



Community Wealth Building in Llandovery

Final Report, March 2021



Community Wealth Building in Llandovery, Final Report

31 March 2021

This report has been prepared by Severn Wye Energy Agency as part of a programme of works funded by Welsh Government's Foundational Economy Challenge Fund.

Images of Llandovery and its surrounding area included in this document are either licensed for use, included with the permission of their respective owners or used under a Creative Commons license.

Cover image: © Dafydd Wyn Morgan/Cambrian Mountains Initiative

Contents

Executive Summary	5
Introduction	7
What is the Foundational Economy?	9
The Foundational Economy Challenge Fund	10
Project Description	11
Background	11
Changes to the project due to the Covid-19 pandemic	12
Revised project objectives.....	13
Why Llandovery?	15
Project area profile	17
Local economic profile.....	20
Third Sector audit	25
Project Activity	27
Regional anchors	27
Local anchors	28
Micro/SME survey and interviews	28
Business support audit	30
A local business/third sector directory	30
Dissemination and networking	30
Community of Practice	31
Project Findings	33
Spending by regional anchors in Llandovery	33
Gap analysis.....	37
Regional anchors focus group.....	39
Spending by local anchors in Llandovery	40
Local anchors' interviews	41
Local anchors' focus group	42
Micro/SME survey results.....	43
Case studies.....	49
Potential vulnerability	51
Shared insights from another market town in Wales.....	55

Learning	57
An economy of hyper-micro businesses	58
Business advice	58
Public sector impact	59
Opportunities exist.....	60
Potential vulnerability	61
Community Wealth Building	61
Recommendations	62
Business development	63
Regional anchors	64
National policy	65
Monitoring and Evaluation	66
Next steps	69
Glossary	70
Appendices	73
Appendix 1: Local Anchor Organisations Interviewed.....	74
Appendix 2: Business Support Services Audit	75
Appendix 3: Llandovery Foundational Economy Challenge Fund Project: Actions and Targets	82

Executive Summary

Llandovery's Community Wealth Building¹ project took place from September 2020 to the end of March 2021. Severn Wye's was one of 52 projects awarded funding by the Welsh Government's Foundational Economy Challenge Fund and worked with partners: The Centre for Local Economic Strategies (CLES), The Bro Partnership and Liz Bickerton Consultancy.

It aimed to explore a replicable community economic development model for small rural market towns and their hinterlands, recognising the contribution of and building on the foundational economy, with the potential to retain and recirculate that wealth in the community.

The foundational economy has been defined as the basic goods and services that people rely on in their everyday lives. The Welsh Government has stated that in some rural areas, characterised by high levels of public sector employment and micro businesses, the foundational economy, is, the economy.

Llandovery was chosen as a suitable location for this pilot project because of its rurality and to complement other development projects that were taking place in the town, in particular Severn Wye's National Lottery Community Funded, Rural Futures Project and Carmarthenshire County Council's Ten Towns Initiative.

A contextual economic analysis of the project area clearly demonstrated the area's rurality; with only Llandovery town itself not being classed as deprived in the Access to Services domain of the Welsh Index of Multiple Deprivation. Many of the area's businesses were extremely small;

with levels of employment and turnover being at the lower extreme of the normal classification for micro-enterprises. This led the project team to distinguish and reclassify these smaller micro businesses as 'hyper-micro', a term that is used throughout the report.

A spend analysis was undertaken and explored the procurement spend data of selected public sector anchor organisations with a presence in the region. Its aim was to develop an understanding of where spend was going, both in sectoral and geographical terms. It included how much was being spent with Llandovery-based suppliers and where it was leaking out of the local economy. A gap analysis incorporated a local market analysis, to understand the profile of Llandovery-based businesses. This was cross referenced against regional anchors' spend with suppliers based outside Wales, to develop a sense of the amount of 'leakage' and identify a theoretical potential to re-localise some of this spend in Llandovery.²

Further analyses, of the vulnerability of business sectors and the potential impact of the Covid-19 pandemic on businesses based in Llandovery were undertaken.

The project ran focus groups with regional and local anchors and undertook a survey of businesses in the project area.³ Four local anchor organisations were interviewed and data on their spend analysed. A survey of business support services gave a picture of the measures already in place to underpin recommendations arising from this study.

Public sector spend in the project area, from its regional anchor organisations,

¹ Community wealth building – see glossary.

² Regional anchors – see glossary.

³ Local anchors – see glossary.

amounted to over £2.8m in the financial year 2019-20. Additional public sector spend in the area, of £2.6m, was from public sector organisations based outside the region; mainly by health boards and local authorities and largely spent on health, care or support services from charitable and other providers based in Llandoverly. The largest sectoral spend was in 'human health and social work' (£1.054m), followed by 'wholesale and retail' (£942k), 'agriculture, forestry and fishing' (£195k) and 'construction' (£82k).

An examination of 'leakage' of spend by regional anchors outside Llandoverly revealed a theoretical potential to re-localise that spend, where local micro and hyper-micro businesses could, potentially meet demand. This however needs to be caveated, as the study did not have time to explore the detail of 'leakage' which could consist of specialist goods and services.

A limited analysis of spend by local anchors was undertaken. It showed that in the local area, the actual spend was far less (10%) than they perceived. One notable finding from the engagement with local anchors was the discovery that they struggled getting quotes from local businesses for goods and supplies.

Despite being a relatively small sample, the local business survey threw up some interesting results: Almost 40% of businesses were not looking to expand. The Welsh Government's Foundational Delivery Plan recognises the need for business advice services to address the needs of micro businesses but does not recognise that many micro and hyper-micro businesses do not want to expand. While awareness of business support services such as Business Wales was high, few utilised the services on offer. This raises a question of what existing business support services could offer, particularly in terms of keeping them stable within the local economy and more so, where markets are fragile.

The study found that micro and hyper-micro businesses often do not engage in tendering processes with local anchors (nor regional anchors). Local anchors acknowledged that they often do not know the range of local business services available, to enable them to increase local procurement. Intervention is required to help them to bridge the knowledge gap.

It was apparent that consortia are unlikely to be an attractive option towards scaling up to bid for contracts. Lead-contractor and lead-associate arrangements being more appropriate.

Public sector regional anchors have a significant impact on the economy of Llandoverly, in terms of their local spend, their presence in attracting people into an area and then accessing other local services and through their roles in sustaining local employment. The report recommends that more could be done to quantify the public sector impact on spend in local areas like Llandoverly. This would provide a more rounded picture and the importance of public sector impact.

Overall, the local economy is fragile with many businesses in sectors that were deemed as vulnerable during the pandemic. As a result, Government restrictions and interventions at the time of writing this report remain in a state of flux and the full impact may not be felt until later in 2021.

The results of this study have been shared with others in mid Wales. The project team looks forward to further dissemination of results and discussion with other Foundational Economy Challenge Fund projects. With local stakeholders, it will identify opportunities and priorities for further investigation and action. This being to re-localise and retain spend in the foundational economy, towards building community wealth in Llandoverly.

Introduction

This report outlines the achievements of Llandovery's Community Wealth Building project, funded by the Welsh Government's Foundational Economy Challenge Fund which ran from September 2020 to the end of March 2021.

The project set out to explore the potential for an economic development model built on the foundational economy and its potential to retain and recirculate community wealth. It aimed to create a replicable model for other small rural market towns.

Although impacted by the Covid-19 pandemic, the project has led to some useful insights into how the development of the foundational economy can support the vitality of a small rural market town and surrounding rural area.

Llandovery's Community Wealth Building project was led by Severn Wye and involved a range of expertise from the Centre for Local Economic Strategies (CLES), The Bro Partnership and Liz Bickerton Consultancy.





What is the Foundational Economy?

“The Foundational Economy” was a term first used by the Centre for Research on Socio-Cultural Change, a joint venture between the University of Manchester and the Open University. In its “Manifesto for the Foundational Economy” it used the following definition:

“What we will call the foundational economy is that part of the economy that creates and distributes goods and services consumed by all (regardless of income and status) because they support everyday life.”⁴

More explicitly, the foundational economy is said to consist of the basic goods and services that people rely on in their everyday lives, which keep us safe, sound and civilised. They include care and health services, food, housing, energy, construction, tourism and retailers on the high street. The Welsh Government categorises it as “the industries and businesses that are there because people are there. The food we eat, the homes we live in, the energy we use and the care we receive.”⁵

The foundational economy is an important part of the Welsh economy, estimated to account for four in ten jobs and for one in every three pounds that we spend. The Welsh Government’s Economic Development Strategy, “Prosperity for All”,⁶ highlights the importance of the foundational economy to rural Wales. It says, “In parts of Wales, such as some of our rural communities, the foundation economy is the economy,” characterised by high public sector employment and small or micro businesses providing everyday goods and services.

⁴ Bentham, J, Bowman, A, de la Cuesta, M, et al. (2013). “A Manifesto for the Foundational Economy”. *CRESC Working Paper*, No 131. [online] Available at: <https://foundationaleconomycom.files.wordpress.com/2017/01/wp131.pdf> [accessed: September 2020]

⁵ Welsh Government Department for Economy and Transport. (2019). “Foundational Economy Challenge Fund. Guidance Notes”. P.1.

⁶ Welsh Government. (2017). “Prosperity for All: The National Strategy, Taking Wales Forward”. [online] available at: <https://gov.wales/sites/default/files/publications/2019-02/prosperity-for-all-economic-action-plan.pdf> [accessed: September 2020].



The Foundational Economy Challenge Fund

The Welsh Government's Foundational Economy Challenge Fund was launched in April 2019 and began in November 2019. It made £4.5m available to test innovative ways of supporting and growing the foundational economy. Its aim was to spread good practice and challenge convention.

