



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Newid Hinsawdd, Amgylchedd a
Materion Gwledig](#)

[The Climate Change, Environment and Rural
Affairs Committee](#)

18/10/2017

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Gareth Bennett Bywgraffiad Biography	UKIP Cymru UKIP Wales
Jayne Bryant Bywgraffiad Biography	Llafur Labour
Mike Hedges Bywgraffiad Biography	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Huw Irranca-Davies Bywgraffiad Biography	Llafur Labour
David Melding Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Jenny Rathbone Bywgraffiad Biography	Llafur Labour
Simon Thomas Bywgraffiad Biography	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Marcia Lewis	Rheolwr Arlwyo, Cyngor Bwrdeistref Sirol Caerffili Catering Manager, Caerphilly County Borough Council
Liz Lucas	Rheolwr Caffael, Cyngor Bwrdeistref Sirol Caerffili Procurement Manager, Caerphilly County Borough Council
Keir Warner	Pennaeth Cyrchu, Partneriaeth Cydwasanaethau Anfeddygol GIG Cymru Head of Sourcing, non-medical, NHS Wales Shared Services Partnership, NHS

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

Louise Andrewartha	Dirprwy Clerc Deputy Clerk
Elfyn Henderson	Y Gwasanaeth Ymchwil Research Service
Marc Wyn Jones	Clerc Clerk

*Dechreuodd y cyfarfod am 10:04.
The meeting began at 10:04.*

**Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest**

[1] **Mike Hedges:** Can I welcome everybody to the meeting this morning? We've had one apology, from Sian Gwenllian. There are no substitutions. Any declarations of interest? No. Can I welcome Members to the meeting? Can I explain the meeting is bilingual? Headphones can be used for simultaneous translation, from Welsh to English, on channel 1, or for amplification on channel 2. If you've got any mobile phones on, can you please set them on silent? Any declarations of interest?

10:04

**Ymchwiliad i Ailfeddwl am Fwyd yng Nghymru—Sesiwn Dystiolaeth
Lafar ar Gaffael Bwyd
Inquiry into Rethinking Food in Wales—Oral Evidence Session on Food
Procurement**

[2] **Mike Hedges:** Can I welcome the panel members this morning and thank you very much for coming along? Could you give a brief introduction of who you are and what organisation you come from?

[3] **Mr Warner:** Keir Warner. I'm head of non-medical procurement at NHS Wales Shared Services Partnership. We are a procurement arm for NHS Wales.

[4] **Ms Lucas:** Liz Lucas, head of procurement at Caerphilly County Borough Council.

[5] **Ms Lewis:** I'm Marcia Lewis, principal catering officer at Caerphilly County Borough Council.

[6] **Mike Hedges:** Okay. Thank you very much for coming along. The first question I've got is that you buy lots of high volume items, et cetera. What about smaller amounts, things you need to get for people who are vegan, things you need to get for people who've got special dietary conditions, which will obviously not be on your high volume as things like potatoes and beef would be for example. How do you deal with that?

[7] **Mr Warner:** Within the NHS, clearly we need to cater for a lot of different conditions. There's a social and cultural aspect as well, which is a large issue for us to deal with, but, as you said, is a small proportion of what we buy. When we run our procurement processes, we account for those products. In terms of the process, the fact that it's low value, low volume doesn't really factor. We engage with our stakeholders and put the contracts in place on that basis.

[8] **Ms Lucas:** That's very similar in Caerphilly. Obviously, it would come through from the technical, the catering department, of what the requirement is, and we would ensure that that is available within our contract specification. However, we have got a number of local providers within Caerphilly that we use. So, if we've got special requirements that we need for some sort of special occasion, or dietary requirements, then we would be able to source them locally.

[9] **Ms Lewis:** From the front-line catering perspective, it is a growing sector. We work with dieticians, and then if there are any special additives, or anything we need to add, we will work with our procurement office to procure those items.

[10] **Mike Hedges:** Thank you. David.

[11] **David Melding:** Thank you, Chair. Good morning. I wonder how you would rate the sort of leadership that you've had from Welsh Government on the issue of public sector food procurement. I think, in the last 10 years, it's certainly been debated in the Assembly a lot, and I just wonder how you'd rate the quality of advice that you're getting from Welsh Government, and do

you think that's been a key factor in helping improve performance in terms of local or Welsh procurement?

[12] **Ms Lucas:** From my point of view, I think the advice of late is very, very limited. I think, going back 10 years ago, there were a number of initiatives on procurement within Wales, and, obviously, we've seen the benefits of what procurement could bring in terms of social and economic regeneration, and there was a big push on it. Of late, I don't think that has been to the same standard as what we've experienced previously. There needs to be more direction, and there needs to be some overarching strategy in terms of what food we want to procure and how we're going to procure it. And there needs to be a far more joined-up and collaborative approach.

[13] **Mr Warner:** Just to add to that, I guess, going back, we're talking seven, eight years, we did have something called the Value Wales food group. Value Wales had a group where, across the public sector, procurement and catering professionals came together, and we used that to drive strategy and some improvements actually. I thought that was really good. The support for that has gone. I don't think that group has met for five years or so. To me, that's meant a clear decline in the support we get from Welsh Government. We, of course, have the national procurement service and their food team and food agenda. How that provides leadership to us, I'm not quite sure really; that's much more of an operational forum. I don't think that Value Wales food group has been replaced.

[14] **Ms Lewis:** From an operational perspective, I must agree with both my colleagues. But how it filters to the front line is that trust with local suppliers to move forward, because, in the past, there was far more direction and support, which they don't seem to believe is there now. And for us to embark on that is very difficult. And it always comes down to how much work or benefit it can be to them as that supplier. And because there isn't that trust, it can be a breakdown for us to move forward with it.

[15] **David Melding:** The latest figures we have—I'd be interested to know if there is more up-to-date data available—are for, I think, 2012. But if you actually look at procurement from Welsh companies, local authorities are at about 68 per cent; NHS—about 77 per cent. My recollection in about 2006 is that it was barely 50 per cent of public procurement was from Welsh sources, so would I be correct in inferring that, certainly for the NHS and for local government, the initial spurt of advice and attention given to this area seem to have paid off? But are we at a plateau now or do you feel that your own

efforts are still taking you forward?

