



## PWYLLGOR CYLLID FINANCE COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	26 January 2021
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Community Wealth Building
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Huw Thomas, Director of Finance

**Pwrpas yr Adroddiad (dewiswch fel yn addas)**

**Purpose of the Report (select as appropriate)**

Ar Gyfer Trafodaeth/For Discussion

### ADRODDIAD SCAA

#### SBAR REPORT

##### Sefyllfa / Situation

Hywel Dda University Health Board (HDdUHB) has commissioned the Centre for Local Economic Strategies (CLES) to develop the UHB's role as a key anchor organisation, as part of a Community Wealth Building approach with an initial focus on progressive procurement.

The interim report (attached at Appendix 2) includes a high-level market, spend and gap-analysis and identifies emerging themes relevant to the development of a progressive procurement agenda within the UHB. An overview of the report is attached at Appendix 1.

The final report will be presented at the Finance Committee meeting to be held on 25<sup>th</sup> February 2021 and a Procurement Strategy will be presented to the Committee at its meeting to be held on 23<sup>rd</sup> March 2021.

##### Cefndir / Background

Community wealth building represents a people-centred approach to local economic development, which redirects wealth back into the local economy, and places control and benefits into the hands of local people.

The national commitment to a wellbeing economy has led the UHB to consider how NHS procurement could, together with the spend of other key anchor<sup>1</sup> institutions, be flexed to contribute to a 'made-in-Wales' supply chain in order to support employment and the local economy. There is significant potential for NHS spend to be used at scale to benefit the local economy and to contribute to its recovery and reform within the context of the economic challenges presented by COVID-19, and in so doing address the wider factors which determine the health of the local population.

CLES is currently engaging with Carmarthenshire County Council in the development of a progressive procurement framework with an additional focus on food procurement across Carmarthenshire County Council, HDdUHB and University of Wales Trinity Saint David / Coleg

<sup>1</sup> Organisations which can exert sizable influence through their commissioning and purchasing of goods and services, through their workforce and employment capacity, and by creative use of their facilities and land assets. Positive use of these aspects can effect change within the wider economic, social, and environmental determinants of health.

Sir Gar. Collectively this project, alongside existing work, provides an opportunity to deliver impactful change across Carmarthenshire and HDdUHB's wider geographical footprint. Recent procurement challenges associated with the pandemic underscore the need to nurture local supply chains and opportunities in a way that takes a whole system view of procurement, considering not only cost, but resilience and wider wellbeing.

CLES has undertaken a strategy review of the UHB's corporate documentation and current procurement strategy, and has reviewed evidence, including analysis of the local economy and evaluation of spend and gap, and will engage with stakeholders to explore the findings of these reviews, test thinking and develop recommendations for action.

### Asesiad / Assessment

High level themes identified to date in the interim report are:

- The need to develop a HDdUHB procurement strategy to supplement the nationally-led procurement approach through NHS Wales Shared Services Partnership (NWSSP).
- The need for a clearer articulation of value from a foundational economy and socio-economic perspective. This needs a step change – a new covenant with local economies that explicitly values and prioritises investment in the local foundational economy and recognises this in value terms, rather than focusing solely on cost.
- Optimisation of the potential for localising spend.
- Creation of a cross-cutting Community Wealth Building (CWB) narrative for the UHB, in partnership with other anchor organisations at Public Services Board level - building on this phase of work (procurement) to explore other CWB pillars (including workforce, land and property assets and financial assets), starting with a diagnostic approach to identify the potential for practical actions under each of these pillars to deliver local socio-economic and wellbeing benefits.

CLES' next steps to complete this phase of work (February/ March 2021) are:

- To conduct internal stakeholder interviews to elicit further detail regarding various aspects of current procurement practice, to explore at a more granular level specific supply chain opportunities, and to develop a better understanding of the future profile of planned spend on both a regular/ recurring and project basis.
- To organise and participate in a workshop session with the UHB Procurement Team in order to share emerging findings and recommendations and to explore specific opportunities for localising spend.
- To conduct a supplier survey of the UHB's top suppliers in order to better quantify local economic multipliers and to explore opportunities to enhance these.

Future phases of work will:

- Support the development of a bespoke Procurement Strategy and Social Value Framework for the UHB, including working with other stakeholders to develop the tools and processes to embed this, including quantifying benefits and reporting methodologies.
- Undertake Community Wealth Building diagnostics for the other CWB pillars - workforce, land and property assets and financial assets – to support a more holistic, cross-cutting CWB narrative for the UHB.

### Argymhelliad / Recommendation

Finance Committee is requested to discuss the interim report presented and note next steps.

<b>Amcanion: (rhaid cwblhau) Objectives: (must be completed)</b>	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	5.2 Provide assurance in respect of short, medium and long term financial performance and financial planning.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
Amcanion Strategol y BIP: UHB Strategic Objectives:	4. Improve the productivity and quality of our services using the principles of prudent health care and the opportunities to innovate and work with partners.
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Objectives Annual Report 2018-2019</a>	9. All HDdUHB Well-being Objectives apply

<b>Gwybodaeth Ychwanegol: Further Information:</b>	
Ar sail tystiolaeth: Evidence Base:	As compiled by CLES
Rhestr Termiau: Glossary of Terms:	Explanation of terms is included in the main body of the report.
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Centre for Local Economic Strategies

<b>Effaith: (rhaid cwblhau) Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian: Financial / Service:</b>	There is significant potential for NHS spend to be used at scale to benefit the local economy, contribute to its recovery and reform in the context of the economic challenges presented by COVID-19, and in so doing address the wider determinants of health.
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	Not applicable
<b>Gweithlu: Workforce:</b>	Not applicable

<b>Risg: Risk:</b>	Not applicable
<b>Cyfreithiol: Legal:</b>	Not applicable
<b>Enw Da: Reputational:</b>	Not applicable
<b>Gyfrinachedd: Privacy:</b>	Not applicable
<b>Cydraddoldeb: Equality:</b>	Not applicable



