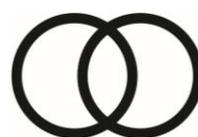


# Community wealth building in Wales

Report for the North Wales PSB cluster – January 2022



**CLES**  
the national organisation  
for local economies

### Centre for Local Economic Strategies (CLES)

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<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

# Community wealth building in Wales

Report for the North Wales PSB cluster – January 2022

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Presented to Conwy County Council, Denbighshire County Council, Welsh Government

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# 1. Introduction and context

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The Centre for Local Economic Strategies (CLES) is delighted to present this report to the Conwy and Denbighshire Public Service Boards on the conclusion of the first phase of community wealth building (progressive procurement) work in Wales.

The report outlines the approach taken to the overall programme, the progress made, key outcomes achieved against the priority area of focus highlighted in Conwy and Denbighshire and recommended next steps.

## What is community wealth building?

The UK's current economic growth model is failing many locations and communities. Recent OECD data showed that the UK is the only developed economy in which wages fell while the economy was actually growing, albeit meagrely.<sup>1</sup> This is part of a broader trend in the UK economy over the last 30 years of a growing disconnect between GDP growth and peoples' real experiences, with median income falling as a percentage of GDP. The UK is an economy where one in eight workers live in poverty,<sup>2</sup> and where 1.3 million people (including children) rely on food banks.<sup>3</sup> Between 2017-18 and 2019-20, 23% of all people in Wales were living in relative income poverty. In the most recent period, 71% of children in Wales who were living in relative income poverty lived in working households (around 140,000 children).<sup>4</sup>

These problems are not caused by a lack of wealth, but rather where wealth is going, who owns it and who benefits from it. Fuelling this inequality is the fact that the fruits of growth are often too readily extracted. At a local level, the prevailing model of economic development has often failed to engage with questions of wealth distribution, focusing instead on generating contributions to GDP and on prioritising inward investment with insufficient regard as to who benefits from this investment, and how.

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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/relative-income-poverty-april-2019-march-2020-html>

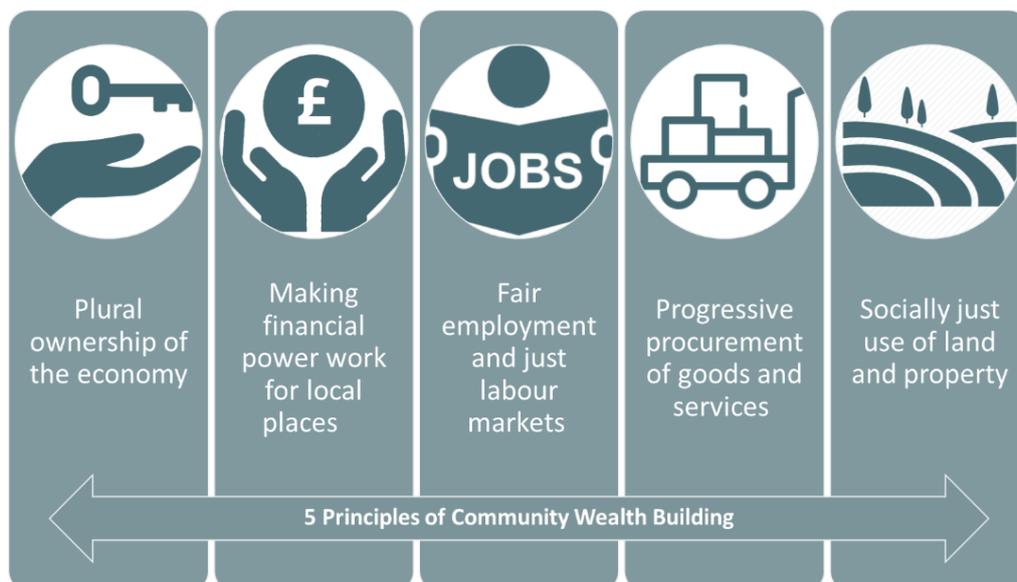
In response, community wealth building has emerged as a powerful new approach to local economic development. Emerging first in the USA and taken forward by CLES in partnership with a range of local municipalities, community wealth building is a fundamental driver of a wellbeing economy. Community wealth building aims to reorganise the local economy so that wealth is not extracted but is instead more broadly held and generative, with local roots - so that income is recirculated, communities are put first, and people are provided with opportunity, dignity, and well-being. In this, community wealth building seeks to hotwire social, economic, and ecological benefits into the economy.

Community wealth building has a particular focus on the activities of anchor institutions. These anchor institutions are large, typically public, and social sector, organisations which have a significant stake in a place. Anchors can exert sizable influence on economic, social, and environmental priorities, by adopting community wealth building strategies. In terms of public institutions, community wealth building asserts the important democratic oversight of those institutions, with a strong role for local political leadership.

In the Welsh context, Public Service Boards (PSBs) provide an existing framework for joint working across all public services in each local authority areas in Wales. Each board's well-being assessment identifies shared priorities and objectives, and the annual local well-being plan sets out how they intend to meet their responsibilities under the Well-Being of Future Generations (Wales) Act.

At the heart of the community wealth building approach are five strategies for harnessing existing resources to enable local economies to grow and develop from within.

### Five Principles of Community Wealth Building



**Plural ownership of the economy** – community wealth building seeks to develop a more diverse blend of ownership models: returning more economic power to

local people and institutions. As such, community wealth building asserts that small enterprises, community organisations, co-operatives and forms of municipal ownership are more economically generative within the local economy than large companies or public limited companies.

**Making financial power work for local places** – community wealth building seeks to increase flows of investment within local economies by harnessing the wealth that exists locally, rather than by seeking to merely attract national or international capital. For example, local authority pension funds can be encouraged to redirect investment from global markets to local schemes. Mutually owned banks are supported to grow, and regional banks charged with enabling local economic development are established. All of these are ideally placed to channel investment to local communities while still delivering a steady financial return for investors.

**Fair employment and just labour markets** – often the biggest employers in a place, the approach anchors take to employment can have a defining effect on the employment prospects, incomes, and overall prosperity of local people and local communities. Commitment by anchors to pay the living wage, have inclusive employment practices, recruit from lower income areas, build progression routes for workers and comprehensive union recognition can stimulate the local economy and bring social improvements to local communities.