Funding was made available to support collaborative approaches to experimentation and innovation, to help inform ways that Wales could realise the potential of its foundational economy. The Welsh Government's intention, that it "wishes to explore the challenges and opportunities in the foundational economy so that it is well informed on what works when it comes to nurturing and growing the foundations of the Welsh economy. "

Projects were expected to change the dynamics, role and relationships among players in the foundational economy, challenging conventional wisdom about the nature of problems and solutions. Welsh Government set out as its objectives for the fund:

- To provide space and support for innovation in delivery of foundational products and services which disrupt the status quo.
- To empower public sector organisations, the third sector and business to work together and work differently to address unresolved problems which are beyond standard remedies.
- To identify and address the foundational needs of local populations and meet them by building on local assets.
- To capture learning, discuss and disseminate, so that approaches to the foundational economy become actionable across Government and across Wales.

This project is one of 52 projects across Wales.

Project Description

Background

This project covered a large rural area, running from the foothills of the Carmarthen Fans to the southern valleys of the Cambrian Mountains, to the western edge of the Brecon Beacons.



Situated at the north east tip of Carmarthenshire, bordering Ceredigion and Powys, the area can be identified within Carmarthenshire's electoral wards as: Llandovery (population, 2628), Cilycwm (population, 1463), Llangadog (population, 1897) and Cynwyl Gaeo (population, 1468). All are sparsely populated, with the highest proportion of people aged over 45 years.⁷

The area has the historic market town of Llandovery at its heart, and is otherwise characterised by villages, small rural settlements and scattered farms.

Llandovery town itself, is a focus for socio-economic activity in the area. It still holds regular livestock marts, has an attractive town centre, and the remains of a Norman castle. Llandovery has always been an important crossroads: It was a significant centre on the droving routes taking livestock east to the markets of England and today two trunk roads meet in Llandovery. The town is situated on the Heart of Wales railway line. Despite these transport links, its location within the county is remote and its sparser outlying areas rank highly within Wales in terms of difficulty in accessing services.⁸

Of the surrounding villages, Llangadog is next the sizable settlement, retaining a few shops, a post office, public houses, a community centre, primary school and rail link on the Heart of Wales line. Some smaller villages retain amenities such as a shop, church/chapel, village hall or public house, with Cynghordy and Llanwrda close to rail links and arterial roads.

Socially and culturally the communities of the Upper Tywi Valley have a wide range of voluntary member-based clubs and societies. An audit of third sector activity identified 41 registered charities, 62 community organisations and 8 Community Interest Companies registered in the area.

Changes to the project due to the Covid-19 pandemic

The project was impacted directly by restrictions resulting from the Covid-19 pandemic. The most important of these was the inability to organise face-to-face activities. This type of contact is vital in any community economic development project where building trust is central to getting results.

Initially, there was a delay in starting the project, as a member of staff had to be recruited to deliver the project on the ground. Once recruited, Covid-19 and the first lockdown prevented engagement work with many anchor organisations, local businesses and the third sector, as they were either developing their responses to the pandemic or had placed their staff on furlough. Consequently, the newly recruited member of staff was placed on furlough, to

⁷ ONS. (2015). "Population Statistics: 2015 mid-year population estimates". [online] Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2015> [accessed: November 2020].

⁸ Welsh Government. (2019). "Welsh Index of Multiple Deprivation". [online] Available at: <https://gov.wales/welsh-index-multiple-deprivation-full-index-update-ranks-2019> [accessed: Nov 2020].

preserve funding for later in the delivery cycle. Project objectives were revised and redesigned, using online meeting technologies throughout.

Whilst activities were adapted to use these technologies, changing priorities due to legislated restrictions on local anchors led to difficulties securing or rescheduling interviews with local anchors. It further resulted in a change in approach to engaging local businesses.

Timescales throughout the redesigned project gave scope to reschedule but could not entirely flex to the extent resulting from the almost immediate changes to Covid-19 restrictions. As a result, one local anchor could not be included, it was not possible to reschedule the local anchors' focus group meeting for full attendance or follow up submission of data. Similarly, some phone interviews with micro/SME/Third Sector businesses could not be conducted.⁹

Revised project objectives

Because of this delay in starting the project, it was revised and reprofiled for approval from Welsh Government which was given mid-September 2020. It had originally been designed to incorporate research and pilot phases, where local businesses would be joined up with procurement opportunities from anchor organisations, in order to identify and take action to reduce the leakage out of the local economy and encourage local wealth building. Due to shortened timescales and uncertainties of local lockdowns, it was felt that this was no longer possible, and the pilot phase was removed from the project. Its focus changed to:

- Work with a select number of anchor institutions and run focus groups to identify the barriers they face when issuing tenders that could support SMEs and the Third Sector in Llandovery.¹⁰
- Work with a select number of SMEs and Third Sector organisations and run a focus group to identify the barriers they face when tendering for contracts with Anchor Organisations in Llandovery.
- Highlight support services for SMEs and the Third Sector to help them tender for contracts based on the barriers identified (above).
- Produce a report on our approach and recommendations deduced from research identifying; the barriers to local procurement from the point of view of SMEs/Third Sector and Anchor Institutions and what can be done to reduce these.

This would enable the same outcome as the originally submitted project to be explored; that of being able to recommend an approach that could be shared with other market towns and from which anchor organisations could learn.¹¹

⁹ SME – see glossary.

¹⁰ Anchor Institution – see glossary.

¹¹ The project objectives above have been derived from the actions and targets set out in the contract with Welsh Government. See Appendix 3.

LLANYMDDYFRI LLANDOVERY



Gefeilldref Pluguen Llydaw

win town. Pluguffan Brittany

Why Llandovery?

The rationale for focussing on Llandovery was partly rooted in Severn Wye's own experience through its National Lottery Community Funded, Rural Futures programme. The Rural Futures team identified an enthusiasm in Llandovery to recognise the importance of and support a local economy that residents described as fragile. A community wealth building approach provided an opportunity to explore a different approach to tackling rural poverty in the town, building on local strengths.

Llandovery had the characteristics that made it a good choice as a study for a foundational economy research project: The Carmarthenshire Public Service Board's four statutory members and its full range of partners operate in the town. It has a hospital, police, fire and ambulance stations and a state primary school. Natural Resources Wales has an office located in the town. Other services with close ties to public sector services include a dentist, optician, community pharmacy, GP Practice, two adult residential care homes and a post office. All of Llandovery's parks and playgrounds recently transferred to the social enterprise sector. In outlying villages there is a range of residential and non-residential education and care facilities.

Key services have in recent years left the town and this is widely perceived to have had a negative impact.¹² These include the state secondary school, Royal Mail sorting office and all four banks.

All anchor institutions in the town were approached by the Rural Futures team in 2018 and demonstrated an interest in participating. Welsh Government's National Procurement Service was keen to work closely in identifying ways in which local procurement could be enhanced in this rural setting.

This work was outside the scope of Rural Futures, leading Severn Wye to apply to the Welsh Government's Foundational Economy Fund to enable this project.

The project is aware of past and current initiatives focussed on Llandovery and has cross referenced with them throughout, including:

- In 2013 Arup was commissioned by Carmarthenshire County Council to produce a masterplan for Llandovery Town Centre. It followed consultations with the community in December 2012 spearheaded by "The Princes Foundation for Building Community". The report was part of a suite of studies that analysed and presented proposals relating to various aspects of the town, including a Shop Front Design Guide, a Tree Planting and Gateway Study and a Signage Strategy.
- A study produced by Dr Mark Lang in 2019 recommended localising the economy and social activity in Llandovery and surrounding area.¹³ The study adopted a "Deep

¹² Severn Wye. (2019). "Llandovery 2030: Share Your Vision".

¹³ Lang, M. (2019). "The Llandovery Deep Place Study: A Pathway for Future Generations". [online] Available at: https://www.cardiff.ac.uk/_data/assets/pdf_file/0020/1703243/Llandovery-Deep-Place-Study-Final.pdf [accessed: September 2020].

Place” methodology to apply a holistic and sustainable place-based approach.¹⁴ The methodology argues that more localised action, based on a multiplicity of smaller choices, can often have a significant impact on strengthening community resilience. Opportunities identified included greater collaboration of public services, (the report recommends a public service hub) and capitalising on the potential of the extensive Natural Resource Wales estate in the surrounding area. In the case of the latter project, reference is made to the Skyline project in Upper Rhondda Valley which aims to transfer assets to community ownership to stimulate sustainable economic growth.

