very interested in what you say about the whole community benefit, which has been, really, at the forefront of part of the procurement change. Of course, we have the Well-being of Future Generations (Wales) Act 2015 now; I wonder how you see that as impacting on, perhaps, the change of culture or the cultural approach by organisations towards procurement and what practical benefits you think

can be achieved from it.

[214] **Jane Hutt:** I think there's a strong alignment between the opportunities we have with the new Well-being of Future Generations (Wales) Act and the new EU directives, particularly in relation to community benefits. I think you'll be aware—I mentioned this last week—that I'm now taking forward a task group across Welsh Government on community benefits to look at the opportunities to align this, not just with the wellbeing of future generations Act, but also in terms of tackling poverty. I'm looking at areas where we can look at, for example, fair employment practices because we are already at the forefront of taking forward procurement advice on our fair employment practices and, of course, you're very involved in our tackling blacklisting advice note. One of the important things, of course, is that now, with the designation Order, we can regulate as opposed just to be giving advice. I think, you know, there's a very clear synergy between the objectives, and social as well as economic and environmental objectives, which, of course, with the new EU directives, fit very closely to the wellbeing of future generations Act.

[215] **Mick Antoniw:** So, would you see, then, procurement, the directives and the future generations Act as playing a role in, I suppose, creating a new culture of ethical standards of employment within Wales and within the procurement process, so the procurement process is partly a driver for that?

[216] **Jane Hutt:** I think that one of the important things about the new EU directives is the fact that it does give us more opportunities in terms of ethical and, for example, as I said, fair employment practices, as part of that, to take our policies forward in a clearer, more coherent way. It's very interesting, yesterday I was at the launch of the cross-party construction group's report on procurement, and what was good was that the CITB response from Mark Bodger was very much recognising the ethical and social clauses that we can now develop—that we are developing—and was very positive about community benefits policies, as well as what we're trying to do in procurement. As you say, it's a new cultural opportunity in terms of changing the culture towards procurement, but also that it's embraced by the private sector very strongly, because, yesterday, the main representation at that launch was from the private sector. Our procurement advice notes on blacklisting and fair employment practices relating to the unfair use of umbrella payments are directly impacting, and we have to engage with the private sector to deliver on those. So, I think it is very much a partnership approach with the public, private and third sectors. One of the things I feel about procurement is this Assembly is very engaged in it, which is very welcome, and I think it is an area where scrutiny is so helpful. But the partnership we have with the private sector and the third sector is very important. And procurement—£5.5 billion—with reducing budgets, these new EU directives just demonstrate the importance to me of EU directives, per se, in terms of how they can help us with Welsh Government policy.

[217] **William Graham:** Jeff, you had a short question on the point.

[218] **Jeff Cuthbert:** Yes, following from that, just to explore the issue of community benefits a little bit further. The FSB have said to us that the policy—and these are their words—focuses too much on local job creation and not enough on procuring from local small businesses. Now, I'm not positive that there's actually a contradiction there, but they did expand on that at the time. What is your response to that? Clearly, jobs locally are critical for communities, especially our more disadvantaged communities.

[219] And then finally, in your paper, Minister, you state that from the first 74 projects and a total spend of £658 million, 84 per cent of that spend has stayed in Wales, helping 771 disadvantaged persons into employment with 22,000 weeks of training. Does that relate to any particular targets? And if so, are you achieving your targets or, certainly, working towards them?

[220] **Jane Hutt:** Thank you, Jeff, for those questions. I think the point about community benefits policies and the approach that we've taken with community benefits, which is actually now strengthened by the EU directives—. Obviously, yes, it is about 'how', and a measurement tool that we use identifies how we're employing disadvantaged people and how we are making an impact, particularly in terms of their work opportunities, not just in terms of work experience, but real job opportunities and apprenticeships.

[221] I think that one of the important things from the construction sector, particularly, is that we've got, for example, shared apprenticeship opportunities. I was just speaking to some contractors at the construction excellence awards event on Friday night and recognising that they are making sure that there is progression, so that for some of those job opportunities through one contract, you can then enable those, if it's a young person developing skills in the construction skills, so that they can move on to another contract and another site. In fact, I was told that some local people from Rhondda Cynon Taf, who were involved in the Church Village by-pass—I think that Members recall that we talked a lot about the Church Village by-pass for many years, because that was the first example of using community benefits—that some of those young people now, and who are now a skilled workforce, are now working on the Crossrail development in London.