GIG  
CYMRU  
NHS  
WALES

Bwrdd Iechyd Prifysgol  
Hywel Dda  
University Health Board

# **CLES *PROGRESSIVE PROCUREMENT* – INTERIM REPORT JANUARY 2021**

**Finance Committee Briefing**  
**Prepared by: Alan Binks, Head of Procurement**





# A brief review of key points and analysis of the interim report received from CLES.

- **Who are CLES?**

- Centre for Local Economic Strategies – a ‘think and do tank’ working with the greater public sector to influence and shape economic activity with the objectives of achieving greater social justice and bringing maximum benefit to local people and places. CLES - The national organisation for local economies
- The central theme of their work is promoting *Community Wealth Building*, utilising economic power of the *Public Sector Board (PSB) Anchors*, of which the Health Board is one.
- Have worked predominantly with Local Government sector.
- Fits with Welsh Government (WG) post-COVID *Foundational Economy* policies and delivery of Social Value.



## CLES Local Procurement Strategies Projects

- CLES are currently working with Carmarthenshire and Ceredigion County Councils.
  - Hywel Dda UHB (HDdUHB) are engaging with each of these bodies as a key *Anchor* organisation in the respective Public Sector Boards.
- This report deals with a separate but complementary piece of work which is HDdUHB-specific
- The Head of Procurement and his team have attended a number of PSB meetings as well as *one-to-one* meetings with CLES staff on this project.





## The 5 Principles of Community Wealth Building set out in the Report:

1. **Procurement**: *Progressive procurement* by developing local supply chains with an emphasis on locally owned and managed small and mid-size enterprises (SMEs). Principle behind this is that these businesses are more likely to support local employment with a greater propensity to retain locally any wealth and generated surplus. *Social Value* delivery included as a factor within procurement activities.
2. **Employment**: The public sector *Anchors* of the local economy are the major employers. Actively promote adoption of *living wage* throughout the economy. Seek to recruit from lower income areas, which has greatest impact socio-economically. Create *progression routes* for these staff through the organisation.
3. **Use of Land and Assets**: Develop under-utilised assets for community use.
4. **Financial power**: Increased investment from within area rather than seeking/ relying on attracting investment from national or international sources.
5. **Plurality of ownership of the local economy**: creating an environment of broad ownership through co-operatives , SMEs and mutually owned businesses, retaining wealth generated within the community.





## Local Economy Mapping and the Spend Gap Analysis

- Report sector vulnerability (page 11) - data based on Business Register and HMRC national job retention data and proxy - highlights high COVID impact on the Accommodation and Food Services Sector within our 3 Counties.
- Spend Gap analysis (pages 12 -15) - 'Leakage' is spend outside of Wales.  
*Manufacturing 94% - leakage £16.5m*
  - Data sourced from Atamis (not our source financial data from Oracle) and broken into Standard Industrial Classification (SIC) categories (not NHS E-Class). As it stands, this makes meaningful analysis difficult and will require substantial work with CLES to validate and reconcile with our data. The use of Companies House datasets blended with SIC sub-categories has been used to identify potential local suppliers (pages 14-15) noting that *"This illustrates only a theoretical potential to localise supply"* - for example classifications showing 10 paint manufacturers and 4 manufacturers of medical and dental instruments within HDdUHB footprint. Is this likely?



## Local Economy Mapping and the Spend Gap Analysis (contd)

- We also need to factor in our commitment to existing All Wales contracts which currently limits ability to switch within categories of high contract coverage, e.g. M&S consumables and food products.
- We have engaged with NWSSP All Wales Sourcing, particularly with regard to food, to explore ways of extending localised supply within the contractual frameworks.
- There is also the potential to increase costs through localising supply, which may not deliver lowest costs of acquisition. This covers all categories and capital spend. There needs to be commitment from WG that if this is the case then funding will reflect this.



## Advancing Progressive Procurement

- **The 5 Steps (pages 17-19):**

- We have already started the conversation on integrating Social Value (via [socialvalueportal.com](https://socialvalueportal.com)) into our higher value contracts and tenders. Costs and demonstrations of software which gives quantifiable value (TOMS) are being examined. The Head of Procurement has also linked in with NWSSP Sourcing Team colleagues regarding this.
  - Commissioning (specifications) are generally driven by the end users, thus education and training in this area will be required across all the key commissioners.
  - The *socialvalueportal* will enable weighted evaluation criteria to be included within the tender process and inform the award.
  - Monitoring will need to be included as part of the Contract Management process (covered both by Procurement and stakeholders/ users)
- ❖ Care needs to be taken that these processes do not add too much time and cost to the process, or deter SMEs from participating as a result.



## Other Considerations

- The Cabinet Office Green Paper on **Transforming Public Procurement** (December 2020) reviews existing regulatory frameworks, seeking to consolidate these, and also deals with inclusion of social value in to the whole value offer and procurement regulations, which include social value and drive a post COVID recovery for communities. The Green Paper also proposes giving public bodies the legal cover to not necessarily accept the lowest priced bid.
- This is now in the final stages of consultation and will influence procurement in these areas going forward.

# INTERIM REPORT – 13/01/21: Community Wealth Building Hywel Dda University Health Board

Progressing Progressive Procurement



### Centre for Local Economic Strategies (CLES)

Established in 1986, CLES is the national organisation for local economies - developing progressive economics for people, planet and place. We work by thinking and doing, to achieve social justice and effective public services.

[www.cles.org.uk](http://www.cles.org.uk)



CLES is a values-based organisation. These values are embedded in all our work.

<b>Fair</b>	Treating people with fairness and equality
<b>Bold</b>	Devising progressive solutions through pioneering work
<b>Collaborative</b>	Working with others to achieve the best result
<b>Independent</b>	Always acting with integrity
<b>Acting in solidarity</b>	Supporting, nurturing and empowering ourselves and others

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# 1. Introduction

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The Centre for Local Economic Strategies (CLES) is pleased to have been commissioned by Hywel Dda University Health Board (the UHB) to develop the UHB's role as a key anchor organisation as part of a Community Wealth Building approach, with an initial focus on progressive procurement.