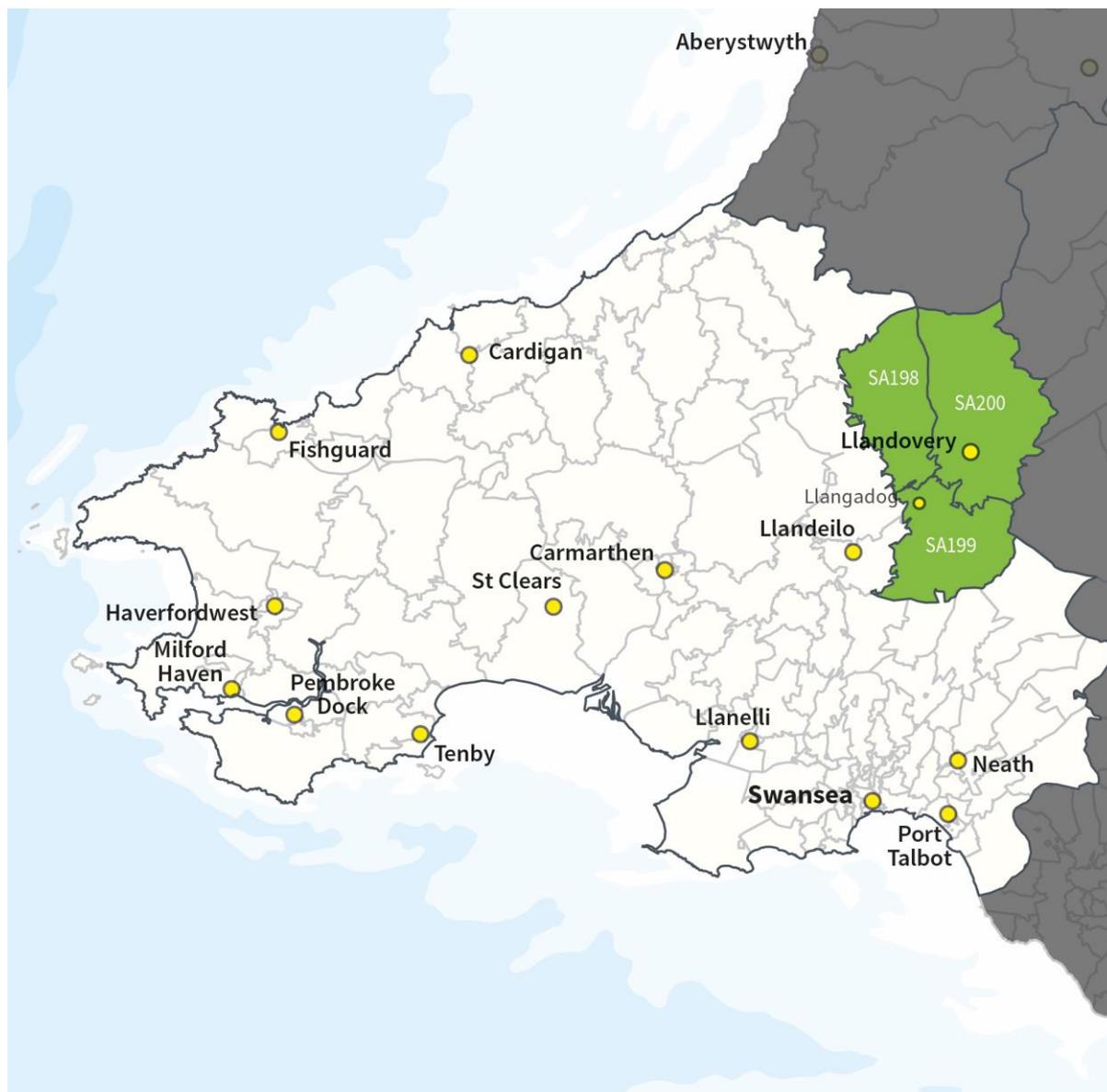
- Llandovery is one of ten market towns in Carmarthenshire selected by the County Council to be part of the Ten Towns Initiative. The initiative is a response to Carmarthenshire County Council’s Task Group Report, “Moving Rural Carmarthenshire Forward”.¹⁵ Launched in November 2019, the initiative has developed a long-term strategic vision and Growth Plan with stakeholders. This project has been liaising and sharing learning with report authors and officers at Carmarthenshire County Council, looking to add value and practical direction to the work that develops. References to this can be seen within its draft consultation report on page 9.¹⁶

¹⁴ “Deep Place” is defined as an approach based on the premise that a properly functioning economy should add to, rather than undermine, the social, environmental and cultural sustainability of places and communities. *Ibid.* p.4.

¹⁵ Carmarthenshire County Council. (2019). “Moving Rural Carmarthenshire Forward: Report and Recommendations of the Carmarthenshire Rural Affairs Task Group”.

¹⁶ The Means. (2021). “Llandovery: Economic Growth Plan, draft update”. [online] Available at: https://static1.squarespace.com/static/5dfb7aeaf844f40ff2c70391/t/6057eb81a79fe46cb99f64a0/1616374663453/CRTEGP_Llandovery_Draft+Economic+Growth+Plan+rev+9.pdf [accessed: March 2021].

Project area profile

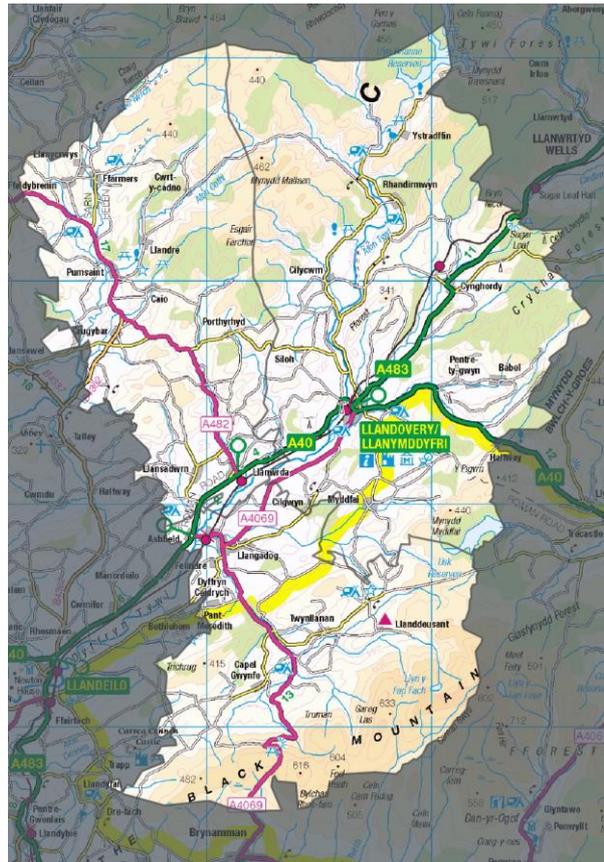
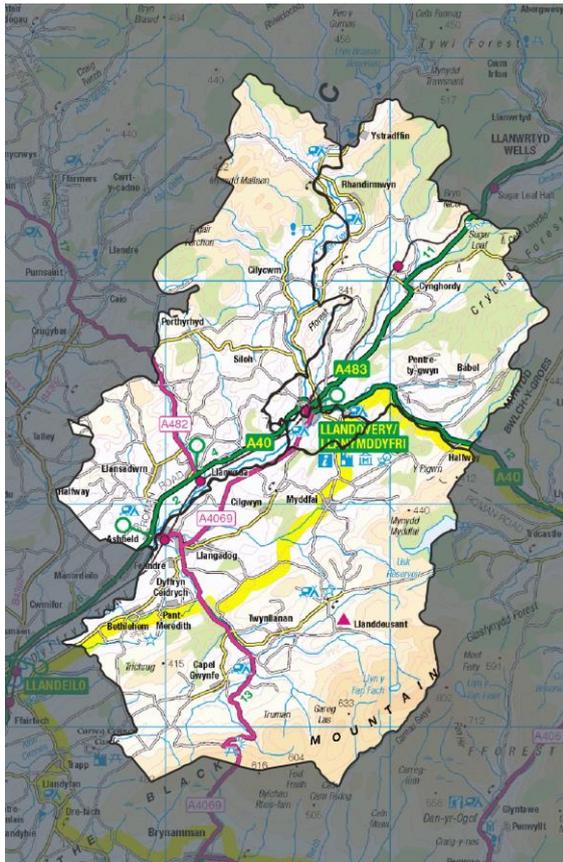


Above: The green areas correspond to five-digit postcode locations defined as the project area.

The project area consists of Llandovery and its surrounding rural area. Llandovery town remains a service centre for outlying villages, isolated homes and farms. Electoral ward, Lower Super Output Area (LSOA) and postcode maps were considered.¹⁷ A postcode-based project

area was chosen to identify businesses. As shown in the map below, the following postcodes were chosen; SA19 8, SA19 9 and SA20 0 which represented the catchment area of the now closed secondary school which still has resonance with communities.

¹⁷ LSOA – see glossary.



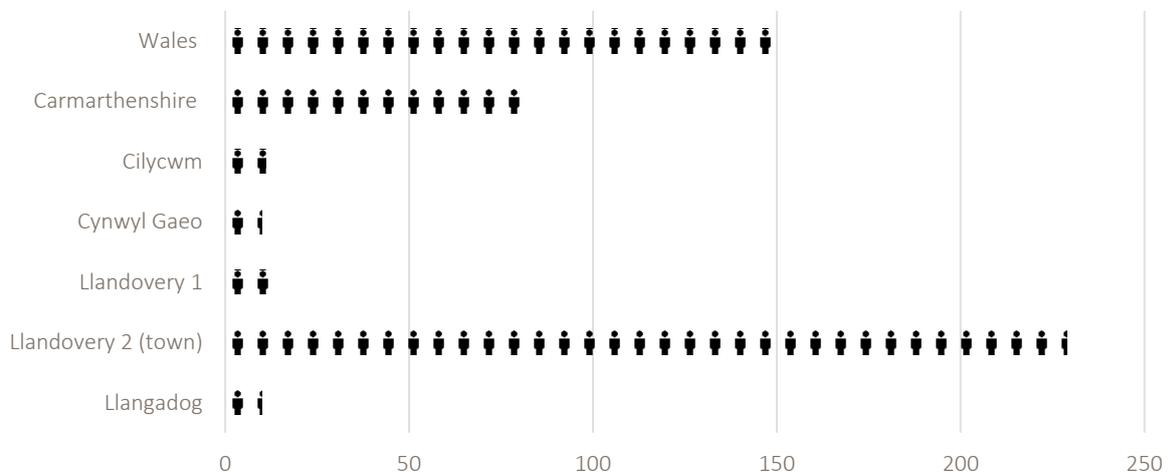
Left: The project area split into four LSOA areas.

Right: The project area split into three postcode areas.

Rurality is a defining feature of the area. The characteristics of rural areas are commonly held to be sparsity of population, low earnings and poor access to services.

Population density of project area by LSOA, Carmarthen & Wales

The following diagram shows the density of population of the project area in comparison to Carmarthenshire and Wales.



Source: Mid-year 2019 population estimates, Office for National Statistics

Access to Services

The 2019 Welsh Index of Multiple Deprivation (WIMD) measures ‘Access to Services’ as one of its eight domains.¹⁸ The following table shows where the project area’s LSOAs are ranked within Carmarthenshire and Wales. Notably, all the outlying LSOAs are among the 10% most deprived in accessing services across Wales. Llandovery 2 (the town itself) scores well, thus showing its importance as a service centre.