[222] So, you know, I think that it is very important, and I'm sure that the FSB recognises that community benefits are delivering real local jobs. But, I think there's an opportunity now to look at community benefits in terms of progression and what it actually means, not just the statistics about how many people have had work experience or jobs, but what it actually means in terms of the local economy. It's also to see that we're delivering, perhaps, more transparency, I hope, through the EU directives, of what it actually means to use community benefits.

[223] One of the things, I think, that will be helpful is that Sell2Wales is going live in July, and those changes that are happening will provide more detailed information on the profile of the contracts being advertised, and that will give us a clearer picture of the jobs that are being made available. I've given quite a lot of information in my evidence paper for today, and if you do look at some of the access opportunities in terms of local job opportunities—. We don't set targets around local procurement expenditure—that would be illegal—but it is about developing policy that will enable openness and opportunity to businesses in Wales. I think that my written paper quite clearly shows the statistics in terms of the proportion of contracts awarded through Sell2Wales: Welsh business is currently at 66 per cent; currently, 82 per cent of contracts advertised through Sell2Wales are below the EU threshold of expenditure.

[224] We do need to really get an understanding of what it means for business in Wales and I very much welcome the fact that we discussed this at the council for economic renewal, with very helpful contributions from FSB and other business fora, as well as the Wales TUC. So, I hope that we can even strengthen further, as a result of our community benefits policy, the identification of how this delivers on local jobs and sustainable local jobs.

[225] **Jeff Cuthbert:** Thank you.

[226] **William Graham:** Rhun.

[227] **Rhun ap Iorwerth:** What are your aims for what the national procurement service can achieve?

[228] **Jane Hutt:** As you know, the national procurement service is a real opportunity, with 73 public sector organisations all coming together to ensure that we can assist in terms of value for money, in terms of procurement. We've really created NPS to deliver savings of £25

million, once fully operational. In fact, I think we can even update my evidence in the paper to the committee: it's now £7 million already. But it is about procuring, as you know, common and repetitive public spend on a once-for-Wales basis.

11:15

[229] **Rhun ap Iorwerth:** When is it meant to be up and running fully, because it's fully staffed already, but it's not fully operational—is that right?

[230] **Jane Hutt:** I think I would see it as fully operational; I don't know whether either Kerry or Nick would say otherwise. It's delivering already, in its first two years of operation; it's fully operational from 2016, in terms of generating income from contracts to be awarded.

[231] **Rhun ap Iorwerth:** You reminded us that it's meant to deliver annual savings of £25 million, and it's delivered somewhere around £5 million-and-a-bit so far.

[232] **Jane Hutt:** In terms of the target for this year, I think it was £5 million.

[233] **Ms Stephens:** Yes, the reference to 'fully operational' is linked to—. So, the first three years of operation of the national procurement service was funded through the Welsh Government's invest-to-save fund, during which the national procurement service's objective is to put in place contracts that are available for use across the public sector that are generating an income that, from April 2016, will mean that the national procurement service will become self-funding—it will finance itself through its activities. I don't think it was, probably, realistic to assume that it would get to a position of being self-funding within the first three years, because of the time it takes to put that level of procurement frameworks in place to generate the necessary income.

[234] **Rhun ap Iorwerth:** We've heard some pretty strongly worded comments from witnesses earlier today, representing local government, the NHS and higher education, who were very concerned that, whilst teething problems might well be expected with establishing a body like this, what we have are far more than teething problems—that it doesn't seem to be working, and that a lot of programmes that it's coming up with don't seem to be in tune with what those who are signed up to the NPS actually want. Do you see that there are some pretty significant problems with the setting up of NPS at the moment?

