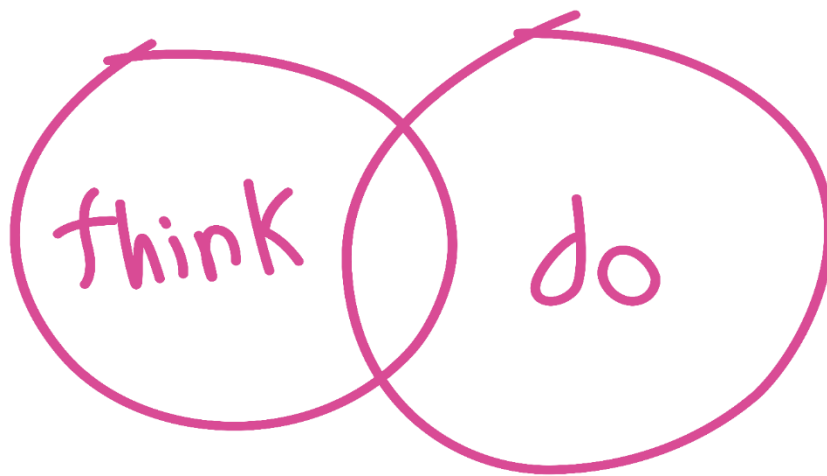

COMMUNITY WEALTH BUILDING THROUGH PROGRESSIVE PROCUREMENT IN WALES



DRAFT Report prepared by
Centre for Local Economic Strategies (CLES)
Presented to
Welsh Government

Centre for Local Economic Strategies

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About this report

This report by the Centre for Local Economic Strategies (CLES) for the Welsh Government marks the beginning of a journey to adopt a process of progressive procurement across Wales

About the author(s)

This report was prepared by CLES Chief Executive Neil McNroy and Researcher Jonty Leibowitz. We would like to thank Nick Sullivan and Jonathan Hopkins from the Welsh Government in particular for their assistance.

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1 INTRODUCTION AND CONTEXT

This report by the Centre for Local Economic Strategies (CLES) for the Welsh Government marks the beginning of a journey to adopt a process of progressive procurement across Wales, framed by 'Community wealth building' and Foundational Economy. CLES has been commissioned by the Welsh Government to give recommendations on how this agenda can be advanced through the development of local programmes, with a particular focus on implementing progressive procurement activities which represent local wellbeing priorities for local anchor institutions in defined regions and localities. The intention behind this work is to reset the economy of Welsh places, and advance the cause of social, economic, and environmental justice of the people of Wales.

The following report presents CLES' recommendations on how best to design, implement, and take learnings from a progressive procurement programme. These recommendations have been written based on a series of consultations with key stakeholders across the Welsh Government, as well as reviewing key corporate strategies and policies, and our own extensive experience across a range of UK and European administrations. The recommendations made are also designed to spark practical action that can take this agenda forward with real and tangible steps, beyond the mere conceptual.

The report is split into the following sections:

- ❑ **Section 1** places the report within the local strategic and wider Welsh contexts and gives an overview of the methodology employed;
- ❑ **Section 2** details the findings of the analysis of existing progressive procurement activities undertaken by the Welsh Government;
- ❑ **Section 3** details our recommendations for the implementation of a progressive procurement programme with a methodology and timeline.

1.1 Report methodology

In order to produce this report, CLES Chief Executive Neil McInroy and Researcher Jonty Leibowitz have conducted semi-structured interviews with senior stakeholder from across Welsh Government, including the National Procurement Service, Value Wales, Commercial Innovation, Fair Work and Economic Action Plan. The full list of stakeholders we spoke to is available in Appendix 1.

We have also undertaken a desk review of the relevant Welsh Government strategy and policy documentation, in order to understand the specificities of procurement and economic development in a Welsh context. Our desk review (outlined in Section 2) has allowed CLES to adapt our community wealth building methodology that has been used in dozens of places across the UK and Europe to fit into a bespoke Welsh context.

This work commenced in December 2018 and has reported in May 2019.

1.2 Why this work is important

Available evidence suggests that alternative approaches are called for which can drive a different growth model. Last year, OECD data showed that the UK is the only developed economy in which wages fell while the economy was actually growing, albeit meagrely.¹ The UK is an economy where one in eight workers live in poverty,² and where 1.3 million people (including children) rely on food banks.³ For the vast majority, life in Britain is getting more difficult, with contracting wages, rising cost of living, and a shrinking welfare state.

Wales has felt these challenges with particular force. 23% of all Welsh individuals currently live in poverty (defined as income 60% below the UK median); a rate which is worse than any English or Scottish region bar London and equal to the West Midlands.⁴ The key drivers of rising poverty in Wales are reduction to working benefits, rising living costs (particularly housing), and poor quality of work, particularly in the context of deindustrialisation.⁵ Poverty is now widespread across Wales, however the 2014 Welsh Index of Multiple Deprivation identified high relative deprivation in the two main cluster areas; the South Wales Valleys and large cities; and the North Wales coastal and border towns.

Fuelling this inequality is the fact that the fruits of growth are too easily extracted by the already wealthy few, rather than increasing incomes for the majority. The problem is not just a lack of wealth but where this wealth goes, who owns it and who benefits from it. At a local level, the prevailing model of economic development has partly failed to engage with these questions of wealth distribution, focusing instead on generating contributions to GDP.

The need for a new approach to economic development has been recognised by the Welsh Government, for example the call for 'growth with a purpose' in the Economic Action Plan (May 2018).⁶ The need for a rebalancing of the Welsh economy is made even more necessary in the wake of major challenges such as the Brexit uncertainty and a decade of austerity. The Welsh Government has committed to boosting overall wellbeing across Wales, including improving social and economic opportunity to break the cycle of poverty and social pain. In order to achieve these aims, however, radical change is needed through the implementation of a community wealth building approach.

1.3 What is an inclusive economy?

An inclusive economy is an economy which is focussed on social goals, social justice, environmental sustainability and prosperity for all. It contrasts to inclusive growth which aims to improve living standards and share the benefits of increased prosperity more evenly across social groups. From an inclusive growth perspective, inclusion is about what happens socially to growth after we have growth. Whilst helpful, however, this aim is limited, and limiting, given the scale of the social issues and economic challenges facing our society.