As recent work by CLES, The Democracy Collaborative and the Health Foundation<sup>1</sup> has shown, health institutions are considerable anchor organisations with presence and heft within the local economy. Anchors can exert sizable influence through their commissioning and purchasing of goods and services, through their workforce and employment capacity, and by creative use of their facilities and land assets. Positive use of these aspects can affect change within the wider economic, social, and environmental determinants of health.

In Wales, the national commitment to a wellbeing economy has sparked conversations as to how NHS procurement could, along with the spend of other key anchor institutions, be flexed to contribute to a made-in-Wales supply chain, to support employment and the local economy. There is significant potential for NHS spend to be used at scale to benefit the local economy, contribute to its recovery and reform in the context of the economic challenges presented by COVID-19, and in so doing address the wider determinants of health.

CLES is currently engaging with Carmarthenshire County Council on the development of a progressive procurement framework with an additional focus on food procurement across Carmarthenshire County Council, Hywel Dda University Health Board, University of Wales Trinity Saint David / Coleg Sir Gar. Collectively this project, alongside that existing work provides an opportunity to deliver impactful change across Carmarthenshire and HDdUHB's wider geographical footprint.

This **interim report** includes a high-level market, spend and gap-analysis and emerging themes relevant to progressing a progressive procurement agenda in the UHB. The final report will be produced in February, following completion of interviews with senior staff and the procurement team which will build a fuller picture of current procurement policy and practice, and more detailed supply chain analysis.

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<sup>1</sup> [Building healthier communities: the role of the NHS as an anchor institution](#) (2019) and [Health institutions as anchors: establishing proof of concept in the NHS](#) (2019)

## Background

The UHB has an operating footprint across Carmarthenshire, Ceredigion, and Pembrokeshire. It recognises that its role and influence extend beyond the commissioning and delivery of services for the populations of these areas, with a broader role as an agent that can affect economic and social wellbeing by developing closer links between the economy, wealth creation and people. In maximising its social and economic impact, in collaboration with other key anchor institutions, there is scope to significantly affect the social determinants of health - the conditions in which people are born, live, and work. In the context of the social and economic challenges that flow from the COVID-19 pandemic, this work is both timely and important.

Recent procurement challenges associated with the pandemic underscore the need to nurture local supply chains and opportunities in a way that takes a whole system view of procurement, considering not just cost, but resilience and wider wellbeing.

## Community Wealth Building

Community wealth building is a people-centred approach to local economic development, which redirects wealth back into the local economy, and places control and benefits into the hands of local people.

CLES is recognised as the custodian of the community wealth building movement in the United Kingdom, providing both thought and practice leadership in this growing movement for economic change in the last decade. Our ground-breaking community wealth building work in Preston (known as 'The Preston Model') has received international media attention and is influencing policy at a local, national, and European level.

CLES describe community wealth building strategies as having a blend of the following 5 principles:

1) **Procurement** - Progressive procurement develops dense local supply chains of local enterprises, SMEs, employee-owned businesses, social enterprises, cooperatives, and other forms of community owned enterprise. Progressive procurement is locally enriching because these types of businesses are more likely to support local employment and have greater propensity to retain wealth and surplus locally.

2) **Employment** - Often the biggest employers in a place, the approach that anchors institutions take to employment can have a defining effect on the employment prospects and incomes of local people. Recruitment from lower income areas, commitment to paying the living wage and building progression routes for workers are all examples of the actions anchor institutions can take to stimulate the local economy and bring social improvements to local communities.

3) **Land and Assets** - Anchors are often major land holders and can support equitable land development and the development of underutilised assets for community use.

4) **Financial Power** - Community wealth building seeks to increase flows of investment within local economies by harnessing the wealth that exists locally, rather than by seeking to attract national or international capital.

5) **Plural Ownership of the Local Economy** - At the heart of community wealth building is the principle that wealth is broadly held. Cooperatives, mutually owned businesses, SMEs, and municipally owned companies enable the wealth generated in a community to stay in that locality and play a vital role in counteracting the extraction of wealth.

Our ground-breaking community wealth building work in Preston (known as 'The Preston Model') has received international media attention and is influencing policy at a local, national, and European level. It has inspired organisations across the UK, and we have developed community wealth building strategies in more than fifty places. In the Scottish Government's Programme for Government, there is a specific focus on community wealth building, and CLES is also progressing community wealth building projects with the Welsh Government. To accelerate the adoption of community wealth building policy and practice in the UK over the next three years, CLES has established a national Centre of Excellence funded by Barrow Cadbury Trust and Open Society Foundations.

## 2. Methodology

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The methodology for this work encompasses the following key stages:

1. **Strategy review** – a document review of the UHB's corporate documentation and current procurement strategy.
2. **Evidence review** – comprising a local economy analysis, spend and gap analyses.
  - The **local economy analysis** draws on existing work completed for Carmarthenshire Council which mapped the county's business base and explored sectoral vulnerabilities in the context of CVOD-19 and extends this analysis across Hywel Dda's geographical footprint.
  - The **spend analysis** explores the procurement spend data of the health board to develop an understanding of where spend is going in sectoral and geographical terms and about the profile of the UHB's suppliers. This will be supplemented in the next phase of work by a

**Local Multiplier 3 (LM3) analysis** - a survey of the local supply base to determine the extent of supplier re-spend in the local economy.

- The **gap analysis** – utilises the spend and market analyses to develop a better understanding of sector gaps/opportunities for development in terms for local service/product availability. This has a sectoral and spatial dimension and includes a focus on emerging areas which show the greatest potential for collaborative action at a local level including, for example, food-related procurement, as well as areas already identified by the health board as areas of potential interest, including low-level clinical engineering and construction. The gap analysis will be further augmented in the final report, drawing from the themes due to be discussed via the internal stakeholder interviews.