[235] **Jane Hutt:** I think the NPS, inevitably—. It's a huge challenge for the public sector, isn't it, to get 73 public sector organisations to sign up to it and commit themselves, in a sense, to handing over some of their procurement responsibilities to a new national organisation. Certainly, in terms of what they've delivered so far, I think it has exceeded expectations. It has, in fact, if you look, seven super-categories it's going to, and, once fully operational, it will be dealing with about £2.2 billion of common repetitive spend. I think it's very much embedded in our Wales procurement policy statement, taking on board community benefits—it's got a forward plan of activity. In fact, I'm launching the business plan next month—well, later this month, I think it is—and that's going to set out the objectives over the next four years of NPS.

[236] So, clearly, there'll be teething problems and lessons to be learnt in early days of setting up a new organisation of this kind, but I think it is delivering. I think, in a sense, one of the encouraging things about it is what it's doing for smaller businesses, because it's developing sourcing strategies, encouraging a wide range of suppliers to bid and developing appropriate lotting strategies. It's encouraging consortia bidding, it's supplying supply-chain opportunities, it's focusing on lowering barriers, it's applying community benefits—

[237] **Rhun ap Iorwerth:** One description was 'heavy handed'—that the 'our way or the

high way' kind of approach, where either you're in or you're out, isn't particularly attractive to some, and that, maybe, a bit more flexibility in the way it works might be more useful.

[238] **Jane Hutt:** I think, again, it is about change. Having signed up to NPS, it is about sharing power, isn't it, and it is about collaboration, which, I think, we all want to see in the public sector. You have to be very firm, if you're going to have a national procurement service. This is being developed elsewhere successfully, with lessons being learned and sharing practice across the UK in terms of these new arrangements. But, certainly, I feel that this is something where then you have to have the leadership team working very closely, if there are issues or concerns about, you know, the way it's been managed or handled. I will certainly want to hear about it if it comes to me in terms of any Assembly Member or even business concern. But it actually is delivering for the public sector. So, we've got to stick with it. Can I just give one example? So, in February, NPS awarded a framework for general building materials with a value of over £11 million per year: sixty per cent of suppliers awarded a place on the framework are based in Wales; over 53 per cent are SMEs; the remainder have Welsh depots, working with NPS to deliver employment and training. So, I think the proof has to be in that kind of outcome, although, you know, again, where there are issues—bridging arrangements have been made, for example, on the printing services framework. You know, these things have got—. Going back to Mick's point, this is about big change—cultural change, as well as management change.

[239] **Rhun ap Iorwerth:** Just one last point on this, and it is quite an important one: how do you balance the expectation on NPS to deliver efficiency savings and our desire, all of us, presumably, to help spread wealth to more SMEs, entrepreneurs and so on—to spend more in some ways and spend less in others?

[240] **Jane Hutt:** Yes. Well, that is the whole creative and challenging tension of procurement, isn't it? To get the best value through collaboration and to ensure that we are supporting SMEs in particular and Welsh business. I mean, I think I've given a few examples this morning already about NPS's commitment in terms of supply chain, lotting strategies and the fact that they have to deliver on our community benefits. So, I know I give a lot of statistics in terms of statements, but I do think that, if I can demonstrate, again, on resource efficiency procurement—71 suppliers, 46.5 per cent based in Wales. I need to demonstrate that this is helping Welsh businesses and particularly SMEs and that we are actually cutting down barriers as a result of this framework across the whole of Wales but also that, actually, it's saving money as well. If we say today that already there's been £6 million saved, well that's worth the invest-to-save, isn't it?

[241] **Mohammad Asghar:** Minister, my question will be around procurement fitness checks. In your paper, you stated that, of 31 organisations assessed so far, 13 are at a level of conforming or above. Was the Minister surprised at the number of non-conforming organisations?

[242] **Jane Hutt:** I think what happens next is the most important thing in terms of procurement fitness checks. So, we've covered all the local authorities and the health service, and I'm sure you've probably questioned representatives here today in terms of what next in terms of the fitness checks. If you look at the highest level achieving ones, achieving level 3, that's described as working towards advanced, and I'm sure the NHS said today to you that that's where they were, to a large extent, consistent with those checks. Also, there are some high-performing local authorities and universities. The difficulty with the fitness checks—. When they were undertaken, I gave a written statement and published the outcomes, and it does show that, across the public sector, they are at various stages in different aspects of procurement. So, they could be level 3 in one area but not doing so well delivering in other areas. So, they've got action plans and we will have another round of checks in the autumn.

