



The Welsh NHS Confederation response to the Economy, Trade and Rural Affairs Committee inquiry into the Foundational Economy

Contact: Nesta Lloyd – Jones, Assistant Director, Welsh NHS Confederation

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Introduction

1. The Welsh NHS Confederation welcomes the opportunity to respond to the Economy, Trade and Rural Affairs Committee inquiry into the Foundational Economy.
2. The Welsh NHS Confederation represents the seven Local Health Boards, three NHS Trusts (Velindre University NHS Trust, Welsh Ambulance Services University NHS Trust and Public Health Wales NHS Trust), and two Special Health Authorities (Digital Health and Care Wales and Health Education and Improvement Wales). The twelve organisations make up our membership. We also host NHS Wales Employers.

The NHS contribution to the Foundational Economy

3. Health, wellbeing and the economy are bound tightly together; a healthy (physically, psychologically and socially) population results in a more economically active population. Interventions designed to improve health, inclusive growth and wellbeing in Wales are in the interests of all local, regional and national partners, businesses and communities.
4. As our briefing, [Health, wealth and wellbeing: The NHS' role in economic and social recovery](#), highlights the NHS has a significant leading role to play in the Foundational Economy because they are seen as Anchor Institutions. NHS organisations are Anchor Institutions because they are large organisations whose long-term sustainability is tied to the wellbeing of the population through being one of the largest employers in local areas, a key purchaser of goods and services, and a capital estate holder and developer. However, the socio-economic impacts of NHS Wales spread far beyond its economic scale and scope to include wider impacts, including employment stability, regional wages, occupational structure, and economic activity rates. Collectively, these factors

impact positively on Welsh productivity and the economy, with organisations and businesses benefiting significantly from healthier and more productive workforces.

5. The NHS organisations are rooted in their communities and make a difference to local people by:
 - Directly employing people to quality and stable work with above average wages.
 - Purchasing goods and services locally for social benefits.
 - Using buildings and spaces to support communities.
 - Working closely with local partners.
 - Reducing its environmental impact by reducing its carbon footprint.
6. **Widening opportunities for employment:** NHS in Wales currently employs over 111,000 people (headcount as of June 2024) in a range of roles, with many NHS organisations stating that a large percentage of their staff live and work in the same area. NHS organisations have a range of activities in creating / widening access to employment for local populations. Most NHS organisations have versions of apprenticeships / graduate training / kick-starter scheme in their organisations.
7. **Procurement/ supporting Welsh businesses:** Public sector procurement in Wales accounts for over £4 billion worth of annual expenditure, presenting a significant opportunity for economic regeneration and community wealth building across Wales. The NHS in Wales procures and commissions a significant amount of goods and services from local small and medium-sized enterprises and voluntary and community sector organisations. NHS Wales Shared Service Partnership plays a key leadership role in managing contracts of behalf of NHS Wales that places Foundational Economy principles into the assessment aspects of tender specifications. The results of this work have led to an economic shift in spend on new contracts in the past 2 years toward Welsh businesses. Spend to Welsh businesses has increased from £1.3 billion in 2020-21 (40% of spend in Wales) to 1.85 billion in 2023-24 (43% spend in Wales).
8. **Placing services to support the local economy:** Good planning ensures that the right development is put in the right place to help create healthy vibrant places with a strong community spirit. Across Wales there are examples of where NHS organisations are strategically placing services to provide improved accessibility to patients, co-locating with other public / private sector organisations and lowering transport / carbon emissions and creating a stimulus for footfall to local business.
9. **NHS Estates:** The NHS estate contributes to the delivery of high-quality healthcare to patients and contributions to the countries GVA. A number of NHS organisations seek to ensure local organisations are supported to apply/ join their procurement frameworks to contribute to service change and for a number of capital projects contractors are encouraged to have a proportion of local people employed on the project.
10. **Decarbonisation:** Through using its buying powers, NHS Wales organisations are establishing new, local supply chains, which will have the additional impact of shortening the supply chain and reducing carbon.

11. **Population health and prevention:** NHS organisations are working proactively with other organisations to help improve the local built environment to support community health and wellbeing. Given the positive associations between quality green space and health and wellbeing outcomes, some NHS organisations are exploring how they can create more accessible green spaces.