[16] **Mr Warner:** Absolutely. I think the work that came out of Welsh Government in the Value Wales focus groups specifically did set us on a path, but absolutely I think that's been carried on. Again, I can't speak for local authorities, but from an NHS point of view, we've carried on that agenda and actually engaged with other parts of the Welsh Government—the supply of development service being one example to help upskill and put Welsh suppliers in a better place to win our contracts, really. I think that has certainly been far more sector-specific work rather than anything overarching.

[17] **Ms Lucas:** I think certainly from my point of view, we need to be careful with the statistics that we're looking at, because are we looking at the expenditure with Welsh companies, so therefore a distributor that is bringing in produce from England or are we talking about the produce that we produce in Wales and that we actually bring into our supply chain? I think there are two very different factors because what we could demonstrate within Caerphilly is that we have seen a growth over the last five years in the use of a local company supplying us, but I cannot tell you that that is local produce. I think we've got a long way to go to get to the real benefits of what we could bring if we looked at the supply chain and collaborated with the supply chain in a much better way, and we understood who we could engage with and at what level of the supply chain some of these local producers could come into. So, I think there's an awful lot more work to be done. I think that when you look back, five or six years ago, we had the Welsh Government group, planner to procurement and the food route planner—they've all fallen away now.

[18] I think certainly what the committee needs to understand is that we have got a capability and capacity issue in procurement within Wales. I don't feel that we are looking at that seriously enough. If we are going to take the next step now to look at what food is produced within Wales and how we can use that food, then we need the right people who are actually undertaking this procurement and they've got the correct skill set to be able to do it. It is a brave new world that you're asking us to go into and I'm not sure that—. The budget constraints on local government have caused a lot of problems. I've seen the team myself within Caerphilly go from a team of 28 down to fewer than 13. That's a serious issue for us when we're talking about doing some of the stuff that we want to talk about today.

[19] **David Melding:** I note that your insightful comment about these stats doesn't necessarily mean that the produce is from Wales—it is what comes from Welsh companies. But, of course, it is possible that English or Scottish companies are supplying us with Welsh produce—that can happen as well.

[20] **Ms Lucas:** Yes.

[21] **David Melding:** It's somewhat convoluted, but it can happen. I think we will note that the quality of data is an issue. But if I just take, as a rough indicator, that we're up to about 68 per cent local or Welsh procurement in local authorities and about 77 per cent in the NHS, would you think that that's about the optimum level or do you think it could reasonably go higher because, at some point, there's going to be dysfunction, if we're trying to get to such a percentage that is really not going to reflect effective or proper purchasing? And indeed we want people in England to purchase some of our products as well. So, we don't particularly want a completely self-sufficient system, presumably. So, do you have a rough indicator of where we could perhaps be aiming as a reasonable, optimum target?

[22] **Mr Warner:** From an NHS point of view, I personally wouldn't think there's much more we could do in terms of percentage from sourcing from Welsh companies. Again, coming back to Liz's point earlier, there is an issue with supply voids in Wales for certain types of food. Until we work and get into the supply chain, as we said earlier, and work there—I don't think there's much more scope, personally. We do a heck of a lot of work with the Welsh supply base still, as I mentioned: supplier presentations, and opportunities and things of that nature. I don't think there's much more we can do, purely from a procurement training point of view.

[23] **Mike Hedges:** Okay, thank you. Jayne and then Huw.

[24] **Jayne Bryant:** Thank you, Chair. You mentioned some of these—*[Inaudible.]*—David Melding looked just now, but what would you think the current barriers are preventing the NHS and local government from buying more Welsh and local produce?

10:15

[25] **Ms Lucas:** From a local authority point of view, I don't see any barriers at all, if I'm perfectly honest. I don't see any of the procurement legislation as being a barrier. One of the things that I come across when I'm working

with a lot of our local suppliers is trust. They don't trust us to go into long-term relationships. And when we are talking about building sustainable jobs, sustainable businesses that can grow, we've got to give a commitment. And I suppose one of the barriers could be they're seeing that we put these large frameworks out—we put big frameworks out, and people may never, ever get any work from them. So, how can you ask anybody to invest into their business if we are not giving a commitment? So, I think we've got to understand what is available in Wales, what do we want to do, then find a way around doing it that we can give confidence to the market and to the supply chain that we will do business with them.

[26] **Mr Warner:** To me, I've already mentioned the supply void—so the things we find quite simply difficult to source from Wales, or it would require a significant investment by Welsh food producers to be able to supply the public sector.

[27] **Simon Thomas:** I wonder—could you just give an example of one of those? You know, an obvious example.

[28] **Mr Warner:** Well, very obvious examples are things like bananas, which we can never grow in Wales. [*Laughter.*] Not to be flippant, but it's more like certain meat products. So, if we supplied the whole of the NHS with Welsh poultry, beef, lamb—quite simply, the capacity isn't in the market at the moment to do that, and there would be a journey we'd have to go on with farmers, essentially, to get to that point. So, quite simply, there just isn't enough product available in a lot of cases.

[29] **Jenny Rathbone:** Are you saying that there's not enough meat product produced in Wales to satisfy the NHS in Wales?

[30] **Mr Warner:** Yes, I mean, it would be—

[31] **Jenny Rathbone:** That surprises me, because—

[32] **Mr Warner:** I do need to qualify that, I guess. Immediately, if we went out to the market next week for 100 per cent Welsh meat product, I don't think the market could take that immediately. I mean that in the sense of things that are in terms of patterns of rearing animals, you know, to go right back—

[33] **Simon Thomas:** Seasonality.

[34] **Mr Warner:** Seasonality, yes, absolutely. So, it's not about there not being enough product there, but the market needs to gear up to provide the product.

[35] **Mike Hedges:** Or you'd be taking it off other markets, wouldn't you? If you took so much more beef, then my local butcher would not have the Welsh beef.

[36] **Mr Warner:** Yes, and one of the symptoms of that is that it can—. Clearly, increased demand can—. If the market isn't ready, the price will inflate quite quickly.