[243] **Mohammad Asghar:** And the rest, the other 18, who are below the conforming levels—support was given. What type of support was that, Minister?

[244] **Jane Hutt:** Well, they do have action plans. We've got a procurement board, as you know, which is led by the public sector—the Welsh procurement board. They are taking ownership of the action plans. But also—and I think perhaps Nick might want to say something about this—we're working with them to help them in terms of advice on recommendations that are coming through the fitness checks.

[245] **Mr Sullivan:** Thank you, Minister. So, having completed the reviews of the local government sector, it's the first time that we were able to establish a sector-wide view of the level of procurement capability. The reviews that had been undertaken some six or seven years prior to the fitness checks being introduced due to the Minister's Wales procurement policy statement—you know, the reviews that were delivered previously—only covered around about half of the sector. So, we now know where all of them are in terms of their ability. As an example, a common area of opportunity for developing capability is through e-procurement. So, through the eTrading Wales programme that the Minister launched in February of this year, we're providing hands-on support to organisations to drive up their e-procurement capability to be able to trade electronically with suppliers: so, to be able to send orders electronically and to be able to receive invoices electronically. That's not only improving the delivery of services within the public sector, but helping drive up the capability of suppliers then to win business with the Welsh public sector and, of course, other organisations who undertake procurement in the same way. So, that's one of the examples. Then there's the training support: so, again, the reviews identified areas of opportunity for developing capability around contract management and issues like that where we're providing direct training and support through the short course programme.

[246] **Mohammad Asghar:** All right. And how often will these procurement checks be repeated?

[247] **Jane Hutt:** Well, the next rounds are going to be in the autumn, aren't they?

[248] **Mr Sullivan:** Yes. So, having concluded the fitness reviews now for the higher education sector, we are taking a lessons-learned review of the experience of working with the local government, health and higher education sectors, revising the approach. As the Minister has said, we will commence the reviews again with the local government sector later this year.

[249] **Mohammad Asghar:** Thank you.

[250] **William Graham:** Diolch yn fawr. Joyce.

[251] **Joyce Watson:** You started talking about training the procurement sector, and the Minister has announced training and investment in that regard, so, do you want to talk a little bit about where you think that might help and make a difference, and where you think you might need to add some further value?

[252] **Jane Hutt:** Yes, I mean, this is about capability and making sure that the—. Actually, this was quite an important part of your report as well. I think one of the interesting things that came over from the report that Joyce was involved in is that a comment was made by the construction industry, 'Well, you might be training all these people to be good in procurement, but why don't you involve the technical departments within local authorities, for example, more in terms of understanding their role and what, actually, they're procuring?' I think we've used—. Obviously, we have got a whole range of support services in terms of procurement and training. For example, going back to community benefits, we've got a

community of practice that supports our Community Benefits programme. That's a sort of all-Wales programme, but, as you will know—and it's in my report to the committee—we have done a great deal through the Homegrown Talent project—the European-funded project. I think the fact that we've taken that forward to ensure—and, of course, I've given all the statistics about how many have benefited—that they've progressed with qualifications as well as getting full-time permanent appointments, but also showing that they can access short courses as well as professional qualifications. And, you know, it's very important now in Wales that we have our week-long international conference on procurement, our eProcurement, best practice academy, and we've got an annual procurement awards ceremony. There are many ways in which the training and development and capability of the procurement profession is supported.

11:30

[253] **Joyce Watson:** You talk about, and it is the case that you've had, the EU-funded Homegrown Talent project, but that ends, I believe, on 30 June. You talk about a business case to develop the successor scheme as well. Is that on track?

[254] **Jane Hutt:** Yes, I think we're looking at—. We've got a draft business case that is being considered, in fact, next week by our procurement board, and clearly that's for the Welsh European Funding Office then to consider and take forward. I think we're aiming for early autumn/September to take that forward.

