

Grŵp Yr Economi, Sgiliau a Chyfoeth Naturiol  
Economy, Skills and Natural Resources Group



Llywodraeth Cymru  
Welsh Government

Nick Ramsay AM  
Chair  
Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

Eich Cyf/Your Ref:  
Ein Cyf/Our Ref:

23 May 2018

Dear Chair

## Challenges of Digitalisation

Thank you for your letter of 25 April in which you requested additional details following my letter to you of 4 April 2018. For ease of reference, I have set out each of your questions below together with my response.

**Question 1 - The Committee notes the detail in your response about how the Welsh Government is utilising the Government Digital Service (GDS) Digital, Data and Technology (DDat) procurement frameworks. However, we would like more detail on why other Welsh public services are not adopting the more agile approach that the NHS in England, in particular, or the digital sector in UK Government have opted for. We are concerned that many Welsh public services are continuing to follow the traditional large, long-lead-in-time procurement contracts which given the Welsh Government has moved away from, we would have expected the rest of the public sector in Wales to follow.**

The Digital Outcomes and Specialists (DOS) framework came into existence in February 2016. A summary of the total spend through DOS per Lot since its commencement, for all UK organisations including the Welsh Public Sector (up to 31 December 2017), is shown in the following table:

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

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

	Digital Outcomes	Digital Specialists	User Research Participants	User Research Studios		% Total
<b>UK Central Government</b>	£110,022,397	£69,457,717	£805,371	£1,384,817	<b>£181,670,302</b>	<b>88.7%</b>
<b>Devolved Administrations (Wales, Scotland and Northern Ireland)</b>	£8,063,925	£473,006			<b>£8,536,931</b>	<b>4.2%</b>
<b>Education (England)</b>	£241,345	£135,066			<b>£376,412</b>	<b>0.2%</b>
<b>Fire and Rescue (UK)</b>	£49,583	£347,132			<b>£396,715</b>	<b>0.2%</b>
<b>Health (England)</b>	£3,575,461	£3,518,408			<b>£7,093,869</b>	<b>3.5%</b>
<b>Local Government (England)</b>	£3,524,622	£529,760			<b>£4,054,382</b>	<b>2.0%</b>
<b>Not for Profit</b>	£530,573	£202,657	£8,270		<b>£741,500</b>	<b>0.4%</b>
<b>Police (UK)</b>	£217,253	£1,278,625			<b>£1,495,878</b>	<b>0.7%</b>
<b>Private Sector</b>	£40,750	£434,981			<b>£475,731</b>	<b>0.2%</b>
<b>Total</b>	<b>£126,265,910</b>	<b>£76,377,353</b>	<b>£813,641</b>	<b>£1,384,817</b>	<b>£204,841,720</b>	
	<b>61.6%</b>	<b>37.3%</b>	<b>0.4%</b>	<b>0.7%</b>		

Source: Crown Commercial Service

Note : Values within source data rounded up/down.

The majority of expenditure through DOS has been by Central Government Departments. This is not unexpected as prior to the formation of the UK Government Digital Service (GDS), many Central Government Departments operated traditional outsourcing delivery models. With the changes in technology and the move to the digital cloud, these delivery models have started to change to multisourcing delivery models. The change of delivery model and the demand for new digital services has resulted in Central Government Departments and other organisations that have operated an outsourcing model needing a new way to procure skills and capabilities. The Welsh Government historically has also operated a traditional outsourced model but is moving to a multisourced delivery model too.

The wider Welsh Public Sector, in contrast, has not relied on traditional outsourcing contracts. NHS Wales Informatics Service (NWIS) and Local Authorities have traditionally had in-house teams with a preference of taking more control over their programme and project delivery. These organisations have also had access to existing contracts which they have used to bring in skills to supplement their in-house capabilities. This goes some way to explain the percentage split.

With reference to your concern that many Welsh public services are continuing to follow the traditional large, long-lead-in-time procurement contracts, Welsh Public Sector bodies need to ensure that their procurements comply with EU Regulations and the Wales Procurement Policy Statement. However, they have autonomy and freedom to carry out their own

procurements on the basis that they can evidence value for money for the tax payer. Welsh Government does not have the mandate to prescribe a particular procurement approach or to intervene in local procurement decisions. If the Committee has particular concerns about individual procurements, we would be happy to consider those specifically.