By contrast, an inclusive economy offers a more voracious conceptual frame to the social benefits that flow from, or feed into, economic activity. In essence, an inclusive economy is a functioning economy which is intrinsically married to social goals, social justice, environmental sustainability and prosperity for all. This is not inclusion after the fact of growth, or inclusion which fits within a liberal market frame. Instead inclusive economy seeks to develop inclusion with or without growth, whilst seeking to address the fundamental social flaws of market liberalism. Inclusive economy is not merely about the poor social effects of economic growth outcomes, it is about

¹ <https://www.ft.com/content/83e7e87e-fe64-11e6-96f8-3700c5664d30>

² <https://www.jrf.org.uk/press/uk-poverty-2017-country-reaches-turning-point>

³ <https://www.independent.co.uk/news/uk/home-news/food-banks-uk-how-many-people-adults-poverty-a8386811.html>

⁴ <https://gov.wales/statistics-and-research/economic-indicators/poverty-wealth?lang=en>

⁵ Barnard H (2018) Poverty in Wales 2018- JRF.

⁶ Welsh Government (May 2018)- Prosperity for All; economic action plan.

addressing the causes which are created by the market liberal approach to growth. This agenda is aligned to a belief in heterodox economics and new forms of economic democracy and urban development such as new municipalism,⁷ an alternative characterised by the current wave of progressive policy and practice, emerging across Europe and beyond. This new wave is driven by a need for resilience, and a much deeper concern for place action on economic and social justice.

Consequently, this approach prompts local government to take a more 'activist' position: stepping into the market to enable, mediate and cajole other actors as a means of maximising local and commercial benefit. Fundamentally this relates to building Community wealth, securing social outcomes and new models of ownership. Above all, this is about the principle of economic gains, which occur through the actual functioning of the economy, not just via 'after-the-fact' benefits or through the redistribution of any growth. Work by CLES with local municipalities (i.e. Barcelona, Oldham, Preston and Birmingham) and similar work of organisations such as The Democracy Collaborative in the USA, is reflective of this new wave.

1.4 What is Community wealth building?

As a fundamental driver of this new approach, community wealth building aims to reorganise and control the Local economy so that wealth is not automatically extracted but broadly held and generative, with local roots, so that income is recirculated as much as possible, communities are put first and people are provided with quality of opportunity, dignity and well-being. Through community wealth building we are seeing a democratic, social, cultural, and economic movement, which seeks to provide resilience where there is risk and local economic security where there is precarity.

Community wealth building has a particular focus (though not exclusively so) on the activities of anchor institutions. Anchor institutions are large established organisations, rooted in local communities, which can improve local economic and social wellbeing through the use of their spend, employment practices, and use of land and assets.

At the heart of the Community Wealth building approach, then, are five strategies for harnessing existing resources to enable local economies to grow and develop from within.

- 1) **Plural ownership of the economy.** At the heart of Community Wealth Building is the principle that wealth is broadly held. Cooperatives, mutually owned businesses, SMEs, municipally owned companies and local banks enable the wealth generated in a Local to stay in that locality and play a vital role in counteracting the extraction of wealth.
- 2) **Making financial power work for local places.** Community wealth building seeks to increase flows of investment within local economies. It does this by harnessing the wealth that exists locally, rather than by seeking to attract national or international capital. For example, local authority pension funds are encouraged to redirect investment from global markets to local schemes. Mutually owned banks are supported to grow, and regional banking charged with enabling local economic development are established.
- 3) **Fair employment and just labour markets.** Often the biggest employers in a place, the approach that Anchors 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 Anchors can take to stimulate the local economy and bring social improvements to local communities.
- 4) **Progressive procurement of goods and services.** Progressive procurement can develop dense Local supply chain of Local enterprises, SMEs, employee owned businesses, social enterprises, cooperatives and other forms of local ownership. This type of procurement is

⁷ <https://cles.org.uk/blog/Community-government-the-commons-the-time-has-come/>

locally enriching because these types of businesses are more likely to support local employment and have greater propensity to retain wealth and surplus locally.

- 5) **Socially productive use of land and assets.** Anchors are often major land holders and can support equitable land development (through establishment of Community Land Trusts) and development of under-utilised assets for local use. In terms of financial investments, directing pension funds to locally investment priorities can bring transformative capital to locally rooted enterprises.

1.4.1 Why focus on procurement rather than all five Community wealth building pillars?

This initial scheme of work with the Welsh Government focuses on only **one** of the five pillars of community wealth building; the progressive procurement of goods and services. There is appetite across Welsh Government to develop schemes of work across all five pillars of community wealth building (e.g. as set out in the First Minister's manifesto and the Written Statement of September 2018 announcing the outcome of the review of procurement). The intention of this work is therefore to tee-up future developments in all five areas. By honing-in on procurement, we can produce tangible outcomes that will serve as a proof of concept for the wider uptake of a further range of community wealth building activities in Wales.

CLES has and is working with multiple localities in the UK⁸ and Europe on developing schemes of work for Community wealth building, and in our experience starting with a focus on procurement can be preferable because it can create 'early wins' that will help make the case for deeper action further down the line. For example, our community wealth building work in Preston (now known widely as the 'Preston Model') commenced in 2012/13 with an initial spend analysis of Preston City Council and local anchor institutions.⁹ It was only once the procurement was relatively mature that the 'Model' scaled out to focus on the other five pillars. However, the approach in Preston is bespoke to Preston. There is no blueprint, though the above principles are a common feature of all work on community wealth building

The need to start with procurement is particularly applicable in Wales, where a great deal of work has already been undertaken across Welsh Government to focus on the social, economic, and environmental potential of the Welsh public sector's annual procurement spend.

1.5 What is a 'foundational economy'?

1.5.1 Foundational Economy agenda

In Wales, the idea of the 'foundational economy' has emerged as a conceptual frame around which to build a better and more just Welsh economy. The First Minister's Manifesto refers to the foundational economy as the large part of our economy which is devoted to meeting the everyday or 'mundane' needs of Welsh citizens.¹⁰ In December 2018 the Welsh Government actively committed to developing schemes of work around this agenda, with responsibilities given to the Deputy Minister for Economy and Transport Lee Waters AM. The Welsh Government has now introduced a 'Foundational Economy Experimental Fund', designed to practically implement the foundational economy policies set out in the First Minister's Manifesto.

The purpose of the Fund is to develop generative forms of supply and demand in these sectors, thereby overlapping with other market-making programmes as outlined in Section 2 of this report.

⁸ These include: Gateshead, Sunderland, Darlington, Hartlepool, Wakefield, Leeds, Calderdale, Kirklees, Oldham, Wigan, Manchester, Salford, Birmingham, LB Lewisham, LB Islington, Wirral, Preston, Southampton, as well as work on a pilot process in Scotland.

⁹ Jackson M and McInroy N (2017) Community Wealth Building through Anchor Institutions.