[255] **Joyce Watson:** Okay. One of the things that was talked about by previous witnesses and certainly by NHS Wales was that procurement officers are a very valued commodity in Wales, and, whilst we're training them, and they fully support that, their issue was around how we retain them once we've done that, because of their marketable value being quite high. Have you had any discussions or thoughts around that?

[256] **Jane Hutt:** It's a sign of success, isn't it, when people get jobs quickly and then they're poached, unfortunately. That's something that happens outside of Wales as well. What is important—and this is a very strong message to their employers, to Welsh local government and the NHS—is that they have to reward and further train and enhance the opportunities for those procurement professionals. There is a lot of kudos in procurement now, and we do a lot to help them move into the professional spheres of procurement, and maybe Kerry could say something about this, being a fully-qualified and recognised procurement professional—both Nick and Kerry. But I do think some of those things that we do—. So, it is a strong message, I'm sure, from you—hopefully from this committee—that we must value our procurement professionals. And if we can secure more European funding to get more people through and they can see that this is a route to a career—. Actually, it goes back to the points about the national procurement service. There are new job opportunities as a result of the NPS that need a high level of skill to deliver in a way that we would expect. So, retention is as important as recruitment and training. It's the profile—giving it status, and all those things like the Bangor example, with Dermot Cahill as professor organising these week-long international events, and people coming there from all over the world, which actually does put procurement up the agenda. But Kerry—

[257] **Ms Stephens:** Absolutely. There is evidence to support the fact that procurement is increasingly becoming a career of choice, which I think is important, and that can be evidenced through the trainees from the Homegrown Talent project. Twenty three of them so far have secured full-time jobs. They've all stayed in the public sector, which I think is a really strong message. And the vast majority of them have stayed in Wales as well, so I think there's a real success there in building an increased professional cadre of resource. And I think there's also some exciting developments on the horizon with the professional body; the Chartered Institute of Procurement and Supply is introducing a licence to practice, which is



linked to your qualification and your ongoing continuous professional development. So, it won't in the future be the case that you can achieve a procurement qualification and then not do anything to keep yourself relevant and current. That will be an annual process of demonstrating that you're maintaining your continuous professional development, which I think is really important in keeping people's skills relevant and current.

[258] **Joyce Watson:** And finally from me, the McClelland report did recommend having one procurement professional for approximately £10 million of spend, and they felt that that was the right benchmark. Do you share that aim, and how close is Wales to achieving it?

[259] **Jane Hutt:** We fully supported those recommendations, and we're on track, pretty much, aren't we?

[260] **Ms Stephens:** Yes, I think the procurement fitness check programme has demonstrated that all major buying organisations, contracting organisations, have a head of procurement. You know, there are increasing levels of qualified and skilled people within procurement. I think it is a benchmark, and we need to look at how it's applied. The national procurement service, for example, where categories of spend are being corralled and managed on a category-management approach, may have a slightly different benchmark to that, but I think it's being proportionate, and understanding the profile of spend and where procurement skills and expertise can bring the most value.

[261] **Mr Sullivan:** To continue driving up that capability across the Welsh public sector, we're providing centrally funded support for around 50 officers to undertake studies to attain membership of the professional body, the Chartered Institute of Procurement and Supply.

[262] **Jane Hutt:** Perhaps I could also just add, Chair, that we, particularly the national procurement service, are recruiting people from outside of Wales to work here as well. They are attractive job opportunities here in Wales.

[263] **William Graham:** Thank you. Eluned.

[264] **Eluned Parrott:** Thank you, Chair. I want to ask about opportunities for Welsh suppliers to address procurement in Wales. The first question, really, is about the definition of what is actually Welsh. I understand that, to define whether or not a supplier is Welsh, there is a postcode analysis of the invoicing address. Can I ask two questions about that? Is it not possible, firstly, to differentiate between having an invoice address in Wales and having a headquarters in Wales, and do you collect that data? Secondly, to how many numbers do you analyse the postcodes? For example, postcodes such as SY cross the England-Wales border.