3. **Stakeholder engagement** - to explore the findings of these reviews, test out our thinking and further develop recommendations for action. We will conduct online one-to-one interviews with the procurement team and senior staff and facilitate a workshop with the procurement team – to share the findings from the evidence review, our emerging recommendations in terms of procurement policy and practice and to discuss specific opportunities for localising spend.

## 3. Strategy Review

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### Corporate documentation

Hywel Dda University Health Board is responsible for all NHS healthcare services across Pembrokeshire, Carmarthenshire, and Ceredigion. The UHB's **health and care strategy**<sup>2</sup> (approved in November 2018) set out a strategic vision for services that are safe, sustainable, accessible, and kind for current and future generations across Hywel Dda. The strategy is based on the implementation of an integrated social model of health. It signalled a shift from a previous focus on hospital-based care and treatment toward a focus on prevention and building the resilience of people and communities.

The UHB's locality-based focus, for example the **three-year vision for Carmarthenshire**,<sup>3</sup> also focuses on the development of a more social model for

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<sup>2</sup>

<http://www.wales.nhs.uk/sitesplus/documents/862/A%20Healthier%20Mid%20and%20West%20Wales%20FINAL%20amended%20-%2028.11.18.pdf>

<sup>3</sup> <https://drive.google.com/file/d/1CNRNZw1IfHWWCwjG39U-kpzwqStvSU3v/view>

INTERIM REPORT – 13/01/21:

Community Wealth Building

Hywel Dda University Health Board

health, and recognises the role of wider socio-economic factors as determinants of health:

*"We know that the contribution of health and care services to overall health and wellbeing is small compared to factors such as education, housing and employment. We must therefore work with partners in an integrated and collaborative way to deliver a more social model for health. The adoption of this social model for health requires us all to think differently and to play our individual part in preventing ill health, living healthier lives and contributing to our communities".*

The UHB's **2019/20 Annual Plan: Turnaround to Transformation**<sup>4</sup> sets out a shared vision, strategic goals, and long-term outcomes. This too is framed around the social model for health and stresses the importance of continuous engagement with key stakeholders.

This progressive organisational positioning provides a solid strategic foundation for the types of bold and ambitious practice which characterises a Community Wealth Building approach. As the Plan states: *"Such a model for health presents enormous opportunities for us to think and act differently"*

The emphasis on a whole systems approach *"that focusses on wellbeing and, which involves every part of life that affects our health and well-being"* means the UHB is well placed to look to flex all the levers at its disposal – of which progressive procurement is one - to improve the socio-economic determinants of health and build resilience in both people and communities.

However, the Plan also signals the *"Expectation of continued downward cost pressure from procurement efficiency, and reduced cost from changes"*. It will be important to understand and articulate the strategic role of procurement in supporting the delivery of the UHB's wider vision and that procurement is not seen solely as a back-office or transactional function, with a broader view of overall value not just cost.

## Procurement Strategy

The UHB's procurement function has, since April 2011, been undertaken through a partnership arrangement by the procurement services arm of the NHS Wales Shared Services Partnership (NWSSP).

The procurement approach is governed by these national arrangements, with no local bespoke procurement strategy in place for Hywel Dda University Health Board.

NWSSP Procurement Services have a stated aim to *"strive to deliver the goals of the Well-being of Future Generations (Wales) Act 2015 through a holistic approach to its*

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<sup>4</sup> <http://www.wales.nhs.uk/sitesplus/documents/862/Item%205.3%20Annual%20Plan%202019-20.pdf>

*procurement process*". The published strategy to ensure the organisation is addressing the Act's goals includes the following:

- Reference to the WFGA within processes, particularly briefing papers.
- Generic reference with tenders to ask suppliers how they will support NWSSP to fulfil the duties of the act.
- A measure of procurement performance within PSMT reporting

Specific procurement practice to address the goals of the act is outlined as follows:

#### **NWSSP-PS support to become a more Prosperous Wales**

- Create lotting and zoning strategies which support the local economy and SME bidding. Breakdown product baskets and consider an alternative to All Wales zoning.
- Explore innovative solutions to reduce carbon use.
- Reduce, reuse and recycle where safe and possible.
- Consider guaranteeing a percentage of volume for supplier security.
- Scope dynamic purchasing agreements as a means of opening up the contract within its duration.
- Review duration of framework to encourage innovation.

#### **NWSSP-PS support to become a more Resilient Wales**

- Strive for collaboration across HBs and Trusts and other procurement organisations in Wales to drive economies of scale and secure value for money.
- Increase the opportunities for local, domestic sourcing to mitigate the impact of currency fluctuations and changes to the political environment e.g. Brexit.
- Encourage collaborative tendering to support SME participation
- Hold regular supplier engagement events.
- Advertise all opportunities on Sell2Wales.

#### **NWSSP-PS support to become a Healthier Wales**

- Take a holistic approach to sourcing to consider prevention and treatment.
- Through tender evaluation methodology ensure products are of optimum quality to aid treatment.
- Set minimum healthcare standards or product specification to guarantee quality. Fail suppliers who do not conform.

#### **NWSSP-PS support to become a more equal Wales**

- Standardise products and services across Wales to create equity of healthcare treatment and service.
- Implement community benefits within all contracts.
- Seek opportunities for withholding contracts for disadvantaged groups.

- Use sourcing practices to tackle health inequalities through increasing access to, and quality of treatment for all persons.

#### **NWSSP-PS support to become a Wales of Cohesive Communities**

- Engage with voluntary and community groups to support services within the community where appropriate.
- Include community health council members within tender processes
- Reflect diversity within communities when necessary.

#### **NWSSP-PS support to become a Wales of Vibrant Culture and Thriving Welsh Language**

- Include reference to the Welsh Language Act within tender documentation. Set requirements within contracts to deliver services in the medium of Welsh where necessary.
- Enlist support from suppliers to celebrate Welsh culture e.g. traditional foods on St Davids day.