¹⁰ Drakeford, M (2018) Manifesto 21st Century Socialism (pg. 8)

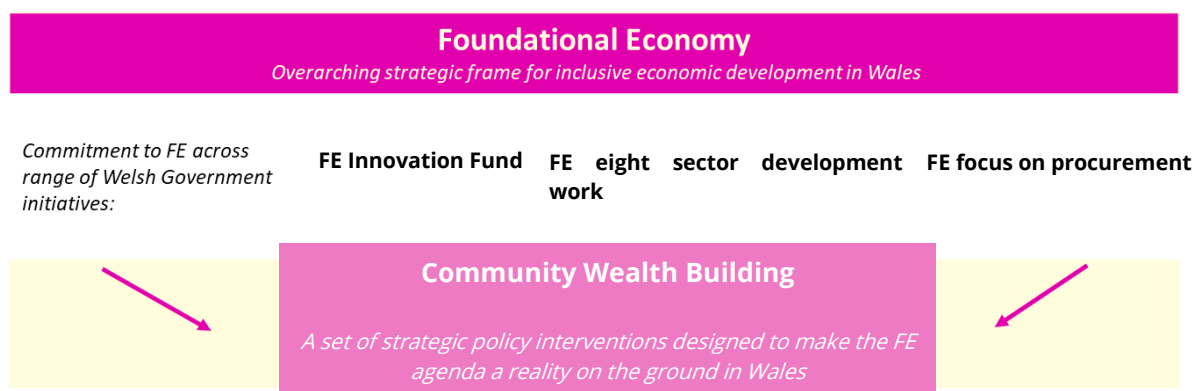
Work undertaken by the Welsh Government on the foundational economy is taking a particular national focus on the eight core 'sectors' of the foundational economy. These are; care; food; retail; tourism; construction; energy; childcare; and health. In addition, the developing foundational economy approach includes emphasis on growing the 'missing middle' to increase the number of ground firms, and joining up the value of procurement to maximise wellbeing of this expenditure. The Welsh Government has also created a Foundational Economy Network to drive this work forward.

1.5.2 Overlap between community wealth building and the foundational economy

There is a clear and strong overlap in both practice and theory between community wealth building and the foundational economy agenda in Wales. Both consider the reorganisation of the political economy of a place so that wealth is more broadly held and shared by ordinary people. However, there are differences. Community wealth building is focussed on locally realisable practice across the five pillars. As regards progressive procurement practice this is lodged in existing Welsh legislation, policy and practice and as detailed in the recommended way forward (see section 3). This community wealth building with a procurement focus is also heavily informed by decades of action, practice and behaviour change in commissioning and procurement across numerous administrations across UK and Europe.

Nevertheless, both approaches have overlapping elements in how to develop a local economy, both seek a significant recalibration and reframing of national and local economies. Moreover, both approaches seek to relocate the provision of public goods and services away from the language of 'consumers' promoted by market liberalism, and towards one that embraces a relation between individuals and the state rooted in citizenship. In community wealth building this is about the restoration of public values and recognising that the economy is a social construction owned by all citizens, whilst in the foundational economy it is about citizen entitlement and foundational services.

Given this overlap, it is imperative that the progressive procurement aspect of community wealth building and the foundational economy agendas are developed in tandem across the Welsh Government. The table below suggests ways in which the five pillars of community wealth building are commensurate with pre-existing Welsh Government activities around the foundational economy, for example the Foundational Economy Fund.



Based on the emerging Foundational Economy agenda in Wales.

With reference to the particular scheme of work at hand, it is evident that the adoption of community wealth building as regards procurement element would be an ideal arena in which to jointly develop both community wealth building and the foundational economy agendas. There are a number of ways that the practical application of community wealth building (itself a movement grounded in theory and practice in dozens of UK localities) can help the Welsh Government better understand the practical potential of the foundational economy approach.

Throughout the course of this work, overlap with the foundational economy could occur in a number of ways, including:

- ❑ Using some of the Foundational Economy funds as resource to help deliver the community wealth building through progressive procurement;
- ❑ Linking the foundational economy focus on the eight sectors with the procurement activities undertaken through community wealth building;
- ❑ Using the community wealth building pilots as a space to develop the **Fair Work** element of the foundational economy agenda, e.g. through writing fair work requirements such as the Living Wage into the procurement documents and strategies implemented regionally and locally through anchor institutions.

2 A FERTILE ENVIRONMENT FOR COMMUNITY WEALTH BUILDING IN WALES

2.1 Progressive procurement context

The context to this work is a strong pre-existing commitment from all levels of Welsh Government to adopt Community Wealth Building through procurement and related activities. A 2017 report from the Auditor General of Wales found that in 2015-16, public bodies in Wales spend around £6 billion procuring goods and services, and that this public sector spend had a significant potential to drive social, economic, and environmental outcomes for the people of Wales.¹¹ The report also found that although clear progress had been made in deepening the capacity of procurement to achieve positive social outcomes (especially since the adoption of the Wellbeing of Future Generations Act 2015), there was clear scope for improvement in this area.

This report, coupled with the review of procurement which concluded in September 2018, generated a wider awareness across Welsh Government that more attention should be focused on maximising the broader wellbeing return on the Welsh public sector's £6bn spend. The idea is that Wales' £6bn procurement spend should be strategically deployed to drive forward community wealth building and the goals of the Wellbeing agenda. For example, the First Minister's Manifesto at the 2018 leadership race (Drakeford, 2018; 8) contained a series of pledges intended to advance this agenda, including proposals to:

- ❑ *'Establish trials in the WGs 'foundation sectors' to test different approaches to community wealth building, working with all Welsh government and sponsored bodies';*
- ❑ *'Ask each local authority to identify local "anchor institutions" and work with them to audit their contracts to increase the value and volume of procurement from regionally based SMEs.'*¹²

The proposals in the First Minister's Manifesto locate community wealth building in Wales within the wider context of developing a 'foundational economy' in Wales, as outlined in Section 1 of this report. This approach is also commensurate to a series of long-standing policies and initiatives from many different actors within the Welsh Government and across Wales more generally, all of which are commensurate to the development of a procurement aspect of community wealth building.

CLES has reviewed the key policies and interviewed key stakeholders (**see Appendix 1**) in order to locate relationship between this specific scheme of work, and the wider corporate priorities and functions of the Welsh Government. Community wealth building (with focus on procurement element) in Wales sits at the intersection of many different agendas across the Welsh Government. By understanding the specific relationship between different pieces of legislation and strategic priorities, we can ensure that the uptake of this work is as wide and deep as possible and be the basis to the generation of significant social, economic, cultural, and environmental outcomes.

2.1.1 National Procurement Service

In recent years the Welsh Government has undertaken a series of activities in order to raise the profile of procurement and ensure that 'when used effectively, procurement can be a strategic tool to deliver economic benefit to the people of Wales.'¹³ This work has been undertaken in particular by two governmental agencies; Value Wales and the National Procurement Service. These two organisations have been responsible for setting the strategic priorities of procurement across all aspects of procurement and commissioning in the Welsh Government.

