

# The Foundational Economy

April 2025





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# The Foundational Economy

April 2025



# About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:  
[www.senedd.wales/SeneddEconomy](http://www.senedd.wales/SeneddEconomy)

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Current Committee membership:



**Committee Chair:**  
**Andrew RT Davies MS**  
Welsh Conservatives



**Hannah Blythyn MS**  
Welsh Labour



**Hefin David MS**  
Welsh Labour



**Luke Fletcher MS**  
Plaid Cymru



**Samuel Kurtz MS**  
Welsh Conservatives



**Jenny Rathbone MS**  
Welsh Labour

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The following Members attended as substitutes during this inquiry:



**Mick Antoniw MS**  
Welsh Labour



**Lee Waters MS**  
Welsh Labour

The following Member was also a member of the Committee during this inquiry:



**Paul Davies MS**  
Welsh Conservatives

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## Chair's foreword

This inquiry was held during the tenure of my predecessor as Chair, Paul Davies MS.

We all use the foundational economy every day, many of us work in the foundational economy, however most people would struggle to tell you what it is. In fact, one of the key recommendations of this report is that the Welsh Government must set a clear definition of the foundational economy as we believe this would help both public understanding and policy development. The foundational economy includes hairdressers, care workers, and the people who work in your local shop. These are jobs that you will find in every community across Wales, with foundational economy workers providing vital services to their friends and neighbours.

Whilst there is a temptation for governments to concentrate on economic policy that supports big, exciting projects and to bid for inward investment from multinationals, supporting the foundational economy effectively is also incredibly important. Supporting and growing the foundational economy allows small businesses and communities to flourish. It helps to keep wealth circulating within a community.

The foundational economy has been part of the Welsh Government's approach to economic development for nearly 10 years. Its latest economic mission commits to strengthening the foundational economy. To achieve its aims, the Welsh Government must take evidence-based, practical steps to turn ambition into reality. This report contains 10 recommendations which will support that goal. These include working with partners to foster a bottom-up approach to the development of the foundational economy, learning lessons and spreading good practice, and improving the experience of SMEs bidding for public contracts.

Again, I would like to thank Paul Davies MS for leading this inquiry. I would also like to thank all the Committee Members and witnesses for their time and efforts which have allowed the Committee to shape this report and make these important recommendations.

A handwritten signature in black ink that reads "Andrew RT Davies". The signature is written in a cursive, slightly informal style.

**Andrew RT Davies MS**

Chair

# Recommendations

**Recommendation 1.** The Welsh Government should use the dual definition developed by Professor Karel Williams and the Foundational Alliance Wales as the basis for its work on the foundational economy. It should also work with practitioners to create simple, one-line definitions to increase awareness of the foundational economy, and communicate these more widely to organisations.  
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**Recommendation 2.** The Welsh Government should develop a number of key performance indicators to boost understanding of what it wants to achieve through foundational economy interventions. It should also collaborate with partners to produce a foundational economy delivery plan setting out the actions the Welsh Government and others will take to meet its objectives.....Page 14

**Recommendation 3.** The Welsh Government should place greater focus on supporting a bottom-up approach to the foundational economy. As part of this approach, it should:

- Work with partners to trial and evaluate ‘alliances of the willing’ to deliver change in a few key foundational economy areas, including identifying opportunities to pilot a skunkworks-type approach.
- Develop less prescriptive approaches to grant funding that support innovation and empower organisations to deliver community priorities.

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**Recommendation 4.** The Welsh Government should learn lessons from other cross-cutting policy areas to mainstream a foundational economy approach across government, and set out by September 2025 how it intends to apply these lessons. ....Page 21

**Recommendation 5.** To support learning, spreading and scaling of good practice, the Welsh Government should publish key findings from evaluations of foundational economy initiatives in one place. These should then be embedded into its scrutiny of how effectively public service organisations are delivering foundational economy priorities. The Welsh Government should also work with partners to identify successful foundational economy projects that it wishes to scale up, and set out its plans to do so. ....Page 27

**Recommendation 6.** The Welsh Government should outline how it will improve the longer-term financial support available to successful foundational economy



initiatives that require ongoing support. This should include analysing how the successor local growth arrangements to the Shared Prosperity Fund can be used to support foundational economy organisations. ....Page 27

**Recommendation 7.** In relation to improving procurement opportunities for SMEs in the foundational economy, the Welsh Government should:

- Outline how it will work with partners to spread and scale-up best practice to support foundational economy SMEs across the whole of Wales to tender for public sector procurement opportunities.
- Set out how it proposes to use its powers under the *Procurement Act 2023* and the *Social Partnership and Public Procurement (Wales) Act 2023* to support greater spend with small and medium-sized Welsh businesses and third sector organisations. ....Page 33

**Recommendation 8.** The Welsh Government should outline how it will use recent procurement legislation to maximise the social value of procurement across devolved public sector organisations. It should provide tailored training to procurement staff to enable them to implement this. ....Page 33

**Recommendation 9.** The Welsh Government should work with anchor institutions in devolved public services to ensure that ‘grow your own workforce’ approaches are developed and scaled-up across Wales, taking a flexible approach that meets the local needs of employers and communities. ....Page 40

**Recommendation 10.** The Welsh Government should take the following steps within its devolved powers to improve pay and conditions in the public and private sectors:

- Using remit letters to set requirements for public bodies covered by these to improve pay and working conditions, and working with social partners to develop and agree common minimum standards for pay and working conditions in the devolved public sector.
- Working at pace with social partners to develop proportionate proposals to support fair work through Welsh Government financial support, and starting to roll these out by the end of 2025. As part of this work, the government should also consider how the Scottish Government’s Fair Work First approach can inform developments in Wales. ....Page 40

## 1. Background

In its inquiry, the Committee explored the Welsh Government's approach to the foundational economy, what has worked well and what hasn't, and actions taken in relation to procurement and fair work.

1. The terms of reference for the Committee's work were to examine:
  - 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?
  - 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?
  - Which of the Welsh Government's foundational economy policy initiatives have been most successful, and why? Which have worked less well, and why?
  - 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?
  - 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?
  - 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?

- 2.** The Committee ran a public consultation from 29 August 2024 to 27 September 2024, and received 22 written responses. These are listed at Annex 2, along with other additional written evidence published during the inquiry. The responses received were considered in detail and helped to inform Members' understanding of the key issues, and their questions to witnesses who gave oral evidence.
- 3.** Oral evidence was taken between September and November 2024, during which the Committee heard from academics, businesses and public and third sector organisations in foundational economy sectors. It also took evidence from the Cabinet Secretary for Economy, Energy and Planning. Details of witnesses who gave oral evidence are set out at Annex 1.
- 4.** The Committee would like to thank all of those who shared their time and expertise with us to help shape this piece of work.

## 2. What is the foundational economy?

There is limited and inconsistent understanding of what is meant by the term ‘foundational economy’, and what the Welsh Government is looking to achieve through its focus on this area.

