

## Enterprise and Business Committee

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Meeting Venue:  
**Committee Room 3 – Senedd**

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Meeting date:  
**2 May 2012**

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Meeting time:  
**09:15**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



For further information please contact:

**Siân Phipps**  
Committee Clerk  
029 2089 8582  
[enterprise.committee@wales.gov.uk](mailto:enterprise.committee@wales.gov.uk)

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### Agenda

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#### Private Pre-meeting (09.15 – 09.30)

#### 1. Introductions, apologies and substitutions

#### 2. Scrutiny session with the Deputy Minister for Skills – Update on the Young People Not in Education, Employment or Training Report (09.30 – 10.30) (Pages 1 – 10)

- Jeff Cuthbert AM, Deputy Minister for Skills
- Teresa Holdsworth – Deputy Director Youth Engagement and Employment Division, Welsh Government
- Suzanne Chisholm – Head of Supporting Young People, Welsh Government

#### 3. Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business: (10.30)

#### 4. Influencing the Modernisation of EU Procurement Policy – Discussion of Draft Report (10.30 – 11.00) (Pages 11 – 61)

#### 5. Papers to note (Pages 62 – 70)

- Note of EU Procurement task and finish group meeting on 28 February
- Note of EU Procurement task and finish group meeting on 14 March

# Agenda Item 2

## **Welsh Government Update to the Enterprise and Business Committee on responses provided to the Enterprise and Learning Committee's recommendations in the report: Young People not in Education, Employment or Training (NEET)**

Tackling youth unemployment in Wales remains one of my top priorities. I welcome the opportunity to provide an update on the implementation of measures outlined in the Welsh Government response in December 2010 to the Enterprise and Learning Scrutiny Committee's Report and the opportunity to discuss what we are doing to tackle youth unemployment in Wales.

I am pleased to announce the creation of the Youth Engagement and Employment Division within the Department for Education and Skills. This Division will bring together key policy areas in support of young people aged 11-25.

There continues to be an increase in youth unemployment in Wales with more than a fifth of young people aged 18-24 out of work. We have implemented some key initiatives in support of youth employment over the past 12 months:

- The Jobs Growth Wales programme commenced on the 2<sup>nd</sup> April and will create 4,000 jobs a year, over the next three years, for unemployed young people aged 16-24 providing them with a job opportunity for a six month period paid at national minimum wage for a minimum of 25 hours per week. The programme will cater for young people that are job ready but have had difficulty securing employment. The outcome of the programme is to support young people to enter sustained employment including where appropriate an Apprenticeship opportunity.
- We are continuing to extend our Young Recruits initiative, which offers a wage subsidy to employers taking on a 16-24 year old apprentice. During 2011–2012, we increased the number of Young recruit places to 1,800 from the original target of 1,000. Numbers for 2012 -2013 have been increased further to 2,000 places. We will seek to link apprenticeship opportunity as progression outcomes to individuals supported through the Jobs Growth Wales programme subject to sufficient budget capacity.
- We are making a further 2000 places available this year on our Pathways to Apprenticeship programme which will be offered across 10 industry sectors. The programme was introduced to provide young people without an Apprenticeship place a full-time intensive training programme to acquire the knowledge and skills required for an apprenticeship framework and which has been developed closely with the relevant Sector Skills Councils (SSCs) to meet employer needs.
- As part of the Programme of Government, we implemented in August 2011 two new employability programmes: Traineeships for 16-18 year olds and Steps-to-Employment for adults aged 18 +. These programmes will support young people to gain confidence, motivation, improve their skills and gain work experience to enable them to enter sustained employment.

I thank the committee for the opportunity to provide an update on the implementation of measures supporting youth engagement and employment in response to the October 2010 Report's recommendations as set out below.

**Recommendation 1.** We recommend that the Welsh Assembly Government continue to ensure, by working with the UK Government where appropriate, that headline and local data relating to young people not in education, training or employment are as comprehensive, robust and up-to-date as possible.

**Recommendation 3.** Given that young disabled people are twice as likely to be not in education, employment or training as non-disabled people, we recommend that Welsh Assembly Government statistical publications should routinely analyse data in relation to disability and young people that are not in education, employment or training.

Update to recommendations 1 and 3

Headline data on young people not in education, training or employment are published through a series of statistical publications by the Welsh Government's Knowledge and Analytical Services department. Our annual headline measure is published in a Statistical First Release in July of each year. In 2009, we introduced a new quarterly statistical output summarising the latest data from a variety of sources concerning young people not in education, training or employment. This contained more timely, but less statistically robust, quarterly data to provide an indication of the latest trends. The latest published information is for the year ending September 2011 which was published in April 2012.