[37] **Mike Hedges:** Sorry, Huw, you did indicate a long time ago.

[38] **Huw Irranca-Davies:** That's all right; I don't want to concentrate—. It was simply picking up on those barriers and a point you made in response to David's question—this issue about the expertise around procurement. If I recall, about six or seven years ago, at Bangor University, Professor Dermot Cahill pointed out that that was one of the significant opportunities for increasing the way we do intelligent local procurement. It requires professional-level, dedicated resource. You just made the point, Liz, that the cutbacks within local authorities, within health boards and so on militate against. Are you saying—because it is important for us—that the constraints currently on departments and procurement teams, if there is such a thing as a procurement team within there, is such that we cannot do some of the things that we are aspiring to do?

[39] **Ms Lucas:** Yes, I believe so. Yes.

[40] **Mike Hedges:** Thank you. On to you, Simon.

[41] **Simon Thomas:** Thank you. Just for me to understand first of all your earlier comments around national Government's involvement. Of course, there was a time when national procurement and targets were part of Government policy. That isn't so much the case now. So, just to be clear, you don't work to a Government target around procurement from local companies or a Government target around procurement for local or Welsh-based food. That's not part of the framework that you have at the moment.

[42] **Mr Warner:** No.

[43] **Ms Lucas:** There's nothing coming from Government on that. In terms of Caerphilly, we do set our own targets. We've defined very clearly what is local to Caerphilly. We've had excellent examples where we've worked with a butcher-farmer to actually produce meat, and coming back to the question earlier on, 'Is there enough in the marketplace?', and that took a lot of time to get the trust into the supplier, for him to work with us. Unfortunately, that contract came to an end this year, because the regulation and the cost to him of supplying a local authority such as Caerphilly was far too high. He's devastated, but he's had to hand the contract back, because he can no longer sustain that as part of his business. It's very, very sad to see. But if we are serious about supporting our farming community, we need more of these contracts in place.

[44] **Simon Thomas:** I wanted to ask you about that—that takes me very nicely to just how robust the supply chain actually is in Wales and some of the ambitions that are talked about around local food procurement. You've given an example there, I can pick an example in Aberystwyth and procurement of meat for the schools there that is also very similar to that. So, we have this—. You talk about establishing trust, but there's also weaknesses, are there not, in the supply chain for Welsh local food in that sense?

[45] **Ms Lucas:** Absolutely, and I'm not sure we understand that supply chain in the detail that we need to understand it. When you sit and you talk about the cost of meat to our schools and you look at it and you get a price increase and you're there saying, 'We can't afford this price increase, we can't do it'—but have we looked into the supply chain to see how much grain has gone up, for example? What are the challenges that the farmers come up against with these new legislation on labelling and those types of things? So, how do we get full visibility of true cost in the supply chain and then find an acceptable way to accept that food price?

[46] It's very, very difficult, and unless you've got a dedicated resource, and I come back to this, somebody who understands the food industry and understands what these producers are going through, then I'm not sure we'll ever get there. When I was reflecting last night on some of the questions, I said, 'I believe we need much more of a collaborative approach with the users, the procurement officers, the producers and the supply chain—much more understanding about that, rather than a procurement process that drives us down a particular route.' Now, if we are to do that, there needs to

be an understanding of pain and gain, and we need to take shared responsibility. I don't think we're anywhere near that because of the budget constraints, because we're always concerned with, 'Yes, but, how much?'

[47] **Simon Thomas:** That's putting it very nicely, and the conversations I have with my local procurement people in local authorities in my area—. But it also begs the question of what the National Procurement Service is for, because the suggestion in the evidence, and from what you said today, is that that's driving a very framework-based approach, plus a legislative approach, rather than this iterative process that goes and talks to people about—. Just to take an example that Mike—the NHS might be looking for pork products, Wales doesn't do particularly well in pork, but it could do much better in pork if it knew it could supply the NHS for 10 years for pork. That might drive the—. But we don't have those conversations—

[48] **Ms Lucas:** No, we don't.

[49] **Simon Thomas:** —at a national level. The Wales Audit Office did a report just this week, I think, that said the National Procurement Service had not achieved the savings it set out to do, which begs the question: if it's not even achieving the savings, perhaps we should be having this conversation, therefore, about what it's really attempting to do. But, Caerphilly, you've taken a different path anyway, and I just wanted to explore how you fitted in with the National Procurement Service and these frameworks. Have you been able to be very different?

[50] **Ms Lucas:** Yes, I'm quite happy to talk about that. In Caerphilly, when the National Procurement Service was set up, I was part of a group that actually sat and came up with the report 'Buying Smarter in Tougher Times', which recommended the introduction of a national procurement service for Wales. It was about common and repetitive spend. But when you look at Caerphilly's spend, we've done an awful lot of work on small and medium-sized enterprise engagement, buying locally, wanting the Caerphilly pound to make a difference in terms of social and economic regeneration, and we didn't want to waste all that work that we had done.

[51] So, we took a decision that we wouldn't go into the NPS in its entirety. So, we took products that we thought wouldn't have the impact in Wales, such as the information technology products—they weren't being purchased in Wales. We were quite happy to let some of that stuff go into the NPS, but areas such as food I've always believed should never have gone into the NPS.

I don't believe they had the expertise, they were taking away the local knowledge, and we couldn't develop some of our local supply chains that we had to go to market with two massive frameworks. In my view, and talking to my suppliers, it was detrimental to market.

[52] **Simon Thomas:** Because none of your local suppliers could even get close to a framework like that, could they?

[53] **Ms Lucas:** Well, they did bid, in fairness.

[54] **Simon Thomas:** They did, okay.

[55] **Ms Lucas:** Caerphilly is quite unique: we've got an SME development officer who works in the procurement team, but actually supports businesses in bidding for business, which I think is absolutely vital, and they supported a lot of our local suppliers in bidding for some of these frameworks. I haven't looked at the results of those frameworks, but I do understand that our suppliers did try.

[56] **Simon Thomas:** Sorry, just to finish, with the NHS, maybe that's a different approach, in that you did go for the national framework, didn't you?