**6.** The foundational economy has been part of the Welsh Government’s approach to economic development since the publication of its Economic Action Plan in late 2017.<sup>1</sup> The Welsh Government also sets out its intention to “strengthen the foundational economy” in its 2023 economic mission.<sup>2</sup>

**7.** More recently, the Welsh Government has set out what it aims to achieve in relation to the foundational economy. It wants to:

- *strengthen the foundational parts of the economy, making them more resilient to external shocks*
- *support Welsh businesses to embrace fair work principles and create high-skilled jobs*
- *improve working conditions, ensuring fair work, skills improvement, and career progression*
- *sustain and grow locally-owned businesses to circulate profit and wealth in Welsh communities*
- *enhance access to foundational economy goods and services, improving wellbeing across Wales<sup>3</sup>*

**8.** However, during our inquiry we found confusion around what the foundational economy is, and a lack of awareness of the term. These findings are similar to those evidenced in recent research.<sup>4 5</sup>

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<sup>1</sup> Welsh Government, [Prosperity for All: economic action plan](#)

<sup>2</sup> Welsh Government, [Economic mission: priorities for a stronger economy](#)

<sup>3</sup> Welsh Government, [The foundational economy](#)

<sup>4</sup> Walpole et al, [A Scoping and Feasibility Study for a new Foundational Economy Academy in Wales](#)

<sup>5</sup> Sissons and Green, [Facing up to the foundational economy: regional development, public policy and employment in Wales](#)

## A lack of awareness of what the foundational economy is

**9.** The lack of awareness of the foundational economy was summarised by Professor Karel Williams, who said that:

*If you actually asked people in public services in Wales to define the foundational economy, I'd be surprised if one in 50 could actually give that one sentence definition.<sup>6</sup>*

**10.** Similarly, Professor Joanne Patterson told us that:

*I've been working with a range of people within local authorities and the social housing sector, mainly people who are on the ground working, and I don't think I've ever heard them mention the words 'foundational economy'. However, I think it's probably more a recognised term for people who are in the decision-making roles within these organisations.<sup>7</sup>*

**11.** These comments chime with the findings of interviews undertaken to inform a scoping study for the Welsh Government on a foundational economy academy.<sup>8</sup> According to 80% of interviewees, the foundational economy isn't well understood across public service organisations. Around 75% of interviewees called for the foundational economy to be communicated to practitioners in plain, easy-to-understand language.

**12.** The Committee also heard that the foundational economy is sometimes oversimplified, and confused with other economic development concepts. Professor Anne Green highlighted that the foundational economy is used interchangeably with other similar concepts such as community wealth building and inclusive growth.<sup>9</sup>

**13.** Harry Thompson of Cynnal Cymru said:

*I think the focus tends to be on procurement. I do think that's something you see a lot. You see that sort of, 'Keeping the Welsh*

<sup>6</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 9

<sup>7</sup> Economy, Trade and Rural Affairs Committee, [16 October 2024](#), paragraph 166

<sup>8</sup> Walpole et al, [A Scoping and Feasibility Study for a new Foundational Economy Academy in Wales](#)

<sup>9</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 13



*pound in Wales', which I think is helpful and valid, but it does too unduly narrow it.<sup>10</sup>*

**14.** The Cabinet Secretary acknowledged these concerns, saying that it's "really important" that the Welsh Government gives clarity to stakeholders on the foundational economy.<sup>11</sup> She also highlighted work the Welsh Government is doing with Cardiff Metropolitan University to improve businesses' understanding of the foundational economy.<sup>12</sup>

### **Which definition of the foundational economy should be used?**

**15.** The Committee heard a range of definitions of the foundational economy during the course of its evidence. The most commonly referenced one was that used by Foundational Alliance Wales, comprised of Professor Karel Williams and colleagues, and supported by Harry Thompson and the Federation of Small Businesses (FSB) Wales.<sup>13 14</sup> In their view, there are two complementary and correct definitions of the foundational economy:

*i. A narrow, descriptive definition of the FE [foundational economy] as the non-tradeable sectors providing basic services like health and care, utilities etc. These sectors have been neglected by those preoccupied with policies for high-tech and tradables but altogether they account for 40% of employment in Wales.*

*ii. A broad, analytic definition of the FE as the conditions of well-being: (a) the three pillars of household liveability (residual income after paying for essentials + access to basic services + social infrastructure) on the demand side; and (b) the stock of capable resourceful firms on the supply side; with (c) consumption and production mitigating nature and climate emergency.<sup>15</sup>*

**16.** Professor Williams summed these up in a sentence, saying that "it is about the conditions of well-being, which are household income after paying for

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<sup>10</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 11

<sup>11</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraph 131

<sup>12</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraph 143

<sup>13</sup> Written evidence, [Federation of Small Businesses Wales](#)

<sup>14</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 11

<sup>15</sup> Written evidence, [Foundational Alliance Wales](#)

essentials, services like healthcare and education, and social infrastructure like youth clubs, all within climate limits”.<sup>16</sup>

**17.** We also heard other descriptions of the foundational economy. The Welsh Economy Research Unit at Cardiff University described the foundational economy as “concerned with distinct segments of economic activity that appear to serve specific basic human needs”.<sup>17</sup> Well-Fed consider the foundational economy to be “an ‘Economy+’ model. An approach to doing business and achieving increased social/environmental benefit as well”.<sup>18</sup>

**18.** The Cabinet Secretary told the Committee that it is “important to have that clear description” of the foundational economy, “so that people are working to the same understanding”. She also noted that one of the foundational economy objectives she is seeking feedback on is to increase household liveability by raising wages and reducing the cost of essentials.<sup>19</sup>

**19.** The Cabinet Secretary said the Welsh Government has sought feedback from stakeholders on its definition of the foundational economy through Cynnal Cymru, as well as on a mission statement it has developed.<sup>20</sup>

## Using targets and indicators

**20.** A number of witnesses called for the Welsh Government to introduce indicators, targets and action plans to give greater clarity on what it wants to achieve through foundational economy interventions.

**21.** Iwan Trefor Jones of Adra (North Wales’ largest housing association) said that “it’s not strategies that we need, but clear action plans with milestones, with clear key performance indicators, that reflect what we’re trying to achieve”.<sup>21</sup>

**22.** The Development Bank of Wales called for clear targets to be developed for the foundational economy, saying that:

*Welsh Government should provide a clear set of consolidated targets for the foundational economy as a basis for systematic engagement*

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<sup>16</sup> Economy, Trade and Rural Affairs Committee, 18 September 2024, paragraph 9

<sup>17</sup> Written evidence, Welsh Economy Research Unit, Cardiff University

<sup>18</sup> Written evidence, Well-Fed

<sup>19</sup> Economy, Trade and Rural Affairs Committee, 14 November 2024, paragraph 134

<sup>20</sup> Economy, Trade and Rural Affairs Committee, 14 November 2024, paragraph 132

<sup>21</sup> Economy, Trade and Rural Affairs Committee, 16 October 2024, paragraph 185

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*and collaboration. Bringing together the potential impacts from the various cross portfolio actors brings a sense of joint action.<sup>22</sup>*

**23.** Dr Gary Walpole called for a small number of key performance indicators to be created from the national wellbeing indicators. He suggested these indicators could be published as a foundational economy dashboard to allow progress to be measured.<sup>23</sup>

### **Our view**

Wales has been at the forefront of developments since the foundational economy entered economic policy discussions nearly ten years ago, for example as a useful way to stop money leaking out of Wales. However, the term ‘foundational economy’ is poorly understood, and the Welsh Government needs to do more to get everyone pulling in the same direction.

It is therefore welcome that the Cabinet Secretary recognises the need for a shared definition of the foundational economy. We believe that the dual definition outlined by Professor Karel Williams should be used. However, the Welsh Government will also need to work with practitioners to develop simpler, one-line definitions to increase understanding, and communicate these widely to organisations in foundational economy sectors.

The Welsh Government also needs to outline clearly how it will achieve its foundational economy aims. It should work with key stakeholders to co-create a delivery plan setting out the actions organisations will take to meet the Welsh Government’s objectives for the foundational economy.

**Recommendation 1.** The Welsh Government should use the dual definition developed by Professor Karel Williams and the Foundational Alliance Wales as the basis for its work on the foundational economy. It should also work with practitioners to create simple, one-line definitions to increase awareness of the foundational economy, and communicate these more widely to organisations.