#### **NWSSP-PS support to become a Globally Responsible Wales**

- Use whole life costing methodology to mitigate environmental impact
- Implement requirements of Ethical Employment Code of Conduct and Modern Slavery Act within tenders
- Purchase products with ethical (environmental & social) certification including fairly traded products
- Ensure suppliers within tiered system of supply are regulated throughout full supply chain
- Encourage HBs and Trusts to limit the purchase of products known to damage the environment.

## **4. Evidence Review**

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### **Local economy mapping and sectoral analysis**

To carry out an economic review which captures the specificities of the local economies in the UHB's geographical footprint, whilst also reflecting the broader national changes arising from the Covid-19 crisis, we have utilised a number of datasets.

To understand the employment and labour market picture, CLES has utilised the most recent Business Register and Employment Survey dataset, which details the number and proportion of employees within a local area working within specific high-level sectors of the economy.

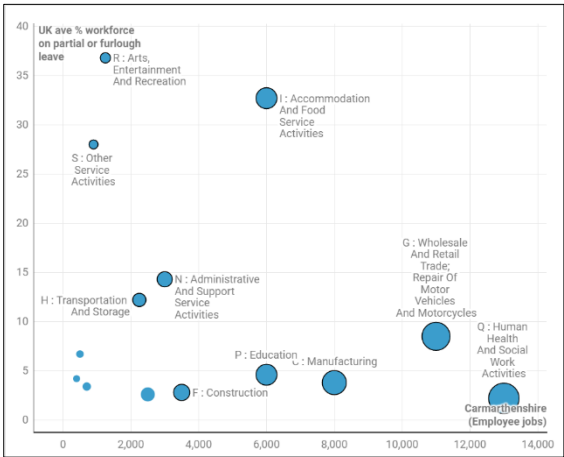


A current proxy indicator for sector vulnerability due to the Covid-19 pandemic is HMRC Coronavirus Job Retention scheme data. Whilst sectoral data for local authority areas is not provided in this dataset, it is possible to create a proxy for the areas covered by the UHB's footprint by using UK-wide sectoral data, which shows the percentage of employees on partial or full furlough leave<sup>5</sup>.

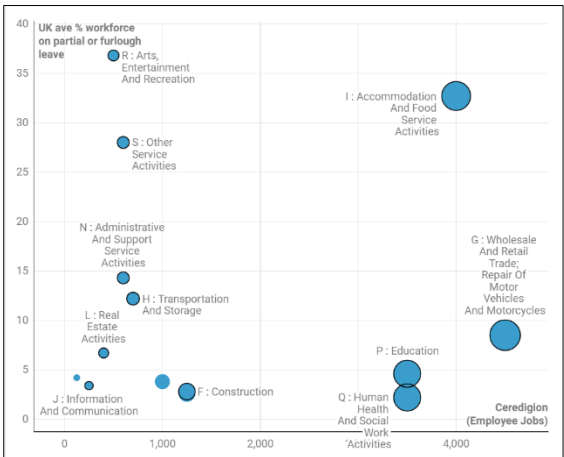
The figures below show the size (total employee numbers) and relative vulnerability of different sectors in the three relevant local authority areas covered by the UHB's geographic footprint.

Across each of the three local authority areas the accommodation and food services sector remains a sector of significant current concern, as it represents a significant jobs base (18,000 employees) and a third of the workforce in this sector are on partial or full furlough leave.

**Sector employment and vulnerability - Carmarthenshire**

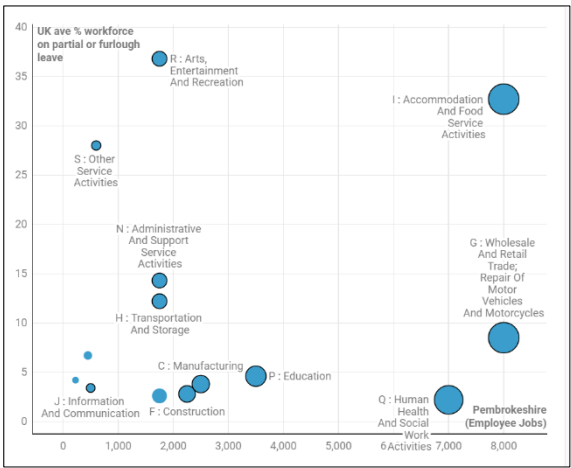


**Sector employment and vulnerability - Ceredigion**



<sup>5</sup> Data for Wave 20 (30 November to 13 December 2020) has been used in this analysis.