[265] **Jane Hutt:** The second point I will ask Kerry or Nick to answer. I think we're using established analysis, and the same sort of analysis that's used in Scotland and England and the rest of it, in terms of identifying payment by postcode analysis—and I'll ask them to come on to the cross-border postcodes, and how you do this. So, it is standard practice, in terms of how we can fully illustrate Welsh business. Also, we are increasingly—and I've given some statistics, I know—looking at this in terms of other accounts of procurement delivery, in terms of headquarters in Wales, or not, in terms of depots in Wales, for example. I think I gave a couple of examples in relation to the NPS earlier on. I think it is important that we are in the position that we can compare with other outcomes, in other devolved administrations particularly, for example, but we do unpick the statistics to show what this means. What is a Welsh business, as you say? Do you want to respond on the wider point?

[266] **Mr Sullivan:** Yes. So, the postcode analysis does take into account the actual physical location of the payment address and recognises the border issues. We use the services of two providers. There is one company, then, which receives the creditor's ledger

extract from every public sector organisation that engages with the exercise, and puts that in their console. Then, there's another provider that undertakes data enrichment and validation, which is able to classify where that business is located. It doesn't necessarily go down to the level of detail of identifying each business, whether they're headquartered in Wales or whether they have a presence in Wales for delivery of services and process of invoices, but we do analyse that in some categories, such as construction, for example. We're able to capture specific award data from Sell2Wales and drill down to a relatively manageable level of information to identify what proportion of that work is won by companies that are indigenous businesses with their HQ in Wales.

[267] **Eluned Parrott:** Presumably, SQuID, the supplier qualification information database system, enables you to collect, very easily—simply by asking the question 'Where is your registered office?', or 'Where is your headquarters?'—those kinds of data, rather than relying on standard practice. While other areas may do it, if it is genuinely a strategic priority for us to ensure that local businesses have an opportunity to engage in procurement in Wales, then we perhaps need to think outside of standard practice, don't we?

[268] **Jane Hutt:** Yes. I think there are more opportunities. If you look at SQuID for example, we are developing new functionality, which is helping—I mean, that's obviously very much with Edwina as Minister for Economy, Science and Transport—between SQuID and Sell2Wales. We're hoping to go live in November, which should give us more information. It's more reporting capability that will come through Sell2Wales, and greater visibility with the use of SQuID, but also identifying the use of SQuID in the construction industry. When you look at monitoring the impact of SQuID—again, a few more statistics—Welsh contractors are winning 77 per cent of all major construction awards through Sell2Wales, up from 30 per cent prior to the introduction of SQuID. In fact, the Federation of Master Builders have commended our approach in this area. So, you know, SQuID is about simplifying procurement, but there will be more transparency and visibility in terms of Welsh business.

[269] **Eluned Parrott:** With regard to SQuID, the NHS have told us that the linking between SQuID, Sell2Wales and other tools is problematic, and that it is presenting a barrier at the moment. They also have just told us that the engagement champions aren't necessarily engaging with them in a way that enables them to be working appropriately with potential suppliers. What are you doing to improve those links—those personal and, indeed, those technical links?

[270] **Jane Hutt:** I think, as I've mentioned, there's new functionality coming through in terms of Sell2Wales and SQuID later in the year. I would say that the NHS sit on our procurement board and have a full opportunity to feed back and influence the way forward in terms of delivery of SQuID and Sell2Wales, obviously working very closely with the Minister for Economy, Science and Transport. I think that is where these discussions take place in terms of engagement and communications.

[271] **Mr Sullivan:** In terms of the SQuID and Sell2Wales functionality, the basic functionality is there for the buy side, and, for the NHS, who are users of the e-sourcing services through the eProcurement service programme, what that provides them with is the opportunity to develop the supplier selection criteria to sell2Wales, and it automatically feeds into their sourcing tool. So, I think their reference was perhaps to the point that the Minister's made there that the full solution, which will enable suppliers to store all of their data on Sell2Wales, and then pre-populate supplier selection criteria requests. That'll be delivered in November of this year. That's on target.