**Recommendation 2.** The Welsh Government should develop a number of key performance indicators to boost understanding of what it wants to achieve through foundational economy interventions. It should also collaborate with partners to produce a foundational economy delivery plan setting out the actions the Welsh Government and others will take to meet its objectives.

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<sup>22</sup> Written evidence, [Development Bank of Wales](#)

<sup>23</sup> Written evidence, [Dr Gary Walpole](#)

### 3. The role of the Welsh Government in the foundational economy

While there is a balance to be struck between leadership and empowering others, the Welsh Government needs to move to a more bottom-up approach to supporting the foundational economy.

#### **An add-on to existing economic development policy or an alternative economic approach?**

**24.** Foundational Alliance Wales says that the “descriptive concept of the FE [foundational economy], and the preoccupation with procurement” have been added on to existing growth-focussed economic development policy by the Welsh Government.<sup>24</sup> They argue that this is not a well-considered approach, as the long-term objective of faster growth is currently “almost certainly unattainable” and, if achieved, would lead to increase social inequalities and carbon emissions.<sup>25</sup>

**25.** Cwmpas called for “foundational economy policy to be at the core of economic development policy, not seen as a distinct section that conflicts with the aims of other parts of government policy”.<sup>26</sup>

**26.** Others took a different view. FSB Wales expressed concern that adopting discrete foundational economy policies separates SMEs away from a wider economic growth strategy, which then focusses on larger businesses. They called for a SME growth agenda to counteract this.<sup>27</sup> FSB Wales also called for a focus on the ‘missing middle’ in foundational economy policy. This would use levers such as public procurement and raise barriers to enable businesses to “grow from self-employed to micro businesses, micro to small, and small to medium sized businesses”.<sup>28</sup>

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<sup>24</sup> Written evidence, [Foundational Alliance Wales](#)

<sup>25</sup> Written evidence, [Foundational Alliance Wales](#)

<sup>26</sup> Written evidence, [Cwmpas](#)

<sup>27</sup> Written evidence, [Federation of Small Businesses Wales](#)

<sup>28</sup> Written evidence, [Federation of Small Businesses Wales](#)

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## Case study – Blaenau Ffestiniog



Cwmni Bro Ffestiniog told us that “In the Ffestiniog area, there is a vibrant community of social enterprises and successful businesses, including Antur Stiniog, Craig Blaenau, Seren Cyf, Dref Werdd, Gwesty Seren, Cymuned Gybolfa, Pengwern Cymunedol, Trawsnewid, Caban Bach, Menter Nyth y Gigfran, Y Wynnes, Llafar Bro, Ysgol y Moelwyn, Friends of Croesor,

Gisda, Deudraeth Cyf, and Opra Cymru and more. They have united under the banner of Cwmni Cymunedol Bro Ffestiniog as a network to work in collaboration to offer sustainable opportunities in sectors such as creative, care, environmental, construction and sustainable tourism. This will offer support, training and opportunities to the community and ensures that the voice of the community is embedded in the work.

There are numerous benefits to operating in this way. Collaboration between community enterprises, charities and voluntary organisations strengthens the local economy, creating jobs and increasing community participation. It also fosters a new spirit of enterprise and supports environmental and cultural development, ensuring long-term improvement for the whole community.

The network creates an annual turnover of £4,208,896, which demonstrates its strong economic impact in the area. More than 160 workers are employed by the enterprises in the area, creating jobs and opportunities for the local community. In addition to the paid employees, enterprises also offer volunteering opportunities, with 195 volunteers who contribute generously to their activities, adding additional community value. The mix of employees and volunteers ensures that services are provided efficiently and effectively, meeting the needs of the community in various areas. These efforts foster the development of individuals and the area and have significant social impact and benefits, creating a brighter and more sustainable future for all who live in the area, as well as developing and regenerating the community.

The objectives of Cwmni Cymunedol Bro Ffestiniog include promoting collaboration between community enterprises in the area, improving collaboration between community enterprises, charities, voluntary organisations, and public and private agencies that operate in the area for the benefit of the



community. It also seeks to support and promote the growth and development of what already exists, increase community participation, support community activity and enterprise, stimulate, foster and promote new initiatives in the area, and contribute to the development of individuals as well as the economic, environmental, social, cultural and educational development of the area in order to create a thriving community.”

## A more facilitative or interventionist approach

**27.** We heard a range of views of views about the role the Welsh Government should play in supporting the foundational economy, and how interventionist an approach it should take.

**28.** Foundational Alliance Wales has called for the Welsh Government to take a less interventionist approach to supporting the foundational economy.<sup>29</sup> Professor Williams set how he sees this being done in his oral evidence:

*... our argument is that it needs a quite different kind of approach than the strategising and policy-centric approach that Welsh Government has adopted, and that it requires attention to alliances of the willing and this whole business of skunkworks projects, things on the edge that actually bring together people who want change, rather than create strategies and regulations that assume everybody is going to do change.<sup>30</sup>*

**29.** Foundational Alliance Wales’ written evidence gave a practical example of an ‘alliance of the willing’, highlighting the work of the Healthy Housing Alliance, where Cwm Taf University Health Board has worked with local housing associations and the University of South Wales to support economically inactive local residents with few qualifications into employment.<sup>31</sup>

**30.** Professor Williams added that ‘skunkworks’ projects are on the edge of government, but not part of it, and that they require facilitators to bring people and organisations together to address areas where change is required, and the support of senior managers and the Welsh Government.<sup>32</sup>

<sup>29</sup> Written evidence, [Foundational Alliance Wales](#)

<sup>30</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 27

<sup>31</sup> Written evidence, [Foundational Alliance Wales](#)

<sup>32</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 80

**31.** Organisations delivering foundational economy initiatives called for the Welsh Government to focus more on supporting a bottom-up approach. Ali Abdi of Cardiff University called for “trust in those community-led projects that we know work”.<sup>33</sup> Similarly, Gary Newman of Woodknowledge Wales told the Committee that, while there is a need for a high-level role for the Welsh Government in setting long-term strategies and regulating:

*If you can inspire people to do things differently, and then help them and support them to implement that, then you can create fantastic, bottom-up change. And it works, as far as I’m concerned. So, a bit of top-down policy setting, and then a lot of bottom-up enabling.*<sup>34</sup>

**32.** Ceri Cunnington of Cwmni Bro Ffestiniog said that funding requirements for grants are too prescriptive, leading to organisations having “to be creative in the way we’re saying we’re delivering projects”.<sup>35</sup> He added that the Welsh Government needs to “be brave”, and give us the tools as communities to implement its strategies.<sup>36</sup>

**33.** Other organisations wanted to see more balance between a more interventionist approach and bottom-up support. Cynnal Cymru said that:

*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.*<sup>37</sup>

**34.** Sarah Simmonds from Aneurin Bevan University Health Board highlighted the need for a central co-ordinating role to support organisations or programmes to move to the next step, or help break down barriers such as silo-working.<sup>38</sup>

**35.** The Cabinet Secretary said there is a balance to be struck between a leadership role for the Welsh Government and empowering organisations to take decisions that benefit the foundational economy:

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<sup>33</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraph 84

<sup>34</sup> Economy, Trade and Rural Affairs Committee, [16 October 2024](#), paragraph 195

<sup>35</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 169

<sup>36</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 122

<sup>37</sup> Written evidence, [Cynnal Cymru](#)

<sup>38</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraph 88

*... there is absolutely an important role for strong leadership in this space. But, equally, it is about creating those coalitions of the willing, having those communities of practice, which we've funded, so supporting those to become successful.<sup>39</sup>*

## Working across government

**36.** While a number of witnesses praised the work of the Welsh Government's foundational economy unit, we also heard concerns about how the foundational economy approach is being implemented across government, and on whether this is even possible.