LSOA	Access to Services		Overall WIMD	
	Carms	Wales	Carms	Wales
Llandovery 1	13	67	43	763
Llandovery 2 (town)	108	1652	71	1067
Cilycwm	7	39	58	910
Cynwyl Gaeo	1	1	45	793
Llangadog	6	32	53	883

Total number of LSOAs; in Carmarthenshire =112, in Wales = 1909.

¹⁸ WIMD – see glossary.

Local economic profile

Enterprises, employment and turnover in Carmarthenshire (2019)

The following graph shows that over 93% of businesses in Carmarthenshire,¹⁹ are classed as micro-enterprises, (0-9 employees) with a further almost 4% as small, (10-50 employees). The average turnover for micro-enterprises in Carmarthenshire is just over £81,000 per annum.

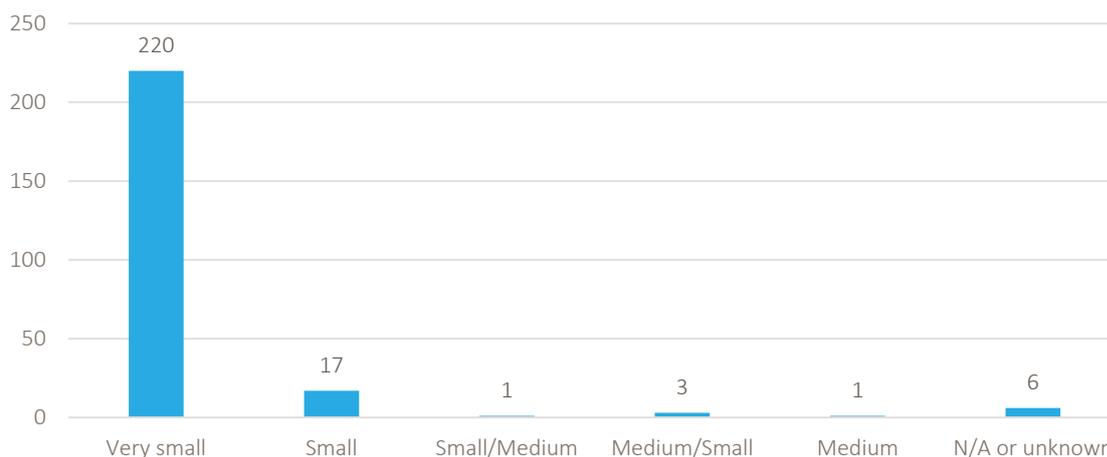
Almost 41% of employees in Carmarthenshire’s private sector enterprises worked in micro businesses in 2019.²⁰

These statistics were further emphasised by the project’s own research. In October 2020 a snapshot of data from Companies House was filtered for those organisations which had a registered address in one of the project postcodes. See below.



Source: Inter-Departmental Business Register (IDBR), ONS (2019)

Business size: businesses registered in the project area



¹⁹ The figures are not available for LSOAs.

²⁰ ONS. (2019). “Inter-Departmental Business Register (IDBR)”. [online] Available at: <https://www.ons.gov.uk/aboutus/whatwedo/paidservices/interdepartmentalbusinessregisteridbr> [accessed: November 2020].

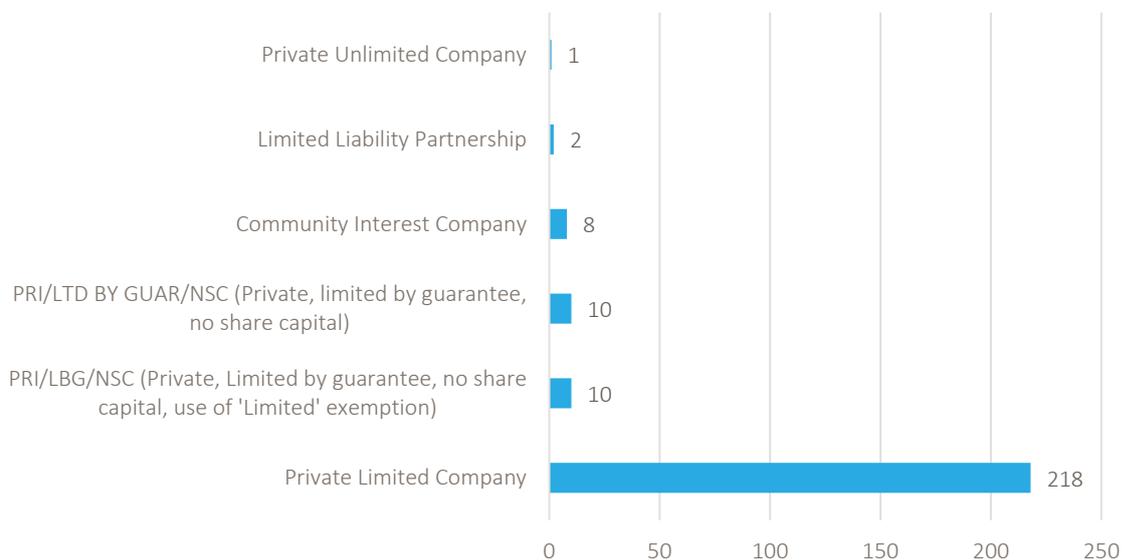
Source: Companies House. Total: 249 businesses

The project team acknowledges that this under-represents the total number of active businesses in Llandovery, as:

- The analysis only includes businesses registered with Companies House (which does not include sole traders).
- It is based on *registered address*, so businesses with a trading base in Llandovery but registered address elsewhere are not included.

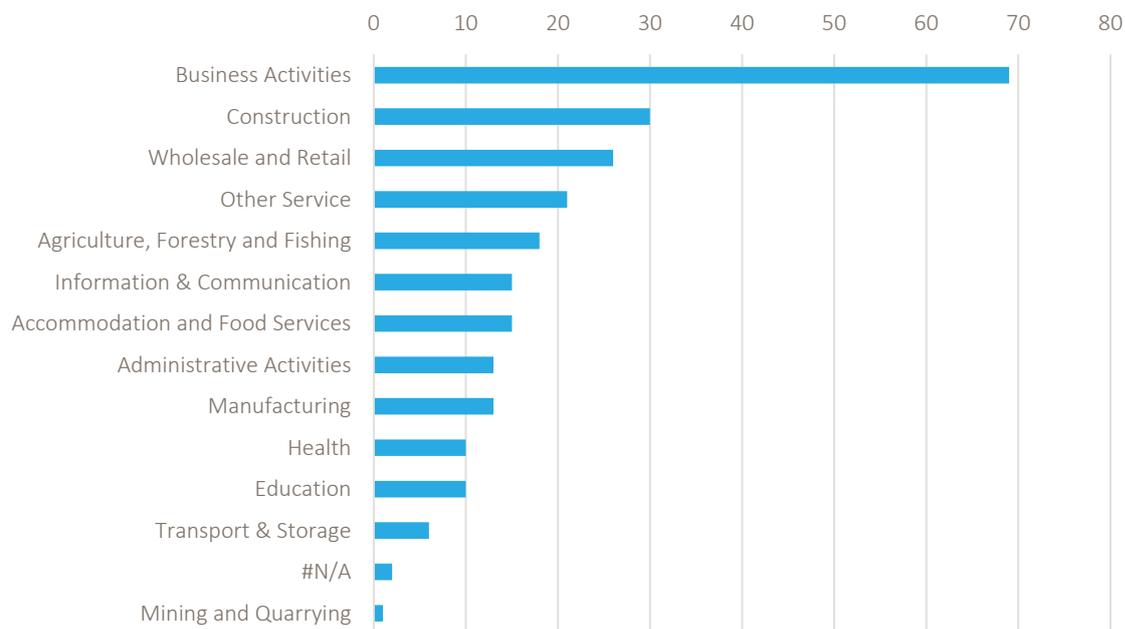
However, it and the following graphs provide a useful, indicative picture of the profile of businesses within the town. The following graphs show the types of businesses registered at Companies House and the industrial sectors in which they operate:

Number of Llandovery-based businesses by business type



Source: Companies House. Total: 249 businesses

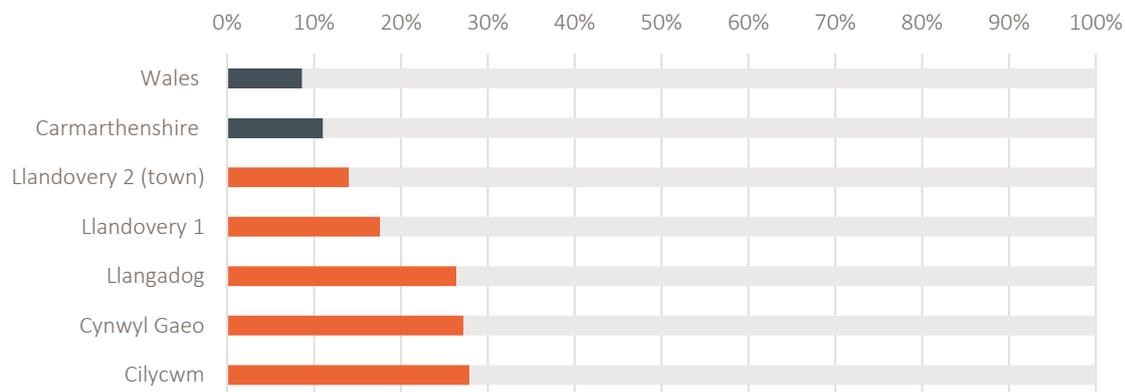
Businesses by sector²¹



Source: Companies House. Total: 249 businesses

Levels of self-employment

Combining the number of businesses in the area with its levels of self-employment gives a useful indication of the relative size of enterprises in the project area. Levels of self-employment within the project area's LSOAs and compared more broadly, can be seen in the following graph:



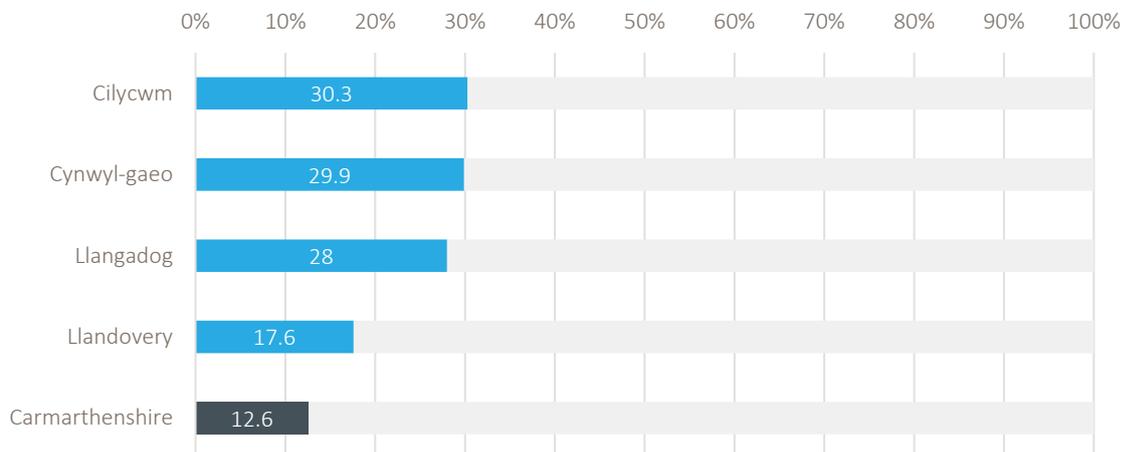
Source: Nomis (2011 census)²²

²¹ Businesses have been classified using; Standard Industrial Classification (SIC) - see glossary. 'Business activities' incorporates businesses in the 'real estate activities' and 'professional, scientific and technical' Standard Industrial Classification codes. This includes, for example, environmental consultancy, real estate and property companies.

²² Nomis – see glossary.

The figures show a high level of self-employment in the project area relative to the rest of Carmarthenshire and Wales as a whole. The same characteristic is evident in the high percentage of 'Level 4 (small employers and own account workers)'²³ in the following graph.

Socio-economic characteristics by Ward: Small Employers & Own Account Workers



Source: 2011 Census, Office for National Statistics. Taken from Carmarthenshire County Council Ward Profiles

Distance Travelled to Work (Llandovery)

The following chart shows that even before the Covid-19 pandemic, data indicated that many businesses were run by people working from home.



Source: IWA Understanding Welsh Places gathered from 2011 census.

Combining all the above, the picture is clearly one of a rural area characterised by high numbers of small, micro and hyper-micro businesses with the number of self-employed and those working from home hinting at often one-person, hyper-micro businesses being the norm.

²³ ONS (2011) "UK Censuses Data" [online] Available at: <https://www.ons.gov.uk/census/2011census/2011ukcensuses> [accessed: November 2020]

This private sector profile however does not show the whole picture. The public sector being ‘a’ and sometimes ‘the’ major employer.

Employment in the public and private sectors

	Total in employment		Total in employment	Percentage of persons employed in the public sector
	Public sector	Private sector		
United Kingdom	7,179,700	25,351,100	32,663,900	22.1
Wales	396,600	1,050,000	1,458,100	27.4
Carmarthenshire	24,600	52,800	78,000	31.8

Source: Annual Population Survey, Office for National Statistics June 2020

For the project area, ward summaries list Carmarthenshire County Council (schools and leisure) as the major employer.

The 2019 House of Lords Enquiry into rural areas state that, “services and the public sector are now the driver of rural economies.”²⁴ This project is primarily concerned with the procurement spend aspect of the public sector impact on local economies, but the impact of the public pound goes beyond procurement, as employment in the sector contributes to a holistic picture of community wealth building and needs consideration.

Methodologies such as the Local Multiplier Tool (LM3) developed by the New Economics Foundation have been used to measure the cascaded spend and impacts on communities.²⁵ One example of a public sector analysis is a 2008 study in Swindon commissioned by the Association for Public Service Excellence, (APSE), working in partnership with CLES. This study showed that 97% of employees in the study section (Street Scene service) lived within the local authority. These employees re-spent 52.5 pence in every pound in the local economy.²⁶

Swindon as a large urban centre is very different of course to our project area in rural Carmarthenshire but even so, this report highlights different dimensions of the economic benefits of the public economy as:

- A promoter of ‘local’ supply chains – what it buys.

²⁴ House of Lords Select Committee on the Rural Economy. (2019). “Time for a Strategy for the Rural Economy”. HL Paper 330. p.23. [online] Available at: <https://publications.parliament.uk/pa/ld201719/ldselect/ldrurecon/330/330.pdf> [accessed: September 2020].

²⁵ Local Multiplier Tool (LM3) – see glossary.

²⁶ Association for Public Service Excellence. (2008). “Creating resilient local economies: exploring the economic footprint of public services”. [online] Available at: <https://www.apse.org.uk/apse/index.cfm/research/current-research-programme/creating-the-resilient-local-economies-exploring-economic-footprint-of-public-services/creating-the-resilient-local-economies-exploring-economic-footprint-of-public-services/> [accessed: September 2020].

- A supplier of 'local' employment.
- A fosterer of 'local' economic regeneration.
- A multiplier of 'local' income – re-spend of employees.
- A contributor to the sub-regional and regional economy.
- A driver of efficiency and effectiveness.
- A steward of environmental sustainability.

Third Sector audit

Third sector activity was included in the scope of the project, categorised and engaged according to SME classification. An audit of third sector organisations and groups showed that there are eight Community Interest Companies, 48 registered charities and 62 small voluntary organisations registered in the project area.



PORTHMON - A DROVER

Llanymddyfri (Llandovery) was an important Drovers Town. Over 30,000 cattle and other livestock were taken by drovers to London from Wales each year.

Yr Oedd Llanymddyfri yn Dref Porthmwn bwysig iawn
Pob blwyddyn gyrrwyd gan y porthmyn,
dros ddeng mil ar hugain
o wartheg ac anifei iaid eraill o Gymru i Lundon.

Project Activity

The following activity was completed by the project team. The team included a place co-ordinator to work with anchor institutions and supplier SMEs. This work was planned as face to face which was impossible during the pandemic.

Regional anchors

Spend and gap analysis: regional anchors

A mapping exercise of local businesses was undertaken, followed by spend and gap analyses.

The spend analysis explored the procurement spend data of selected public sector 'regional anchor' organisations with a presence in the region to develop an understanding of where their spend was going in sectoral and geographical terms, including how much spending was with Llandoverly-based suppliers:

- Carmarthenshire County Council
- Hywel Dda University Health Board
- Mid and West Wales Fire and Rescue
- Natural Resources Wales
- University of Wales Trinity St. David
- Welsh Ambulances Services NHS Trust

The gap analysis incorporated the local market analysis to understand the profile of Llandoverly based businesses. This was then used to cross reference against the spend by regional anchor with suppliers based outside Wales. This developed a sense of the theoretical potential to re-localise some of this spend in Llandoverly.

Business vulnerability analysis

An analysis of the vulnerability of business sectors and the potential impact of Covid-19 on businesses based in Llandoverly, was undertaken.

Regional anchor focus group

Participants from seven public sector, regional anchor organisations were invited to a focus group 26th January 2021. Six participants from five of those organisations attended where the findings on vulnerability, spend and gap analyses were presented and discussed.

Local anchors

Local anchor interviews

The project sought to engage four local anchor organisations. In total, seven local anchor organisations were contacted over a two-month period, mainly in the social care and education sectors. Dealing with changes to health and safety regulations in their day-to-day operations made it difficult for them to find time to engage in the project.

Of those contacted, five expressed an interest in participating but interviews were hampered by Covid-19 operational issues and repeatedly postponed. Four local anchors took part in semi-structured interview by video call. The purpose, to gain insight to their procurement practices and intentions.

Local anchor data analysis

The selected local anchor organisations were invited to share their procurement spend data for the last financial year. The spend data was analysed to determine the percentage of spend that was:

- Within Llandovery's project area
- Beyond Llandovery but within Carmarthenshire
- Beyond Carmarthenshire but within Wales
- Beyond Wales

Local anchor focus group

Two of the four local anchors interviewed took part in a video-conferenced focus group with members of the project team. Its purpose, to examine market spend and gap data for the area, reflect further on their procurement practices, pool knowledge of barriers and other issues and identify potential areas for development.

Micro/SME survey and interviews

Survey

A bilingual online survey ran for four weeks from 25 January 2021 to 18 February 2021. Direct email invitations were sent to 80 businesses situated within the project area, it was also publicised locally using "Love Llandovery" Facebook page.

The original intention was to invite micro and SMEs within the Llandovery area to attend a focus group. Its purpose, to discuss how best to establish relevant networks linking similar businesses into informal consortia or collaborations to increase their ability to bid for larger scale public sector contracts.

However, as the data from the regional and local anchors emerged, it became evident that this was not the appropriate approach at this stage: Data showed that businesses in the area were very small and intelligence from local anchor interviews revealed a reluctance of local businesses to tender. It was decided that more information was needed about the nature of the local business sector and its interactions with the public sector and other local businesses. A short online business survey was considered a more effective way of collecting this information.

The survey was intended as a snapshot of the local business sector rather than a stratified sample. In total 30 people visited the site, with 21 completed surveys submitted.

Interviews

To better understand the nature of barriers and issues identified, respondents were invited to participate in semi structured phone interviews. Two were conducted to form case studies.



Business support audit

A Business Support Audit was completed to detail the range and type of organisations as well as the nature of support that was available to businesses in Llandovery. A summary is included in Appendix 2.

A local business/third sector directory

In preparation for the focus groups and later, the business survey, a directory of local businesses and third sector organisations was researched as none such was available in the public domain. Carmarthenshire County Council data was kindly supplied by the Foundational Economy Challenge Fund project officer and further research was conducted using The Charity Commission for England and Wales' database, local listings in Llandovery's 'The Post' magazine and a "Love Llandovery" Facebook page appeal.

Dissemination and networking

The following actions have been completed or are scheduled as part of the dissemination of the findings.