[57] **Mr Warner:** That's right, yes. The one thing to say about the framework is that it was, quite clearly, a large framework, but there were lots and zoning strategies built into that as well. So, part of the reasoning behind that was to allow smaller bidders an opportunity. But the NHS is part of the NPS framework.

[58] **Mike Hedges:** The only thing I was going to say—tell me if I've got this wrong—was that, every time you make a contract bigger, you start knocking off more and more smaller companies. I know this from the construction industry, far more than I know from food, but as the contracts get to £5 million, £10 million, £30 million, then the number of people able to bid reduces at each stage, and I assume the same thing is with food. So, if you do bring it into a very large contract, you get down to very small number of people able to bid.

[59] **Ms Lucas:** I think we need to be careful. Frameworks, like Keir has rightly said, have got lotting strategies within them. So, you can put the lots in there to actually allow smaller bidders to bid. However, there's a very good tool within the EU procurement rules, which is the small lot exemption, and I

don't think people make use of the small lot exemption. So, if we looked at the totality of spend on beef, for instance, or meat, we could actually put a small lot exemption in, which would look after our local suppliers. None of us are really tackling that in these ways, and I wonder why we're not taking advantage of some of these opportunities within the regulations. So, there are plenty of areas where we can go. It's having the people to do it.

[60] **Mike Hedges:** Or having the commitment to do it. The French are incredibly good at this. You put a bid in from Britain in English and the French will say they want it in French. But if you put a bid in in Wales in English, we won't say 'We want it in Welsh', which would advantage local suppliers dramatically, who may well be able to do that. And exemptions and going to producing small amounts and getting it locally—. We've looked at European rules to see how life can be made more difficult for us rather than looking at European rules to see how we can use them to benefit us. Would you think that's a fair assumption?

[61] **Ms Lucas:** Yes. I think there are lots of areas within the legislation that allow us to benefit.

[62] **Mike Hedges:** Huw.

[63] **Huw Irranca-Davies:** Sorry, I was happy to leave it till later, but you mentioned there the issue of true-cost accounting. Can that be worked into the current system or does that require policy redirection from Welsh Government to allow true-cost accounting within procurement?

[64] **Ms Lucas:** I think, personally, that we could do it now, if we wanted to. As long as your contracts are structured in such a way, there's nothing stopping us doing that now.

[65] **Huw Irranca-Davies:** Except for the cost—sorry, except for the race to the cheapest as opposed to true cost.

[66] **Mr Warner:** I guess there is a slight point of difference here because, in the NHS, we did some work with an organisation called Forum for the Future several years ago where we looked at supply chain mapping on food, and it was red meat in particular. So, we mapped the supply chain in terms of costing. So, we have made some inroads, I think, but absolutely, coming back to the earlier point, it's the resource and expertise to do it, for me, that is the gap.

[67] **Mike Hedges:** Jenny.

[68] **Jenny Rathbone:** In relation to this true-cost accounting, obviously, you mentioned that the price of grain goes up. Well, some of the written evidence we've received is saying, 'Well, we should be factoring in the cost of feeding animals grain that has to come from Buenos Aires instead of having grass-fed animals.' So, I wonder whether you think that that is too complicated an issue for large organisations like local authorities and the NHS or something that you'd be prepared to embrace, given your local networks.

[69] **Ms Lucas:** I don't think it's too difficult; we just need a different approach to our procurement methods to allow us to be able to do that. Again, would we have enough animals reared in that way and fed in that way in Wales to supply the whole of Wales? I'm not sure we would, if I'm perfectly honest. You know, I'm a farmer's daughter, so I understand some of the challenges there. So, I'm not quite sure we would add that. But, if that's what we want, shouldn't we be engaging with the farming unions, shouldn't we be engaging with the farmers and the producers at the front end and asking them, 'What is the best way of doing this?' Sometimes, we are forcing a paper exercise or an electronic exercise at these people, without really understanding what they need to go through to deliver that produce to our plates at the end of the day. So, I think we need to go back to basics a little bit. We need to talk to the providers and the producers, and then take it forward to where we would like to see food in Wales.

10:30

[70] **Jenny Rathbone:** The point's well made. As you put so much emphasis on your local suppliers, could you just tell us what proportion of your vegetables or fruit you're able to source locally?

[71] **Ms Lucas:** Well, it's very, very limited. We've got a local distributor that distributes our fruit and vegetables, but very little, I would say. I wouldn't be able to give you the exact details, because very little is actually produced in Wales.

[72] **Jenny Rathbone:** Could you elaborate on that? I mean, it's perfectly obvious that oranges and bananas don't come from Wales, but—

[73] **Ms Lewis:** No, and I must repeat what Liz has just said. Local distributors: yes, not an issue. But for local produce, we have to work with our supplier, and if he can get Welsh, he will supply Welsh, but we have to have an agreement with him that he can top up that with another source if he can't, because it's a perishable product. He buys from a market on a daily basis and he doesn't know what's going to be at market, but he'll let us know and he does his best.

[74] **Jenny Rathbone:** Okay. So, that's in the contract of this particular local supplier.

[75] **Ms Lewis:** Yes.

[76] **Jenny Rathbone:** That's very interesting.

[77] **Ms Lewis:** Taking the meat contract, we used to work with a small supplier and we used to have to have—. He was a fresh meat supplier, but because of the seasonality and storage, we used to agree that he could, perhaps, use frozen, for instance. We used to have to have that flexibility in there as well to allow him to meet the needs of the contract.

[78] **Jenny Rathbone:** Okay. Liz, you said earlier that we can identify local suppliers, but exactly where they're getting their food from is a more complex question, and I just wondered what consideration you've given to using the Soil Association for the Food for Life certification, where they provide the monitoring of where the food is sourced from.

[79] **Ms Lucas:** We have used them in the past, and all our contracts for any food produce would go to organisations such as that to help us and assist us in our specification development.

[80] **Ms Lewis:** From an operational side, it's something we've looked at very closely. Everybody is talking around the table about the cost versus quality, and all the targets that are set, but I think we've got to be mindful that, on the front line, we're benchmarked against our food cost; it's a national benchmark of how we're performing. And, therefore, that needs to be considered when you're putting things out to tender—and we are using Welsh—that the front-line services are ultimately benchmarked against our food cost. And that's why we're rated whether we're performing or not performing. And it's quite key to us, because Caerphilly has a policy that we go with quality and then price. That isn't the same across Wales, so when we

are benchmarked on our service, we might come out that we're looking more expensive, which therefore can impact on our success.