**37.** Professor Morgan said that while the foundational economy unit has “done a lot with a little”, it is marginalised as it’s “business as usual for large swathes of government”, and greater cross-government working is needed.<sup>40</sup>

**38.** Some witnesses felt lessons could be learned from other cross-cutting policy areas. The Development Bank of Wales felt that areas such as net-zero and carbon budgeting may provide elements of best practice.<sup>41</sup> Harry Thompson said the Welsh Government should use its approach to fair work as a model:

*If you look at the fair work agenda, that's another really similar agenda that's a kind of a cross-government one. And what they've done is they've got a guide to fair work—'Here are the specific things we're asking you to do as an organisation, and we can measure whether or not you've done them'—so, real living wage accreditation, trade union recognition.<sup>42</sup>*

**39.** However, Foundational Alliance Wales said that:

*The idea that the FE [foundational economy] can be mainstreamed by coordinating different groups within a multi-level system of government and governance underestimates the power and*

<sup>39</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraph 173

<sup>40</sup> Economy, Trade and Rural Affairs Committee, [16 October 2024](#), paragraph 38

<sup>41</sup> Written evidence, [Development Bank of Wales](#)

<sup>42</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 45

*resilience of sectional agendas and resistance. The outcome too often is that everybody's business is nobody's priority.*<sup>43</sup>

**40.** The Cabinet Secretary highlighted an example of good practice of mainstreaming undertaken by the Welsh Government's housing department, who worked with 28 Registered Social Landlords to approach 500 SMEs to provide opportunities to work with the social housing sector.<sup>44</sup>

### **Our view**

We heard calls for the Welsh Government to focus on supporting a more bottom-up approach to the foundational economy. While it is important that the Welsh Government provides a strategic lead to set the overall direction of policy and there is a balance to be struck, we believe the Welsh Government should take a more facilitative approach to the foundational economy, that supports innovative organisations to drive change within their communities. It should take two key steps to progress this. Firstly, it should work with partners to trial supporting 'alliances of the willing' to deliver change in a few key foundational areas, and evaluate the success of this approach. This should include identifying opportunities to trial the 'skunkworks' approach Professor Williams advocates. Secondly, it should take a less prescriptive approach to grant funding that supports organisational innovation and empowers organisations to deliver community priorities.

We also heard praise for the work of the Welsh Government's foundational economy unit, although we heard its ability to mainstream the foundational economy across the organisation is limited by other parts of the government taking a 'business as usual' approach. The Welsh Government should address this by learning lessons from other cross-cutting policy areas to enable it to mainstream the foundational economy across government.

**Recommendation 3.** The Welsh Government should place greater focus on supporting a bottom-up approach to the foundational economy. As part of this approach, it should:

- Work with partners to trial and evaluate 'alliances of the willing' to deliver change in a few key foundational economy areas, including identifying opportunities to pilot a skunkworks-type approach.

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<sup>43</sup> Written evidence, [Foundational Alliance Wales](#)

<sup>44</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraph 155

- Develop less prescriptive approaches to grant funding that support innovation and empower organisations to deliver community priorities.

**Recommendation 4.** The Welsh Government should learn lessons from other cross-cutting policy areas to mainstream a foundational economy approach across government, and set out by September 2025 how it intends to apply these lessons.



## 4. Delivering foundational economy initiatives

There are a number of examples of excellent foundational economy initiatives, however the Welsh Government needs to work with partners to learn from these and spread best practice more widely.

### Case study – Castell Howell Foods



Edward Morgan, Group ESG Manager at Castell Howell Foods said: “Castell Howell supply ingredients for an estimated 900,000 school meals each week. With limited menu choices and options for the public sector plate, 100% availability, 100% of the time is critical, especially against a backdrop of school meals being the only full meal of the day for

some young individuals. As an intermediary between producer and caterers, we have a responsibility to review our supply chains identifying risks and potential vulnerabilities in the provision of food.

Having a strong indigenous agricultural and secondary processing sector not only provides the food we need to sustain our lives, but creates wealth, strong communities and helps to maintain the culture of Wales. Consequently, we are involved in numerous projects that we believe help address and mitigate some of the serious challenges that can impact the delivery of food to our customers.

We are in a fortunate position to lead and work with projects, such as Welsh Veg in Schools, vegetable life cycle analysis, and new product development of high nutrient value foods with Welsh ingredients. These have been funded by the Welsh Government’s Foundational Economy team. Without doubt the best learning is by doing, tangible outcomes can only be realised through adopting a proactive ‘can-do’ approach and sharing learnings. Future investment should be targeted at the practical level, and help finance the gaps in our supply chains, such as vegetable processing infrastructure, that will realise the goal of greater self-sufficiency in Wales.”

## Impact and effectiveness

**41.** Professors Sissons and Green said that, while the foundational economy is an increasingly influential concept, “there has been a major gap between these conceptual developments and existing practice of developing policy”.<sup>45</sup>

**42.** FSB Wales said that, while they believe there have been notable successes in foundational economy policy such as the Foundational Economy Challenge Fund and focus on local procurement spend, it is unclear whether these would have happened anyway. Additionally, they are unsure how pockets of success relate to a wider economic strategy.<sup>46</sup>

**43.** Cwmpas stated that “Interventions from the Welsh Government with a specific foundational economy focus have been innovative but not sufficiently joined-up”.<sup>47</sup> Katie Palmer of Food Sense Wales said that in many cases the foundational economy remit is “at odds, or at least not particularly integrated, with wider policies on the food system in Wales”.<sup>48</sup>

**44.** Foundational Alliance Wales said that “In terms of explicitly labelled foundational initiatives, ‘worked less well’ must be the verdict because there are too few outcomes that are positive and policy driven”.<sup>49</sup> Professor Williams said that there are ‘accidental successes’ such as Woodknowledge Wales and Cwmni Bro Ffestiniog, who have been supported on a journey they had already started.<sup>50</sup>

**45.** We also heard evidence around the approaches taken to evaluating the impact of foundational economy policy. Dr Walpole said the Welsh Government could require all funded projects to report outputs and outcomes as part of an evaluation framework, and publish case studies<sup>51</sup>

**46.** The Cabinet Secretary’s official said that there are evaluations for all projects funded via foundational economy funding, and that there are “some really successful interventions” the Welsh Government knows will work.<sup>52</sup>

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<sup>45</sup> Sissons and Green, [Facing up to the foundational economy: regional development, public policy and employment in Wales](#)

<sup>46</sup> Written evidence, [Federation of Small Businesses Wales](#)

<sup>47</sup> Written evidence, [Cwmpas](#)

<sup>48</sup> Economy, Trade and Rural Affairs Committee, [16 October 2024](#), paragraph 26

<sup>49</sup> Written evidence, [Foundational Alliance Wales](#)

<sup>50</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraphs 36 and 37

<sup>51</sup> Written evidence, [Dr Gary Walpole](#)

<sup>52</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraph 200

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## Impact of specific funding streams

### Case study: Well-Fed MealLockers and MealVend



Robbie Davison, Director of Well-Fed told us that:

“As a social food business, we are always looking to improve how people of all incomes can access the best food/meals possible. Thinking about a whole food system, a few gaps were apparent to us - gaps that we wanted to fix.

The first, was to give households the chance to purchase cook-at-home meals and pick them up at their convenience. To fill this gap, with a partner, we created MealLockers - refrigerated lockers that when placed outside schools or elsewhere in communities, would allow people to shop

for and pick up their meals to suit their timetable.

The second gap was staff in larger workplaces being able to access good fresh food on a 24/7 cycle if necessary. And here, again with partners, we created MealVend - the first plastic free, fresh meal vending system, allowing staff to purchase and pick up a meal to suit their work schedule.