Given that the source of this information generally uses survey data, when looking at sub groups of the population, such as disabled young people, the data becomes less robust and subject to a greater degree of sampling error. However in response to this recommendation and other user feedback, Knowledge and Analytical Services published a Statistical Article "*Further Analysis of data related to Young People Not in Education, Employment or Training (NEET)*" in March 2012. This Article provided a more detailed analysis of the characteristics of young people that are NEET including data related to disability. It also highlighted some of the issues around the quality of the data.

**Recommendation 2.** We further recommend that headline and local data on young people not in education, employment or training are regularly impressed on all those agencies that have a role in addressing the issue to ensure proactive and reactive measures are prioritised.

**Recommendation 4.** We recommend that as part of the review of Careers Wales, the Minister should seek to strengthen its performance in managing a national register of young people not in education, employment or training that is both consistent and comprehensive, and also in maintaining a database that can match job vacancies with unemployed young people. We further recommend that the Welsh Assembly Government keep a monitoring role on performance in this area.

## Update for recommendations 2 and 4

The Welsh Government issued guidance in 2002 (Extending Entitlement: support for young people in Wales) under section 123 of the Learning and Skills Act, 2000. Annex 12 of that Guidance, “Keeping in touch” sets out the Welsh Government’s expectations of local authorities in establishing and leading multi-agency arrangements to keep in touch with young people who are disengaged or disaffected from learning, who are or at risk of becoming NEET. Local authorities and their partners are required to provide support for these young people to assist them to re-engage in learning employment and/or active citizenship. In carrying out this role there has been an expectation that local authorities and their partners would share and make best use of the data available to them (Annex 11 of the Guidance refers to Data Sharing).

In practise, local authorities’ response to this requirement has been varied both in degrees of enthusiasm and success. Data sharing difficulties between agencies have sometimes been cited. I am currently working with my officials to identify the most effective ways of strengthening the requirement on local authorities/regional educational consortia to undertake this role proactively.

I am also looking at the potential for Wales-wide data sharing / tracking systems, linked to existing school and further education college information arrangements. Further details of the work which is currently being undertaken to identify predictive indicators for young people at risk of disengaging are provided in the update to recommendation 5.

We are currently drafting new guidance on Youth Support Services which will require agencies and local authorities to take a more targeted and co-ordinated approach to supporting those young people who are, or at risk of becoming NEET.

**Recommendation 5.** We recommend that the Welsh Assembly Government evaluate local authority and regional approaches to addressing the issue of young people not in education, employment or training in order to develop a best practice model and guidance for delivering and monitoring effective services.

**Recommendation 6.** We recommend that one of the outcomes of the Minister’s review of his Department’s support for young people not in education, employment or training should be the development of clear, multi-agency guidelines to ensure practitioners adopt an early, consistent and holistic approach to identifying those at risk of disengaging or becoming not in education, employment or training, and that appropriate intervention is provided at an early stage.

## Update to recommendations 5 and 6

I have previously shared with the Committee my view that “stemming the flow” of young people who find themselves NEET at age 16 is not only one of the most effective ways of reducing numbers in the longer term but also one of the greatest challenges for Welsh Government in terms of our policy approaches, and for schools and local authorities in terms of delivery.

As part of the Keeping in Touch research project, a literature review is being undertaken by Knowledge and Analytical Services (KAS) to identify systems which are effective in identifying, at an early age, young people at risk of disengaging from employment, education and training. Literature from the United States suggests that it is possible to identify young people at risk of disengaging with up to 85% accuracy using school-based attainment, attendance and behaviour indicators.

The Families First initiative aims to develop a seamless support service for families alongside other programmes such as Flying Start, Communities First and the Integrated Families Support Service. Families First Plans were received by the Welsh Government in October 2011 from all local authorities

**Recommendation 7.** We recommend that the Welsh Government should review how effectively local authorities are implementing existing statutory requirements to support the education of care leavers up to the age of 25. The review should include evidence from care leavers who are within the further and higher education systems and those who are not in employment, education or training.

#### Update

The Department for Health, Social Services and Children will shortly be consulting on the development of a new scheme for young people to support their transition from care to independent living beyond their 18th birthday. As part of that consultation the Welsh Government will also seek to raise the age at which young people can reconnect to care up to age 25 and also enable provision of a personal adviser for those young people.

The Welsh Government is currently working with the BIG Lottery Fund, as part of Dormant Accounts Scheme for Wales, to agree a specification for a Youth Engagement Programme to enable vulnerable groups of young people aged 16/17 who are NEET to receive paid work placement opportunities for 25 weeks. Round 1 of this programme will target care leavers and young people in the youth justice system and will enable them to move closer to employment and / or will raise their aspirations and expectations to gain further education or training to move into permanent paid employment.