PAVO AGM

Early findings were presented and discussed at the Powys Association of Voluntary Organisations (PAVO) AGM on the 16 October 2020. Powys shares a long border with the project area, where neighbouring wards in Carmarthenshire and Powys reflect similarities in terms of sparsity, access to services and demographic trends. This was also an opportunity to test out potential locations for follow up projects once the Llandovery model had been established.

Sharing insights with another market town in Wales

To fulfil the project's obligation to disseminate formative learning, one of its outputs was to share insights with another market town in Wales, comparable to Llandovery. An Economic Development Officer for Powys County Council responded, and a meeting was held on 28 January 2021 to explain the aims of the project and what it was hoping to achieve, emphasising the opportunity to replicate it in another market town. Insights were shared into Powys County Council's attempts to encourage local procurement and an agreement made to inform senior managers.

Sharing with stakeholders

- A draft version of this report was circulated to stakeholders for comment on 17 March 2021.

- Regular monthly meetings were set up with Carmarthenshire County Council's Foundational Economy Challenge Fund project which aims to increase the number of local or regional food businesses supplying the public sector in the area. With the intention of ensuring maximum complementarity between the two projects, this joint-working proved invaluable in accessing information, contacts within other council departments and an opportunity to reflect on the programme.
- A presentation and discussion of findings, learning and next steps is scheduled to take place 28 April 2021 with local and regional stakeholders.

Community of Practice

As part of the Foundational Economy Challenge Fund's support and learning mechanisms, themed communities of practice (CoP) were established by Cynnal Cymru. Formative learning has been shared throughout the project's lifespan. Engagement in CoP has resulted in many benefits and connections, increasing knowledge of legal and policy changes, amalgamating emergent learning on specific issues and affording opportunity to contribute to and influence national policy, in real time.

A formal presentation of the project's learning and recommendations will take place at its final event, 29 April 2021.



Project Findings

Spending by regional anchors in Llandovery

Analysis demonstrated that total public sector spend with Llandovery-based businesses in the financial year 2019-20 was £5.4m. This included spend from the identified regional anchors of £2.8m (highlighted below) and from other public sector organisations from outside the region, amounting to an additional £2.6m. This spend is detailed, by organisation, in the following table.

Value of spend of regional anchors

Spending organisation	Sum of spend: FY 2019-20
Carmarthenshire Council	£2,003,620
Powys Council	£1,127,180
Natural Resources Wales	£719,470
Ceredigion Council	£406,445
Vale of Glamorgan Council	£247,080
Cardiff Council	£204,536
Betsi Cadwaladr University Local Health Board	£157,288
Swansea Bay University Local Health Board	£155,990
Powys Local Health Board	£85,078
Hywel Dda University Local Health Board	£60,211
Cardiff and Vale University Local Health Board	£44,222
Cwm Taf Morgannwg University Local Health Board	£39,820
Swansea Council	£33,977
Newport Council	£31,821
Welsh Ambulance Services NHS Trust	£31,045
Flintshire Council	£26,867
Gwynedd Council	£14,102
Pembrokeshire Council	£12,406
RCT Council	£9,000
Cardiff University	£5,637
Velindre NHS Trust	£4,800

Swansea University	£3,950
Mid and West Wales Fire and Rescue	£3,424
Blaenau Gwent Council	£1,070
Denbighshire Council	£485
Aberystwyth University	£462
University of Wales Trinity Saint David	£0
Grand Total	£5,429,986

Spending of identified regional anchors	£2,817,770
Spending of other anchors	£2,612,216
Total	£5,429,986

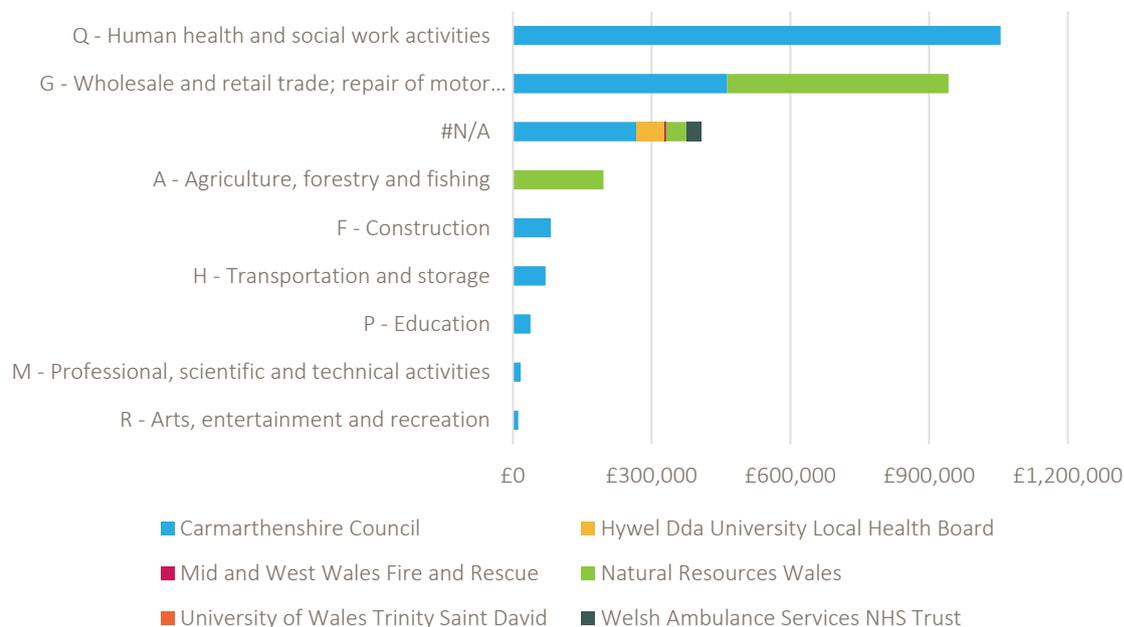
It is evident that the spend from outside the region (£2.6m) was by health boards and local authorities and spent largely on health, care or support services from charitable and other providers based in Llandoverly.

Of the regional anchors identified in this project, the largest spend in Llandoverly was by Carmarthenshire County Council, followed by Natural Resources Wales then Hywel Dda University Health Board, summarised in the following table.

Spending organisation	Sum of spend: FY 2019-20
Carmarthenshire Council	£2,003,620
Natural Resources Wales	£719,470
Hywel Dda University Local Health Board	£60,211
Welsh Ambulance Services NHS Trust	£31,045
Mid and West Wales Fire and Rescue	£3,424
University of Wales Trinity Saint David	£0
Grand Total	£2,817,770

Spend by sector – regional anchors

Considering regional anchor spend by industrial sector (where SIC could be determined), the largest spend was in ‘Human health and social work’ (£1.054m), followed by ‘Wholesale and retail’ (£942k), ‘Agriculture, forestry and fishing’ (£195k) and ‘Construction’ (£82k).



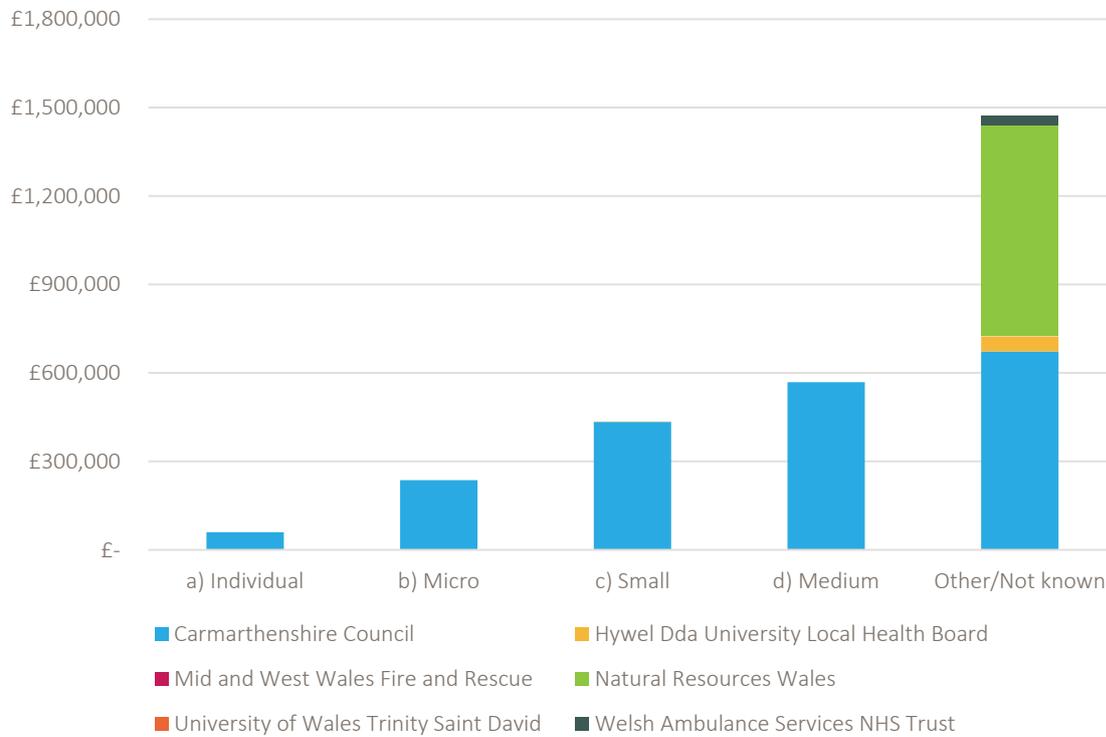
Some specific points to note:

- Spending in the ‘Human health and social work’ sector includes spending on care services, where a care home is owned by a non-Wales parent company but its invoicing address is within a Llandovery postcode.
- Spending in the ‘Agriculture, forestry and fishing’ sector is by a single anchor, Natural Resources Wales, on a timber/sawmill business owned by a non-Wales parent company with branches across the UK, but its invoicing address is within a Llandovery postcode.
- 50% of the ‘Wholesale and retail’ spend is by Natural Resources Wales with a single quad-bike supplier and it is likely that this irregular or one-off spending.