Both solutions were made possible with support from the Foundational Economy (FE) team, and it was the FE grant that supported us to complete both solutions ready for critical market testing. Without the grant support this vitally important step would not have been possible and the steps to market delayed or maybe even would have been prevented”.

**47.** Organisations who had received support through the Foundational Economy Challenge Fund told us how they had benefitted. Woodknowledge Wales said that the funding provided was “quite cheap” and “incredibly impactful” in supporting bottom-up change.<sup>53</sup> Cyfle Building Solutions said that “without that pump-prime, we wouldn’t have piloted something”.<sup>54</sup>

<sup>53</sup> Economy, Trade and Rural Affairs Committee, 16 October 2024, paragraph 195

<sup>54</sup> Economy, Trade and Rural Affairs Committee, 16 October 2024, paragraph 174

**48.** Foundational Alliance Wales said that, while there were some successes:

*... the responsive nature of the process meant that applications were not targeted on specific organisations, activities and places, diluting the impact and learning opportunities.<sup>55</sup>*

**49.** Professors Sissons and Green noted that businesses had limited engagement with the fund. They found that many projects supported by the fund were not different from projects typically supported through economic development initiatives, and that selected projects seemed to be more ad-hoc rather than informing a coherent foundational economy approach.<sup>56</sup>

**50.** The Welsh NHS Confederation said that the 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”.<sup>57</sup>

## Longer-term funding support

**51.** While organisations who have received Welsh Government foundational economy funding had been able to use it to kickstart projects, they called for longer-term funding arrangements to support the foundational economy.

**52.** Robbie Davison said that when you have a competitive funding regime that offers small amounts of money, “you get back project outputs back an economy that is in any way strong, or in any way has the capacity to move forward”.<sup>58</sup>

**53.** Anthony Rees of Cyfle Building Solutions said that his organisation has paid £22 million in wages through shared apprenticeships since 2013, but “it’s always under threat, because of funding, and funding is only over one or two years”.<sup>59</sup>

**54.** Aneurin Bevan University Health Board stated that:

<sup>55</sup> Written evidence, [Foundational Alliance Wales](#)

<sup>56</sup> Sissons and Green, [Facing up to the foundational economy: regional development, public policy and employment in Wales](#)

<sup>57</sup> Written evidence, [Welsh NHS Confederation](#)

<sup>58</sup> Economy, Trade and Rural Affairs Committee, [16 October 2024](#), paragraph 73

<sup>59</sup> Economy, Trade and Rural Affairs Committee, [16 October 2024](#), paragraph 175

*... increased and or more sustainable funding solutions, in place of limited or short-term funding could support our ability to stretch our ambition with initiatives and supporting our ability to scale progress.<sup>60</sup>*

**55.** The Cabinet Secretary's official said that, while they try to steer organisations towards longer-term support, "we have feedback from stakeholders all the time that longer term funding allows them to plan better going forward".<sup>61</sup> Another Welsh Government official highlighted the loss of multi-year EU funding as an issue, as support was previously provided over a 3-5 year timeframe.<sup>62</sup>

## Spreading and scaling good practice

**56.** Professor Morgan highlighted that "the big problem over 20 years has been that good practice has been a bad traveller".<sup>63</sup> To address this, he said:

*That's the fundamental way that organisations learn: peer-to-peer learning. And, therefore, that's what I would like to see more of.<sup>64</sup>*

**57.** Harry Thompson outlined the role that communities of practice, such as those run by Cynnal Cymru for the Foundational Economy Challenge Fund, have played in maximising learning, highlighting the importance of communication and collaboration.<sup>65</sup>

**58.** FSB Wales told us that scaling up good practice "needs a wider understanding of economic value and impacts on local skill, building capacity and capabilities in local firms".<sup>66</sup>

**59.** Aneurin Bevan University Health Board say there is a need to consider:

*... sustainable ways to support, co-ordinate and enable long term funding, capacity and capability across organisational and public sector organisation boundaries to scale up successful pilots or proven initiatives.<sup>67</sup>*

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<sup>60</sup> Written evidence, [Aneurin Bevan University Health Board](#)

<sup>61</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraph 204

<sup>62</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraph 205

<sup>63</sup> Economy, Trade and Rural Affairs Committee, [16 October 2024](#), paragraph 91

<sup>64</sup> Economy, Trade and Rural Affairs Committee, [16 October 2024](#), paragraph 91

<sup>65</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 68

<sup>66</sup> Written evidence, [Federation of Small Businesses Wales](#)

<sup>67</sup> Written evidence, [Aneurin Bevan University Health Board](#)



**Our view**

We have heard from a range of organisations who have taken innovative approaches to foundational economy delivery, a number of which are included as case studies throughout our report. The Welsh Government should work with partners to identify where successful projects have the potential to be scaled up and support organisations to take this forward, to deliver benefits for communities across Wales.

However, as Professor Kevin Morgan eloquently put it, over the past 20 years “good practice has been a bad traveller”. Bottom-up approaches such as peer-to-peer learning and communities of practice offer the potential to start addressing this, and should continue. The Welsh Government should also assist foundational economy organisations looking to learn from good practice by publishing the key findings from evaluations of foundational economy initiatives in one place.

Organisations who had received support from the Welsh Government’s foundational economy funding streams outlined how these had acted as a kick-starter. However, there was a widespread view that longer-term support is needed to support successful projects who require ongoing funding. We welcome the Welsh Government’s acknowledgement of this issue, and call on it to improve the long-term financial support available to foundational economy organisations. The successor arrangements to the Shared Prosperity Fund offer an opportunity to do this, and the Welsh Government should prioritise exploring these.

**Recommendation 5.** To support learning, spreading and scaling of good practice, the Welsh Government should publish key findings from evaluations of foundational economy initiatives in one place. These should then be embedded into its scrutiny of how effectively public service organisations are delivering foundational economy priorities. The Welsh Government should also work with partners to identify successful foundational economy projects that it wishes to scale up, and set out its plans to do so.

**Recommendation 6.** The Welsh Government should outline how it will improve the longer-term financial support available to successful foundational economy initiatives that require ongoing support. This should include analysing how the successor local growth arrangements to the Shared Prosperity Fund can be used to support foundational economy organisations.

## 5. Procurement

There have been positive examples of public bodies using procurement to support foundational economy SMEs over recent years, however there is more to be done to spread and scale this good practice.

### Case study: Adra - Tŷ Gwyrddfai and procurement initiatives



Adra told us that “Tŷ Gwyrddfai is a partnership between Adra, Bangor University, and Grŵp Llandrillo Menai, forming the first decarbonisation hub of its kind in the UK supported by strategic sponsors including Travis Perkins, Saint Gobain, and Nuaire. The hub upskills the local supply chain

including Adra’s in-house repairs and maintenance team with the latest green skills, supporting retrofit programmes by the Welsh and UK Governments. Tŷ Gwyrddfai has trained over 800 tradespeople from Adra and the local supply chain in retrofit and green skills to date.

Additionally, the Tendra project, funded by Arfor, supports local SMEs in bidding for contracts, offering training on procurement, social value, accreditations, health and safety, and job pricing. This groundbreaking collaboration also features an operational climate-controlled research facility to test and validate new housing products, managed by Bangor University.

Adra’s commitment to sustainability is further demonstrated through initiatives like [Ffrâm24](#), an all-Wales framework for supplying building materials and associated products. This project supports local economies, with 79.5% of suppliers based in Wales, reinforcing the circular economy”.