The Welsh Government has provided targeted annual funding of £1 million per year for the last 6 years to raise the educational attainment of looked after children. The funding for 2012-13 is included as part of the School Effectiveness Grant. The guidance for operating the grant sets out that we expect each Consortium to plan how they are preparing for the education of looked after children. From this academic year we have made available a £2,000 bursary for every care leaver who goes into higher education.

Widening access to vulnerable learners is critical to our vision of Further Education (FE) provision in Wales. We are encouraging collaborative practice between FE providers and Leaving Care teams. This is leading to improved understanding of the needs and circumstances of our most vulnerable learners and more flexible arrangements are being put in place for care leavers to gain qualifications and thus improved life chances.

We have participated in establishing UK standards for care leavers in FE provision and are actively encouraging all FE providers to aspire and achieve these standards

**Recommendation 8.** We recommend that the Welsh Assembly Government should consider how best to extend and fund the good practice of programmes run by third sector organisations across the whole of Wales, in conjunction with and to complement the programmes of local and school authorities.

**Recommendation 12.** As part of our recommended evaluation of local authority and regional approaches to addressing the issue of young people not in education, employment or training, we recommend that Welsh Ministers should identify at local level a lead agency for young people not in education, employment or training. This agency should coordinate partnerships, identify responsibilities, manage the journey for young people from one stage to the next, and monitor performance.

Update to recommendations 8 and 12

The Review of activities designed to help young people not in education, employment or training will be led by the Youth Engagement and Employment Division. The aim of the Review will be to identify how resources can be aligned with those interventions which deliver the greatest impact. There is some initial mapping at a local authority level which has been commissioned as part of the overall 14-19 Review. The Review will also incorporate work to provide clarity of roles, tracking systems and information sharing protocols.

For many young people who are not engaged by school based learning, community based non-formal and informal learning support, including youth work, can prove to be a valuable tool in helping them to develop self confidence, self-esteem and ultimately to re-engage in formal learning, employment, training or active citizenship.

Under Youth Support Services Guidance 2002, local authorities are required to work with a broad range of statutory and voluntary sector partners to plan and secure delivery of a mixed menu of community based provision to meet the needs of all young people.

This should include local arrangements to support activity by organisations such as the Duke of Edinburgh Award Scheme, Urdd Gobaith Cymru and Prince's Trust who are able to provide specialist support for young people to overcome the barriers to learning and are often in a position to secure additional external funding from sources not available to local authorities/schools.

In practise, provision is varied, and frequently schools are either unaware of what the third sector has to offer, do not understand what it can do to help their students, and do not avail themselves fully of it.

I believe the third sector has a great deal to offer young people in this area, and is generally a very cost-effective provider. I am proactively looking at ways of encouraging schools and community based learning providers to work more closely together to meet the needs of all young people, and in particular those who are at risk of becoming NEET. In the case of older young people and those who are already NEET third sector organisations such as the Prince's Trust, Fairbridge De Cymru, and Llamau, to name but three, have a great deal to offer by way of support and I have asked for advice from my officials on ways it can be utilised more effectively.

The Guidance is currently under review; the revised version will clarify my expectations of the much greater extent to which schools and community based third sector providers will work collaboratively in future.

**Recommendation 9.** We recommend that the Welsh Assembly Government work with partners in both the public and third sectors to involve employers at an early stage in working with learners, learning coaches and others so that there is a more joined-up approach to helping young people progress into securing employment or apprenticeship opportunities, and particularly in providing work-based learning opportunities for young people who have additional learning needs.

Update

The Pathway to Work concept referred to in our response is being built on through a range of initiatives such as Job Growth Wales (referred to above). In addition a pilot Intermediate Labour Market project has been provided through the Wales Council for Voluntary Action (WCVA) who are working with organisations who can support and develop young people who are not engaged in education, employment or training (NEET) from Community First areas. The contracted organisations provide 26 weeks of paid work at national minimum wage with the aim of progressing these young people into sustained employment or further learning at a higher level.

Options are currently being developed for putting in place multi-agency arrangements at regional consortium level for identifying young people aged 11-25 who are in need of additional or intensive support. These options will require further consideration across the Welsh Government, by myself and other relevant Ministers, and will also need to be discussed with external stakeholders. They will involve an identified lead agency- most probably the regional consortium - working collaboratively with a range of partners to identify the most appropriate service/s to meet the need of individual young people and ensuring that each young person receives whatever support they need to engage with and progress through a structured and coherent programme of learning towards an end goal of being employed, “job-ready” or engaged productively and routinely in active citizenship. There may be potential for an enhanced role for the local statutory and voluntary sector Youth Services who have the experience, infrastructure and expertise to deliver informal and non formal learning in providing personal support.