[81] **Jenny Rathbone:** Does the benchmarking take into account uptake—the numbers of people who are eating your food?

[82] **Ms Lewis:** Yes. They'll be separate: there'll be uptake and then there'll be—. But unfortunately—and this is an educational concern—what they have at home may not be the quality that you'd like them to have at home, so, when you're serving meals on the front line, you're giving them something that, perhaps, they don't even want—they would prefer chicken nuggets rather than a fillet of chicken, for instance. So, it's quite a battle, really.

[83] Something that I'd like to mention is the Healthy Eating in Schools (Wales) Measure 2009. It's so important to myself, within the school meals service, that that is maintained and upheld and enforced, because that's what drives the service provision, with the qualities and standards that are required. I know that our counterparts in England have watered that down, and I really wouldn't want to see that in Wales, because it's what gives us our benchmark and what drives us to get that quality.

[84] **Jenny Rathbone:** I'm very pleased to hear what you're saying. Are you familiar with the work of Terry Marsden and Kevin Morgan who've written about food policy as public policy?

[85] **Ms Lewis:** Yes.

[86] **Jenny Rathbone:** So, what do you think are the barriers to you taking up that challenge to go for the Food for Life catering mark?

[87] **Ms Lewis:** It's the cost to it, for the first reason—you have to pay. Then you have to use so much organic, and there are different levels of that.

[88] **Jenny Rathbone:** Indeed, but the bronze award isn't so onerous in terms of—

[89] **Ms Lewis:** It isn't, but it still comes with—you have to have a certain level. There are certain accreditations you have to have on certain items, which we can procure—there isn't a barrier—it just comes down to how we nutritionally analyse our meal. Does it fit in, and is it what we can have high uptakes with? So, it's a fair balance. But it isn't a barrier, it's a choice, if I'm

honest. It's a choice.

[90] **Mike Hedges:** Okay. Simon.

[91] **Jenny Rathbone:** Is it possible to ask—?

[92] **Mike Hedges:** I thought you'd finished.

[93] **Jenny Rathbone:** Obviously, the NHS is all about promoting healthy eating, and seven a day is now the recommendation. Do you think that your procurement policies reflect that requirement to—?

[94] **Mr Warner:** We've got two standards we work to, really: the all-Wales nutritional standards for hospital inpatients, and then linked to that is the all-Wales menu framework, so that is a set menu, essentially, for hospitals to use across Wales. So, absolutely I think the policy is in place. As an NHS we've embraced that. We engage very closely with Public Health Wales in terms of trying to embed this, and the products are available through the contracts we procure, so the policy is lined up.

[95] Biannually, there's a Wales Audit Office report into hospital catering, actually, and the feedback on this was actually really positive in terms of there had been an increase in the number of things like fruit and vegetables, and hydration was the other key factor in that. But certainly the policy is there and there has been an improvement, but there's still a way to go.

[96] **Mike Hedges:** Simon.

[97] **Simon Thomas:** Thanks, Chair. I just wanted to understand a little more about this benchmarking that you mentioned. The specific example you went on to talk about was school meals. We understand that; there's a Measure in place that's about nutritional standards. So, we understand how that operates. But I think in your original reply you suggested there were other benchmarks for other service users, so that might be residential homes or other places. I just wondered if you could tease out a little bit about how this benchmarking by focusing on price is not taking into account your emphasis on quality in that sense.

[98] **Ms Lewis:** From my perspective, if we have to go out to a competitive market, and we have to bid, it would be on your food cost, your labour cost, and your other costs. And of course, if we're using a certain standard of local

produce, that can put us at a disadvantage. So, for instance, we've talked about NPS contracts. They're coming in more expensive than perhaps traditional contracts we've had in the past. That puts us at a disadvantage to any private entity that may be bidding for that same work.

[99] **Simon Thomas:** So in the same way as the school meals Measure has that national benchmarking, and so allows, in effect, an even playing field for everyone—. I'm not trying to put words in your mouth here, but if the emphasis was in the national procurement service either equally on quality and price or indeed promoting more the quality of the local procurement side, that—

[100] **Ms Lewis:** It would certainly help.

[101] **Simon Thomas:** It would certainly help. You'd then have the question, potentially, of cost, and paying for that, but that's a national question that you're not able to address locally—if I'm teasing out that.

[102] **Ms Lewis:** It is national, yes. That's correct.

[103] **Ms Lucas:** I think one thing that people forget is that there is a cost for a product, but a product that is procured locally will have another benefit, which is the social and economic benefit. So when we benchmark and people look at cost, they will take into consideration that it's local. So, there may be an extra cost for delivery of our milk, for instance; it may cost us a penny more because we use a local distributor, and we've decided in our award criteria that's acceptable to Caerphilly. However, what does that penny more per pint of milk do to the local economy? Because that local milk distributor will go and buy a van, hopefully from a local supply chain within Caerphilly, and he will employ people to deliver that milk. So, it's about keeping that Welsh pound, or the Caerphilly pound, as we call it, in Caerphilly, or in the surrounding areas, and very much, again, with our local farmer-butcher—he started out with one shop; he soon had two. It had become the family business where he employed his son-in-law. At one stage, even his grandson was helping with the invoices because his grandfather couldn't work the computer, so we had all of those issues. So, when you look then at actually growing that—fewer people on benefits or out-of-work—it's because we're spending that in a different way.

[104] **Huw Irranca-Davies:** Can I turn to the evidence that the Welsh Local Government Association has submitted on the interesting suggestion that

there could be more of a role for combined local authority structures, which might be the direction of travel anyway because of budgetary constraints? We've talked about pooling resources better, but also working with local enterprise partnerships. Could you expand on that a little bit, how you might see that working? Where's the potential?