**Progressive procurement of goods and services** – progressive procurement is a means through which greater economic, social, and environmental benefits can be achieved for local places and people. Increased local spend creates jobs, contributing to a multiplier effect which in turn creates additional jobs via increased demand for local goods and services. Prioritising spend in support of more democratic business models ensures that wealth is not extracted for the benefit of distant shareholders but is instead distributed locally. Smaller firms retain more wealth in local economies than larger firms, and social businesses are hardwired through their purpose to deliver a broad range of social benefits.

**Socially productive use of land and assets** – anchors are often major land, property, and asset holders. These represent an asset base from which local wealth can be accrued. In community wealth building the function and ownership of these assets is deepened to ensure any financial gain from these assets is harnessed by citizens. Furthermore, there is a desire to develop local economic uses, and extend local social/community use of those assets. Indeed, much public sector land and facilities are the commons, and should be used to develop greater citizen ownership of the built, open space and natural environment.

CLES has worked with dozens of institutions across the UK to develop the community wealth building movement, with each locality taking on a different blend of activities based on the five elements outlined above.

## Community Wealth Building in the Welsh context

In Wales, a community wealth building approach aligns well with the existing policy framing of the Well-Being of Future Generations (Wales) Act. It offers a policy and practice toolkit for local anchor institutions to maximise their potential to deliver against the Wellbeing Goals. It is also firmly allied to the Welsh Government's policy focus on foundational economy and the renewed focus on growing the 'missing middle' - increasing the number of grounded firms in Wales and establishing a firm base of medium sized Welsh firms which are capable of selling outside Wales, but which have decision making rooted firmly in local communities. The foundational economy represents a significant proportion of the Welsh economy, with estimates suggesting it is four in ten jobs and one pound in every three spent in Wales.

Building strength and empowerment in local economies and communities will be key to Wales' collective recovery beyond this current phase of the Covid-19 pandemic. The pandemic has shone a spotlight on the prevailing weaknesses, injustices, and inequalities in our local economies. It has also highlighted the prescience of the more progressive policy frame adopted by Welsh Government in contrast to the national policy focus from Westminster – but there is an urgent need to capitalise on this progressive framing in ways which genuinely deliver benefits on the ground, at scale.

As the current Omicron wave of the pandemic has shown, the course of this pandemic is far from linear. We can expect future shocks, potentially from further variants, or new pandemics, and certainly as a result of the rapidly unfolding climate and ecological crises. There has never been a more urgent imperative for a sustained and systemic societal and economic shift to a more just, equitable, sustainable, and resilient society. We believe that community wealth building could and should play a key role in this transition in Wales, building on the momentum achieved through this current phase of work.

## Progressive procurement of goods and services

This phase of CLES' work in Wales, whilst introducing the general concept of Community Wealth Building to the PSBs, focused specifically on the Progressive Procurement pillar. The work has engaged, primarily, with procurement professionals from the anchor institutions which have participated in the programme.

By progressive procurement, we mean a number of things. First, it is about increasing the importance of procurement as a strategic function. Second, it is about increasing levels of spend with local organisations, particularly SMEs, democratic businesses, and social businesses. Third, it is about using procurement and commissioning levers to address the local economic, social, and environmental challenges faced.

In the PSB context, this is also about moving beyond a single organisational focus towards approaches which harness the combined spending power of all the local

anchor institutions in a place – exploring and developing the scope for collective action.

## 2. Programme approach

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### Aims and objectives

The aims of the programme were to effect systemic change in local economies across Wales, by working with anchor institutions in selected Welsh Public Service Board (PSB) areas to introduce and embed the community wealth building concept, with a specific focus on progressive procurement; and to disseminate policy & practice lessons across Wales.

CLES has been working alongside the Wales Cooperative Centre, as a delivery partner in this programme. The Wales Cooperative Centre's input has included bringing in their expertise and understanding of the social business sector in Wales, providing information on the potential social business supplier base in each PSB cluster area, supporting the facilitation of workshops, and leading sessions in two of the cluster areas where the potential role of social enterprises was specifically highlighted as a priority.

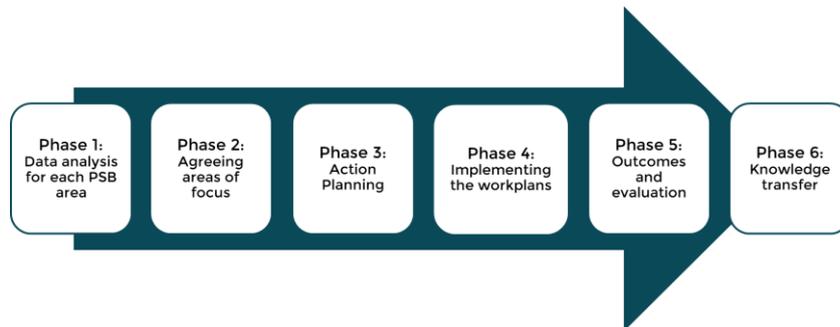
Initially, the proposal was to work with three or four individual PSB areas, engaging with all of the main anchor institutions in those areas. This was subsequently revised at the request of the Welsh Government with the focus being expanded to cover five clusters of PSBs:

- **North:** Conwy and Denbighshire
- **Mid:** Ceredigion and Powys
- **Gwent** Strategic Well-being Assessment Group (GSWAG)
  - Blaenau Gwent
  - Torfaen
  - Caerphilly
  - Newport
  - Monmouthshire
- **Cwm Taf and Bridgend**
- **Swansea Bay City Deal Region**
  - Neath Port Talbot
  - Swansea
  - Pembrokeshire
  - Carmarthenshire

### Impact of Covid

The planned commencement of the programme coincided with the start of the Covid-19 pandemic. This created some initial, unavoidable, delays and required a reprofiling of activity that had previously been planned to be face-to-face. Recognising that anchor institutions' capacity had been impacted by their need to respond to the emerging public health emergency and as all organisations sought to transition to remote working where possible, it was agreed to focus initially on analysing the anchor institutions spend data, prior to arranging commencement

workshops with participating anchor institutions. This gave rise to a broad phasing of activities, as follows:



In Conwy and Denbighshire, the approach has followed a different trajectory, as in this area the two anchor institutions which engaged with the programme (Conwy County Council and Denbighshire Country Council) wanted to focus on one specific issue – how a progressive procurement approach could support their existing commitments to decarbonise their procurement supply chains.

## Stakeholder engagement and additional support

In taking forward this programme as community wealth building partner to Welsh Government, CLES has consciously invested time to engage extensively with a wide range of stakeholders, to ensure that the work was influential beyond the specific anchor institutions directly involved and that it complemented and added value to existing activity in Wales.