Sector employment and vulnerability - Pembrokeshire



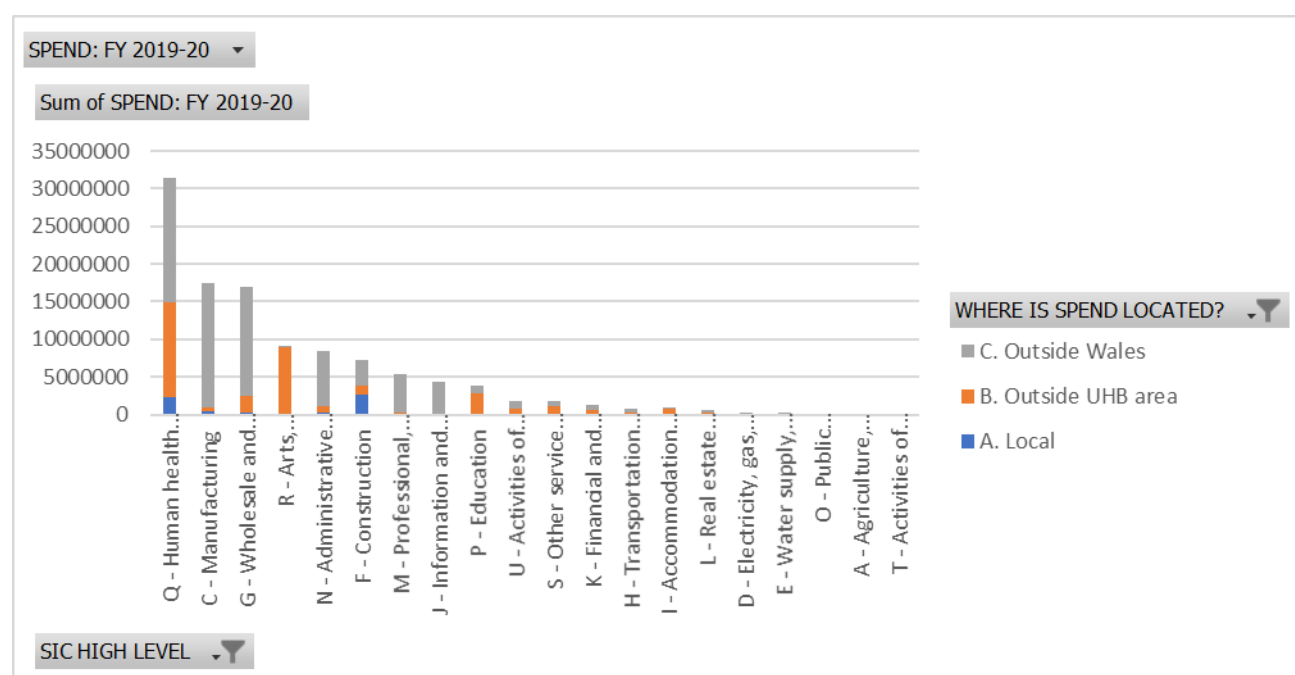
Spend analysis review and gap analysis

CLES undertook a gap analysis by accessing the UHB’s spend data for the financial year 2019/20 (as provided via Atamis) and mapping it against the relevant Standard Industrial Classification (SIC) codes. The ‘leakage’ of spend from contracts with suppliers which are based outside of Wales was examined and split by high and low-level SIC codes.

It was then possible to examine this spend by low level SIC code and compare this with the potential supply of firms available locally – split by those based within the UHB’s geographical footprint and in Wales.

Following this the Companies House data records on the number and location of businesses across Carmarthenshire, Ceredigion and Pembrokeshire and Wales more generally were extracted and cleansed. It was then possible to examine the profile of suppliers (e.g., supplier size) by geography.

## Spend by sector and supplier geography

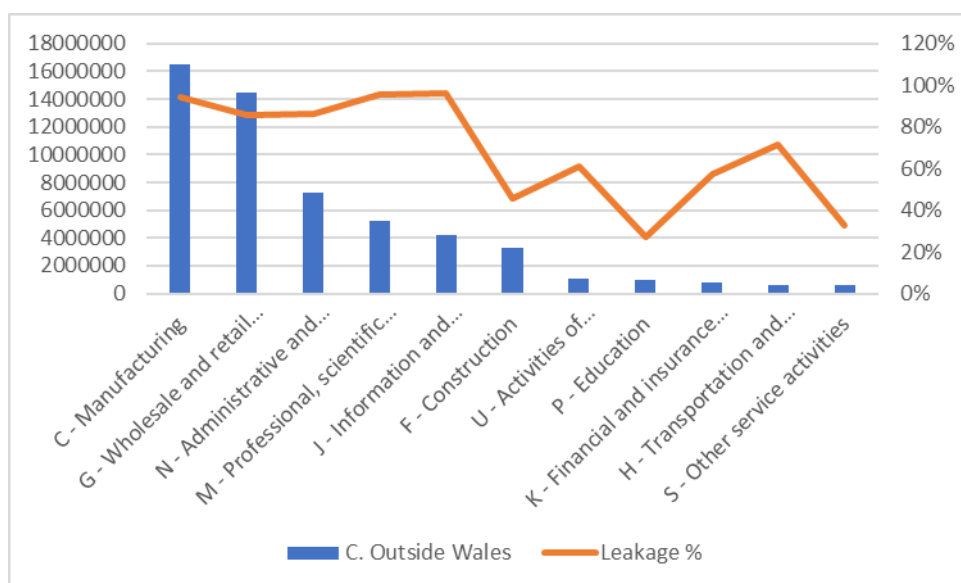


Row Labels	A. Local	B. Outside UHB area	C. Outside Wales	Grand Total
Q - Human health and social work activities	£2,227,351	£12,643,034	£16,467,582	£31,337,967
C - Manufacturing	£497,925	£475,710	£16,501,111	£17,474,746
G - Wholesale and retail trade; repair of motor vehicles and transport equipment	£286,829	£2,115,250	£14,461,723	£16,863,802
R - Arts, entertainment and recreation	£832	£8,889,137	£8,718	£8,898,687
N - Administrative and support service activities	£272,275	£889,648	£7,294,861	£8,456,784
F - Construction	£2,570,633	£1,338,048	£3,283,171	£7,191,852
M - Professional, scientific and technical activities	£12,750	£222,878	£5,192,686	£5,428,314
J - Information and communication	£4,821	£161,409	£4,184,894	£4,351,124
P - Education	£31,468	£2,736,651	£1,017,909	£3,786,028
U - Activities of extraterritorial organisations and other service activities	£0	£702,795	£1,100,768	£1,803,563
S - Other service activities	£13,091	£1,161,949	£565,026	£1,740,066
K - Financial and insurance activities		£562,660	£746,811	£1,309,471
H - Transportation and storage	£54,062	£189,694	£616,613	£860,369
I - Accommodation and food service activities	£17,190	£756,517	£76,944	£850,651
L - Real estate activities	£158,043	£97,685	£337,556	£593,284
D - Electricity, gas, steam and air conditioning supply		£304	£236,537	£236,841
E - Water supply, sewerage, waste management and remediation activities	£14,443	£25,479	£64,610	£104,532
<b>Grand Total</b>	<b>£6,161,713</b>	<b>£32,971,740</b>	<b>£72,163,005</b>	<b>£111,296,458</b>

The figure and table below show the highest 'leakage' (spend with suppliers based outside of Wales) by sector - as an absolute value and as a percentage of all spend in each sector.