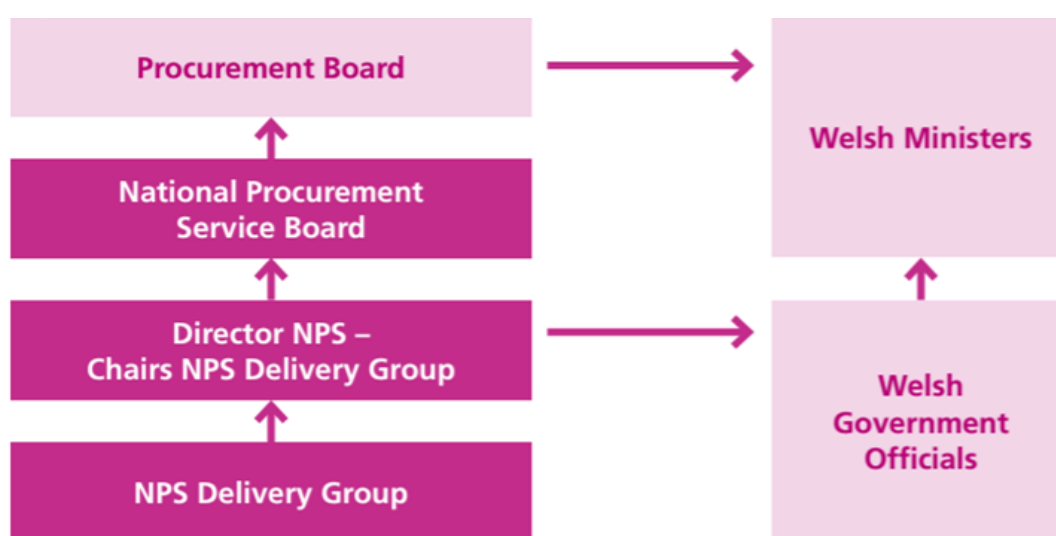
¹¹ Auditor General for Wales (2017) Public procurement in Wales (pg. 10)

¹² Drakeford, M (2018) Manifesto 21st Century Socialism (pg. 8)

¹³ Hutt, J (2015)- Wales Procurement Policy Statement

The National Procurement Service (NPS), which was established by the Welsh Government in 2013 with the objective to 'Buy Once for Wales' across the public sector and embed the strategic priorities as set out in the 2012 Wales Procurement Policy Statement. The NPS establishes framework agreements for commonly consumed goods and services on behalf of 73 customer public sector organisations, including the Welsh Government, Local Authorities, NHS, Higher Education, Further Education, Emergency Services (Fire and Police), Welsh Government Sponsored Bodies, and the National Assembly for Wales. The NPS also produces frameworks which can be used by other public sector and charitable organisations who are not named customers.

The NPS is hosted by the Welsh Government, and under previous governance arrangements, was answerable to a Board of stakeholders and Welsh ministers. It therefore plays a crucial role in linking the political priorities of Welsh Government with regards to procurement (e.g. as set out in the First Minister's Manifesto), with the practical realities of 'buying once for Wales' across the public sector.



NPS Governance Structure¹⁴

Following the review of procurement, governance arrangements have been adjourned while the NPS and Value Wales transition to new services.

2.1.2 Value Wales

Value Wales is a commercial improvement service which seeks to work with public sector customers and social partners to maximise the social, economic, and environmental impact of government spend across Wales by encouraging adoption of the Wales Procurement Policy Statement. It is through Value Wales that specific priorities of the Welsh Government can be embedded into the procurement process, for example setting decarbonisation projects into ITQs and formal procurement documents. A particular area of focus has been on using Value Wales as a vehicle to embed the principles of the Wellbeing of Future Generations Act, as outlined in Section 2.2.1.

Value Wales has previously used mechanisms such as the Procurement Fitness Check Programme, aimed at helping develop capability of public bodies to maximise the impact of their procurement expenditure.

¹⁴ National Procurement Service for Wales – Business Plan Summary (pg. 6)

2.1.3 Code of Ethical Employment in Supply Chains

As well as focusing on the direct spend of public bodies in Wales, the Welsh Government has also developed a Code of Ethical Employment in Supply Chains in order to embed social value principles deep into the supply chains of Wales' £6bn of public spend. The Code was established through a recognition that maximising the social returns on public procurement can only come through focusing on the deeper supply chain beyond the first supplier, e.g. suppliers-of-suppliers.¹⁵ Over 170 organisations have signed up to the Code including the Welsh Government; NPS; the majority of local authorities; and NHS Wales. The Welsh Government has also published a Code of Practice Toolkit in order to help organisations implement the Code.

2.1.4 Transforming Public Procurement in Wales

Over 2018-2019 the National Assembly for Wales' Public Accounts Committee conducted an inquiry into public procurement, following publication of two reports published in 2017 by the Auditor General for Wales.

In advance of the publication of the two reports, in September 2017 the (then) Cabinet Secretary for Finance, Mark Drakeford announced a review of the National Procurement Service and Value Wales. The review was undertaken collaboratively with public sector and business engagement. In a Written Statement released at the end of the review in September 2018, the Cabinet Secretary reported that the NPS would 'cease to exist in its current form', and that the Welsh Government would undertake a strategic reorganisation of its externally facing procurement services.¹⁶ The Written Statement set out a number of priorities for Welsh public procurement going forward, including:

- ❑ 'greater focus on delivering collaborative procurement agreements aligned to regional and local priorities. Such an approach will not only afford maximum access to Welsh suppliers, it will also complement the aims set out in the Economic Action Plan, the decarbonisation programme and support our drive to make Wales a Fair Work nation by leveraging fair work outcomes from public spending and procurement practice.'

Taken together, the renewed emphasis on the capacity of public procurement to deliver positive economic, social, and environmental outcomes for the people of Wales suggests a cross-cutting approach commensurate to the development of a community wealth building approach. In referencing the capacity of procurement as a strategic lever for the advancement of local and regional policy goals (for example as set out in the Economic Action Plan), it is evident that the architecture is already in place for adopting community wealth building through procurement, learning from principles CLES have already implemented in other localities across the UK.

Since October 2018, the NPS, Value Wales, and the Commercial Innovation Team have collaborated to produce a new Transition Oversight Group, with the mandate to put into effect the recommendations of the Written Statement. The Oversight Group has also led on a comprehensive spend analysis project, in order to arm the Welsh Government with better analysis on how to maximise the wellbeing potential of Wales' £6bn procurement spend.