This system, which we are provisionally referring to as “brokerage arrangements” will reinforce and build on existing Keeping in Touch processes to support young people and will involve both schools and community-based partners.

**Recommendation 10.** We recommend that because the issue of young people not in education, employment or training cuts across a range of Welsh Assembly Government Departments and policies, there should be one Minister who will lead on the coordination of strategy and action plans, monitor implementation, and be accountable at a national level.

Update

Further to our response provided previously the Welsh Government has now established a Youth Engagement and Employment Division within the Department for Education and Skills which will lead on driving policy and activity which supports young people into education, employment or training in Wales. It will ensure coherence in the overall departmental approach to youth engagement and employment and will be developing and building on cross-working with other key policy areas across the Welsh Government.

**Recommendation 11.** We recommend that Welsh Ministers should review and update the existing strategy for young people not in education, employment or training so that it covers the 16 to 25 age group, and that they should introduce a new national target for reducing the proportion of 16 to 25 year-olds not in education, employment or training, ensuring that all relevant Government Departments be responsible for its delivery.

Update

The published 2011-2015 Youth Engagement and Employment Action Plan provided a broader set of actions supporting young people aged 11-25 than the 2009 strategy supporting young people not in education, employment or training (NEET). The Youth Engagement and Employment Division will be leading on establishing a revised Youth Engagement and Employment Action Plan, in light of the Programme for Government and the need to further reduce the numbers of young people who are, or who are at risk of becoming NEET.

**Recommendation 13.** We recommend that Ministers should review the adequacy of the existing constitutional arrangement for the Department for Work and Pensions and JobCentre Plus in a devolved context and work with their UK counterparts on making the necessary changes to ensure the arrangement is more effective in future.

**Recommendation 14.** We recommend that Welsh Ministers work with UK colleagues to ensure that personal advisers and outreach workers form a central, rather than marginal, element of JobCentre Plus activity in order to improve the effectiveness of its engagement programmes.

**Recommendation 15.** We recommend that the Welsh Assembly Government work with the Department for Work and Pensions to ensure that in the eventuality of larger numbers of young unemployed people applying for assistance under the future Work Programme, those in Wales who are most disadvantaged do not lose out, and that those in greatest need can be fast-tracked for more intensive support.

Update

The Welsh Government and the Department of Work and Pensions have set out a shared ambition for better planning and integration of employment, skills and other programmes to reduce the number of people who are unemployed or not economically active, to raise the earnings of people who are in work and to improve services for employers. The core principles of how this will be taken forward are set out in the 'Labour Market Framework for Wales'.

To make progress towards this, the Joint Employment Delivery Board for Wales has agreed a Joint Operational Plan which sets out high level objectives and operational actions to assist the planning and delivery of policy and services in Wales, with the aim



of achieving far greater alignment, simplification, efficiency, and integration of employment, skills and other programmes.

**Recommendation 16.** We recommend that in order to engender a culture of collaboration rather than competition the Welsh Assembly Government should work with local, regional and national agencies to coordinate the delivery of European Union and non-EU funded projects for young people not in education, employment or training.

Update

The Welsh Government places a high value on the importance of genuine partnership and we will be working with stakeholders across Wales to ensure that the new European programmes address the main challenges and opportunities facing Wales and are delivered successfully. A key challenge will be the effective use of European funding to complement Welsh Government policies in health, education, training and infrastructure provision to remove barriers for young people entering education, training and employment.

Strategic Frameworks were introduced in the 2007-2013 round of European programmes to meet the commitment to adopt a more strategic approach to the use of funds and one which ensures much closer alignment with Welsh Government policy. The current Frameworks set out the types of interventions that will best deliver the priorities and are intended to:

- strengthen strategic alignment between EU and Welsh Government policies;
- provide a co-ordinated approach allowing for better use of resources maximising the potential of ESF directly linking to improved outcomes for young people;
- assist in reducing the overall volume of projects;
- help to shape and balance programme delivery.

**Recommendation 17.** We recommend that the Welsh Assembly Government should review how the acquisition of “soft skills” for young people not in education, employment or training, and those at risk of becoming so, could be given greater recognition within education, employment and training settings.

Update

“Demonstrating Success” is a rigorous, made-in-Wales, academically tested, method of measuring outcomes of non-formal learning for young people.

The Demonstrating Success model recognises the importance of Social and Emotional Dispositions and Skills in enabling young people to gain advancement and achievement of more formal recognition such as qualifications and accreditation. Many interventions supported by the Welsh Government aim to provide young people with a range of skills which can contribute to their educational success and wider wellbeing . There is increasing evidence to show that employers value these skills in young people alongside formal qualifications.