**Question 2 - We would welcome further details on how the Welsh Government is using the digital outcomes and specialists framework, and, in particular, the breakdown of the G-Cloud spending. We would like information on how these apply to the Welsh public sector more generally, rather than just the Welsh Government.**

The DOS framework has four elements:

1. Digital outcomes. (Suppliers who can provide teams of specialists to work on outcome based work.)
2. Digital specialists. (Suppliers who can provide individual specialists to work on a service, programme or project.)
3. User research studios
4. User research participants

The following table contains expenditure through DOS for Welsh Public Sector organisations from February 2016 (DOS commencement date) up to 31 December 2017:

	Digital Outcomes	Digital Specialists	User Research Participants	User Research Studios	Total
<b>Welsh Assembly Government</b>	£1,479,160				<b>£1,479,160</b>
<b>Careers Wales</b>		£87,720			<b>£87,720</b>
<b>Natural Resources Wales</b>	£41,467				<b>£41,467</b>
<b>Qualifications Wales</b>		£33,750			<b>£33,750</b>
<b>Total</b>	<b>£1,520,627</b>	<b>£121,470</b>			<b>£1,642,097</b>

Source: Crown Commercial Service

Note : Values within source data rounded up/down.

The Welsh Government has used the 'Digital outcomes' element of the framework to deliver key components of the Welsh Revenue Authority's digital services. Use has also been made of 'User research studios' for the Learning Wales website, but this has not yet fed through into the Crown Commercial Service (CCS) data. 'Digital specialists' has not yet been used because we have sourced from existing contracts which are still in place.

G-Cloud is a framework that provides buyers with access to cloud technology and services. A table breaking down the Welsh Public Sector G-Cloud expenditure by organisation is in Annex A to this letter.

**Question 3 - The Digital Outcomes and Specialists framework enables the Welsh public Service to work more dynamically, through actions like seconding in experts. We ask for greater clarity on how this could be utilised across the public sector in Wales.**

Developing buying capability and changing buying behaviour is an important part of increasing the usage of DOS and other appropriate frameworks by the Welsh Public Sector.

I wrote to you on 23 April 2018 about the ongoing review of the National Procurement Service (NPS) and Value Wales. Whilst Welsh Government does not have the mandate to prescribe a particular procurement approach or to intervene in local procurement decisions, addressing the issues of overall procurement capacity and capability across the public sector in Wales is a fundamental part of the review, and of what will follow.

DOS is a valuable procurement route, but it does not cater for all scenarios and we have identified that we also need to help buyers and suppliers to bridge gaps. In my letter of 4 April 2018, I mentioned the market engagement exercise that we had undertaken. We are acting on this feedback to provide an easy and quick route to market for Welsh SMEs to meet small project resourcing needs for the Welsh Public Sector. NPS are currently running a procurement exercise which is now open for tenders.

Finally, you mention in your letter that you may ask me to provide oral evidence on the challenges of digitalisation at the Committee meeting on 4 June, which I am attending to discuss the Intra Wales Air Service. I am of course happy to provide evidence on those aspects of digital transformation that fall within my Group and for which I am the Additional Accounting Officer. However, the Committee will appreciate that I do not have broader responsibility for digital transformation across Welsh Government. As such, I ought not to seek to provide evidence in areas where I do not have Additional Accounting Officer responsibilities.

I hope that this information is helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Slade', written in a cursive style.

**Andrew Slade**  
Director General  
Economy, Skills and Natural Resources Group

## ANNEX A – Breakdown of Welsh Public Sector G-Cloud Spend

Note. The expenditure for FY17/18 contains data from April 2017 to January 2018.