[105] **Ms Lucas:** Certainly, from a local authority point of view, and Caerphilly, we've started meeting on a Gwent basis because, again, my colleagues, for example, in Monmouthshire have got more opportunities available to them on some of the produce than we would have in Caerphilly. I know the producers in Monmouthshire are very unhappy that Monmouthshire have taken the decision to go into the NPS, and now they can't supply to them. But I'm engaging with them now and saying, 'Can I talk to you?', because there may be opportunities within Caerphilly. So, we are starting to put structures in place so that we can do more regional procurement, because we can cut down on the number of procurements going to market. I think that is one issue because we don't always understand the costs to these suppliers of bidding for some of our work, because it's quite intense. So, we can cut down on the numbers of procurements. I think we've got to start looking more at commitment contracts. We've got to understand that we will give people business for a number of years so that they know they can grow their business. So, we're looking at that as well.

[106] The other thing that we're starting to look at in Gwent is maybe a passport to trade. So, if you can trade with Caerphilly County Borough Council, and we've checked all your health and safety and we've checked all your insurance documents, why are Torfaen or Blaenau Gwent checking them again in the same period of time? So, we're starting to look at is there is a possibility for a passport to trade in Gwent. So, if you're okay for Caerphilly, you're okay for the rest of us, and vice versa; if you're okay in Monmouth, you can do it in Caerphilly. So, we're starting to look at that, but it's very much in its early days. Obviously, we had the Welsh Purchasing Consortium previously. That came to an end when the NPS took over the majority of the contracts. I think that was detrimental to local authorities' procurement, but the WPC had a cost to it and, as the NPS came on board, why would we have duplication? So, you're now finding that authorities are going more on their regional footprint and working together, rather than across Wales.

[107] **Mike Hedges:** Can I ask you a question? You said in Gwent—if they pass for Caerphilly, they should be able to be used in any other part of Gwent. Why is it—? I'm sure some people in Caerphilly probably still think

they live in Glamorgan, actually, but that's another point. But, surely, if it passes the Caerphilly test, why is it not able to be used in Bridgend and Swansea and Cardiff as well? If you pass in one place, why can't it be a pass for everywhere in Wales? So, if you pass in Caerphilly, you're okay for Newport, but you have to do another test to go into Carmarthenshire, another test to go into Swansea. I think that, surely, if you've passed, you've passed, rather than—. Why can't that be done?

[108] **Ms Lucas:** I agree with you. I don't disagree at all; I'm just talking about what we are trying to work on now in terms of Caerphilly. I think, yes, as long as—. Unfortunately, we're 22 local authorities in Wales and we've all got different standing orders for contracts, so we've all got different requirements to do trading with an authority because we're all single entities. So, for instance, to do a procurement in Caerphilly for £10,000 you go down one route, whereas, if you do a procurement in Torfaen or Swansea for £10,000, it may be a very different route, because our contract standing orders are different. So, that would need to be shaped and different, and that is a piece of work we're looking at within Gwent at the moment. But you're quite right—why couldn't we have a passport to trade for Wales? And, certainly on food, we need to be careful because, within Caerphilly again, our third-party food hygiene audits are paid for by Caerphilly. We've always maintained that since the unfortunate incident of E. coli, because we believe that it is independent, and we pay for it. It is a burden on the supply chain, and we believe that we want the most independent review of that supplier, therefore we've maintained it. Other authorities have all bought into the concept of the supplier pays for the third-party food hygiene audit. We don't operate in that way in Caerphilly. So, there would be a difference on food.

10:45

[109] **Mike Hedges:** Okay. Huw.

[110] **Huw Irranca-Davies:** Thanks, Chair. Could I ask you as well—? You mentioned in your submission—. Linked to this idea of combined authority structures working as local enterprise partnerships, you also mentioned dedicated regional innovation budgets. Would that be a budget that was identified out of pooled resources of local public authorities and local authorities?

[111] **Ms Lucas:** This is the WLGA's response, so I'm not quite sure what they were referring to there, sorry.

[112] **Huw Irranca-Davies:** Right. Okay. My final question on this would be: within that driving better procurement, is there a role—park any constraints at the moment, I know it's hard to do, but park constraints to the side—should there be a role in good public procurement for also developing partnerships with producers on the ground within social enterprise? So, for example, it's already been remarked that you can't grow bananas in Wales, short of down perhaps in Barrybados under cloches or something, who knows? But you could develop more horticultural produce. It could be developed where there are also local energy generation schemes with combined heat and power. Is this the sort of thing that we should be looking at within procurement, with the NHS, with local authorities, with consortia, to actually promote that?

[113] **Mr Warner:** Yes. I think, quite strongly, yes. Coming back to a point made earlier, I think it's about commitment for the supply base. If we are committing to a volume, if any farmer knows that he can plant potatoes and we will use them over the next five years, therein lies the incentive. If we're committing to that, that's a way forward. We are doing things with local community schemes. Slightly off topic, but we are working with a site right next to Morriston Hospital on a community energy scheme. So, they will put solar farms in, and we're going to—well, the plan is to take some of that energy into Morriston Hospital. So, we'll take a direct feed from that solar farm. So, there are things like that happening, certainly, but it's in its infancy.

[114] **Mike Hedges:** Of course, by Morriston Hospital, you've got farms around it.

[115] **Mr Warner:** Absolutely. There's plenty of land there for that as well, yes.

[116] **Ms Lewis:** I think it comes back to my point about understanding what the producers can do, understanding the market a little bit better. My experience over the years has been that farmers don't trust each other. We tried to get collaboration going with farmers to work with one butcher to supply us, because the one farmer didn't have enough meat. There was infighting; they wouldn't work together. It takes a lot for people to come and do a joint bid. Social enterprise, yes, we should be looking at it if we are serious about social and economic regeneration and benefits and the real social value. We haven't touched on the Well-being of Future Generations

(Wales) Act 2015 today and all the benefits that could bring to us. I think that's a whole topic in itself. So, there is an awful lot that we can do if we want to do it.

[117] **Mike Hedges:** Okay. Thank you very much. Is that you, Huw?