This was important because during the period of the programme there were a range of initiatives in Wales exploring procurement and foundational economy related objectives – most notably the Foundational Economy Challenge Fund projects.

In terms of stakeholder engagement, examples have included:

- Attending the Ministerial Advisory Board – Foundational Economy, the Foundational Economy Subgroup, and the Valleys’ Task Force.
- Engaging with the Office of the Future Generations Commissioner for Wales
- Meeting with the Foundational Economy Challenge Fund – procurement experts’ panel.
- Regular attendance and updates to Welsh Local Government Association/NHS procurement professionals’ meetings.
- Providing updates to formal PSB meetings, and meetings with local authority cabinet and leadership teams, and senior leaders across key anchor organisations.

We have also sought to provide additional support to Welsh Government wherever possible, outside of the formal scope of the contract, such as:

- Chairing a stakeholder workshop on the proposed development of a procurement Centre of Excellence.

- Undertaking analysis of pan-Wales spend, (NHS Wales food spend).
- Delivering free-to-access community wealth building workshops and training to a broader public sector audience, for example, via an Academi Wales organised workshop.

## Commencement workshops: agreeing priority areas of focus

Commencement workshops were held in each PSB cluster area. The workshops were used to:

- 1) Introduce the theory and practice of Community Wealth Building
- 2) Discuss the key characteristics of 'progressive procurement' – i.e.,
  - **Strategic**
    - Unleashing the power of procurement, maximising wider impact for wellbeing, and being seen as key to local economic reform
    - Embedded politically and in strategy
  - **Outcome based**
  - **Collaborative**
  - **Accessible**
  - **Relational**
  - **Evidence based**
    - Where is spend is going geographically?
    - Where, in sector terms?
    - What types of business is it being spent with?
- 3) Agree the high-level areas of focus which the anchor organisations wanted to address through a progressive procurement approach.

The outputs from the initial round of commencement workshops, were agreement in each PSB cluster areas of one-or-more priority themes or areas of focus. These are shown in the table below, along with the specific anchor institutions involved in each theme:

Table 1: PSB cluster priority themes

Cluster	Theme	Organisations involved
North Wales	<ul style="list-style-type: none"> <li>• Using progressive procurement approaches to decarbonise procurement supply chains</li> </ul>	Conwy Council Denbighshire Council
Swansea Bay	<ul style="list-style-type: none"> <li>• Working group 1: Construction and retrofit</li> </ul>	Dyfed Powys Police NPTC Group Pembrokeshire Council Pobl Group Port of Milford Haven

Cluster	Theme	Organisations involved
	<ul style="list-style-type: none"> <li>• Working group 2: Food procurement</li> <li>• Working Group 3: Enhancing opportunities for local SMEs</li> <li>• Working group 4: Health and social care procurement</li> </ul>	<p>Swansea Council Tai Tairian</p> <p>Carmarthenshire Council Dyfed Powys Police NPTC Group Pembrokeshire Council Swansea Council</p> <p>Carmarthenshire Council Dyfed Powys Police Federation of Small Businesses Neath Port Talbot Council NPTC Group Pembrokeshire Council Pobl Group Port of Milford Haven Swansea Council Tai Tairian</p> <p>Carmarthenshire Council NPTC group Pembrokeshire Association of Voluntary Services Pobl Group Swansea Council</p>
Gwent	<ul style="list-style-type: none"> <li>• Working group 1: Construction and retrofit</li> <li>• Working group 2: Simplifying and sharing best practice</li> </ul>	<p>Blaenau-Gwent County Borough Council Bron Afon Caerphilly County Borough Council Linc-Cymru Melin Homes Monmouthshire Housing Natural Resources Wales Newport City Council Newport City Homes Pobl Group Tai Calon Torfaen County Borough Council United Welsh</p> <p>Blaenau-Gwent County Borough Council Bron Afon Caerphilly County Borough Council Melin Homes Monmouthshire County Council Newport Homes South Wales Fire &amp; Rescue Tai Calon Torfaen County Borough Council</p>

Cluster	Theme	Organisations involved
	<ul style="list-style-type: none"> <li>• Working group 3: Food procurement</li> <li>• Working group 4: Manufacturing</li> </ul>	<p>Caerphilly County Borough Council Gwent Police Monmouthshire County Council Natural Resources Wales Newport City Council Torfaen County Borough Council United Welsh Blaenau-Gwent County Borough Council</p> <p>This theme did not proceed</p>
Mid-Wales	<ul style="list-style-type: none"> <li>• Working group 1: Construction &amp; retrofit</li> <li>• Working group 2: Enhancing opportunities for local SMEs</li> <li>• Working group 3: Support for generative suppliers</li> <li>• Working group 4: Food procurement</li> <li>• Working group 5: Business Start-ups</li> </ul>	<p>Aberystwyth University Ceredigion County Council Coleg Ceredigion Hywel Dda University Health Board / NHS Wales Shared Services Partnership Powys County Council</p> <p>Aberystwyth University Ceredigion Association of Voluntary Organisations Ceredigion County Council Coleg Sir Gar Hywel Dda University Health Board Natural Resources Wales NHS Wales Shared Services Partnership Powys County Council</p> <p>Ceredigion Association of Voluntary Organisations Ceredigion County Council Coleg Sir Gar Department for Work and Pensions Powys County Council</p> <p>Ceredigion County Council Coleg Sir Gar Hywel Dda University Health Board NHS Wales Shared Services Partnership Powys County Council</p> <p>Ceredigion County Council Powys County Council</p>

Cluster	Theme	Organisations involved
Cwm Taf and Bridgend	<ul style="list-style-type: none"> <li>• Theme 1: Enhancing opportunities for local SMEs</li> <li>• Theme 2: Support for generative suppliers</li> <li>• Theme 3: Develop common approach across anchors to lower value spending</li> </ul>	Age Connects Morgannwg Bridgend CBC Bridgend College Bridgend Association of Cwm Taf Morgannwg University Health Board Voluntary Organisations Business in Focus Interlink Merthyr Tydfil CBC Rhondda Cynon Taf CBC South Wales Police Valleys to Coast

## Action planning and implementation

Within each PSB cluster area, working groups were established for each theme, with the anchor institutions self-selecting the themes they were interested in pursuing.

As can be seen from Table 1, above, the overall programme engaged with a significant number of anchor institutions. However, not all sectors were uniformly engaged with the work. Health Boards, in particular, were less well represented, with the exception of Hywel Dda University Health Board in the mid Wales cluster and (towards the latter parts of the programme) Cwm Taf Morgannwg University Health Board in the Cwm Taf / Bridgend cluster.

