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Ymateb gan: Cynnal Cymru

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Economy, Trade, and Rural Affairs Committee

Inquiry: The Foundational Economy

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Evidence from: Sustain Wales





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Cynnal Cymru Foundational Economy Inquiry Response

To what extent has the Welsh Government embedded support for the foundational economy into its overall approach to economic development? What further steps should it take to do this?

The Welsh Government has taken important first steps in establishing a Foundational Economy unit within Welsh Government, which can act as an advocate across the rest of government.

Schemes originating in this unit such as the Foundational Economy Challenge Fund and the Backing Local Firms Funds have demonstrated clear successes, particularly in linking large anchor organisations with FE firms in their geographic areas and trialling more place-based, approaches that have delivered co-benefits beyond economic gains.

There is now a need for a new stage of the Foundational Economy approach. Much of the delivery of a 'Foundational Economy agenda' will come from outside Welsh Government. This includes Local Authorities, Local Health Boards, Corporate Joint Committees, and Housing Associations.

Many of those tasked with delivering a 'Foundational Economy approach' will have busy workloads and competing priorities for their time and attention. The asks of a Foundational Economy approach must therefore be clearly defined, with specific tasks and actions that are measurable in order to track practical implementation.

Our research has indicated that awareness of the aims and objectives of the Foundational Economy approach can be low even amongst stakeholders who have some crossover with the agenda. Awareness and understanding will be close to zero for many who are charged with implementing it in practice, as it is often not a core aspect of their roles. Receiving a strategic instruction on top of leading an existing workstream has been shown to contribute to employee anxiety and feelings of burn-out. Clear definitions and specific, measurable plans and actions can help alleviate this.

We would suggest a two-stage approach to progressing the Foundational Economy agenda. Firstly, the Welsh Government should adopt a specific definition or mission statement of what it understands the terms *Foundational Economy* and *a Foundational Economy approach* to mean. It should publish its objectives alongside this. This will give those looking to learn more a definitive understanding of what the concept is, and what it is attempting to achieve. This definition should be of the 'broad, analytical' variety, rather than the 'narrow, descriptive' variety, as outlined by academics working on the concept in their evidence to the committee.

The Welsh Government should also consider a specific list of actions, or guide to implementation of a Foundational Economy approach. The Welsh Government's [Guide to Fair Work](#) can be a model for this, given the similarities between these cross-government approaches.

These tools can be the start of a clearer approach for those stakeholders keen to focus on our foundational sectors and livelihoods by clearly outlining what is meant by the Foundational



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Economy agenda, and what is expected with regards to implementation of this. Currently, the concept is considered by many stakeholders to be too nebulous to implement successfully.

We are aware that there is a push from some quarters for social innovation to be a greater part of the Foundational Economy approach. We agree with this, and associated concepts such as 'skunkworks'. There are good examples of where this approach has worked, both outside the FE agenda and within it.

We do not consider a 'social innovation approach' and a more prescriptive Government-led approach to be in opposition to each other. Social innovation is important in generating new ways of doing things and making progress. Government also has a role in spreading these new ideas, and helping those who are not intimately involved in the FE agenda and concepts to implement them. Both of these approaches are important.

Given the cross-portfolio nature of the foundational economy, how should the Welsh Government create a co-ordinated approach to mainstreaming support for foundational economy sectors across government?

As above – we believe that adopting a definition, creating a guide to implementation (and tracking impact), and supporting social innovation are all ways this can be achieved.

The Foundational Economy unit within Welsh Government will be essential as a 'hub' for all of these approaches. Without this unit acting as advocates across the Welsh Government, there is a chance this agenda will be lost in practice, and only paid lip service to by other departments which have many competing and important priorities.

We also reiterate the point that simply tasking individuals with delivery of FE objectives without clearly defined actions, and a sense that progress is achievable and measurable, will contribute to employee anxiety, disengagement and feelings of burn-out.

Which of the Welsh Government's foundational economy policy initiatives have been most successful, and why? Which have worked less well, and why?

It is worth noting that much of the delivery of a Foundational Economy approach will be done by external actors, as Welsh Government is often not a 'delivery' vehicle. Instead, it funds and directs external organisations such as NHS Wales and Local Authorities to deliver.

Thus far much of the successes around Foundational Economy have been in the procurement space, which is both a positive and a challenge. Our research suggests that many people perceive the Foundational Economy approach to be akin to 'keeping the Welsh pound in Wales', or a description of certain sectors of the economy. Often understanding is a mix of the two (ie, using procurement processes to keep public spending within Welsh-domiciled businesses within Foundational Economy sectors).

There is nothing wrong with this definition, but it is too narrow. Other considerations around people (particularly Fair Work within the Foundational Economy) and place (particularly how



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anchor organisations support positive place-making) also need to be considerations of the Foundational Economy agenda.

Our Foundational Economy Community of Practice found that one of the key issues facing the Foundational Economy was bridging the gap with the public sector. Many public bodies that should act as anchor institutions were having difficulty finding FE suppliers, and many FE suppliers did not know how to access these public bodies to become suppliers.