## Effectiveness of the present approach to procurement

**60.** Foundational Alliance Wales were critical of the role public procurement policy plays in the Welsh Government’s approach to the foundational economy. They asserted that:

*The role of public procurement has been widely misunderstood. Postcode localisation does not capture value added and risks building client firms, not capable firms; the broader approach of supply chain development is limited by Welsh capacity to mobilise volume demand.<sup>68</sup>*

**61.** Professor Morgan told the Committee that “public procurement in Wales is being set up to fail, unless it’s integrated with other policies”, for example policy on sustainable diets and food consumption in relation to food procurement.<sup>69</sup>

**62.** Woodknowledge Wales said that “Everything seems possible with procurement. But throw in the risk-averse nature of much public procurement and little is achieved”. They say that how public bodies apply the rules is the problem rather than the rules themselves, and that conservative behaviours and cultures of procuring bodies need to be addressed.<sup>70</sup>

**63.** However, Cynnal Cymru took a different view, saying that to date, most of the successes in relation to the foundational economy have been in relation to procurement, which they see as a “both a positive and a challenge”.<sup>71</sup>

## Supporting foundational economy businesses

**64.** Professor Patterson said that, in relation to procurement, SMEs “get to a certain size and they struggle” because of challenges with paperwork. In relation to what is needed to support SMEs, she said that the Procurement Act 2023 will help, but businesses will also need further support.<sup>72</sup>

**65.** Cynnal Cymru highlighted examples of good practice in the Vale of Glamorgan and Swansea that have increased opportunities for foundational economy businesses. Harry Thompson said that four or five years ago there was a disconnect between public bodies and local suppliers, however now:

<sup>68</sup> Written evidence, [Foundational Alliance Wales](#)

<sup>69</sup> Economy, Trade and Rural Affairs Committee, [16 October 2024](#), paragraph 59

<sup>70</sup> Written evidence, [Woodknowledge Wales](#)

<sup>71</sup> Written evidence, [Cynnal Cymru](#)

<sup>72</sup> Economy, Trade and Rural Affairs Committee, [16 October 2024](#), paragraph 259

*There's more of a sense in public bodies that they should be reaching these local suppliers. I don't know how you quantify that. I don't know how it's being measured, but there do seem to be consistent examples where these public bodies are reaching FE[foundational economy] suppliers in a way they weren't before.<sup>73</sup>*

**66.** Cwmpas suggested reserved contracts and supporting consortium working would assist SMEs, along with “pro-actively nurturing pipelines and supply chains to include social enterprise solutions”.<sup>74</sup>

**67.** The Welsh Government introduced the Backing Local Firms Fund as a Programme for Government commitment to support Wales-headquartered SMEs to overcome barriers, especially when doing business with the public sector. In 2022-23, £1.4 million was allocated to the fund, but this has fallen to £0.5 million in 2025-26.<sup>75</sup> The Welsh Government has said bespoke funding for the foundational economy has reduced following the reprioritisation exercise to address budget pressures in 2024-25, and has been mitigated by mainstreaming business support.

**68.** The Cabinet Secretary and her officials highlighted ongoing work to increase the percentage of procurement spend that goes to Welsh businesses, and that the Welsh Government had been offering training to businesses to help them understand how to make the most of new procurement legislation.<sup>76</sup> The Cabinet Secretary's official said that Welsh-based suppliers (not all of whom will be foundational economy businesses) currently win 55% of public procurement contracts, up from 52% in 2019.<sup>77</sup>

**69.** The Welsh Government's written evidence highlighted that NHS Wales has embedded foundational economy and social value considerations into its procurement process as a result of Welsh Government funding, “enabling local businesses to win £40m of contracts which previously leaked out of Wales”<sup>78</sup>

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<sup>73</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 67

<sup>74</sup> Written evidence, [Cwmpas](#)

<sup>75</sup> Welsh Government, [Cabinet Secretary for Economy, Energy and Planning's draft budget 2025-26 scrutiny evidence paper](#)

<sup>76</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraphs 248 and 259

<sup>77</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraphs 246

<sup>78</sup> Written evidence, [Welsh Government](#)

## Social value and procurement

**70.** Adra said that the *Procurement Act 2023* will “in theory provide more focus on local supply chains and achieving greater social value through contracts”, and greater linkage of procurement to the Well-being of Future Generations Act will strengthen the foundational economy. However, financial and cost-of-living pressures have led to a focus on cost, which impacts local procurement.<sup>79</sup>

**71.** Powys County Council said that the Welsh Government should take a leading role in creating a consistent approach to social value in public sector procurement where spend is targeted to areas of importance to communities.<sup>80</sup>

**72.** While we were drafting our report, the Welsh Government commenced some of the socially responsible procurement elements of the Social Partnership and Public Procurement (Wales) Act 2023.<sup>81</sup> These will require Welsh Ministers to publish model procurement clauses relating to construction and outsourcing of public services, and to develop guidance and regulations. The remainder of this part of the Act will be commenced at a later date.

**73.** Edward Morgan of Castell Howell Foods said that in relation to the food framework for procurement, which covers 16 local authorities:

*The tender documents have shifted in the last 10 years from possibly a 30 per cent quality envelope on your ability to deliver and other benefits, 70 per cent price. It's reversed to 70 per cent quality and 30 per cent price. Some contracts are 60:40 and some are 50:50, but there's a general shift towards a focus on what social value the contract can bring.<sup>82</sup>*

**74.** However, Robbie Davison said that in north Wales:

*I'm not seeing that, from a commissioning point of view, the message is getting through—definitely not in the region where we work. I could give examples from just last year where some of the procurement was*

<sup>79</sup> Written evidence, [Adra](#)

<sup>80</sup> Written evidence, [Powys County Council](#)

<sup>81</sup> [The Social Partnership and Public Procurement \(Wales\) Act 2023 \(Commencement No. 3\) Order 2025](#)

<sup>82</sup> Economy, Trade and Rural Affairs Committee, [16 October 2024](#), paragraph 32

*90:10 in favour of cost. Only 12 months ago, 90:10 in favour of cost is a quite shocking place to be.<sup>83</sup>*

**75.** Well-Fed called for procurement policy to change to better balance cost and quality, and training to be offered to procurement staff, as “too many of the current staff group are used to ‘price first’ practice and for most (we have met) social value is a loose/misunderstood term”.<sup>84</sup>

**76.** Councillor Matthew Brown outlined good practice at Preston City Council, noting that the local procurement practitioners group of anchor institutions has explored:

*sharing best practice and looking at how we can increase spend to the local economy, and also get positive things like apprentices, trade union recognition, access, real living wage, and other very positive things. A lot of it is just, for example, if there are large contracts, can you break them down into small ones, because what we found is that local companies had the capacity to deliver those. It’s having ‘meet the buyer’ days. Things like the documentation sometimes make it really difficult for smaller businesses to bid.<sup>85</sup>*

## **Our view**

Since our predecessor Committee reported on procurement in the foundational economy in early 2020, we have seen good practice emerge, however there is much more to be done. For example, the first recommendation in the 2020 report calls on the Welsh Government to provide clarity on what it means by local procurement. Five years on, the Cabinet Secretary told us that while progress has been made in addressing this, some challenges remain.

There are inspiring examples of good practice in providing greater procurement opportunities to SMEs in foundational economy sectors, and we heard the situation is better than it was four or five years ago. The challenge, as ever, is to spread and scale this positive practice to benefit SMEs across Wales. There are opportunities to learn from existing practice, for example through communities of practice and peer-learning outlined in the previous chapter of our report. The

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<sup>83</sup> Economy, Trade and Rural Affairs Committee, [16 October 2024](#), paragraph 35

<sup>84</sup> Written evidence, [Well-Fed](#)

<sup>85</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 181



Welsh Government needs to work with partners to develop plans to do this, and we would like to understand how it intends to do so.

In this context, we are surprised that the budget allocation to the Backing Local Firms Fund, which supports businesses to do business with the public sector, has been reduced. We appreciate the points made by the Welsh Government about mainstreaming the foundational economy into the budget elsewhere, but we are unconvinced that this will have fully mitigated the cut.