As can be seen, spend with suppliers in the 'manufacturing', 'wholesale and retail', 'administrative and support services', 'professional, scientific and technical activities' and 'information and communication' sectors represent the highest 'leakage' values both in absolute terms and as a percentage of all spending in those sectors.

## 'Leakage' by value and as a percentage of all spend in sector



Sector	C. Outside Wales	Leakage %
C - Manufacturing	£16,501,111	94%
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	£14,461,723	86%
N - Administrative and support service activities	£7,294,861	86%
M - Professional, scientific and technical activities	£5,192,686	96%
J - Information and communication	£4,184,894	96%
F - Construction	£3,283,171	46%
U - Activities of extraterritorial organisations and institutions	£1,100,768	61%
P - Education	£1,017,909	27%
K - Financial and insurance activities	£746,811	57%
H - Transportation and storage	£616,613	72%
S - Other service activities	£565,026	32%

Examining these sectors by low level SIC code and cross-referencing Companies House datasets illustrates the potential local and Wales-based supply. The table below shows the spend outside of Wales on suppliers by low-level SIC code for the manufacturing sector, filtered for subsectors where leakage exceeds £100k. Similar information for the other highest 'leakage' sectors will be provided in the Appendices to the final report, and data shared with the procurement team.

C - Manufacturing	Leakage Spend (£)	Number of unique suppliers	Potential supply local	Potential supply Wales
32500 - Manufacture of medical and dental instruments and supplies	6,442,706	144	4	93
20301 - Manufacture of paints, varnishes and similar coatings, mastics and sealants	2,660,613	2	10	27
21100 - Manufacture of basic pharmaceutical products	2,143,185	25	3	46
21200 - Manufacture of pharmaceutical preparations	1,793,806	9	3	13

32990 - Other manufacturing n.e.c.	713,377	87	706	1586
33190 - Repair of other equipment	557,299	25	34	354
26600 - Manufacture of irradiation, electromedical and electrotherapeutic equipment	303,549	7	#N/A	3
28220 - Manufacture of lifting and handling equipment	228,434	7	#N/A	33
22290 - Manufacture of other plastic products	192,678	21	17	218
16290 - Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials	187,613	2	10	110
20590 - Manufacture of other chemical products n.e.c.	168,149	10	1	64
31090 - Manufacture of other furniture	153,686	15	22	212
28990 - Manufacture of other special-purpose machinery n.e.c.	147,076	20	26	159
25990 - Manufacture of other fabricated metal products n.e.c.	146,547	14	51	436
10850 - Manufacture of prepared meals and dishes	140,821	1	3	34
20411 - Manufacture of soap and detergents	135,317	7	4	36
26200 - Manufacture of computers and peripheral equipment	127,569	6	4	34
17219 - Manufacture of paper and paperboard containers other than sacks and bags	127,182	3	#N/A	17
33170 - Repair and maintenance of other transport equipment	115,457	3	23	248
10890 - Manufacture of other food products n.e.c.	111,053	5	14	110

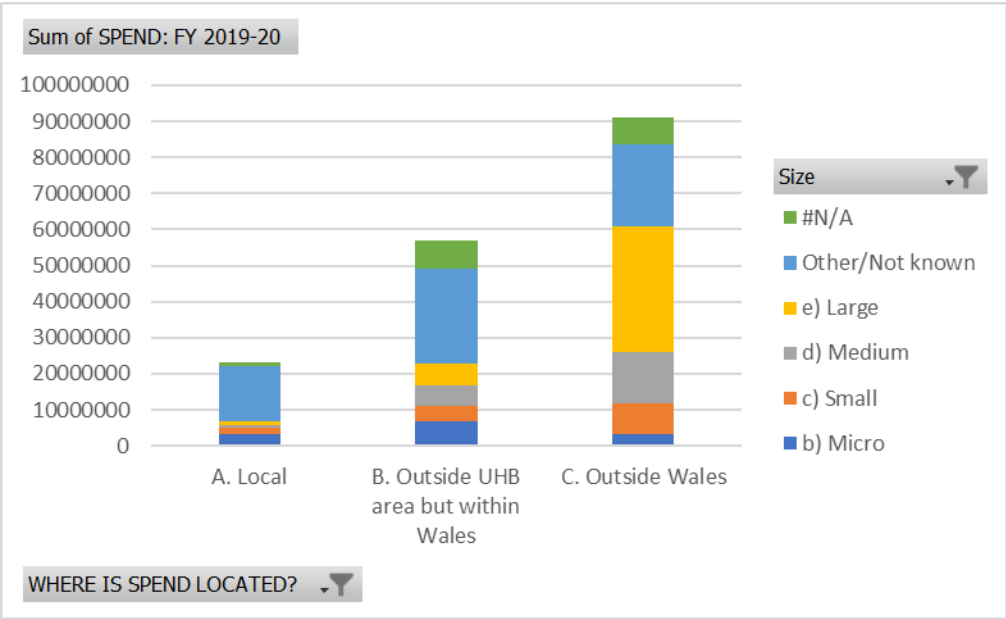
It should be noted that this illustrates only a theoretical potential to localise supply. SIC code classifications describe a broad categorisation of a company's business activities – the ability of these companies to meet demand will depend on the specific nature of the commodity or service being procured. However, this provides a useful starting point for the UHB's procurement function to examine relevant contracts and identify opportunities to engage with potential local suppliers. In this respect, close working with the business support and development functions in the three local authorities would be valuable - both in terms of exploring where there is potential to localise contracts and (where local supply is under-developed to meet demand in high areas of leakage) to explore the scope for more interventionist market development or market shaping.