The above points are relevant, as the levels of spend are either not regular or may not contribute higher paid local employment and re-spend in the local economy, in the sense that suppliers with non-Wales based parent companies may well extract profits from the local area. This represents a potential loss of wealth to the local economy.

Spend by supplier size – regional anchors

In terms of spend by supplier size, the majority of spend is with suppliers of unknown size (although, based on the market analysis earlier in this report, we can assume many of these suppliers are small, micro or hyper-micro). All the spend on 'medium' size suppliers is with two individual suppliers – Coleg Elidyr and Coleg Llanymddyfri Cymru.

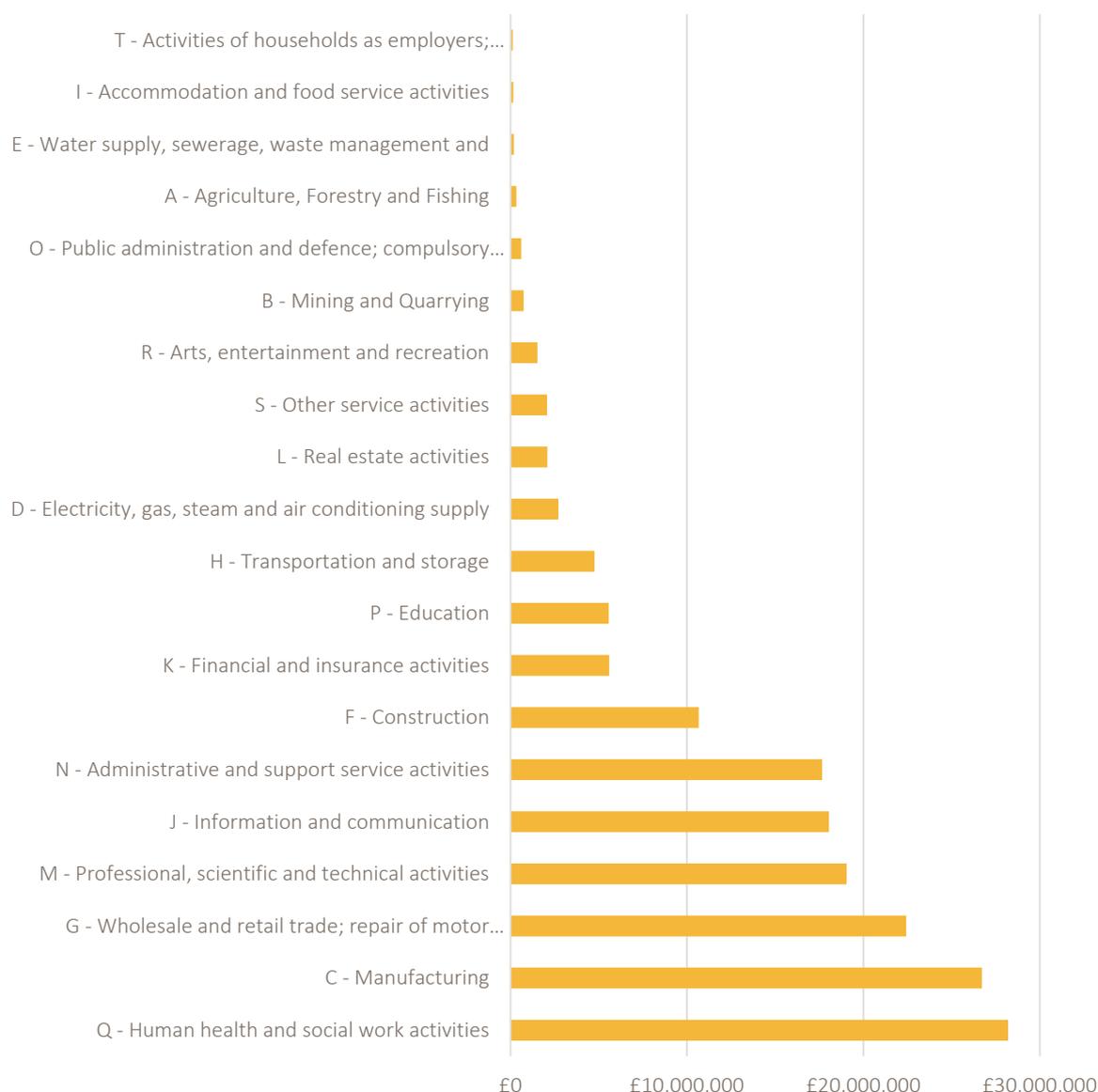


Gap analysis

By accessing the spend data for the financial year 2019-20 (as provided by the Welsh Government via Atamis) and mapping it against the relevant Standard Industrial Classification (SIC) codes,²⁷ offered the following insights.

Regional anchors' spend – beyond Wales

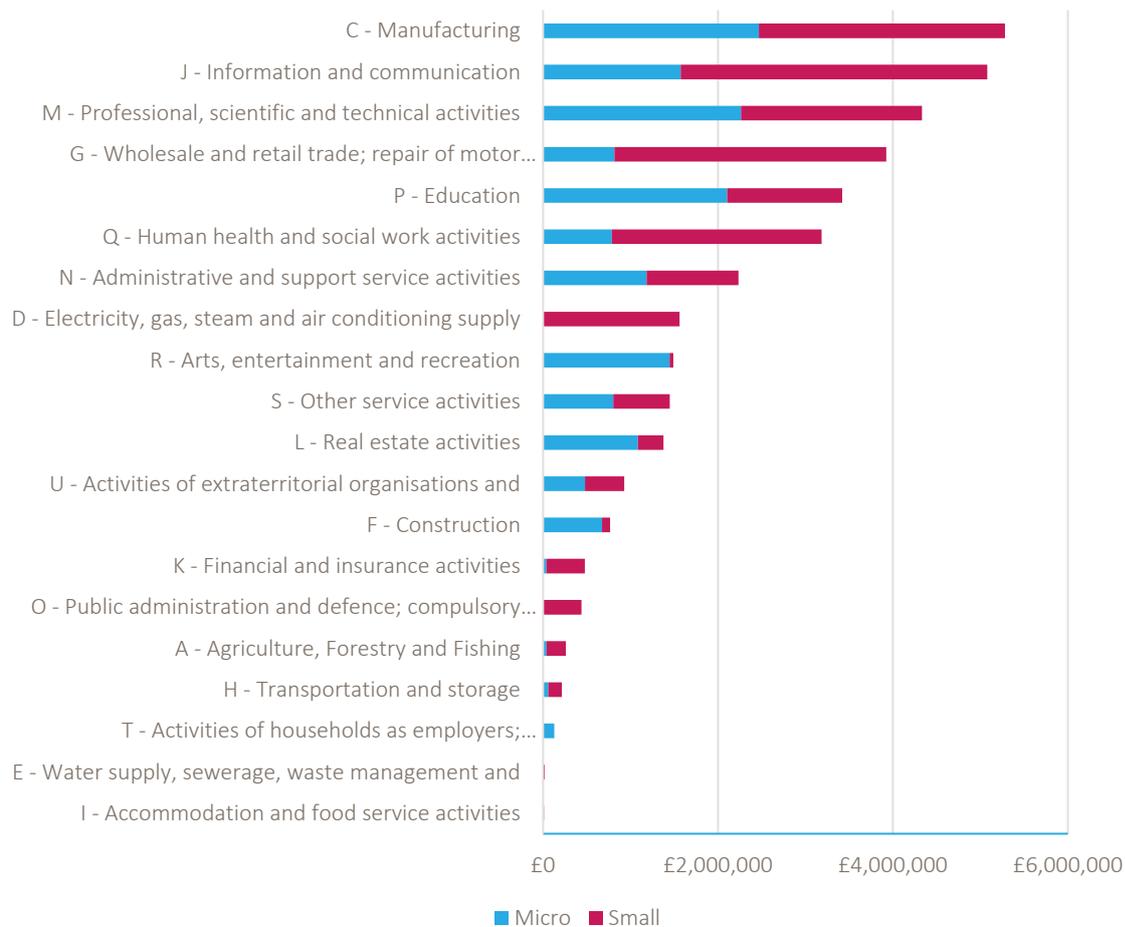
The 'leakage' of spend from contracts with suppliers which are based outside Wales was examined and split by SIC categories and low-level SIC code.



²⁷ Atamis and SIC – see glossary.

This data was then filtered to show only what was spent outside Wales with small, micro and hyper-micro businesses, as the potential supplier base in Llandovery is dominated by businesses in these size categories.

Regional anchors' spend – outside of Wales with small, micro and hyper-micro business suppliers



It was then possible to examine this spend by low-level SIC code and compare this with the potential supply of businesses locally. It revealed a match at low-level SIC code for 126 businesses.²⁸

- 21 businesses in 'construction'
- 17 businesses in 'professional, scientific, and technical activities'
- 17 businesses in 'wholesale and retail'
- 13 businesses in 'information and communication'

²⁸ NB. Some of these 'matches' are separate registered companies, trading at the same business address.

- 12 businesses in ‘real estate activities’
- 10 businesses in ‘administrative and support service activities’
- 10 businesses in ‘human health and social work’
- 9 businesses in ‘education’
- 6 businesses in ‘transportation and storage’
- 4 businesses in ‘agriculture, forestry and fishing’
- 4 businesses in ‘arts, entertainment, and recreation’
- 2 businesses in manufacturing

This shows a theoretical potential for Llandovery-based businesses to meet demand. However, the goods or services being procured may be of a specialist nature, suppliers may not have the required skills or capacity, or there may be other factors which provide a strong rationale for anchors to source these goods and services from outside the locality, Carmarthenshire or Wales.

It does, however, provide a starting point for further investigation with the regional anchors and the businesses in these categories.

Regional anchors focus group

A Focus Group for Regional Anchors was held on 26th January 2021 and included representatives of six organisations. All agreed that the procurement environment was undergoing rapid change, with Welsh Government currently engaged in consultations with public sector organisations.