We also heard about the potential for recent procurement legislation to enable greater social value to be delivered, caveated with the need for staff training on this issue. We would like the Welsh Government to set out how it plans to achieve these improvements.

**Recommendation 7.** In relation to improving procurement opportunities for SMEs in the foundational economy, the Welsh Government should:

- Outline how it will work with partners to spread and scale-up best practice to support foundational economy SMEs across the whole of Wales to tender for public sector procurement opportunities.
- Set out how it proposes to use its powers under the *Procurement Act 2023* and the *Social Partnership and Public Procurement (Wales) Act 2023* to support greater spend with small and medium-sized Welsh businesses and third sector organisations.

**Recommendation 8.** The Welsh Government should outline how it will use recent procurement legislation to maximise the social value of procurement across devolved public sector organisations. It should provide tailored training to procurement staff to enable them to implement this.

## 6. Fair work and the foundational economy

Evidence suggests that low pay is widespread in parts of the foundational economy. The Welsh Government could do more to address this, and should work with social partners to redouble efforts to drive progress.

**77.** The Bevan Foundation<sup>86</sup> and Professors Sissons and Green<sup>87</sup> have both found that “chronic low pay” and poor job quality are widespread in parts of the foundational economy. However, Professors Sissons and Green found there is “limited evidence of conspicuous success in harnessing FE [foundational economy] policy for improving working conditions”.<sup>88</sup> During our inquiry, we heard evidence on two ways in which the Welsh Government could address this.

### Anchor institutions recruiting from deprived communities

**78.** The Committee has received evidence on the benefits of anchor institutions such as the NHS, local authorities and registered social landlords supporting people from deprived communities by providing employment, education and training opportunities.

**79.** Much of this evidence has been in relation to the NHS. The Foundational Alliance Wales said that “Grow your own workforce development should be the first foundational priority in health care”.<sup>89</sup> They also noted that this needs to be adapted and scaled across different roles within the NHS, to help address the dependency on bank/agency staff and recruiting staff from overseas.<sup>90</sup>

**80.** Sarah Simmonds told us that Aneurin Bevan University Health Board had taken a different approach to recruiting healthcare support workers, stating that this involved looking at:

*... how we recruit for people's values, their care ethics, their personal kind of ambitions and goals over and above if they hold a piece of*

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<sup>86</sup> Bevan Foundation, [Fair work in the foundational economy: what should be done](#)

<sup>87</sup> Sissons and Green, [Facing up to the foundational economy: regional development, public policy and employment in Wales](#)

<sup>88</sup> Sissons and Green, [Facing up to the foundational economy: regional development, public policy and employment in Wales](#)

<sup>89</sup> Written evidence, [Foundational Alliance Wales](#)

<sup>90</sup> Written evidence, [Foundational Alliance Wales](#)

*paper that says they have a level 2 in health and social care, for example. And we did it not by only changing our entry requirements, but by wrapping around it a different model of selection.<sup>91</sup>*

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<sup>91</sup> Economy, Trade and Rural Affairs Committee, 14 November 2024, paragraph 67

# » SUPPORTED INTERNSHIPS FOR ILS LEARNERS

## CONSORTIUM KEY OBJECTIVE

**“To offer supported internships for Independent Living Skills Learners within the local health and social care sector.”**

Lead partners: Aneurin Bevan UHB, Engage to Change, and Coleg Gwent



## BACKGROUND AND ISSUE IDENTIFIED:

In February 2022, the supported internship programme was launched in collaboration with ABUHB, Engage to Change, and Learning Disability Wales. This innovative approach combines work-based learning with a personalised study programme, incorporating elements from the independent living skills (ILS) Pathway 4 curriculum. The programme aims to support ILS learners with the skills and qualifications to secure local, sustainable paid employment. The initial cohort of learners spent three days a week within the facilities department at Nevil Hall Hospital.

**“I am feeling excited, and I am looking forward to working in the hospital and meeting new people. I would like to build on my confidence.”**

ILS Learner

## ACHIEVEMENTS AND BENEFICIARIES TO DATE:

The programme has shown consistent growth and success year after year. In its first year, six students completed the supported internship, with four securing part-time employment and one sional cookery programme.

In 2022/23, eight learners completed the programme successfully, one secured an apprenticeship with the health records team in Newport and two learners gained apprenticeships with the facilities team at The Royal Gwent Hospital. Additionally, one learner obtained an apprenticeship with the health records team at Nevill Hall Hospital, and another secured part-time paid employment unrelated to the health sector. The remaining learners contributed to various volunteering projects.

Now in its third year, the programme continues to flourish, with seven learners currently enrolled and benefiting from placements within the facilities teams at Nevill Hall.

## FUTURE ASPIRATIONS:

To develop partnerships with additional healthcare departments and organisations beyond current collaborations, helping to diversify the types of placements available, providing opportunities for learners to explore a broader range of career paths. Work with partners to ensure that all programme graduates are guaranteed interviews for relevant job openings, bridging the gap between training and employment.

**81.** Harry Thompson wanted to see action from the Welsh Government to encourage these initiatives to be spread more widely, and described them as:

*... a win, win, win across the board, because you're addressing NHS staff shortages in rural areas, you are giving predominantly women who maybe didn't get their GCSEs when they were 16 years old, and are now 35, who are rooted in the communities and probably stuck in low-paid and unfair work, a pathway to better jobs while you're doing something socially useful.<sup>92</sup>*

**82.** Adra highlighted the work of Academi Adra, which provides skills, employment and training opportunities to Adra's tenants. Since its establishment in 2022 over 150 training opportunities have been funded; 50 paid work placements have been delivered and over 30 jobs have been created to date.<sup>93</sup>

**83.** The Cabinet Secretary's official said that 'grow your own workforce' initiatives are:

*... absolutely a kind of key area that we want to see scaled up, so we are working and will continue to work with the health boards, to understand how those kinds of initiatives are successful, what are the key points for those, so that we can work not just with the other health boards but with the other large anchor organisations to encourage the take-up of those kinds of approaches.<sup>94</sup>*

## Improving pay and conditions in the foundational economy

**84.** A number of witnesses told us of the importance of improving pay and conditions in foundational economy sectors. In particular, witnesses wanted to see employers pay at least the Real Living Wage set by the Living Wage Foundation.<sup>95</sup>

**85.** Cynnal Cymru said there is "a huge need to do more on Fair Work in the Foundational Economy". They suggested that the Welsh Government ensure that public bodies are promoting fair work aspects such as paying the Real Living Wage and trade union recognition.<sup>96</sup>

<sup>92</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 55

<sup>93</sup> Written evidence, [Adra](#)

<sup>94</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraph 281

<sup>95</sup> Living Wage Foundation, [What is the real Living Wage?](#)

<sup>96</sup> Written evidence, [Cynnal Cymru](#)

**86.** Harry Thompson highlighted that when Mark Drakeford was First Minister, he wrote to all public bodies in Wales in 2019 asking them to become accredited Living Wage Employers. He added 16 of the 60 public bodies he wrote to were currently accredited.<sup>97</sup>

**87.** Adra said that “more work needs to be done at regional and national levels to encourage more public sector bodies to become real living wage employers”.<sup>98</sup>

**88.** Powys County Council suggested that the Welsh Government should encourage businesses in receipt of public funds to adopt the Real Living Wage, and higher employment standards.<sup>99</sup> Foundational Alliance Wales made a similar point, stating that:

*There is a role for fair work provisions through living wages and progressive conditions provision in all kinds of public contracts. Essentially, these put a floor under competition and usefully prevent a race to the bottom on wages. There are of course structural revenue side ceilings on the ability of employers to pay higher wages in service sectors like tourism and hospitality.<sup>100</sup>*