Demonstrating Success is about capturing evidence of progress in those skills and has been well received by stakeholders. The framework is largely flexible and can be

adapted for use with short or longer term interventions. There is potential to use Demonstrating Success more widely in future to measure distance travelled/progression by a young person, particularly in conjunction with the brokerage arrangements described in the update response to recommendation 9 above.

**Recommendation 18.** We recommend that the Welsh Assembly Government should ensure that engagement or outreach coaches are available to intervene at any stage in a young person's life to give direct support on a range of family, finance, education, employment or health related issues

#### Update

There have been significant developments within the learning coach element of 14-19 Learning Pathways. The learning coach role in maintained Secondary Schools and Colleges has been clarified, through statutory guidance, as a function, which can be provided by an individual or by a team and can be delivered to individuals or groups, depending on the needs of each learner. The learning coach role has also been extended to the new Traineeships programme and forms part of the contractual arrangements with providers. The focus of learning coaching is on supporting the learner to develop: their learning skills, motivation and engagement; to make the best use of and to develop their learning styles; to cope with transition at key points of change during the 14-19 phase; and to plan their individual learning pathway which takes account of their skills, attributes and experience in all aspects of their lives.

Learning Coaching can make a real difference to learners to ensure that they are supported to help develop the skills they need to overcome any barriers to their learning. Those delivering the learning coaching function should signpost the learners to any personal support services where they are experiencing barriers to achieving their true potential or remaining engaged in learning. This includes support from qualified and experienced youth workers who are able to provide a short, medium or long term mentoring role in response to the young persons needs in order to overcome the barriers to learning.

The Welsh Government has determined that there should be a minimum ratio for the learning coach function of 1:80, learning coaches to young people. Latest data shows that all schools and colleges are on target to achieve this by September 2012. The Welsh Government continues to provide funding for the training of learning coaches through the 14-19 grant monies which are allocated to the regional networks. The unit based Learning Coaching Programme is available for all awarding organisations to form a Level 4 qualification if required.

In 2011-12 the Welsh Government has supported a learning coach pilot project to extend the successful learning coach support to 10-13 year olds. The pilots were delivered in four local authority areas; Pembrokeshire, Rhondda Cynon Taff, Anglesey and Gwynedd. The aim of the pilots was to investigate the relative costs and benefits of rolling out the Learning Coaching across the 10-13 age range. An evaluation of the pilots will be carried out this summer.

**Jeff Cuthbert AM,  
Deputy Minister for Skills**

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted

# Agenda Item 5

## Procurement Task and Finish Group

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Meeting Venue: **Committee Room 3 – Senedd**

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Meeting date: **Wednesday, 14 March 2012**

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Meeting time: **11:26 – 12:48**

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Wales



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### Concise Minutes:

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#### Assembly Members:

**Julie James (Chair)**  
**Byron Davies**  
**Eluned Parrott**  
**David Rees**  
**Leanne Wood**

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#### Witnesses:

**Alison Standfast, Deputy Director of Procurement, Value Wales**  
**Nick Sullivan, Value Wales**  
**Kerry Wilson, Value Wales**

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#### Committee Staff:

**Lara Date (Clerk)**  
**Sarah Bartlett (Deputy Clerk)**

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### 1. Introductions; Apologies and Substitutions

There were no apologies or substitutions.

### 2. Inquiry into influencing the modernisation of European procurement policy : Evidence session

The Chair welcomed Alison Standfast, Nick Sullivan and Kerry Wilson from Value Wales.

Risk aversion: a number of factors cause risk-averse behaviour in the procurement sector in Wales: the culture of the public sector places a lot of emphasis on process and getting things right, and there are greater consequences for getting it wrong than taking a chance. The behavioural culture of some organisations rewards risk-aversion more than it rewards risk-taking. A lot of Value Wales work is around sharing good practice to encourage people to take more chances.

Value Wales noted that the legal consequences of being non-compliant are much greater than four or five years ago; purchasers can face fines and infraction and have the contract suspended, therefore lawyers tend to be even more risk averse and that advice often takes precedence over legal advice. Value Wales has been looking to address this with training and workshops for lawyers to discuss opportunities and reach a consensus view. Three workshops in February and March were well-attended by procurement specialists, but only some lawyers and heads of legal services attended, so there is more work to be done.

Developing the community benefits policy:- Where efforts to put social clauses into contracts have worked it has not just involved the procurer pushing the policy, but the legal team, project manager and budget holder also understanding, and a team of people involved in the decision-making having one mind as to what they are trying to achieve.

The ability of procurement professionals to influence within their organisation depended on both their technical competence and how much they are able to communicate and influence changes in behaviour. Individuals also earned the right to influence within organisations by showing they could deliver.

In response to questioning why Wales and/or the UK seemed to be more risk averse than other EU Member States, Value Wales had commissioned some research to explore whether the evidence really supported the claims. Risk aversion was not just the only factor influencing progressive approaches to procurement.