¹⁵ Progressive procurement seeks to influence the activities of suppliers of suppliers, as well as direct suppliers of goods and services to the public sector. See Jackson M (2017)- The Power of Procurement II: The policy and practice of Manchester City Council (Pg. 22)

¹⁶ Written Statement- Review of the National Procurement Service and Value Wales Commencement Order (September 2018)

2.2 Wider policy context

2.2.1 Wellbeing of Future Generations Act (WFGA)

The Wellbeing of Future Generations Act 2015 (WFGA) is a landmark piece of legislation that requires all public bodies in Wales to put long-term sustainability at the forefront of their thinking, specifically with regards to improving the long-term social, economic, environmental, and cultural wellbeing of Wales. The Act has been recognised globally as one of the first of its kind, in that it provides specific legislative rights to persons who do not yet exist; unborn children.

Welsh Government introduced the act based on a prolonged 'National Conversation' between public services and the Welsh citizens, in which it was agreed that public bodies should do more to ensure that Wales is a sustainable place to live and work for future generations.¹⁷ The Act defines wellbeing through the adoption of **Seven Wellbeing Goals**, which include a globally responsible Wales; a prosperous Wales; a resilient Wales; a healthier Wales; a more equal Wales; a Wales of cohesive communities; and a Wales of vibrant culture and thriving Welsh language. Moreover, the Act sets out **Five Ways of Working** for public bodies in Wales, designed to help with the implementation and adoption of the seven wellbeing goals. These are; long-term; prevention; integration; collaboration and involvement.

It is also of note that procurement has been identified of the seven corporate areas of change under the Act's statutory guidance. This means that there is an expectation written into Welsh law that procurement will be strategically utilised to achieve the goals of the Wellbeing Act.

National Indicators

Section 10 of the WFGA places a legal requirement on the Welsh Ministers to set national indicators and they have subsequently set 46 indicators, which can be measured quantitatively or qualitatively. The 46 indicators are a combination of indicators taken from the United Nations Sustainable Development Goals (e.g. life expectancy), and Wales-specific indicators (e.g. percentage that can speak the Welsh language).¹⁸

The indicators offer a useful framework with which to clearly measure the impact of actions in terms of outcomes for Welsh citizens.

Public Service Boards

The WFGA established Public Service Boards (PSBs) in each of Wales' 22 local authority areas. Some of these have subsequently merged, so there are currently 19 PSBs. The Boards are designed to bring together specified public bodies in - in a local area in order to allow them se public sector organisations to work together on collaboratively improving the economic, social, environmental and cultural well-being in that area.

Each Board has its own individual structure and example membership listing, but at a minimum each of the nineteen contains the local authority, Natural Resources Wales, the Local Health Boards and local Fire & Rescue Services.

Assessments of Local Well-being and Local Well-being Plans

The WFGA lays out a statutory requirement for Public Service Boards to produce an assessment of local well-being for the area. The purpose of this work was to inform the production of bespoke local well-being Plans, which would describe the contribution within the area to achieving the well-being goals.

¹⁷ Welsh Government (2015)- The Wellbeing of Future Generations Act- the essentials.

¹⁸Welsh Government (2016) How to measure a nation's progress? National indicators for Wales.

Case Study: Torfaen Public Service Board

Torfaen Public Service Board was established in April 2016 under the terms of the Wellbeing of Future Generations Act, bringing together senior representatives from fourteen public sector and voluntary organisations in Torfaen. The Board is chaired by Cllr Anthony Hunt, the leader of Torfaen County Borough Council.

The Torfaen Board started by published a Community Assessment of Wellbeing in May 2017, which mapped out the main social, economic, cultural, and environmental, and cultural issues facing Torfaen's people and place. This in turn led to the production of the **Wellbeing Plan for Torfaen 2018-2023**, a proposal document which set out the activities the Board would collaboratively undertaken in order to improve the wellbeing of local citizens. As per the term of the Wellbeing Act, the Wellbeing Plan makes specific references to how wellbeing progress will be measured against the 46 National Indicators.

The Wellbeing Plan for Torfaen makes specific reference to utilising Community wealth building techniques around procurement as one means to stimulate anchor activity through and achieve better outcomes.

2.2.2 Better Jobs Closer to Home

Community wealth building through procurement in Wales is also framed by the Better jobs Closer to Home programme, a joint initiative between the Welsh Government and the Wales TUC designed to increase the quality and quantity of good, meaningful employment for Welsh citizens in areas of particularly high unemployment and underemployment. It is inextricably linked to community wealth building and development of a new, progressive procurement programme for Wales.

The Better Jobs programme sits within the portfolio of the Deputy Minister for Economy and Transport and thus far involves bespoke pilot programmes across Wales. All projects involve taking innovative commercial approaches and introducing creative interventions for both tier one suppliers and supply chain partners, to help sustain and create jobs in areas of high need.

The purpose of the programmes is to model ways that the Welsh Government can take a more active approach in intervening in the supply and demand of local labour markets, e.g. by stimulating the skills and quality of a local labour force at the same time as ensuring there is the adequate demand for the goods and services produced by this labour force. This work is therefore relevant to community wealth building through procurement because it indicates the potential overlap between economic development and the strategic procurement of public goods and services.

2.3 CLES remarks

Reviewing the totality of activity currently undertaken by Welsh Government in this space, it is the CLES view that there is an excellent frame to advancing the community wealth building, through progressive procurement agenda. As such we believe the time is now ripe to drive this agenda forward through targeted, strategic action.

Existing innovation in the procurement space reflects an awareness that the £6bn spent by the Welsh public sector buying goods and services should be used to maximise outcomes for Welsh citizens. Specifically, it is clear that procurement will be an essential lever for the nineteen Public Service Boards to advance their Local Wellbeing Plans and make progress with the 46 National Indicators of the Wellbeing of future Generations Act.

There is now a clear need to bring these many agendas together and put them into tangible action. Experience from across the rest of the UK and Europe, suggest to CLES that community wealth building in Wales has been given an excellent head start by the multiplate of legislative and infrastructural agendas at play in this space. As such, Wales is in a favourable position to realise this favourable context and opportunity and therefore put 'boots on the ground' and deliver real outcomes.

3 TAKING FORWARD COMMUNITY WEALTH BUILDING IN WALES; A FOCUS ON PROGRESSIVE PROCUREMENT

As demonstrated in the previous section, there is a strong contextual frame to advancing community wealth building through progressive procurement in Wales. In CLES' experience the most successful outcomes are only delivered when a community wealth building approach works in tandem with the broader strategic policies and objectives at work in a given place. Community wealth building is not an abstruse concept or simple 'policy fix'; rather it is about developing bespoke programmes, practice and behaviours to embed long-term cultural changes in how public institutions understand their role in generating wealth and good local economies for people and place.