There is existing precedent in this respect, with new local supply opportunities having been developed in low-level clinical engineering to meet the demand for Personal Protective Equipment (PPE) arising from the Covid-19 pandemic. The approach to supplier engagement and support for local businesses to repurpose

their capabilities and capacities to meet that demand foreshadows what more is possible if this approach were to be applied to other areas of demand.

Local suppliers are more likely to be SMEs. Where spend is outside of the UHB area, and particularly when outside of Wales, the suppliers are more likely to be large businesses.

**Profile of businesses being procured from – size of business (all sectors) by supplier geography**



# 5. Stakeholder findings

CLES have scheduled one-to-one interviews with the procurement team and senior staff in the UHB (taking place w/c 4<sup>th</sup> and 11<sup>th</sup> January). A summary of the issues raised in the interviews – and associated observations and recommendations - will be included in the final report.

# 6. Advancing progressive procurement in Hywel Dda UHB

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This section will be completed following the stakeholder interviews. High level themes identified to date, for the purposes of this **Interim Report**, are:

## 1. **Developing a strategic approach to procurement.**

Developing a Hywel Dda UHB procurement strategy to supplement the nationally led procurement approach through NWSSP. For a strategic approach to procurement to be effective, the process needs to shift from being transactional to one which is relational and fully embedded as part of wider organisational strategy. This needs a whole-organisational focus on each aspect of the 'Cycle of Procurement':

- **Step 1: Governance and Strategy**

Putting in place the strategic and governance conditions to enable it to happen. We recommend that the UHB develops its own Social Value Procurement Strategy and Framework that outlines the types of wider (Social Value) outcomes it wants to achieve through procurement. This would sit alongside and compliment nationally led procurement through the NWSSP, enabling a bespoke local approach to procurement where there is the flexibility and identified benefit in doing so, whilst also seeking to positively influence the national approach.

These priorities need to be determined locally, through internal engagement and dialogue with external stakeholders – there are opportunities to collaborate with key Public Service Board (PSB) partners across the UHB's geographical footprint in this process.

Internal engagement and communications should seek to ensure that there is recognition and encouragement of the need to be socially conscious, as well as cost conscious and support for the required behavioural and practice changes needed to shift from a transactional to a more relational approach.

This approach can be supported through tools such as the TOMS (Themes, Outcomes, Measures) and linked measurement and monitoring systems.

- **Themes** – The overarching strategic themes that an organisation is looking to pursue



- **Outcomes** – The objectives or goals that an organisation is looking to achieve that will contribute to the Theme.
- **Measures** – The measures that can be used to assess whether these Outcomes have been achieved

Importantly, these need to be strategically owned and considered in a structured and routine way at senior leadership level.

### **Step 2: Commissioning**

This is the process of designing the good, service or work the UHB is looking to procure. Here there needs to be a focus on how the outcomes of the Social Value Procurement Framework can be potentially applied to what the UHB is looking to purchase and how the process can be adapted to support SMEs and organisations with a social purpose to bid, for example.

### **Step 3: Pre-Procurement**

This relates to the steps taken to make the market aware of the good, service or work the UHB is looking to purchase and any wider outcomes you are looking to achieve through the process. Consideration should be given to the most effective mechanisms including a greater emphasis on direct engagement with the market.

### **Step 4: Procurement and decision-making**

This is the actual procurement process itself, where potential suppliers are asked to demonstrate how they will deliver the good, service, or work, how much it will cost, and how they will contribute towards the wider outcomes contained in the social value policy and framework. This will need to be evaluated in both a qualitative and quantitative manner.

### **Step 5: Monitoring**

This is where the successful supplier delivers the good, service or work contract. The UHB will need to establish processes to be able to effectively monitor the extent to which suppliers are delivering on Social Value outcomes during delivery, and support suppliers through effective brokerage.

## **2. The need for a clearer articulation of value from a foundational economy and socio-economic perspective.**

As a core anchor organisation with significant heft in the local economy, the UHB can positively influence the local economies across its geographical footprint. To do so requires not just a theoretical commitment to using its purchasing power to improve socio-economic conditions (and hence the wider social determinants of health) in the local economy, but the actual delivery of tangible benefits through changes in policy and practice. This needs a step change – a new covenant with local economies that explicitly values and prioritises investment in the local foundational economy and recognises this in value terms, rather than focusing solely on cost.

### 3. Maximise the potential for localising spend.

- Explore contracts with suppliers in those sectors where there is high 'leakage' to determine their potential for localisation.
- Work with the local authorities and other stakeholders develop an approach to market engagement with the potential local supply base in relation to those contract opportunities.
- Collaborate with the local authorities' business support functions to share intelligence as to where there is scope for more interventionist market shaping or market development to enable potential demand to be met locally.

### 4. **Create a cross-cutting Community Wealth Building (CWB) narrative for the UHB**, in partnership with other anchor organisations at the PSB level - building on this phase of work on procurement to explore the other CWB pillars (including workforce, land and property assets and financial assets), starting with a diagnostic approach to identify the potential for practical actions under each of these pillars to deliver socio-economic and wellbeing benefits locally.

# 7. Next steps

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CLES' next steps to complete this phase of work (February/March 2021) are:

- Internal stakeholder interviews to tease out in more detail various aspects of current procurement practice, explore at a more granular level specific supply chain opportunities, and develop a better understanding of the future profile of planned spend on both a regular/recurring and project basis.
- Workshop with the procurement team to share emerging findings and recommendations and explore specific opportunities for localising spend.
- Conduct a supplier survey of the UHB's top suppliers to be able to better quantify local economic multipliers and explore opportunities to enhance these.

Future phases of work will:

- Support the development of a bespoke Procurement Strategy and Social Value Framework for the UHB, including working with other stakeholders to develop the tools and processes to embed this, including quantifying benefits and reporting methodologies.
- Community Wealth Building diagnostics for the other community wealth building pillars - workforce, land and property assets and financial assets – to support a more holistic, cross-cutting Community Wealth Building (CWB) narrative for the UHB.



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