The group explored the status of procurement specialists within public contracting authorities. Typically in most organisations the head of procurement would report to the head of resources or finance director, or even be one or two tiers below that, and that distance could be an issue. By contrast in the private sector the buyer would typically be on an equal level and would make a joint decision: a partnership approach with joint accountability for the outcome. A lot of public sector organisations have a procurement department there to give advice but they do not necessarily take the advice. Strengthening the role of procurement is something that is being looked at within the Welsh Government itself, including through up-skilling measures and engaging with legal advisers to strengthen the advice given and influence the flexibility of the legal advice. Externally in other parts of the Welsh public sector there is evidence that where the head of procurement is at a more senior level the results are definitely stronger.

It was noted that there had been some public sector organisations whose procurement activities had until recently fallen outside the remit of Value Wales, e.g. CADW, The group explored the extent to which Value Wales had the 'teeth' it needed to promote progressive procurement policy right across the Welsh public sector, and what levers were available to the Welsh Government. Value Wales' role was to identify the right things to do and push engagement in changing behaviour. Aside from legislation, the Welsh Government was looking at possible levers around performance measures, how organisations report what they have achieved, and the link between performance and funding, and grant conditions. In giving Value Wales more 'teeth' it was important not to go so far that energy was driven towards resisting what was being asked. Engaging people in policy and working together to develop tools leads to greater adoption at the end. Where there is resistance though, it would be helpful to have some mechanism to deal with that. Arrangements and powers varied by sector, and also the Welsh Government and many sectors had shied away from publishing outcomes and comparing organisations' performance in the past.

It would be helpful if Welsh contracting authorities were required to have a certain level of capability or access to it – that was something that had been looked at in Scotland.

The amount of time and effort the Welsh Government spent on pushing change was frustrating, and the costs incurred in trying to promote change were often disproportionate to the change achieved. Anything that could speed up the response of outside organisations to trying new things would be helpful.

It was being considered whether there should be a stronger ‘badged’ Welsh Government statement on what Welsh procurement policy should look like – to drive Government priorities, and with recognition from public contracting authorities that the Welsh Government had the right to set that, and that they were required to adopt the policy at local level.

To give procurement a better status and make it more interesting it was important to focus on outcomes rather than process, and for buyers to use the right language for the people they want to influence. Putting the procurement function in a wider context and giving professionals the opportunity to work in other areas, managing contracts and money and taking on roles beyond procurement, would help. Procurement outcomes should be linked back to over-arching corporate strategic objectives, and the adoption of outcome-based key performance indicators would help and some work has been done on this.

There was a discussion as to whether the Chartered Institute of Purchasing and Supply (CIPS) qualifications were appropriate in the fields of big spend areas such as construction and social care where those purchasers tended not to be from a procurement background or have CIPS qualifications. It was noted that in these areas additional skills and knowledge were also required. It was noted that work was also being done to look at National Occupational Standards and social care qualifications.

National Procurement Service (NPS)– there was discussion of whether this proposal to buy ‘Once for Wales’ could pull in the opposite direction of efforts to lot contracts rather than aggregate, in order to address the concerns of small businesses trying to access the market. It was intended to bring the spend in existing all-Wales agreements together to be more cost effective and also see if there were any inward investment opportunities arising, for example on the distribution side. However Value Wales was very conscious of the potential economic impacts and would be assessing that to ensure that the overall outcome was beneficial. The NPS would be aimed at the approximately 20 per cent of public sector spend on commodities that were mostly not manufactured in Wales. The operating model options and whether organisations could opt in or out were still under consideration. The Chair noted that if it was voluntary then there could be an audit element built in to assess the impact for organisations that did not opt in.

With regard to concerns of micro-businesses about the SQUiD pre-qualification tool being hard to work with and not always relevant to their circumstances, the group asked about electronic implementation of the system. The intention was for organisations to be able to add to the standard questions in SQUiD as far as is relevant to the particular tender, but it was noted that some people might add to it a lot. There had been a delay in electronic implementation but if it became electronic it would allow monitoring of how it was being used. The system would look more ‘clunky’ to businesses until it was electronic, and it was hoped that it would move forward from Ministerial ‘pause and review’ stage again soon.

Contract management – in response to a question about concerns that procurers were choosing the simplest forms of contract because they did not have contract management capabilities, Value Wales noted the effect of budget cuts on the staff resources available to manage multiple suppliers. It was about having a balance. Using a lot of small suppliers directly carries greater costs and greater risks if the organisation fails to manage the contracts. Alternatively you use a larger company but focus on the supply chain and community benefits policy where projects are of the size that that makes sense – that is the decision that has to be made when setting the procurement strategy.