The Welsh Government has two specific advantages which ought to be utilised when designing a practical scheme of work to drive this agenda forward.

- ❑ **Elevated awareness and policy around procurement.** The first is that an understanding that public procurement should drive social, economic, cultural, and environmental outcomes is already deeply embedded across many areas of the Welsh Government and elsewhere. In both the National Procurement Service and Value Wales, CLES has found willing and able stakeholders with the necessary skills and appetite to further realise the full wellbeing value of procurement.
- ❑ **Existing architecture.** The second advantage is that the creation of Public Service Boards through the Well-being of Future Generations Act offers a ready-made opportunity to work with an established partnership to deliver on this work. Community wealth building through the procurement aspect is most successful when there is a strong incentive at the local level for public, private, and semi-public institutions to play a more active role in delivering a good local economy. The presence of the Public Service Boards and the development of Local Well-being Plans suggests that this ethos (and the necessary institutional frame) already exists in localities across Wales.

In this section, we present our **indicative recommendations** for how the Welsh Government should build on these advantages and take forward community wealth building through a bespoke programme of progressive procurement, working with Public Service Boards. This would need to be subject to a more detailed work with Welsh Government, which was not part of this commission. As such this is indicative only.

It is our belief that the best way to develop this approach would be through a programme in which 6-8 'early adopter' localities are supported to take this work on as regards the progressive procurement aspect of community wealth building, with a deep learning and evaluation process alongside this first wave. With this approach it is possible that changes could be made to the programme before full roll out. Thus, we envisage any changes made for the second wave could see resource savings, implementation wrinkles overcome and time improvements.

The above recommendation is based on CLES' extensive experience of implementing community wealth building in numerous localities across the UK and Europe, although the approach is bespoke to Wales and would be the first of its kind. Below, we set out why we believe this staged roll out is preferable to an immediate 'all area' roll out; assess the strengths and barriers of this approach; offer a programme methodology; and suggest an indicative timeline for this project.

3.1 Key success factors

Given the interest and appetite for progressive procurement across Wales, it could be argued that the Welsh Government could proceed to an immediate roll-out of community wealth building across all areas of Wales. However, it is CLES' belief that the best way to conduct this

process is through a programme, in which 6-8 'early adopter' local areas are chosen to initiate a three-year trial of this process, before a full national roll-out after one year. We believe that this approach is preferable for a number of reasons, including that;

- ❑ **Approach allows us to learn through iteration.** Community wealth building through procurement aspect is about learning through iteration and doing. Developing a process in order to take wider learnings is an approach entirely commensurate to the Community wealth building approach.
- ❑ **Working at the local level reduces barriers.** There are comparatively fewer institutional and bureaucratic barriers to changing policy on a local level compared to at the national level of the Welsh Government. Going in at the local level as opposed to legislating from the centre, will allow for a more agile, flexible approach.
- ❑ **Mitigates risk.** There is less risk in this staged process than a full national roll-out, as barriers identified in the first instance can be accounted for and removed in the second.
- ❑ **It makes the 7 Wellbeing Goals and real.** A community wealth building programme can offer a real chance to test the 7 Wellbeing Goals in a real-life setting.

We also recognise that there are some barriers to be overcome in opting for this approach. It is evident that community wealth building through procurement takes time to deliver outcomes, and that by adopting a two-stage approach, we potentially delay the time it will take to see full set of outcomes in terms of jobs, procurement spend, and other social indicators. However, progressive procurement takes time to embed itself within an organisation because it is above all else about a shift in the culture of public services, rather than simply learning new skills or adopting new policies. This means that it is better to start at one level and then 'scale out', so that change can have long-term roots. For example, CLES' work with Manchester City Council has matured over the last twelve years into a comprehensive corporate approach to social value, but started in 2008 by homing in on particular elements of the Council's spend analysis.¹⁹ By starting with particular issues in a particular place, we can ensure that our work is methodical and helps deliver systemic change.

Given a close weighing up of the options, it is our belief that this two-stage process may be the best way to proceed for the Welsh Government and for the wider cause of community wealth building in Wales.

3.1.1 Roll out

In order to ensure a smooth roll-out of the process, there are a number of procedure routes and questions for the Welsh Government. Central to this will be ensuring that a positive reciprocal relationship is struck between the Welsh Government and local authorities in the ownership and governance of this project. Specifically, the Welsh Government should consider developing mechanisms around the following:

Clear Ministerial sign-off and link with other agendas

It is important that this work is understood as a key strategic priority across the Welsh Government, especially given its high political importance and inclusion in the First Minister's manifesto.

Governance and Ownership

In order to get the right relationship between the different stakeholders in this process (Welsh Government, local authorities, Public Service Boards etc), CLES recommends that the Welsh Government establishes and facilitates a **Community Wealth Building Enablement Unit** to oversee the duration of the process. This group should comprise of senior elected and corporate officials from the relevant anchor institutions participating in the project, including local

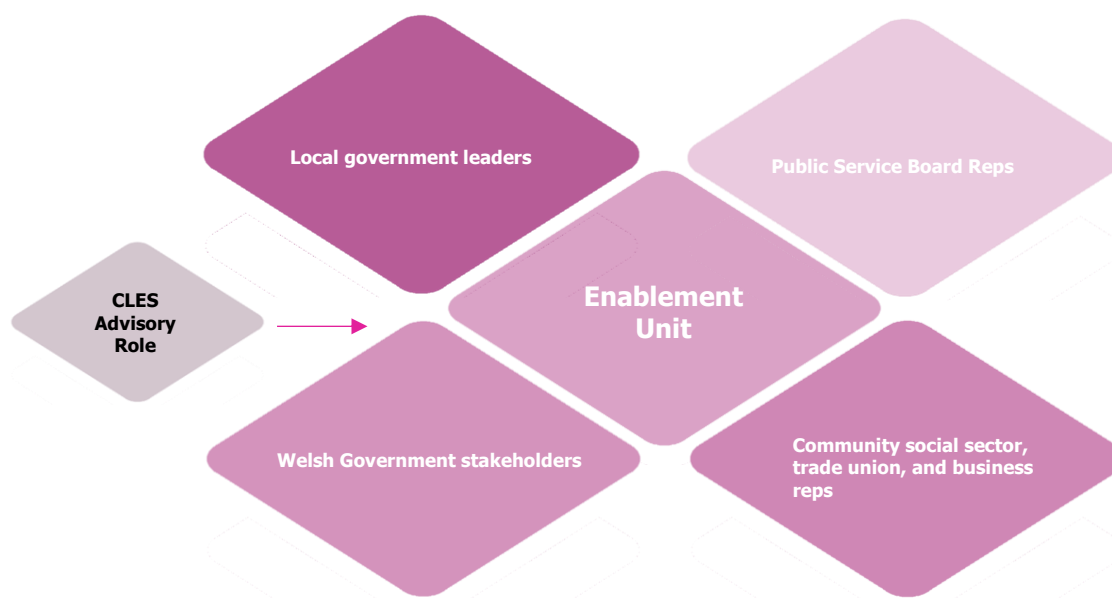
¹⁹ Jackson M (2017)- The Power of Procurement II: The policy and practice of Manchester City Council

government, business, trade union and social sector representation. The group should have no more than fifteen members.