Given the programme has been delivered during a pandemic it is unsurprising that health boards have had more limited capacity to engage. They also, along with other pan-Wales agencies, are currently operating within national procurement frameworks and so may perceive that they have less scope for local flexibility (although, as CLES' separate work with Hywel Dda University Health Board is demonstrating, there is significant scope for local, bespoke procurement approaches which can operate alongside national arrangements). A further difficulty for health boards and for pan-Wales agencies, such as National Resources Wales, is that they cover geographies which span more than one of the PSB clusters.

# 3. The approach taken in Conwy and Denbighshire

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The North Wales cluster comprised of two anchor institutions, Conwy Council and Denbighshire Council. The work has explored how a community wealth building / progressive procurement approach can be applied to the shared strategic objective, across both local authorities, to decarbonise procurement supply chains, in line with existing organisational commitments to achieve net zero carbon by 2030.

Supply chain emissions currently constitute a significant proportion of the two local authorities' overall emissions, therefore effective action to reduce supply chain emissions is an essential part of achieving net zero.

There is a clear fit with national policy. The Welsh Government's low carbon delivery plan, Prosperity for All: A Low Carbon Wales (2019)<sup>5</sup> highlights the important role of public sector procurement in reducing CO2 emissions through its supply chains. The 2021 Wales Procurement Policy Statement (WPPS)<sup>6</sup>, published in March 2021 sets the strategic vision for public sector procurement in Wales. It recognises the central role that public procurement can play in the delivery of well-being objectives and progressive policy priorities including decarbonisation, social value, community benefits, fair work, the circular economy, and the foundational economy.

From a community wealth building perspective, procurement and commissioning are key policy and practice levers that local authorities and other anchor institutions can utilise to mould local economies towards carbon neutrality. There is a synergy between efforts to re-localise spend, to prioritise spend on smaller and more locally generative suppliers, the creation of dense, local ecosystems of socially and environmentally generative businesses in supply chains and the carbon reduction agenda.

Despite a relatively late start for this cluster, significant progress has been made. Representatives of both the anchor institutions have been committed and engaged. The working group has met five times, with additional smaller group or one-to-one meetings to discuss the data analysis work undertaken by CLES:

**Meeting 1** – to agree the scope of work and the desired outputs from the programme. At this session we explored participants awareness of community

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<sup>5</sup> <https://gov.wales/prosperity-all-low-carbon-wales>

<sup>6</sup> <https://gov.wales/sites/default/files/pdf-versions/2021/3/1/1615195510/procurement-policy-statement.pdf>

wealth building principles (with a specific focus on progressive procurement) and its intersection with the decarbonisation agenda. Each local authority shared their objectives and what work had been done to date on understanding and addressing the carbon impact of their supply chains.

**Meetings 2 and 3** – discussed spend and carbon data analysis and reporting including feedback from CLES on our work to cleanse the spend and carbon data and develop a more robust methodology for future reporting. This session developed thinking on how carbon considerations can be integrated at various touchpoints in the cycle of commissioning and procurement, in relation to governance, commissioning and pre-procurement.

**Meeting 4** - developed thinking on how carbon considerations can be integrated at various touchpoints in the cycle of commissioning and procurement, in relation to procurement and contract monitoring.

**Meeting 5** – provided an opportunity for both anchor institutions to meet with representatives from Manchester City Council. Decarbonisation of supply chains is one of six key themes being progressed across Greater Manchester via their zero-carbon coordination group. Manchester City Council utilise a minimum 20% weighting for social value and have introduced an additional 10% social value weighting for the environment to take the total social value to 30%. This approach enables the City Council to consider the steps that suppliers are already taking to reduce their carbon emissions and their future plans, how suppliers monitor their carbon emissions and their plans to monitor them in the future, including during the contract period. The session provided an opportunity to discuss the issues, considerations, opportunities, and barriers to adopting a similar approach in North Wales.



## A Green Recovery for Local Economies

### How localities should respond to the climate emergency after Covid-19

In CLES' July 2020 publication, A Green Recovery for Local Economies, we set out a range of actions relevant to procurement that local anchor institutions can make:

- Target their spending power towards local zero carbon suppliers and prioritise plural forms of business ownership in the supply chain; this

will ensure that public spending is used to maximise social, economic, and environmental value.

- Give environmental factors a formal weighting in procurement decisions, as part of strong social value requirements in all tenders.
- Implement strong prequalification criteria in tenders, to ensure that suppliers who bid for contracts measure Scope 3 emissions in the contracting and monitoring stage.
- Undertake a collaborative analysis of market supply to identify environmentally generative suppliers for their goods and services.
- With this data, the anchors should not only look for local, SME suppliers, but also seek to divest from the largest polluters in the supply chain, and instead, seek to divert their spending power to grow more plural elements of the economy with lower carbon emissions.
- Consider the impact of their procurement spend from a global climate justice perspective. Global corporations which contribute to extraction of wealth and resources are often found deep in public sector supply chains; this is even the case in the renewable energy sector, e.g., issues around treatment of Chinese and Bolivian workers in the production of lithium-ion batteries. Anchors must ensure that human rights for workers in every country is ensured across their supply chains.
- Use procurement spend as a lever to provide capital to new forms of supply in the public and commercial sector.

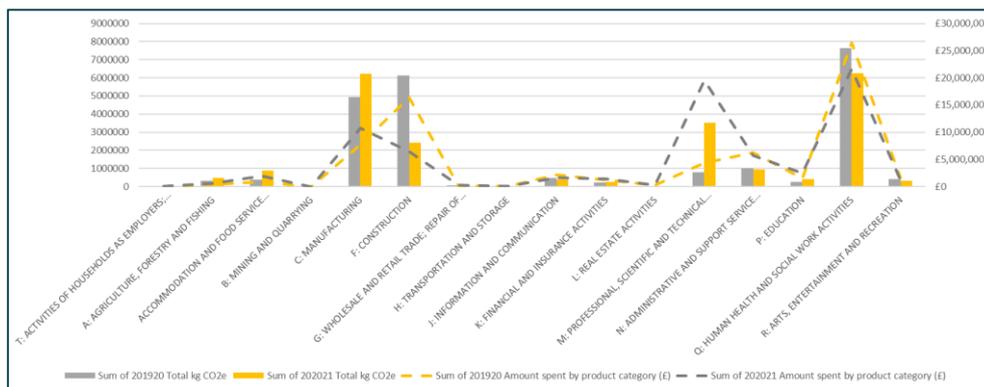
# 4. Spend and carbon reporting

CLES analysts have supported both Conwy and Denbighshire Councils on their approach to spend and carbon data analysis and reporting. This has entailed combining quarterly spend data, merging the council's data (which is classified using the Thomson classifications so does not easily map across to the SIC classifications used in the Welsh Government reporting tool), cleansing, and merging with Atamis data and manually updating supplier data where company registration numbers were missing. Using the company registration numbers the data was linked to a database compiled from Companies House, the charity register, the mutual society register and FAME, to merge in 5 digit sector codes (SICs) where missing.