Committee Questions

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?

12. While there has been significant development since the pandemic to mainstream foundational economy across government and across different sectors, it would be beneficial to develop measures/ outcomes framework that are used across public sector, and potentially other sectors, to evidence the impact of the work that is being undertaken and to ensure a consistent approach across Wales. Generally, measurement of impact is under-developed and there is no clarity of the link between actions taken (input), and the outcomes (actual or planned) generated in furthering the Foundational Economy.
13. Discussions across the NHS and also a recent Welsh Government review has identified that currently we do not have a consistent approach to measurement of impact of the work being undertaken, or how we can best identify the Social Value Return on Investment to enable the NHS, and wider public sector bodies, to make better and more informed decisions on the goods and services that we procure and provide. Public Health Wales NHS Trust is working on identifying the Social Value of public health services and interventions through a Social Return on Investment (SROI) approach and a new [SROI database](#) was launched in June 2022.
14. The measures must also consider public value. There is always a challenge to strike the right balance between meeting the current financial pressures all sectors are facing in Wales and investing to achieve wider economic or longer-term benefits. There needs to be a shift of focus around the public value creation; the needs of communities must also be considered in determining the outcomes public sector bodies focus on, and more time should be spent analysing how to achieve the outcomes we deliver. As such, we recommend that performance management and governance arrangements account for how we create public value over the short, medium and long term.

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

15. The Welsh Government [Foundational Economy in Health and Social Care Programme](#) has been a key enabler in driving positive change across the NHS for the long-term and there has been a lot of progress since it was launched in November 2021. The programme has increased awareness across the NHS of the important role it plays in the local and national economy and has led to a more co-ordinated approach across Wales.
16. The Foundational Economy in Health & Social Services 2021/22 Programme sets out how health and social care can maximise the impact they make to Wales as Anchor Institutions. The Programme focuses around the 3 Ps:

- Procurement – leveraging spend to benefit Welsh businesses and communities.
 - People – how recruitment can employ people from the communities served, especially those further away from the labour market.
 - Place – how the health and social care ‘footprint’ and estate can be managed to provide better access to services as well as benefit local communities, businesses and the third sector.
17. The Programme is sponsored by Judith Paget, Chief Executive for NHS Wales/ Director General, with a Chair and CEO in the NHS being a lead for Foundational Economy and attending the Welsh Government Foundational Economy Steering Group. The objective of the Programme is to build a resilient Welsh economy, and it sets out six key themes to enable this:
- Leadership and engagement
 - Value based procurement principles
 - Shared intelligence
 - Optimised supply chain
 - Wellbeing and employability
 - Vibrant communities
18. There are numerous examples at a national and an organisational level around the difference the Health and Social Care Programme has had. The amount of money the NHS in Wales has spent on non-pay spend with local Welsh suppliers has increased, from 26% in 2022 to 44% due to the interventions made by the Programme. From the increase in procuring from Welsh suppliers, it has shortened the supply chain which we saw during the pandemic making us more resilient and less reliant on international supplies and is better for the climate. The Programme has also increased the ‘liveability’ of people in Wales by providing employment which will improve people’s health outcomes and will ultimately remove pressures away from the NHS.
19. While the Programme has already led to change, review by the Welsh Government in 2023 did highlight further work is needed to decrease the variation at local organisational level. There needs to be increased work in relation to the following:
- Increased understanding across all NHS bodies of the opportunity the NHS can play in the Foundational Economy.
 - Further focus and leadership e.g. board level, Regional Partnership Board level and Public Service Board level.
 - Increased cross-organisational working and engagement with non-NHS partners.
 - Further understanding and interpretation of what Foundational Economy means in both its basic interpretation and how it links to other related agendas e.g. decarbonisation, value, employment and ensuring there is no silo thinking across NHS departments/ areas.
 - The need to share and learn across organisations in the NHS and wider public sector.
 - How the measurement of impact is being considered and embedded.
 - Further consideration around operational financial targets causing tension and needing to identify wider economic benefits for Wales.

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?