The role of the Enablement Unit will be to ensure that the process runs smoothly, and that there is a constant flow of information between the local and national levels. This will be particularly necessary at the evaluation and monitoring stages, as outlined in the Timeline below. A representative from CLES could sit on this Steering Group in order to share our experience and best practice from developing similar community wealth building projects in the UK and Europe.

Responsibilities of the Enablement Unit will hold will include:

- ❑ Securing and overseeing funding and other resource from the Welsh Government;
- ❑ Act as an intermediary between national and local government agencies;
- ❑ Oversee Evaluation and monitoring through the process;
- ❑ Receive reporting on Outcomes at various stages;
- ❑ Making decisions about the timescale of 2nd wave of the programme (See section 3.2);
- ❑ Supporting creation of a broader programme, incorporating all community wealth building pillars.



Enablement Unit organisational structure.

Project support

As well as an Enablement Unit, it will also be necessary for resource to be invested in the day to day oversight and management of this project. Because much of this work will be about nudging large institutions to take up new ways of working, it is crucial that resource is invested in getting the right people in to bring all of this work together. The requirements for this role should be an ability to stitch together the work of many different stakeholders; an awareness of the practical challenges of engaging in Community wealth building work; and the capacity to act as an intermediary, and conduit for the exchange of information, between the work on the ground and the Welsh Government.

3.1.2 Selecting the early adopters

Whilst this work has been devised at a national Welsh Government level, it should be noted that a crucial factor in ensure its long-term viability and success will be in the willingness to take this work up at the local level. Progressive procurement aspects of community wealth building is an

inherently ‘bottom-up’ process, in that it requires local actors to utilise their place-based knowledge to create schemes of work that are bespoke to each place and feel empowered to do so.²⁰

It is therefore crucial that the right local areas are selected as the 6-8 early adopters of this programme. We are aware that the Welsh Government will have more region-specific knowledge than CLES, and we note that what is presented here should merely form the basis of the selection process. Thus, we offer the following selection criteria not as a definitive list, but rather as an indication based on our previous experience of working with local authorities and local anchors.

We believe that the following should be considered when selecting which local authorities to work with:

- ❑ **Willing and ready local authority.** The local authority will be the key ‘first among equal’ actor in driving this agenda forward at the local level. Therefore the willingness and readiness of each local authority to take this work forward based on buy-in from the highest levels, e.g. the elected leaders and chief executive officers, is important.
- ❑ **Willing local anchors.** Similarly, the success of this work will depend on the willingness of local anchor institutions to engage seriously with community wealth building activities. It would be beneficial to consult the local well-being plans for each Public Service Board in order to gauge the investment and commitment of local anchors.
- ❑ **The right blend of localities.** From a research point of view, it is necessary that the localities chosen represent a diverse enough cross section in order to take learnings that are applicable to the whole of Wales. Whilst each locality will have its own unique circumstances (e.g. local labour market), selecting the right balance will ensure the project can be iterated and scaled-out across the whole country. The selection process could therefore consider:
 - **Geography.** A mixture of rural, urban, and peri-urban localities. It is also important to balance the pilots across the North, South, East, and West Wales.
 - **Economy.** Combination of more and less prosperous areas within Wales, ideally with a good cross-section of local economies, e.g. manufacturing areas as well as places dominated by service or retail.
 - **Maturity of approach.** Balancing localities where community wealth building work has already started with places where we would be starting fresh.
 - **Political contexts.** Ideally the early adopters would be in Councils led by a range of different political parties. (In order to counter the common and damaging misconception that this activity is only a ‘Labour’ agenda, but one for all of Wales).
- ❑ **Consider overlap with other Welsh Government pilots.** The Welsh Government should also be mindful of overlap between this scheme of work and other place-based pilots currently led nationally, e.g. the Better Jobs Closer to Home pilots.

3.1.3 Indicative programme methodology

We suggest here an outline programme methodology, CLES has balanced our tried and tested community wealth building methodological approach (from across rest of UK and Europe) with factors that are bespoke to Wales. We have utilised this methodology many times and it is recognised as Europe’s leading practical approach to applying these techniques on the ground at a local level.

Our methodology is underpinned by a theoretical approach which notes that progressive procurement aspects of community wealth building will best deliver outcomes when innovative work is prototyped at a local level through the actions of individual anchors and local authorities.

²⁰ Leibowitz J and Lloyd Goodwin T (2018) What next for the Community wealth building movement? CLES. Available at: <https://cles.org.uk/blog/what-next-for-the-Community-wealth-building-movement/>

The purpose of 'starting small' (e.g. within individual well-being assessments, social value or a Supply Chain analysis for one anchor) is that each individual prototype gives learnings and evidence which can be used to sustain and scale the model. It is only once these individual, bottom-up approaches are delivering real outcomes, that community wealth building can be sufficiently embedded in thought and practice enough to achieve long-term systemic change and real outcomes. Our methodology is therefore rooted in the concept of gradually 'scaling out' this work over time, with the objective being systemic, cultural change.

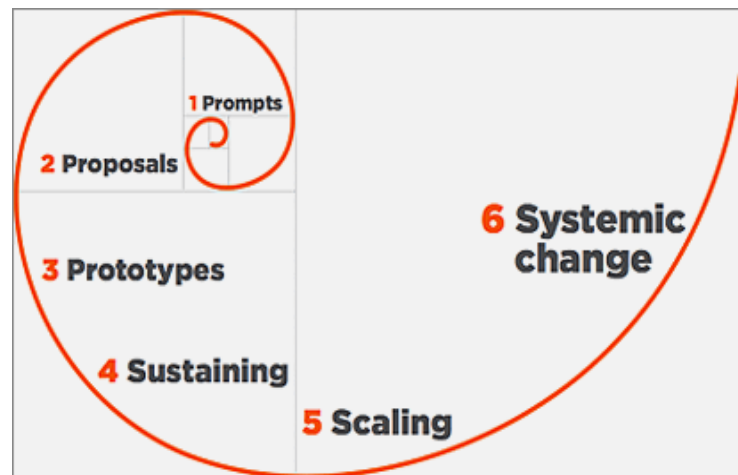


Figure 2: Delivering systemic change through prototypes

Programme Methodology

Once early-adopters have been selected (based on the criteria outlined above), CLES recommends a multi-stage approach to the pilot programme based on previous experience.