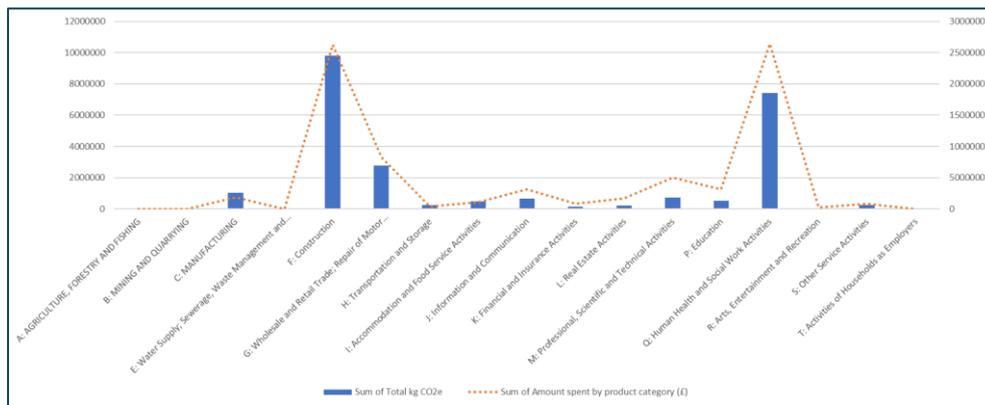
This enabled more accurate matching to the Welsh Government carbon reporting tool, linking to carbon factors. Multiplying the factors by the spend gives the total estimated emissions for each sub sector. Those SICs already included in Scope 3 emissions were removed from the total.

The graphs below show the output for Denbighshire's data, for illustrative purposes.

**Figure 1 - Denbighshire Council spend and carbon (original data)**



**Figure 2 – Denbighshire Council spend and carbon (CLES’ revised analysis)**



As can be seen by comparing Figures 1 and 2, above, where local authorities are using non-SIC based classifications within their own financial systems, there is significant potential for errors in attempting to manually transcribe these to the Welsh Government reporting tool.

Both local authorities have been provided with a spreadsheet toolkit to enable them to replicate CLES’ approach to analysis and reporting in the future.

The current Welsh Government reporting spreadsheet which local authorities are required to submit is helpful in highlighting in very broad terms those sectors likely to be responsible for the largest proportion of procurement-related carbon. However, it is accepted that this is a relatively blunt tool, as the methodology relies on industry-average, historic emissions, which are then weighted by value of spend.

CLES’ view is that this analysis could be done centrally, using the data in the Atamis system, with the results made available to local authorities rather than requiring each local authority to perform the analysis themselves. Because the methodology relies on historic industry averages it does not represent a true baseline or provide a way of capturing improvements. Indeed, the only reliable way to demonstrate carbon savings using the existing methodology is to reduce the amount of spend.

Industry averages can still be a useful benchmark - for example, it could be used to ask suppliers to demonstrate the degree to which they perform better than the historical industry average. It does not, however, provide a robust ongoing methodology to demonstrate carbon savings. To do so will require building up a more granular picture of bespoke baseline emissions, so that competing suppliers can be reliably compared, along with any improvement data from each supplier.

Additionally, the current methodology makes no distinction between spending on projects which help to reduce overall emissions and other types of spending.

# 5. Carbon considerations in the commissioning and procurement cycle

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There are opportunities to build in carbon considerations at various touchpoints across the cycle of commissioning and procurement, i.e., in relation to:

**Governance** - How carbon reduction is reflected in the organisations overall strategic approach, including in the current policy frame for procurement, community benefits and social value; approaches taken to ensure organisational 'buy-in'; and the strategic management, oversight, and challenge for this agenda.

**Commissioning** - How carbon impact is considered in the process of designing the goods, services or works the local authorities are potentially looking to procure.

**Pre-procurement** - The steps taken to make the market aware of the goods, services or works the local authorities are looking to procure and the wider outcomes you are looking to achieve through the process; and what support is available to the market to help suppliers understand and reduce their carbon impact.

**Procurement** - The processes for how potential suppliers are asked to demonstrate how they will deliver the goods, services, or works, how much it will cost, and how carbon impact is considered in this context.

**Monitoring** - Approaches to monitoring the extent to which suppliers are delivering on agreed commitments in respect of carbon impact.

## Governance

Touchpoints	Considerations
<ul style="list-style-type: none"> <li>• Review of PSB Wellbeing Plan, Corporate Plan, Procurement Strategy, CPRs etc.</li> <li>• Internal governance and scrutiny processes.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure carbon objectives and reduction targets are reflected in golden thread through all layers of corporate policy.</li> <li>• Build ownership and commitment across all PSB anchors.</li> <li>• Use spend and carbon analysis to ensure there is a shared awareness of spending hotspots/priorities where you would seek to:               <ul style="list-style-type: none"> <li>○ disinvest in carbon-intensive supply.</li> <li>○ develop strategies to reduce supply chain impact.</li> </ul> </li> </ul>

Touchpoints	Considerations
	<ul style="list-style-type: none"> <li>• Develop tailored plans/guides for priority sectors (high spend / high carbon) – e.g., construction and social care.</li> <li>• Engagement, support and challenge across senior management, executive and scrutiny functions.</li> </ul>

There is some scope to better reflect decarbonisation ambitions through a golden thread from corporate policy through to procurement policy, and for contract standing orders and corporate procurement rules to be reviewed and updated at the end of the current financial year. Developing this consistency in policy objectives across corporate and procurement strategy is important both in terms of being able to demonstrate that procurement decision making is informed by a robust policy position and also because policies send signals to communities and to the market about the councils' expectations and ambitions.

There is an opportunity for the two local authorities to discuss the approach they have developed through this phase of work with other partners on the PSB and seek to build a broader partnership approach to decarbonising supply chains. A PSB-wide response is likely to be more effective by combining efforts and resources, for example in terms of awareness raising and support for local businesses in key supply chains.