It was noted that the group had had very different perspectives on that issue from organisations and it was asked what guidance the Welsh Government gave. Value Wales advised contracting organisations to do what is necessary to protect employment in Wales. This did not necessarily mean direct contracts but ensuring the strategy had that aspect built into it. The procurement route planner gave guidance on thinking about the employment impact and other impacts, both positive and negative, at the start of the procurement process.

# Procurement Task and Finish Group

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Meeting Venue: **Committee Room 3 – Senedd**

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Meeting date: **Thursday, 23 February 2012**

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Meeting time: **13:20 – 14:56**

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## Concise Minutes:

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### Assembly Members:

**Julie James (Chair)**  
**Byron Davies**  
**Eluned Parrott**  
**David Rees**  
**Leanne Wood**

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### Witnesses:

**Iestyn Davies, Federation of Small Business**  
**Debbie Scott, Groundsolve Ltd**  
**Howard Allaway, Higher Education Purchasing Consortium Wales HEPCW**  
**Rhidian Morgan, South West Wales Higher Education Procurement Partnership (SWWHEPP)**  
**Mark Barrow, Birmingham City Council**

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### Committee Staff:

**Lara Date (Clerk)**  
**Sarah Bartlett (Deputy Clerk)**  
**Robin Wilkinson (Researcher)**

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## 1. Introductions; Apologies and Substitutions

1.1 There were no apologies.

## 2. Inquiry into influencing the modernisation of European procurement policy : Evidence session

The Chair welcomed Iestyn Davies, FSB Wales, Debbie Scott, Groundsolve Ltd, Howard Allaway, HEPCW and Rhidian Morgan, South West Wales Higher Education Procurement Partnership (SWWHEPP).



The FSB was broadly supportive of the principles behind the simplification measures in the EU proposals. It wanted to see the proposals on dividing contracts into lots strengthened even further to require authorities to demonstrate why there are exceptional circumstances not to use lots and create a presumption that lotting was best practice. Stopping late payments to sub-contractors was also important to help SME's with cash flow. The FSB welcomed the chance to have more negotiation in the procurement process.

The issues for procurement in Wales were cultural. Public money needed to be spent for the public good, but there was the question of what the public good looked like on the ground – it was about sustainable communities and sustainable businesses and value for money as part of that. There were some examples of good procurement practice in Wales and the FSB was urging the Welsh Government to celebrate those and ensure they were shared across the procurement community.

The pre-qualification questionnaire stage was an issue for SME's. There was a tendency for the PPQ process to become more complex over time as people added to the requirements. SQuID was welcomed, but in the construction sector there was already a requirement to pay to register information on Constructionline, so there were concerns about duplication and cost of different measures to store supplier data. The HE sector noted that the risk-based approach of SQuID could have real benefits for helping contracting authorities to focus on what they were procuring and to ask suppliers for the appropriate amount of information and undertake an appropriate level of financial scrutiny.

The SQuID system should be tailored to be appropriate to legal requirements for the size of the business concerned, for example in terms of the health and safety requirements, so that smaller businesses did not 'de-qualify' themselves by not appearing to have met all the rules. Support was being given to microbusinesses on submitting tenders, but training also needed to be given to those assessing bids to ensure they understood the legal requirements were different for smaller businesses. The level of insurance required in specifications was also a restriction for micro-businesses and local authorities should look at whether the level of insurance they were requiring was appropriate to the risk or unreasonably high.

The approach taken in the Higher Education sector was dependent on the size and type of contract and although SMEs were encouraged to bid they would be excluded from some larger framework agreements for very big contracts. There were a lot of collaborative agreements in place for the HE sector and for those outside Wales they would have an input into the strategy and how the contract can be structured but not how it is managed overall, and breaking down into lots for Wales is not always feasible for bigger national agreements.

A 'perverse' example was given of a small company losing out on a contract on the basis of turnover/capacity, only to win the business as a sub-contractor of the larger contractor winning the contract, but supplying the service at a higher cost than if the contracting authority had procured directly from the company locally. Public sector organisations could end up paying more for services in this way, but choose this route because the administrative costs required were lower than those for managing multiple suppliers.

FSB noted the impact of late payments to SMEs providing goods and services as sub-contractors – improvements were needed in this area. The HE sector could pay more attention to supply chain arrangements.

The Welsh HE sector was taking ‘whole life’ costing into account in determining value for money and increasingly bringing community benefits policy into procurement specifications, but it was not clear how far this was applied across the UK HE sector in English-led agreements. Social and environmental clauses were considered more appropriate to apply to estates and construction-type projects in HE procurement. For example Cardiff Metropolitan was a market leader in sustainable food procurement for the Welsh HE sector – if procurement was done under the HEPCW banner through Cardiff Met. then all institutions would be using the same agreements.