Stage 1: Local authority engagement

Set-up meeting with local authority leader and chief executive.

Stage 2: Public Service Boards Initial Workshop

Initial workshop with anchors through the Public Service Boards. The purpose of this workshop is to set in motion the community wealth building process by undertaking four key activities:

- 1) Explaining the theoretical and practical underpinnings of progressive procurement aspects of community wealth building;
- 2) Sharing high-level spend analysis already conducted by the Welsh Government;
- 3) Relate community wealth building to Local Wellbeing Plans, specifically as a strategic tool to improve local outcomes in line with the National Indicators;
- 4) Identification of key areas each anchor wants to work on and discuss next steps.
- 5) Gain strategic and practical 'buy in' to the process.

Stage 3: Community Diagnostic

Conducting a high-level 'community wealth building diagnostic' that will assess the capacity for progressive procurement aspects of community wealth building. CLES has a methodology for this process which involves a combination of spend analysis, desk-based research, and interviews with key stakeholders. The purpose of this work is to understand which policies will yield the most gain for each individual anchor.

Stage 4: Procurement deep-dive

This will then lead into a deep-dive on the procurement practices of the PSB area and each anchor institution through reviewing corporate documents and interviews. This is also an opportunity to refine the Welsh Government's spend analysis methodology, as well as ensuring that data is collected across all anchor institutions. It is also essential that further surveys are collected beyond the raw spend analysis, for example (1) workforce analysis; (2) supply chain analysis.

Stage 5: PSB Procurement Workshop

Once procurement work has been set in motion with each anchor, it is crucial to bring this work back to the Public Service Board, in order to assess common challenges and learnings from the procurement process. If the PSB is supportive of taking this forward, it is at this stage that we believe the PSB should create local Procurement Sub-Groups - with support from Welsh Government where requested - in order to share best practice and ensure collaborative ways of working.

Stage 6: Framework and Work Plan

The purpose of the detailed procurement work is to ensure that each anchor institution adopts long-term systemic change in how they buy goods and services. In order to embed these changes, it is necessary that each anchor adopts the right frameworks and strategies, for example; Well-being Policy; Commissioning and Procurement Strategies; ITQ processes; etc. Stage 6 is about working with procurement leads in each anchor institution in order to make the necessary changes to corporate documents in order to embed this change.

Stage 7: Start of work

Following on from stage 6 is when the full weight of the 'work' effectively starts, in that it will be at this stage that each anchor has put into place new approaches to its procurement process by implementing the Work Plans. The work will therefore vary according to each anchor institution. In any one locality, some anchors might be working on Social Value policies, whereas others will be more focused on their strategic commissioning process. The role of the Welsh Government will be to facilitate shared learnings, and provide resource support if requested, at each stage of this process.

Stage 8: Ongoing evaluation and monitoring

With various pieces of work set in motion at Stage 7, it is essential that oversight is provided in order to keep the work on track and ensure ongoing evaluation and monitoring. As discussed in Section 3.2.1, this should be the joint responsibility of the Enablement Unit (Welsh Government level) and the PSB (local level). In the timeline below, we set out how the work could be monitored and evaluated so that key learnings are captured, and the iterative work produces the right evidence to support the adoption of long-term systemic change.

3.1.4 Indicative Timeline

Based on the above methodology, we envisage that the pilot programme could follow an indicative timeline as outlined below;

Month	Stage	Expected outcomes
0-4 months	Stages 1, 2, 3, 4, 5: PSB engagement.	
5-9 months	Stages 5, 6, 7 First changes in policy and practice, e.g. Social Value Policies.	Too early for actual procurement outcomes to shift. Identification of contracts which could be influenced in the near future.
9 months	Stages 7, 8	First outcomes appear. Actual changes in awarding or procurement contracts at a local level.
12 months	Stage 8 Evaluation and monitoring review. First national review undertaken by Steering Group. Decision taken whether to roll out a second wave, or to roll out across all of Wales	Review process to benchmark work against the 46 National Indicators for Wales.

12-14 months	Refresh of workplan. Deepening procurement and spreading Community wealth building work beyond procurement (e.g. in land and assets; workforce; financing the economy; plural ownership of the economy).	Progressive procurement becomes standard practice across PSB. Should see a genuine change in local markets, e.g. proliferation of local firms bidding for and winning public sector contracts.
14-24 months	Implementation of refreshed workforce plans	Shift in spending practices of local anchors, creating upturn in local employment and putting money back into local economy.
24 months	Second national review led by steering group. Production of Outcomes Report.	Second review against National Indicators.
24-26 months	Second refresh of Work Plans.	
26-36 months	Implementation of refreshed workplans.	Community wealth building now producing results well beyond procurement, e.g. developing social value in anchor Land and Assets strategies.
36 months	Final evaluation and outcomes report	Final Evaluation Report will measure the outcomes against improvements in a localities performance in the 46 National Indicators.

3.2 Evaluation, monitoring, and full roll-out

It is at the discretion of the Welsh Government whether to conduct the whole three-year pilot programme before proceeding with this full roll-out, or whether to take on a 'second wave' of a further 6-8 adopters at some point during this process, thereby gradually increasing the number of local authorities participating over time.

Option 1: Gradual roll-out with second wave adopters at 12 months

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
6-8 early adopters pilot programme						
	6-8 second wave adopters					
				Full roll-out		

Option 2: Full roll at 12 months

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
6-8 early adopters pilot programme						
	Full roll-out					

APPENDIX 1

List of stakeholder interviews

Name	Area/Position
Jonathan Hopkins	Deputy Director – Commercial and Procurement
Nick Sullivan	Head of Commercial Policy and Delivery – Value Wales
Marion Stapleton	Deputy Director – Cross Cutting Strategy Team and lead official on Fair Work policy
Karen Coombs	Head of Commercial Policy – Value Wales
Paul Griffiths	Head of NPS Commercial - NPS
Simon Griffiths	Head of Commercial Innovation – Commercial Innovation
Nigel Elias	Better Jobs Closer to Home Programme Manager – Commercial Innovation
Marcella Maxwell	Deputy Director – Economic Action Plan - Economy and Transport
Iwan Thomas	Senior Policy Analyst, Economic Action Plan - Economy and Transport
Robin Roberts	Head of Construction, Facilities Management and Utilities - NPS
Brendan Burke	Senior Commercial Value Policy Manager – Value Wales
Alun Richards	Senior Commercial and Procurement Regulations Manager – Value Wales
Jessica Bearman	Food category lead - NPS