20. The NHS Confederation has [published](#) a range of briefings and reports showcasing best practice across the UK in relation to foundational economy and Michael Wood, Head of Health Economic Partnerships at the NHS Confederation, is seen as an expert in his field advising governments and public sector bodies across the UK.
21. Of particular interest is the emerging agenda in England. [Integrating Care: Next Steps to Building Strong and Effective Integrated Care Systems Across England](#), published in November 2020, described one of the four core purposes of an integrated care system (ICS) as being to help the NHS support broader social and economic development. This purpose is perhaps the least well defined and understood in traditional NHS management and strategy terms, yet is particularly important given the wider ongoing impact of the pandemic and the inextricable relationship between health and socio-economic outcomes. As part of the support to ICSs, the NHS Confederation developed a [learning tool](#) which includes good practice.
22. The most recent report by the NHS Confederation, [Unleashing health and prosperity throughout Britain](#), published in August 2024, puts forward a set of principles that have proven to aid successful social and economic development following engagement with five local areas in England and Wales, including Hywel Dda University Health Board. The principles include; making the integrated care partnership, health board or equivalent leadership body the vehicle to unlocking the anchor system; looking inward and recognising the assets systems already have at the ready; linking with local inclusive growth strategies; devolving accountability; sharing resources across partners; and leading the cultural shift necessary to generate more long-term thinking.
23. The NHS in Wales is also learning from colleagues from across the UK through the Health Foundation Innovation Unit Health Anchors Learning Network. [The Health Anchors Learning Network \(HALN\)](#) is a UK-wide network for people responsible for, or interested in, anchor approaches to improving health and tackling inequalities. HALN aims to build knowledge, skills and expertise to maximise the social, economic and environmental impact of anchor organisations. HALN is delivered by Innovation Unit and supported by the Health Foundation. It was setup in 2021 with funding from NHSE/I and The Health Foundation, and now has a thriving public presence with 1,800 members across the UK and wider. To support Anchors in Wales, a Welsh-specific HALN programme has recently been established to enhance strategic leadership, to increase governance and decision – making capacity, to help develop effective impact measurements and support cross partnership working.
24. Wales has been recognised by the WHO as one of four Wellbeing Economy Champions (together with Iceland, Finland and Scotland), building on the Well-being of Future Generations (Wales) Act and the Foundational Economy. Through its World Health Organization (WHO) Collaborating Centre, Public Health Wales NHS Trust is working closely with the WHO on promoting Health as a driver, enabler and beneficiary of the Wellbeing Economy - an approach that prioritizes health, human, social, planetary and economic outcomes, labelled as 'well-being capitals'. These include important assets

such as trust, social cohesion, participation, environmental sustainability and quality employment, which are crucial for developing healthy, thriving, fairer and prosperous societies.

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?

25. As previously highlighted, in the NHS there has been significant progress in using procurement to strengthen the foundational economy.

26. NHS Wales Shared Service Partnership plays a key leadership role in managing contracts of behalf of NHS Wales that places Foundational Economy principles into the assessment aspects of tender specifications. The results of this work have seen an economic shift in spend in new contracts in the past 2 years toward Welsh businesses, as highlighted above.

27. There are numerous examples across the NHS in Wales where deliberate intentions and actions to work with local based organisations has created further onward employment roles and opportunities to Welsh businesses. Examples include:

- The development of the new Velindre Cancer Centre using a consortium of local Welsh companies;
- The redevelopment of Prince Charles Hospital including the supplier activity providing opportunities for local trainees, apprentices and working with local schools to promote career opportunities;
- The exploration of working with or establishing community interest companies to provide alternative local opportunities, an example being Cae Felin, a Community Supported Agriculture with Swansea Bay University Health Board, providing use of land at Morriston hospital deemed unsuitable for future NHS development and instead repurposed to grow to fruit and vegetables. This site offers volunteering, educational opportunities and is accessed by disadvantaged local families;
- NHS bodies working with tech companies in the field of research and innovation, including Cardiff and Vale University Health Board and Swansea Bay University Health Board working in partnership with universities to attract tech companies into Wales, providing potential employment but also with the intention to retain local talent in NHS Wales as a feature of being a great place to work;
- Progressive procurement approaches being developed through the NHS Wales Finance Academy, Cwm Taf Morgannwg University Health Board and Velindre University NHS Trust, aimed at increasing the proportion of locally produced food on hospital plates.