The Foundational Economy Challenge Fund (FECF) provided solutions to this problem. A proactive, conversational approach by Vale of Glamorgan enabled more than 100 new businesses to register with Sell2Wales – an 89% increase on the previous year. Similarly Swansea Council used outreach to suppliers to explore changes to contract design, including making contracts smaller and getting rid of disproportionate clauses, to enable more local SMEs to tender. One such contract for £120,000 attracted responses from 10 of the 15 relevant SMEs in the area, with 6 being previously unknown suppliers. Coming to the end of the project, the project lead commented that “What we’ve found is the more we engage with local SMEs in the SA postcode, tweaking the ways we do things, we are removing more barriers but *outreach is essential and changes to contract design alone will not work.*”

This approach has continued post-FECF, and we are aware of organisations such as SimplyDo who are actively being commissioned by housing associations to identify and rank local suppliers.

The Foundational Economy approach therefore appears to have been successful in encouraging public bodies in Wales to invest more resource in finding local FE suppliers. However, this is hard to quantify in the round with current statistics.

The Fund also helped ‘de-risk’ more innovative approaches that anchor institutions wished to pursue. The development of [Flintshire Council’s micro-care model](#) is an example that is still in existence and helping to influence wider approaches to domiciliary care.

What examples of best practice exist in different foundational economy sectors and places within or beyond Wales? How could the Welsh Government better support partners to deliver best practice, and to scale it up where appropriate?

Other examples of good practice and innovative approaches have been funded through Welsh Government’s Foundational Economy Challenge Fund and, more recently, the Backing Local Firms Fund. Case studies from the [Foundational Economy Capability Network](#) supporting fund recipients are available from <https://cynnalcymru.com/foundational-economy/learning-resources/>. Learnings from the capability network have found that especially in projects in the food sector, longer-term planning, investment and support are needed for pilot projects to thrive and scale up. Projects supported by the Backing Local Firms Fund have demonstrated capabilities to address challenges within the foundational economy space, however, struggle with the insecurity of planning and supportive funding.

As referred to in previous questions, there is also a need to adopt a specific Foundational Economy definition and a list of tasks that partners can take up. Currently, many partners are not fully aware of what they are being asked to do outside of the procurement space.



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What progress has been made in using procurement to strengthen the foundational economy since our predecessor Committee looked at this issue in 2019? What further actions are required to deliver greater progress, and what innovative examples of best practice could be built on?

As noted in previous answers, there have been successes in this space. There is likely a need to collate and communicate this information in order to measure process in the round, rather than on a case study basis of notable ‘wins’.

It is also worth noting that there is not always a clear understanding amongst stakeholders as to whether procurement is the driver of change or simply the last and reactionary part of the jigsaw to be changed once all other supply chain factors are in place. The work of the current Welsh Government [Foundational Economy Capability Network](#) has focused on the food system and brought together both supply and demand side actors to work together on increasing the supply and consumption of healthy, affordable Welsh-grown produce. A clear challenge emerging from discussions is the mismatch between aspirations for high levels of high-quality, high-welfare, locally-produced food and the amount of capacity within the Welsh food system to supply this. Intermediaries, or brokers, that could aggregate supply from a number of smaller suppliers – which couldn’t on their own meet the demands of large procurement contracts – is one solution being explored that we would support. [Social Farms and Gardens](#) is one such intermediary sponsored by the Backing Local Firms Fund that aims to facilitate the smoother transfer of public land into community stewardship for local food production in Powys, a project which builds Wales’s capability to produce healthy Welsh-grown produce.

How effective have the Welsh Government’s actions to deliver fair work in foundational economy sectors been? What further steps should it take within its devolved powers to progress this agenda, and how can it work with the UK Government to drive improvements in non-devolved areas?

There is still a huge need to do more on Fair Work in the Foundational Economy. Any adopted definition of the Foundational Economy should incorporate the need for Fair Work, as defined by the Welsh Government. We should not, for example, be encouraging procurement processes to divert public money to Welsh-domiciled businesses if they are providing exploitative rather than fair working conditions – thus undermining our efforts to spread Fair Work across Wales.

There is still much to be done amongst anchor institutions in Wales. Of the 60 organisations that could be classed as a potential ‘anchor institution’ or ‘public body’ (such as National Bodies, Local Authorities, Local Health Boards, Corporate Joint Committees, Fire & Rescue Authorities, Police Forces, and National Parks Authorities) only 16 are currently real Living Wage accredited. This is despite the First Minister writing to all public bodies asking them to accredit.

With take-up of basic and easily measurable actions such as real Living Wage accreditation still low amongst stakeholders that the Welsh Government often has a direct regulatory and funding relationship with, there is certainly more need to drive improvements on the Fair Work agenda. Progress in more difficult areas such as non-devolved areas is also needed, but it is worth noting that even in ‘easier-to-reach areas’ such as public bodies, progress on clearly measurable Fair Work indicators such as the real Living Wage has been limited. The



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Foundational Economy effort can therefore be used to further bolster Fair Work efforts, by tying the Fair Work agenda inside an adopted Foundational Economy definition and ensuring that anchor institutions are promoting Fair Work aspects such as real Living Wage and Hours accreditations, and trade union access and representation.