[272] **Eluned Parrott:** If you want to design supplier selection criteria that are going to be possible for Welsh businesses to engage with—not necessarily to prefer Welsh businesses,

but to make sure that we're not designing selection criteria that make it impossible for Welsh SMEs to bid successfully—do you agree with the WCFA's suggestion that the capacity of Welsh suppliers should be mapped to identify weaknesses and identify places where there's an opportunity for further development? If there is a lack of knowledge in the buyers of what the local economy is able to provide, then they are not going to be able to design contracts that the local economy is going to be able to fulfil, are they?

[273] **Jane Hutt:** Yes. In fact, I had a meeting with the third sector only a week or so ago to discuss some of these issues and to look at ways in which we could engage with them further to widen understanding and awareness. I think the joint bidding guide, which actually was led by WCVA and the Wales Co-operative Centre, has proved to be very valuable, because it actually does bring together and helps smaller or even micro businesses form consortia. I think, in fact, the EU directives, as well, help us along these lines. Just on the joint bidding, we've got a demonstration project, and they're already being successful in terms of getting consortiums of small suppliers together and being appointed to major framework agreements. So, I very much take on board these points, but I think we've got more opportunities, haven't we, with the new EU directives?

11:45

[274] **Mr Sullivan:** Yes, and that approach is what we advocate through the policy resources available on the Sell2Wales website, the procurement route planner. It encourages buyers to use the Sell2Wales facility as a facility to search suppliers, to identify what the supply base looks like in relation to their requirement, so that, as you point out, there's an opportunity to develop a strategy, then, which wouldn't necessarily preclude the involvement of small and more local businesses.

[275] **Ms Stephens:** One of the challenges that we will face in maximising the opportunities from the new directive is building the confidence in the procurement community to take advantage of some of the new provisions. So, that's something that we're actively looking at, and linking up with the third sector and some procurement organisations across Wales to try and identify some projects where we can actively look at how we can build in the new provisions of the public contract regulations, so that we can demonstrate how it can work, and build the confidence across other organisations to take them forward.

[276] **Eluned Parrott:** It's not just confidence and competence within the procurement sector, though, that's an issue, is it? If you're looking for the mapping, if you're reliant on the Sell2Wales database, then, clearly, what you're doing is you're mapping the people who already have the confidence to engage with procurement in some way, because they've engaged with Sell2Wales. What we need to be thinking about is, rather than going back over and over again to the same people, what we can do to make sure that new entrants are coming into the procurement supply chains. So, again I'll ask the question about mapping. Is there an exercise to be done about mapping in terms of capacity development in those SMEs that are not currently confident enough to go for public procurement? What are you doing to make sure that those SMEs have an opportunity to be trained and to be engaged with in a positive way?

[277] **Jane Hutt:** I think we've talked quite a bit about engaging with the third sector in particular, and giving them training and opportunities as well, and our joint bidding guide is one example in terms of consortia opportunities. In terms of a clear map for Welsh suppliers, certainly, the Minister for Economy, Science and Transport is aware of that view coming forward that we need a clearer map of Welsh suppliers, and that is an EST responsibility. Also, I think there will be more opportunities. For example, Value Wales engage very much with Business Wales, for example, to ensure that we are giving Business Wales, which of course is talking to clients all the time about procurement prospects and policies—. So, it has

to be very close inter-departmental and inter-ministerial engagement on this point.

[278] **Eluned Parrott:** In terms of the responsibility of EST there in providing the information, do you have an undertaking from EST that they are going to do that, and when that is going to happen?

[279] **Jane Hutt:** Certainly, that is a matter for the Minister, but she has indicated that she does want to look at ways in which we can have a clearer map.

[280] **Eluned Parrott:** In terms of priority, clearly, making sure that procurement is used as an economic development tool is a priority for EST, but it should be a priority for yourselves. If I look at the framework document that you shared with us in the statement last week, Minister, actually, localism isn't an explicit strategic aim of the framework that you work towards. It's implicit in a number of places but it's not explicitly stated. Do you think you should have an explicit target for the number of Welsh headquartered businesses, which win business from public procurement authorities in Wales?