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Welsh Government	£111,699	£51,883	£187,856	£530,987	£602,182	<b>£1,484,607</b>
Gwent Police		£31,229	£117,281	£903,313	£417,149	<b>£1,468,972</b>
South Wales Police		£163,565	£223,599	£208,717	£181,688	<b>£777,569</b>
Wrexham County Borough Council			£16,615	£582,200	£12,296	<b>£611,111</b>
ESTYN	£76,392	£79,771	£82,866	£80,964	£67,968	<b>£387,962</b>
Cyngor Gwynedd Council		£82,053	£224,887	£26,650		<b>£333,591</b>
Cardiff University	£88,433	£38,600	£150,213	£5,000	£34,160	<b>£316,406</b>
Cardiff Council	£31,247			£193,152	£24,603	<b>£249,002</b>
Denbighshire County Council	£39,000	£18,000		£177,665		<b>£234,665</b>
Vale of Glamorgan Council			£38,184	£111,523	£80,422	<b>£230,129</b>
City and County of Swansea	£56,380			£115,800	£46,930	<b>£219,110</b>
Dyfed Powys Police		£20,441	£44,052	£125,308	£25,928	<b>£215,729</b>
Caerphilly County Borough Council	£9,614	£9,133	£44,594	£98,556	£18,910	<b>£180,807</b>
Ceredigion County Council				£35,580	£125,600	<b>£161,180</b>
Conwy County Borough Council				£129,707	£15,527	<b>£145,234</b>
Betsi Cadwaladr University Health Board				£91,600	£53,089	<b>£144,689</b>
Newport City Council			£48,700		£84,178	<b>£132,878</b>
Welsh Ambulance Services NHS Trust			£34,083	£29,657	£58,021	<b>£121,760</b>
North Wales Police				£26,775	£88,867	<b>£115,642</b>
Equality and Human Rights Commission		£1,700	£36,353	£35,151	£37,660	<b>£110,863</b>
Grwp Gwalia Cyf	£76,738	£19,500				<b>£96,238</b>
Carmarthenshire County Council				£92,954		<b>£92,954</b>
North Wales Fire and Rescue Service				£44,303	£43,973	<b>£88,277</b>
Abertawe Bro Morgannwg University Health Board		£52,600		£5,935	£14,576	<b>£73,111</b>
Powys County Council				£17,790	£53,642	<b>£71,432</b>
Monmouthshire		£4,290		£14,250	£51,125	<b>£69,665</b>

County Council						
Aneurin Bevan University Health Board		£38,672		£16,900	£12,869	<b>£68,441</b>
Careers Wales		£15,900		£16,400	£33,829	<b>£66,129</b>
Aberystwyth University				£57,203		<b>£57,203</b>
Blaenau Gwent County Borough Council		£25,285	£13,585	£8,200		<b>£47,070</b>
Mid and West Wales Fire and Rescue Service	£3,000			£40,163		<b>£43,163</b>
Public Health Wales				£11,250	£11,250	<b>£22,500</b>
Bridgend County Borough Council				£10,500	£10,500	<b>£21,000</b>
United Welsh Housing Association Limited				£20,961		<b>£20,961</b>
Powys Teaching Health Board					£18,701	<b>£18,701</b>
Pembrokeshire County Council				£17,790		<b>£17,790</b>
Torfaen County Borough Council				£17,790		<b>£17,790</b>
Wales Audit Office				£17,782		<b>£17,782</b>
Bangor University				£2,016	£12,348	<b>£14,364</b>
Velindre NHS Trust				£14,000		<b>£14,000</b>
Arts Council Of Wales		£6,440		£707	£2,184	<b>£9,331</b>
Cardiff and Vale University Local Health Board					£7,387	<b>£7,387</b>
Merthyr Tydfil County Borough Council					£4,734	<b>£4,734</b>
Monmouthshire Housing Association		£3,840				<b>£3,840</b>
Rhondda Cynon Taf County Borough Council			£2,500			<b>£2,500</b>
Clwyd Alyn Housing Association Limited		£2,014				<b>£2,014</b>
Wales and West Housing Association Limited			£68			<b>£68</b>
<b>Total</b>	<b>£492,503</b>	<b>£664,917</b>	<b>£1,265,434</b>	<b>£3,935,197</b>	<b>£2,252,297</b>	<b>£8,610,348</b>

Source: Crown Commercial Service  
Note : Values within source data rounded up/down.