[118] **Huw Irranca-Davies:** I think your point is well made, that the future generations Act gives us the prism now to think very differently in the way that we do this. And I do recall that, some years back, there was a concept around a social enterprise called Valleys Veg. And it sounded like the most preposterous thing in the world to many people that they could actually grow veg on a large scale as a social enterprise within the Valleys, but, actually, you can do, if it's on the right site, with the right support, perhaps using CHP, and where there is that guaranteed commitment contract that says, 'We're in this for 10 years, 15 years with you.' And you do it in the heart of a place where the impact on jobs—because horticulture still requires a lot of people to do it—would be most emphatic within those communities, in Caerphilly and elsewhere.

[119] **Mike Hedges:** Would I be in right in saying that one of the problems with procurement is that people still haven't got out of the mindset of compulsory competitive tendering?

[120] **Mr Warner:** I'd agree with that, yes.

[121] **Huw Irranca-Davies:** Really? This far on?

[122] **Mike Hedges:** People were in that mindset that you have to go out, you have to compete, you have to go for the cheapest—quality goes out through the window. And it's something that drove CCT for a very long time before we moved on to the next stage of best value, and some people treated best value as compulsory competitive tendering by a different name. I think that mindset really does need to be changed, doesn't it, amongst some of your colleagues as well, that it's about quality and price, not price first. I'll finish on this, but it's something we all do all the time—we make price/quality decisions every moment of our life, when we go out to buy clothes, when we buy food in the supermarkets, when we buy cars. We're making a quality/price decision. So, we don't just buy the cheapest—because I've noticed here, for example, there are very few of the £200, 20-year-old cars in the car park. So, people haven't gone for the cheapest; they have a balance. How do we get that within procurement—that people use the same

balance that they use in their life in procuring?

[123] **Mr Warner:** Again, speaking for the NHS, we certainly don't look at anything in terms of purely on lowest cost. So, every process that we go through is most economically advantageous tender. So, there's a price/quality trade-off. I've been looking after the food theme for probably eight years or so. Every contract we've ever let has had a higher quality requirement than price, certainly.

[124] **Ms Lucas:** I agree, Chair, and, at the end of the day, I think we mustn't forget the journey we've come on in procurement in the public sector. The one thing that I would say is that we've got to remember that we are spending the public purse and transparency for me is the key thing, and equal treatment of everybody.

[125] Now, the one thing the procurement process will bring is transparency and it will bring equal treatment. I think what we've got to do is understand how we can use other elements within that process to bring the social value to life. I think that's where we're failing and that's where we need the innovation, I believe. But please do not lose sight of where we've come from. We've made an awful lot of progress over the years. I think we are starting to have a little bit of a blip. I've been to several meetings of late where people have said the 'P' word—'Oh, it's procurement again'. There does seem to be a lot of negativity around procurement. We've done a lot of good; let's step up again and do some more.

[126] **Mike Hedges:** Thank you. Well, 25 years ago, I chaired the Welsh Purchasing Consortium, so I've been involved in this for some time. Gareth.

[127] **Gareth Bennett:** Thanks, Chair. Looking at the post-Brexit situation, are there any changes that any of you would like to see to procurement legislation that we might be able to do after Brexit?

[128] **Ms Lucas:** Personally, I don't think there's anything wrong with the regulations as they sit today. I've had this conversation with lots of people. I think it's just about us being bold enough and brave enough to have a go at some of this stuff. At the end of the day, we don't want to make it too restrictive because, as much as we want to buy Welsh, we want our Welsh suppliers to also sell to England and other areas and we want them to grow their market, so we've got to be very, very careful here that we don't actually close our markets down. We've got to—how can I say this now—give

confidence to our Welsh suppliers that they are capable of doing this work for the public sector whether that's in England, Wales, Scotland—wherever they want to go, they could be able to do it. So, for me, there isn't a lot I'd want to change.

[129] **Ms Warner:** If I could just add to that, certainly I agree with Liz. I certainly don't see the regulations as a barrier. I think it's us, as a procurement profession, being better at using the levers available to us. We've already mentioned France, but Italy, in particular, as well, is very good at securing national suppliers for their contracts. It's because they use the regulations—perhaps, as Liz said, they're bolder and more creative in the way they use them. For me, that's the improvement and I don't really think it's legislative, personally.

[130] **Mike Hedges:** They also use the language, don't they? If you're bidding for a contract in France, you have to put it in in French.

[131] **Gareth Bennett:** I suppose another aspect of the Brexit situation is clarity on state-aid rules and how they might apply afterwards. So, do you have any thoughts on that, any of you?

[132] **Ms Lucas:** I certainly haven't given it any thought whatsoever at this point in time, if I'm perfectly honest with you. It's so unknown, the Brexit agenda, I haven't given any thought to how it would—. We need to see what's coming out of the negotiations. We need to understand—. You know, for a long period—. I can't believe, and this is very much a personal view, that the procurement rules are going to be top of the list at the time of the decisions of Brexit and the fallout from the negotiations. So, I think we need to take our time, use the framework we've got now, use it well and, hopefully, it'll see us through. My main concern, and sorry to go back, is about our capacity and our capability and, if we're not careful and if we do reduce procurement professionals within Wales, we will not have people here ready to take the opportunities of Brexit and deal with the challenges that come as well. So, we need to be very careful of that.

[133] **Mike Hedges:** Jenny.

[134] **Jenny Rathbone:** If there's time, I just wanted to come back to future generations Act in relation to the minimisation of food waste. I just wondered whether you could tell us what your strategy is for minimising food waste in both the health and the education setting. Are you able to quantify it as a

proportion? You know, quantity won't mean a great deal to us.

[135] **Ms Lewis:** In Caerphilly at the moment—and this is only in my sector, within the education sector—we recycle all food waste. I haven't got the figures in front of me, but we would have them available to you, if you want them. To reduce—

[136] **Jenny Rathbone:** Because it's the proportion that, you know—.

[137] **Ms Lewis:** Yes.

[138] **Jenny Rathbone:** Because, obviously, each local authority is of a different size.

[139] **Ms Lewis:** It is different, yes. For us, we've worked very much—. We monitor what the waste is, what doesn't go well, we look again if it's a quality issue, what we can purchase, and we also look at the packaging, because, obviously, that ties in as well. We've also got it in our tender documentation that we work alongside the contractors, because some schools need things in small amounts, which we've mentioned previously, rather than buying a large amount that may cause waste. The long-term strategy is that we work with WRAP as well, who help us to look more long term. We work with schools as well, so that if we have got any waste, it can be utilised, it can be used, in different ways.