There will be a need to develop more specific policy guidance for individual service areas, towards a suite of policy positions which reflect more specific policy questions likely to be raised by individual service areas – focusing initially on those services which are procuring from sectors with the greatest carbon impacts, i.e., construction and health and social care.

A key objective for the governance of this agenda is ensuring that this it is taken forward as a whole-organisational effort, with responsibility and accountability across the whole system, not simply with the procurement function. The existing focus on carbon literacy training for senior officers and councillors is helpful in this regard and should support ongoing engagement, support and challenge across senior management, executive and scrutiny functions.

Touchpoints	Considerations
<ul style="list-style-type: none"> <li>• Service planning process.</li> <li>• Annual budget process.</li> </ul>	<ul style="list-style-type: none"> <li>• Use the service and budget setting processes as an opportunity to consider carbon impact, progress against reduction targets, and opportunities for further improvements.</li> <li>• Political considerations: Is the balance of spending priorities compatible with climate and ecological emergency commitments?</li> </ul>

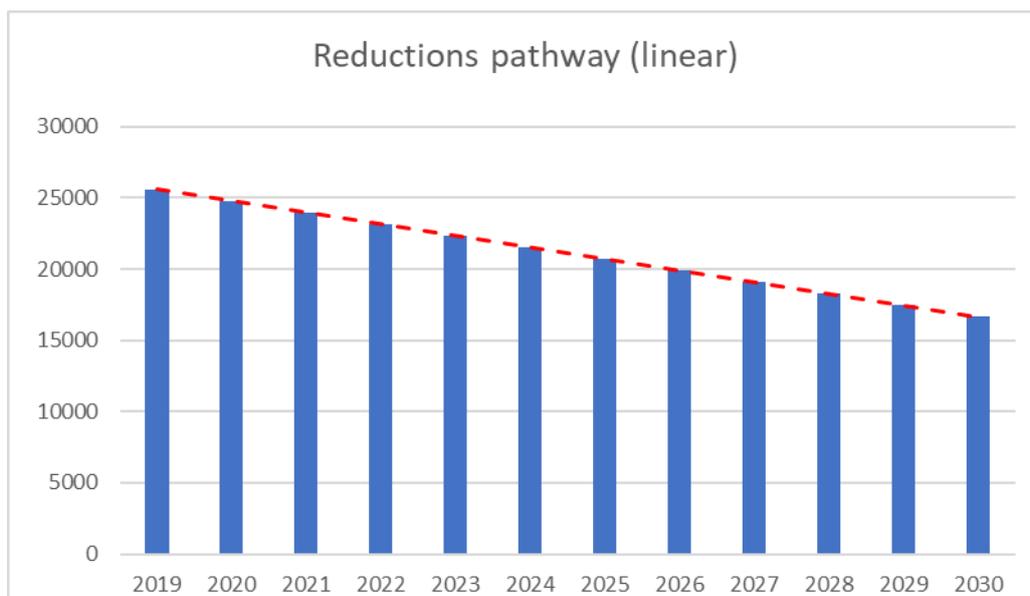
The service and budget planning process are key opportunities to consider the

carbon impact of procurement supply chains. These touchpoints in the annual budget and planning cycle can be used to consider what progress has been made against reduction targets and opportunities for further improvements. There is a need to particularly focus on capital block allocations during the budget allocation process, as for major capital programmes in particular leaving these considerations to business case stage can mean it is often too late to genuinely influence. For capital programmes the importance of considering carbon as early on as possible in the commissioning cycle cannot be understated – for example, commitments to low carbon building design.

There is already some consideration of carbon in the budget setting process (e.g., Denbighshire County Councils budget pressures process includes a column on carbon), so there are opportunities to build on this to enable carbon to be more routinely considered as part of budget setting and monitoring processes.

Governance processes provide an opportunity to establish progress made against the baseline, and whether this is indicative of being on target to achieve the overall reduction target by 2030.

**Figure 3 - Denbighshire Council modelled target reductions (assuming linear progress)**



This could be an assessment of progress at a corporate level – i.e., in line with Figure 3, above, and/or more bespoke targets could be allocated to individual departments or service areas.

Budget setting and agreeing the balance of spending priorities are fundamentally political considerations, so there is natural scope for political debate as to whether the balance of spending priorities is compatible with climate and ecological emergency commitments. There is clearly a distinction to be made between spending on the infrastructure required for a shift to a lower carbon economy (for example, investing in the retrofit of housing stock, or in the charging infrastructure for electric vehicles) versus spending which potentially perpetuates the fossil fuel

economy, albeit these factors are not distinguished in the current reporting requirements.

### Commissioning

Touchpoints	Considerations
<ul style="list-style-type: none"> <li>• Service design and review</li> <li>• Business case and options appraisals</li> </ul>	<ul style="list-style-type: none"> <li>• Proactively think about how the service design or model could be adapted to support carbon reduction objectives.</li> <li>• Ensure that specifications for goods and services are optimised for low carbon.</li> </ul>

In general terms, the earlier that services can be engaged in considering the carbon impact of their procurement supply chains, the better. The most significant opportunities to influence the carbon impact of spending are likely to be upstream of the formal procurement process.

The processes of service design or review and the development of business cases and options appraisals are, therefore, critical opportunities to proactively consider how the service design or model could be adapted to support carbon reduction objectives. For example:

- Could the service be delivered in-house rather than via a procurement process? Insourcing could be a vehicle to ensure higher environmental standards as opposed to trying to influence the market.
- Are there opportunities to partner with a local social enterprise, community business or cooperative that has explicit environmental and social objectives – for example, one designed with circular economy principles? If these don't exist consider if there is scope to focus business support capacity on developing these new markets locally.

Touchpoints	Considerations
<ul style="list-style-type: none"> <li>• Completion of commissioning forms</li> <li>• Completion of Sustainability Risk Assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Challenge the decision to procure               <ul style="list-style-type: none"> <li>○ Do you really need to purchase the product or service?</li> <li>○ Are there alternatives to buying the product or service?</li> <li>○ Do you need the specified amount of the product/service you are purchasing?</li> <li>○ Does the product or service need to meet the specification currently used? Are there lower carbon alternatives?</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Can existing resources be modified or refurbished?</li> </ul>
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The simplest intervention at the commissioning stage is challenge the decision to procure – whether is it really necessary to procure or if the intended outcomes be achieved in another way. Self-evidently, avoiding a purchase saves both money and carbon. Considering whether the desired outcomes can be achieved by using or repurposing existing resources may seem obvious but is easily overlooked.