**89.** FSB Wales said that fair work requirements should be geared to firms building capacity to provide better pay, rather than locking SMEs out. They stated the “important thing is that the building of firms sits alongside building fair work agenda within those firms”.<sup>101</sup>

**90.** While our inquiry has been taking place, the Social Partnership Council<sup>102</sup> has been exploring how to improve fair work through Welsh Government financial support to businesses, and has established a working group to consider the Economic Contract. At the council’s meeting in July 2024, a paper by TUC Cymru<sup>103</sup> called for a three-step approach to progressing this – through creating red-line criteria for public spending; expanding and standardising use of the Economic Contract to access public funding; and reviewing how all parts of the

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<sup>97</sup> Economy, Trade and Rural Affairs Committee, [18 September 2024](#), paragraph 100

<sup>98</sup> Written evidence, [Adra](#)

<sup>99</sup> Written evidence, [Powys County Council](#)

<sup>100</sup> Written evidence, [Foundational Alliance Wales](#)

<sup>101</sup> Written evidence, [Federation of Small Businesses Wales](#)

<sup>102</sup> Welsh Government, [Social Partnership Council](#)

<sup>103</sup> Social Partnership Council, [Agenda item 2 for meeting on 10 July 2024: Use of Welsh Government financial support to ensure fair work](#)



Welsh Government are delivering on fair work. However, FSB Wales raised concerns in relation to these proposals.<sup>104</sup>

**91.** The Scottish Government's Fair Work First initiative<sup>105</sup> has developed fair work criteria which require recipients of discretionary public sector grants to, with limited exceptions, pay at least the Real Living Wage and provide effective channels for worker voice, such as trade union recognition.

**92.** The Cabinet Secretary's official set out the levers the Welsh Government has available to improve pay and working conditions, within its powers under the devolution settlement. These include social partnership relationships in devolved public services; convening power; financial support and procurement levers; and skills interventions. In addition, the UK Government has introduced the Employment Rights Bill, which the Welsh Government is supportive of.<sup>106</sup>

### **Our view**

During our inquiry, we have consistently heard evidence of the benefits of public service anchor institutions using 'grow your own workforce' initiatives to recruit from deprived communities in their local areas, particularly in the health and housing sectors. The Welsh Government should work with devolved public service employers to develop an approach to scale-up these initiatives across Wales, ensuring that its approach allows for local flexibility to meet the needs of employers, workers and communities.

People working in many foundational economy sectors are likely to be paid less than those working in other parts of the economy, and more likely to be in non-standard forms of employment such as temporary and part-time work.

Organisations highlighted that more could be done within the devolved public sector to address this, for example around paying the Real Living Wage. Ways this should be taken forward include using remit letters to improve pay and conditions within public bodies where appropriate, and working more broadly with social partners to agree common minimum standards for pay and working conditions across the devolved public sector.

In relation to private and voluntary sector foundational economy organisations, the Welsh Government and social partners should work at pace through the Social Partnership Council to develop proposals to use Welsh Government

<sup>104</sup> Social Partnership Council, [Minutes of meeting on 10 July 2024](#)

<sup>105</sup> Scottish Government, [Fair Work First: guidance - Fair Work First: the approach and what it aims to achieve](#)

<sup>106</sup> Economy, Trade and Rural Affairs Committee, [14 November 2024](#), paragraph 285

financial support as a lever to support fair work. We would also like to see these proposals developed in a way that meets the needs of workers and employers, and for the proposals to start transferring into concrete action by the end of 2025. There will be lessons to learn from the Fair Work First approach taken by the Scottish Government, and we urge the Welsh Government to consider these as part of its work.

**Recommendation 9.** The Welsh Government should work with anchor institutions in devolved public services to ensure that ‘grow your own workforce’ approaches are developed and scaled-up across Wales, taking a flexible approach that meets the local needs of employers and communities.

**Recommendation 10.** The Welsh Government should take the following steps within its devolved powers to improve pay and conditions in the public and private sectors:

- Using remit letters to set requirements for public bodies covered by these to improve pay and working conditions, and working with social partners to develop and agree common minimum standards for pay and working conditions in the devolved public sector.
- Working at pace with social partners to develop proportionate proposals to support fair work through Welsh Government financial support, and starting to roll these out by the end of 2025. As part of this work, the government should also consider how the Scottish Government’s Fair Work First approach can inform developments in Wales.

## Annex 1: List of oral evidence sessions

The following witnesses provided oral evidence to the committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed [on the Committee's website](#).

Date	Name and Organisation
<b>18 September 2024</b>	<b>Professor Anne Green</b> , University of Birmingham <b>Harry Thompson, Head of Fair Economy</b> Cynnal Cymru <b>Emeritus Professor Karel Williams</b> , University of Manchester <b>Councillor Matthew Brown, Leader</b> Preston City Council <b>Ceri Cunningham, Development Worker</b> Cwmni Bro Ffestiniog
<b>16 October 2024</b>	<b>Robbie Davison, Director</b> Can Cook/Well-Fed <b>Edward Morgan, Group Environmental, Social and Governance Manager</b> Castell Howell <b>Professor Kevin Morgan</b> , Cardiff University <b>Katie Palmer, Programme Manager</b> Food Sense Wales <b>Iwan Trefor Jones, Chief Executive</b> Adra <b>Gary Newman, Chief Executive</b> Woodknowledge Wales <b>Professor Joanne Patterson</b> , Cardiff University <b>Anthony Rees, Regional Manager</b> Cyfle Building Solutions
<b>14 November 2024</b>	<b>Ali Abdi, Community Gateway Partnerships Manager</b> Cardiff University

Date	Name and Organisation
	<b>Sarah Simmonds, Director of Workforce and Organisational Development</b>
	Aneurin Bevan University Health Board
	<b>Rebecca Evans MS, Cabinet Secretary for Economy, Energy and Planning</b>
	Welsh Government
	<b>Aine Gawthorpe, Deputy Director, Foundational Economy and Industrial Transformation</b>
	Welsh Government
	<b>Duncan Hamer, Director of Operations – Business and Regions</b>
	Welsh Government
	<b>Stephen Layne, Deputy Director, Fair Work</b>
	Welsh Government

## Annex 2: List of written evidence

The following people and organisations provided written evidence to the Committee. All Consultation responses and additional written information can be viewed [on the Committee's website](#).

Reference	Organisation
<b>FE 01</b>	Grŵp Resilience
<b>FE 02</b>	Foundational Alliance Wales
<b>FE 03</b>	Professor Anne Green and Professor Paul Sissons
<b>FE 04</b>	Welsh Economy Research Unit, Cardiff University
<b>FE 05</b>	Well-Fed
<b>FE 06</b>	Wales Tourism Alliance
<b>FE 07</b>	Powys County Council
<b>FE 08</b>	Dr Gary Walpole, Cardiff Metropolitan University
<b>FE 09</b>	Federation of Small Businesses Wales
<b>FE 10</b>	Development Bank of Wales
<b>FE 11</b>	Welsh NHS Confederation
<b>FE 12</b>	Association of Convenience Stores
<b>FE 13</b>	Colleges Wales
<b>FE 14</b>	Cymru Wledig LPIP Rural Wales, led by Aberystwyth University
<b>FE 15</b>	PLANED
<b>FE 16</b>	Cynnal Cymru – Sustain Wales
<b>FE 17</b>	Cwmpas
<b>FE 18</b>	Equality and Human Rights Commission
<b>FE 19</b>	Gwynedd Council
<b>FE 20</b>	Adra
<b>FE 21</b>	Woodknowledge Wales
<b>FE 22</b>	Aneurin Bevan University Health Board

**Additional Information**

Title
Welsh Government
Aneurin Bevan University Health Board
Community Gateway, Cardiff University