[140] **Mike Hedges:** Okay. Simon, that last—.

[141] **Simon Thomas:** Yes, sorry, just to return to Brexit, I'm sorry. You've been very clear in your evidence that the current legislation is not really the hindrance and the barrier that popular myth has portrayed it as. The difficulty, it seems to me, with the uncertainty around Brexit is, as you say, we won't be in a position to have new procurement legislation in Wales for quite a long period of time—whatever happens, we'll be dealing with other legislation that needs either changing or applying in Wales, or whatever flows from that.

[142] So, if we just assume that we're going to have a fairly steady state on procurement legislation for the next five years, say, the challenges then, from the perspective of this inquiry in looking at local food procurement and food culture in Wales, are twofold, I would suggest. One would be your current suppliers being attracted by potentially attractive new markets

outside of your current arrangements. So, if there is a low pound, they might suddenly decide, 'Oh, we'll sell lamb abroad.' That's dependent on the exchange rate, and it could change again, but that might drive something out of your procurement. The alternative may be a trade deal, which we have no control over here in the Assembly, but a trade deal at a WTO level or another level that suddenly says, 'Well, here's a lot of very cheap chicken coming in from North America.' Can you deal with that? Are your procurement rules and regulations strong enough to deal with it to ensure that we still take in value? Sorry to ask it in a complicated way, but those are the main challenges I see. It's not the legislation; it's how you deal with the practical economic effects of Brexit and trade that arise from that.

[143] **Mr Warner:** I think it's in my written evidence that, potentially, you can look at this any way you want in terms of where the deal is going to go, but with a higher level of exports from Wales, the potential of that is to push the domestic price up. Again, it's coming back to the basic economic principle.

[144] In terms of what you've mentioned there about the potential for a North American product, or whatever it may be, again, it's within our power to set the standards we want for the product we buy as our respective organisations. So, the future trading relationship with the EU and the rest of the world doesn't really impact on our NHS standards for food. They are a discrete thing. So, again, we would be purchasing them with our own standards and policies and so on.

[145] **Simon Thomas:** And do you think they're robust enough to continue?

[146] **Mr Warner:** In terms of our current standards?

[147] **Simon Thomas:** Yes, current standards.

[148] **Mr Warner:** Yes.

[149] **Simon Thomas:** And for local authorities as well?

[150] **Ms Lucas:** I think so, and I think that, for me, the terms and conditions of contracts, and the specifications you go out with, will dictate what people can bring in to your supply. I go back to my point on pain/gain again. If we're going to have longer term relationships and more of a collaborative approach, I think we'll have a better working relationship going forward and, hopefully, they'd want to look after the public sector in Wales if we've

invested in them.

[151] **Mike Hedges:** Thank you. Huw, the last question.

[152] **Huw Irranca-Davies:** Yes, and you've been really clear in your evidence—*[Inaudible.]*—potential with the future generations Act and so on. Could I ask you, from an education perspective first of all, would you welcome Italian/Rome-style direction around procurement, the way that food is dealt with within schools, those local networks and so on? Would you welcome that style direction from Welsh Government? Or would that be a problem? Would that be another obstacle for you, if they were to say, 'Actually, you've got to source local, you've got to bring it into the school, you've got to develop your education around this', and so on? It's very directive.

11:00

[153] **Ms Lucas:** It all comes at a cost, doesn't it? And that would be a problem internally if we had those types of directives, but it may help us to get through some of the other barriers that we've got as well.

[154] **Ms Lewis:** I think it's the infrastructure around it, because they might not be set up to undertake that now and embrace it, but as long as the education is brought on board and they have the facilities and they can work with us, maybe it's something that can be happening in the future.

[155] **Mike Hedges:** It's now exactly 11.00 o'clock, can I thank you very much for coming along and engaging with us? I've got to tell you that a transcript will be sent to you. If there are any inaccuracies—often, some of the words aren't quite picked up correctly on it, so please check it—and if there are any problems, please let us know, because we want the transcript to be accurate; it's a matter of public record for a very long time. Again, thank you all very much.

[156] **Ms Lewis:** Thank you very much.

[157] **Ms Lucas:** Thank you very much.

[158] **Mr Warner:** Thank you very much.

11:01

**Papurau i'w Nodi
Papers to Note**

[159] **Mike Hedges:** Item 3—we've got a large number of papers to note. Are we happy to note them?

[160] **David Melding:** I think I do have two points on them.

[161] **Mike Hedges:** If we're happy to note them, then, any points on the first paper? Second?

[162] **David Melding:** Hold on, hold on—crikey. Sorry, which one are we on? Are we on—

[163] **Mike Hedges:** We're on Simon Thomas, scrutiny of the draft budget.

[164] **David Melding:** Yes, well, I think that we need to really nail this use of the well-being of future generations Act whenever we have the Minister in. We want to talk about how the budget priorities in our area are being—

[165] **Mike Hedges:** I'm just reminding you that we are still in public session, so, if you do want to go into some detail on how we deal with things later on, you might want to do it in the private session.

[166] **David Melding:** Okay, that's fine, but what I've just said is fine in public as well.

[167] **Mike Hedges:** If we note them now, if there are any points people want to raise, perhaps they can raise them when we come back in private. Shall we have a 10-minute break? Yes.

11:02

**Cynnig o dan Reol Sefydlog 17.42(vi) i Benderfynu Gwahardd y
Cyhoedd am yr Eitemau sy'n Weddill
Motion under Standing Order 17.42(vi) to Resolve to Exclude the Public
from the Meeting for the Remaining Items**

Cynnig:

Motion:

bod y pwyllgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o weddill y exclude the public from the cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in accordance with Standing Order 17.42(vi).

*Cynigiwyd y cynnig.
Motion moved.*

[168] **Mike Hedges:** Can I also, before the 10-minute break, move the motion under Standing Order 17.42(iv) to resolve to exclude the public from the meeting for the remaining items?

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11:02.
The public part of the meeting ended at 11:02.*