The commissioning stage is also an opportunity to consider the specifications of the goods or services to be procured. This should consider not only the emissions that arise from use but also the embodied carbon in goods and apply the waste hierarchy and circular economy principles. Guidance, including on specific product types, is available from several sources, including via [WRAP Cymru](#).

All these things need building into process, with clear expectations from senior management, so that these considerations are be made in a timely way and become normalised, with opportunities for challenge built into the process.

### Pre-procurement

Touchpoints	Considerations
<ul style="list-style-type: none"> <li>• Market / supplier engagement</li> <li>• Pre-tender preparation</li> <li>• Contract design</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier and market engagement programme               <ul style="list-style-type: none"> <li>○ Priority sectors in high CO2e categories &amp; top suppliers (x% spend)</li> </ul> </li> <li>• Think creatively about how to structure the procurement</li> <li>• Consider how you can incentivise changes</li> </ul>

It is important to devote sufficient time at the commissioning and pre-procurement stages to engage with key internal stakeholders and with potential suppliers. Nurturing a relational approach to procurement through regular dialogue with the market will be important to raise awareness and understanding of the council's decarbonisation objectives.

Developing a collaborative approach could also unlock innovation and ideas from potential suppliers as to the 'art of the possible' (for example, exploring if there are new or emerging technologies, products, or solutions). It is also an opportunity to explore how aware potential suppliers are of their carbon impacts and where these arise in their product or service lifecycles, and to provide support or signposting to suppliers on how to assess and reduce their carbon impact. Denbighshire County Council have trialled a carbon benchmarking spreadsheet for potential suppliers to complete in their recent Design and Print tender. Evolving and rolling out this approach more broadly could assist both with raising supplier awareness and developing more robust benchmarking data.

A dialogue with potential suppliers in key sectors could also help the local authorities to understand and prioritise actions which they may need to take to support suppliers to decarbonise, such as the provision of electric charging infrastructure, for example.

Pre-tender preparation and contract design provides the opportunity to think creatively about how to structure the procurement to optimise carbon reduction. For example:

- For works contracts, can the goods and labour components be separated (this could give greater control over the environmental specifications of the goods, as well as supporting local SMEs with regard to cashflow).
- Can the procurement be ringfenced to local suppliers and/or SME/VCSE suppliers?
- Can the procurement be lotted in a way that encourages local provision?
- Could a procurement-for-outcomes approach encourage innovation?

Contract design provides an opportunity to consider how decarbonisation could be positively incentivised. For example:

- Can a commitment to undertake a carbon assessment be introduced? Could this be offered as a free support service for local, generative suppliers? (There would be a strong local economic case in proactively supporting local, generative suppliers in this way).
- Longer term 'commitment contracts' that are subject to periodic, satisfactory performance guarantees on carbon reduction.
- Incorporating waste reduction targets.

There is potentially scope for business partners within the local authorities' procurement functions to provide more challenge on contract design and this should be built into existing processes.

## **Procurement**

Aside from implementing the contract design considerations mentioned above, a key opportunity in the procurement stage to influence carbon is through the enforcement of strong and stretching social value targets which include carbon emission considerations.

An approach in North Wales could be developed which takes the learning from leading local authorities in this space and applies that to the local context. To support this to happen, CLES engaged with Manchester City Council (MCC) and facilitated a workshop session to connect the North Wales cluster with MCC officials.

MCC already had a minimum 20% weighting for social value and have now introduced an additional 10% social value weighting for the environment to take the total social value to 30%. Potential suppliers are assessed on:

- The steps that they are already taking to reduce their carbon emissions and their future plans; and

- How they monitor their carbon emissions and how they plan to monitor them in the future including during the contract period.

Supplementary questions on contract-specific emissions are included where appropriate, albeit it can be challenging, particularly in the early stages, to establish a reliable baseline.

As in other applications of social value consideration, the MCC experience suggests that it is possible to differentiate good answers to enable weighting in favour of suppliers able to deliver the goods or services with less carbon impact and/or with commitments to reduce their impact, without compromising on quality.

The approach needs to be proportionate, with greater expectations for larger contracts, but even for smaller contracts it is helpful to be able to understand what plans suppliers have in place to start measuring their organisations emissions.

This approach is consistent with the existing Best Value duty and national procurement policy.

Based on the discussions with MCC, our recommendations to Conwy and Denbighshire Councils are to consider introducing a formal social value weighting component for environmental impact, including carbon emissions. The approach should:

- Have senior level sponsorship and support.
- Begin with a small number of formal pilots, prior to adopting policy more broadly and roll out the approach incrementally. This should include the priority categories of spend but start in areas of spend which are more straightforward to influence, where more robust evaluation tools and alternative options are potentially available – for example, ICT. Decarbonising supply in more complex areas, such as social care commissioning, will potentially require a more holistic review of service design alongside market shaping activity.
- Be developed with proactive engagement and involvement of potential local suppliers and complemented with support and signposting for local SMEs.

One of the outputs from this phase of work with CLES that both local authorities were keen to develop was a bank of questions for use at PQQ stage and quality evaluation to support the evaluation of supplier bids.

Based on the MCC experience, and our recommendations for Conwy and Denbighshire to develop an approach through pilots and action learning, it may be advisable to begin by using a simple, standard set of questions that speak to suppliers' awareness of their carbon impact, how they monitor this, and the steps they are taking (or plan to take) to reduce their impact. It may be appropriate to broaden this to suppliers' impact on the environment, beyond carbon.

This could include:

1. **Does the supplier know the impact that their organisation has on the environment?** How is this monitored or accredited, e.g.
  - Do they hold an environmental accreditation?
  - Are they externally audited? e.g., ISO14001, Carbon Charter
  - Is the environmental impact measured and regularly reported and overseen?
2. **Do they have an Environmental Policy or Climate Change Policy?**
  - Have they provided evidence that the policy embeds a culture of reducing negative environmental impacts within the organisation?
  - Have they evidenced that the Policy is being used and that Climate Change is a priority in the organisation?
3. **Do they have a clear action plan to deliver the policy?**
  - Do they have a clear action plan outlining the work to be undertaken focusing on the biggest impacts, with key targets and timelines to the actions to be undertaken? For example:
    - i. In relation to travel – what actions are they taking, or do they plan to take to reduce, mileage? What actions are they taking to reduce the carbon impact of mileage that cannot be avoided (e.g., modal shift or shift to electric vehicles)?
    - ii. Has an environmental building survey been undertaken, and actions agreed to reduce or mitigate any negative environmental impact?
4. **Are they working towards being Carbon Net Zero?**
  - Have they set a Net Zero target date? Do they have a plan to achieve this?
5. **How will they know the environmental impact associated with the delivery of this specific contract?**
6. **What actions will they take to reduce the environmental impact associated with the delivery of this specific contract?**
7. **Do they monitor their supply chain impact? What do they do to mitigate, reduce, or offset the environmental impact of their supply chain?**

## 6. Next steps

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The workshop discussions have served as both a facilitated assessment of progress to date across both local authorities, as well as generating ideas for opportunities to develop and thinking as to where to prioritise future efforts.