Groundsolve noted that larger companies winning contracts who were required to employ local labour and use local companies would often use ‘meet the buyer’ events to meet this condition of the contract. This could involve SME’s in a lot of travelling with no guarantee of winning local work, particularly in North Wales, and SME’s were losing interest in this approach. There was scope for public bodies to share good practice and learning across local authority boundaries to prevent ‘tick box’ approaches and see local authorities and other public sector bodies having more sustainable long-term relationships with suppliers and a sense of ownership for the growth and sustainability of local businesses. An example was given of Ystrad Mynach hospital being built without using any supplies from local brick manufacturer. The focus should be more on leveraging in value for local communities and less on risk-averse concerns that there were no complaints about local companies winning business.

The principles applied to procurement across the HE sector in Wales were the same, even though the exact policies and procedures, and thresholds applied might not be exactly the same: smaller organisations would apply lower thresholds.

The FSB noted that whilst procurement in general sat within the Finance Minister’s portfolio, responsibility for using it as a lever for economic growth was with the Enterprise Minister and this could lead to legislating twice on the same issue, for example over placing onerous health and safety requirements on small businesses. It showed that the balance was leaning more towards due diligence and financial accountability rather than realising the potential for procurement.

The HEPCW representative noted that if lotting of a contract was done in a way that was appropriate to each particular contract it should not be an undue burden on the purchaser. It would have an opportunity to input into agreements on commodity groups to ensure the contracts satisfied what was needed.

FSB said that the meeting of minds between the culture of small businesses to have money spent with them, and the culture of the public sector as stewards of public money, should be that spending money locally leads to a sustainable business community and education sector and healthy economy. That could only be done by engaging procurers with small businesses; “it cannot be done as a tick-box exercise over a congealed bacon sandwich in a hotel.”

Following the meeting ConstructionSkills Wales provided more information on the CBI’s response to the draft Directives and to an EU legislative proposal on third country access to the single market.

### **3. Inquiry into influencing the modernisation of European procurement policy : Evidence session (Via video conference)**

The Chair welcomed Mark Barrow from Birmingham City Council.

The Strategic Director of Development at Birmingham City Council described the Council's approach to using public procurement to invest in the local economy. Birmingham faces 'huge challenges' in tackling the level of local unemployment. The council is involved with other authorities and partners in the West Midlands Economic Inclusion Panel and has focused on what be done collectively through procurement influence to support growth in the local economy and the development of local supply chains, within the scope of the law.

The work is about using the public sector powers of stewardship to support local development while maintaining competition and a healthy local procurement framework.

A firm of legal specialists was commissioned to devise a framework within which to start to condition how much the people who supply goods and services draw on the local economy – over £5 billion worth of spending has gone through the framework. It also ties in with planning permissions to encourage developers to employ local long-term unemployed.

Alongside the framework, a toolkit available online gives specific practical guidance on how to include social clauses into contracts. It has been robustly tested at EU level, with the State Aid unit, and is supported by the European Commission.

Alongside that an 'e-Bay for businesses' has been developed, called FindItInBirmingham.Com to support local SME's by advertising opportunities for local businesses to apply to be part of a supply chain. In 18 months about £3.7 billion of private sector deals has gone through the online portal, with about 10,000 companies registered.

The building of a network of microbusinesses operating within a supported environment has the benefit of allowing the council to create opportunities and use its influence to move them forward economically, and to build its understanding and knowledge of what works and what doesn't, and the areas of growth within the local economy.

Birmingham is the largest council in the country and is providing an element of regional leadership, providing a framework that is open intellectual property and on a scale that smaller councils can use, so that everyone can benefit".

The network that brings the 33 West Midlands councils together put their weight behind the approach and championed its use, embedding it in procurement practice and financial regulations in those authorities. Chief Executives of the Primary Care Trusts were also involved. Once there was mass support the authorities who had not taken it on board stood out, and politicians would provide challenge as to why they were not involved.

Public bodies including health bodies, the police and the fire brigades have also adopted it, as well as some universities. It is being used to reach a target for 60 per cent of local suppliers being involved in the £1.5 billion building project for a new

hospital in the region. Government agencies including the Department for Work and Pensions and Jobcentre Plus were also involved in the Panel's work.

The construction industry was very supportive of the construction framework as it understood the importance of using it as a way of building local capacity in construction skills.

The framework had been in place fully for about 18 months, and the work would be reviewed and evaluated after two years, including benchmarking data, but initial headline data was encouraging. It was thought that it could be adopted by other councils, including Welsh councils. The council was also open to sharing its experience more widely and mentoring similar work elsewhere in the UK.

Having fit-for-purpose risk management processes in place enabled the organisation to be more risk-tolerant and confident in how it manages risk.