[281] **Jane Hutt:** As I said, it's illegal to have targets. We need to be ambitious in terms of what we seek. I think one of the most important things, in terms of the principles that I was updating last week in the refreshed Wales procurement policy statement, is adding the tenth principle on measurement and impact. That's to make sure that this is about actually making an impact, in terms of the standard framework, and completing an annual return of what has to be achieved—an annual return to Welsh Government of procurement outcomes, achieved through procurement. So, that's certainly an additional expectation that I would have in terms of being clear and transparent about delivery.

[282] **Eluned Parrott:** Thank you.

[283] **Keith Davies:** Good morning, Minister. You told us last week that you'd had, from the UK Government, general guidance for public procurement. Will that have any implications for the status of the guidance that you're going to produce now, as a Welsh Government?

[284] **Jane Hutt:** We now can regulate—that's the key point. It's a designation Order that's coming into force in August. It does give us, actually, a new start, if you like, in terms of procurement. So, we've had our procurement advice notes; we will have to put them into regulations, and they will have the force—the clout—of that legislation behind them. That's something that, obviously, I had to negotiate with the UK Government, and it's very important that we've been able to deliver it.

[285] **Keith Davies:** Thank you; thank you, Chair.

[286] **William Graham:** Any other questions from Members? No? Please, Rhun, yes.

[287] **Rhun ap Iorwerth:** Just to establish a bit more what the designation will actually allow you to do, or what extra clout it gives you; how does it strengthen your ability to reach towards your ambitions?

[288] **Jane Hutt:** That's a fair question, which you put to me last week, as well, in terms of the statement. It does mean that, through the designation, by way of secondary legislation, we can implement the obligations contained in the public procurement directive, the utilities contracts directive, the concessions contracts directive and the remedies directives, and we can make provision arising out of, or related to, those obligations. It may be helpful, Chair, if I, perhaps, wrote to the committee about defining the powers, because I've asked the question: does this give us the same powers as in Scotland, for example, where they have

developed legislation? I'm assured that it does give us the equivalent powers, in terms of delivering on our procurement policy.

[289] Obviously, I'm very interested in the Scottish developments—they've got a Scottish Procurement Reform (Scotland) Act 2014—but, actually, a number of the provisions of their Act are already covered in the existing EU procurement legislation. So, we wouldn't need to put that into primary legislation, and, now, we've got this alignment, as we've said, with public contracts regulations. In fact, I was recalling—. I don't know if any of you sat on the inquiry that was undertaken by a former committee—I think it was chaired by Julie James, who was, of course, a procurement professional—and I remember—I think maybe some of you sat on that inquiry—having this conversation with her, and her saying—I'm not sure if it's in the inquiry report—that she felt that we could regulate on procurement and that would give us the strength that we needed, in terms of delivery.

[290] **William Graham:** Oscar.

[291] **Mohammad Asghar:** Thank you very much, Chair. Minister, it's just an area that I'm concerned about: procurement by the NHS. What I'm saying is that, because high-tech technology for medical equipment is so rapid and quick, and the equipment is so expensive, some of the machinery that we use in our hospitals can be upgraded by the existing suppliers. However, what actually happens is that some of the machines in the area that are a year old are said to be redundant, and they buy a new one. My point is: putting in procurement best practice to upgrade the machines and save money, rather than spending too much money on buying new equipment, which will, probably, save the NHS millions of pounds if this best practice is rolled out within our Welsh NHS.

[292] **Jane Hutt:** I'm sure you that probably asked the question to the NHS shared services when they—. Whether you did or not, it is a very valid question. I certainly asked the question of the—. In terms of—. It's very specialist.

[293] **Mohammad Asghar:** I have not asked them.

[294] **Jane Hutt:** The fact is that it's very difficult to source some of this very specialist equipment from inside Wales, or even from the UK. We have a very successful NHS shared services partnership that, obviously, has history in terms of procurement, which has saved the NHS a lot of money. I think this is, perhaps, a more detailed question that we could respond to in writing.

[295] **William Graham:** Thank you very much, Minister, for your attendance today with your officials. We are most grateful; thank you very much.

[296] **Jane Hutt:** Thank you very much.

[297] **William Graham:** So, the public meeting is now closed.

*Daeth y cyfarfod i ben am 11:55.  
The meeting ended at 11:55.*