A suggested draft action plan is provided in Section 7 of this report (below), setting out potential next steps to consolidate practice within the local authorities, and opportunities to broaden out the approach to involve other anchor institutions on the PSB. The action plan relates specifically to the chosen theme of decarbonising procurement supply chains. More broadly, there are opportunities for the two local authorities either individually, or collectively with other anchor institutions on the PSB, to consider **embracing a more holistic approach to community wealth building** which aligns with local aspirations and wellbeing objectives.

The refresh of Wellbeing Plans and local objectives for post-Covid local economic recovery and reform provide a unique opportunity to develop a set of bespoke community wealth building interventions allied to local wellbeing goals and objectives.

CLES would be happy to explore potential ways in which this agenda could be further advanced with the local authorities and other partners on the PSB, for example:

- A series of workshops to determine relevant issues and challenges and explore how various community wealth building interventions (across the 5 pillars of community wealth building) could be used to address these.
- Exploring issues around implementation and teasing out barriers and enablers with respect to the adoption of community wealth building practice.

# 7. Action Plan

Recommendation	Time Horizon	Next Steps
<p>1. Ensure carbon objectives are reflected in a 'golden thread' through all layers of corporate policy.</p>	<ul style="list-style-type: none"> <li>○ Short-term</li> </ul>	<ul style="list-style-type: none"> <li>○ High-level review of all relevant corporate policy documentation to ensure consistency from corporate policy through to procurement policy.</li> <li>○ Use the adoption of new or refined policy as an opportunity to communicate to external stakeholders and send signals to the market about the councils' expectations and ambitions.</li> </ul>
<p>2. Explore opportunities to embed oversight, support, and challenge into relevant internal governance processes.</p>	<ul style="list-style-type: none"> <li>○ Short-term</li> </ul>	<ul style="list-style-type: none"> <li>○ Explore how this programme can be built into existing governance arrangements and processes, for example:               <ul style="list-style-type: none"> <li>• Regular updates to cabinet members, senior management, and scrutiny on progress, issues, challenges, and opportunities.</li> <li>• Build on the carbon literacy training for officers and councillors to develop a more detailed understanding of the implications of this agenda for each portfolio area.</li> </ul> </li> </ul>

Recommendation	Time Horizon	Next Steps
		<ul style="list-style-type: none"> <li>• Formally embed carbon implications into the service planning process.</li> <li>• Explore ways in which carbon can be routinely considered as part of the annual budget setting process.</li> </ul>
<p>3. Continue to develop approaches to spend and carbon data analysis.</p>	<ul style="list-style-type: none"> <li>○ Medium term</li> </ul>	<ul style="list-style-type: none"> <li>○ Begin to build in standard questions for potential suppliers as to how they monitor their carbon emissions and how they plan to monitor them in the future, the steps they are already taking to reduce them and any future plans. Use this to develop a more accurate set of data for baselining and tracking progress.</li> <li>○ Continue to liaise with Welsh Government on their approach to spend and carbon reporting.</li> <li>○ Begin to review procurement spend for some categories in a more granular way to explore opportunities to shift the balance of spending within that category to reduce emissions – for example, exploring food procurement spend to explore opportunities to shift the balance of spending to less carbon intensive products.</li> </ul>
<p>4. Pilot an action-learning approach to using the touchpoints in the</p>	<ul style="list-style-type: none"> <li>○ Medium term</li> </ul>	<ul style="list-style-type: none"> <li>○ Establish a series of short-term ‘action learning pilots’, for example, including:</li> </ul>

Recommendation	Time Horizon	Next Steps
<p>commissioning and pre-procurement stages of the cycle of commissioning and procurement.</p>		<ul style="list-style-type: none"> <li>• High-spend and high-carbon service areas (e.g., construction).</li> <li>• Areas of spend where more robust evaluation tools and alternative options are potentially available, e.g., ICT spend</li> <li>○ Use these action learning pilots as an opportunity to review and amend key process documentation, including service and budget plans, business cases etc.</li> </ul>
<p>5. Develop bespoke policy guidance for individual service areas,</p>	<ul style="list-style-type: none"> <li>○ Medium-term</li> </ul>	<ul style="list-style-type: none"> <li>○ Develop a suite of policy positions which reflect more specific policy questions likely to be raised by individual service areas – focusing initially on those services which are procuring from sectors with the greatest carbon impacts, i.e., construction and health and social care.</li> </ul>
<p>6. Develop a bolder approach to social value weighting</p>	<ul style="list-style-type: none"> <li>○ Medium</li> </ul>	<ul style="list-style-type: none"> <li>○ Carry out a small number of formal pilots for an enhanced social value weighting for carbon impact.</li> <li>○ Use the learning from the pilots to inform changes to procurement policy.</li> </ul>
<p>7. Build a broader partnership approach to decarbonising</p>	<ul style="list-style-type: none"> <li>○ Short-to-medium</li> </ul>	<ul style="list-style-type: none"> <li>○ Seek to engage other anchor institutions on the PSB with a view to developing a collaborative approach.</li> </ul>

Recommendation	Time Horizon	Next Steps
procurement supply chains.		<ul style="list-style-type: none"> <li>○ Explore opportunities to embed this work (and broader community wealth building considerations) as part of the refresh of Wellbeing Plans.</li> </ul>
8. More firmly link this agenda to economic development priorities.	<ul style="list-style-type: none"> <li>○ Medium</li> </ul>	<ul style="list-style-type: none"> <li>○ Consider where the intelligence from analysis of carbon impact of procurement supply chains can help inform priorities for targeted economic development support for businesses in higher carbon sectors to reduce their emissions or transition to more sustainable sectors of the future.</li> </ul>



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