The future landscape potentially gave more scope to prioritise local spend and to explore further social value.

Anchors gave examples of how they were trying to encourage more localised procurement including the promotion of smaller contracts that had simpler procurement procedures. Examples included:

- Splitting of tenders into lots.
- Participating in pre-tender engagement, e.g., meet-the-buyer and other awareness raising events.
- Increasing community benefit weighting; Carmarthenshire County Council apportions community benefit weightings on each tender’s individual merit. Weightings are increasing; Pentre Awel is an example with a significant increase,²⁹ where

²⁹ “Pentre Awel” a landmark, multi-million pound, world class, wellness village along the Llanelli coastline, bringing together health, leisure, business and research. [online] Available at: <https://www.carmarthenshire.gov.wales/home/business/development-and-investment/pentre-awel/> [accessed: February 2021].

community benefit makes up 35% of its 60% quality weighting. All were consulting over National TOMS Wales with blue light services across South and West Wales collectively working to establish relevant indicators.

- Working with all departments within organisations to explore opportunities for smaller businesses to tender for contracts between £5,000 and £25,000. These contracts were often not centrally promoted, making it difficult for small businesses to identify possibilities.
- Prioritising Framework development.
- Promoting co-operative and enterprise opportunities particularly to regenerate the supply chain, giving opportunities for younger people.

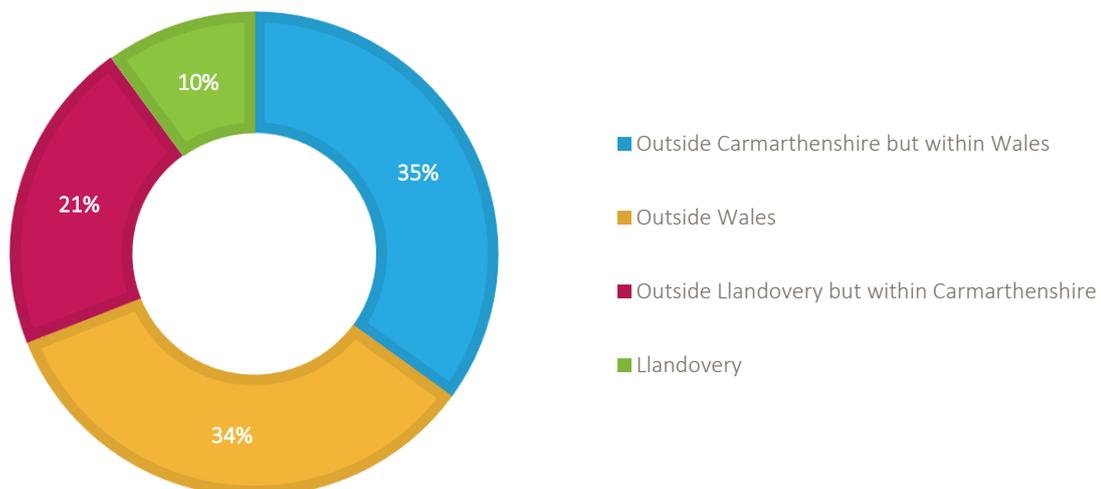
Regional anchors expressed frustration that efforts to support suppliers did not always lead to an increase in tendering. The importance of due diligence at all times was acknowledged as a necessary limitation.

Anchors which have a pan-Wales role, or a regional footprint often have localised frameworks or lotting arrangements. However, there can still be a tension between centralised procurement approaches which rationalise activity on a sector basis (health, further and higher education etc.) and a more genuine devolution of procurement to a local level.

Spending by local anchors in Llandovery

Four local anchor organisations were approached to analyse their spend, of which two provided spend data. The graph below shows the spend by invoicing geography of supplier for the financial year 2019-20.

Percentage spend by location of supplier



As can be seen, 10% of spend was with suppliers based in Llandovery. Approximately two-thirds of spend was with suppliers based within Wales and one-third with suppliers based outside of Wales.

Interestingly, the levels of spend with Llandovery based suppliers were lower than the local anchor organisations' own perceptions of local spending, shared in one-to-one interviews. During the focus group, one anchor reported that due to Covid-19 restrictions throughout 2020, food which would typically be purchased locally in person had been ordered for delivery through a wholesale supplier from further afield.

Local anchors' interviews

Interviews were held with four local anchors. All demonstrated support and a strong commitment to supporting local suppliers of goods and services whether there was a necessity for local suppliers to be close by such as on-call maintenance services, or not.

All Anchors interviewed categorised significant expenses as follows:

- Staffing
- Food
- Energy
- Estate and Maintenance (including construction/renovation projects)
- IT and professional services e.g., human resources, legal, management information systems
- Waste removal
- Specialist services – generally identified as being from further afield.

Local suppliers were sometimes found to be more expensive, however, in some cases, were cheaper.

All the local anchors interviewed had tendering processes in place involving legal requirements and standards for their own sectors. This legal element was paramount when engaging contractors, followed by value for money (rather than lowest price), historic good service, responsiveness and affordability.

Tendering processes were strategically led by management and trustees rather than delegated to operational staff. The reasoning involved in awarding contracts was multi-layered and judged on a case-by-case basis, giving consideration to outcome/impact.

In terms of social value, local anchors were committed to buying local. Other social value elements such as environmental considerations were not discussed.

One of the local anchors highlighted that an existing national framework was not utilised as well as it could be by local authorities.



Local anchors' focus group

A focus group for local anchors was held on 17 February 2021. It provided an opportunity for these organisations to talk about their own experiences of tendering for public sector contracts as well as their own role as procurers of local supplies and services.

Tendering for public sector contracts incurred costs that many of the smaller local businesses were unable to meet or were just too high for the level of contract on offer.

Finding the 'right' contact within public services was sometimes an issue and not as simple as identifying a job title.

Local anchors themselves issued tenders which were less arduous to complete than the regional anchor ones. Even so, local anchors often struggled to get three quotes. The reason for this was not clear.

The level of vulnerability of supplier businesses in the area surprised local anchors. They realised that post-covid this could adversely affect their suppliers, making their ability to buying local more difficult.

None of the local anchors at the Focus Group had experience of employing consortia, though they were aware that for building projects, contractors tended to subcontract local trade specialisms (e.g. electricians, plumbers).

Local anchors felt unaware of the full range of local suppliers, suggesting that greater awareness through a shared information point would help with this.

They felt that the local market was not strong enough to attract new supplier businesses to the area to fill gaps, as being so rural, the likely profit level would be insufficient. Instead, they suggested that there was a need to build on and adapt what was already there to fill these gaps.

Micro/SME survey results

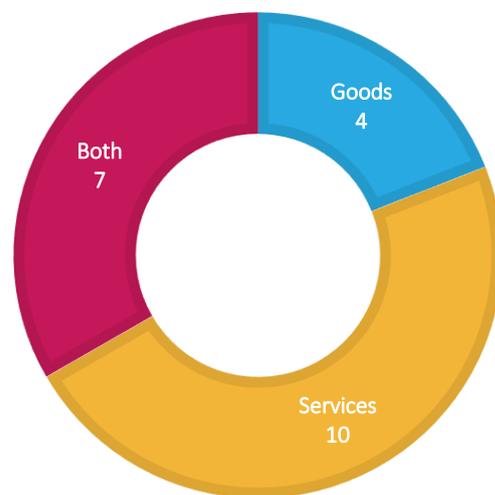
The information gathered in the audit of local businesses and third sector organisations demonstrated that many did not have email addresses or web presence. In setting up the on-line survey, this limited the number of contacts that could be made.

Despite excluding those without online presence, over 80 contacts were emailed invitations and links to the survey and an open, linked invitation was offered on 'Love Llandoverly' Facebook page.

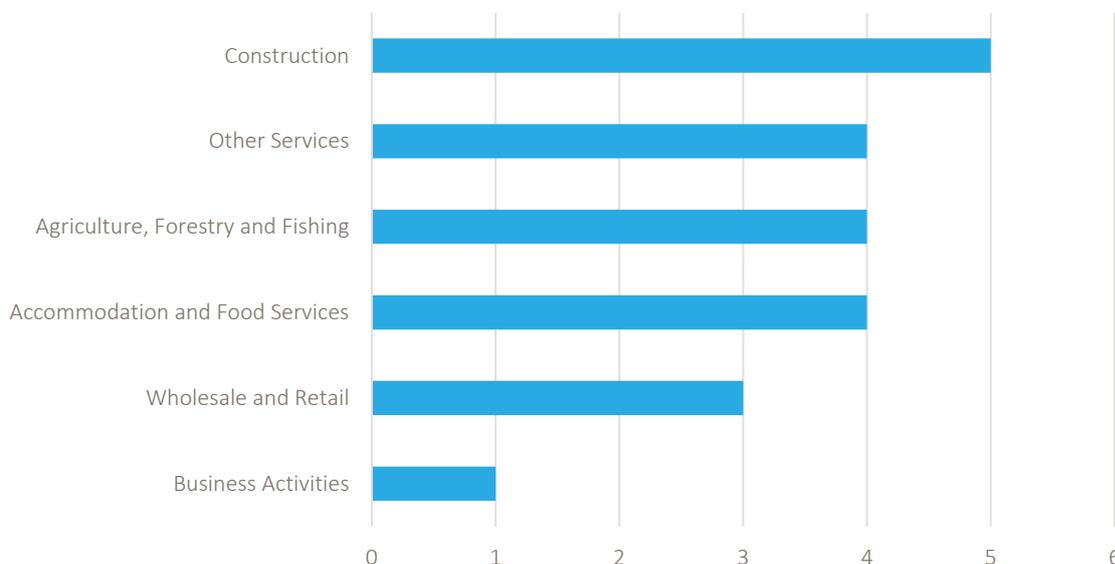
The survey was intended to provide a snapshot of the local business sector rather than a stratified sample. Whilst 30 individuals accessed the survey it was designed to screen out those that did not run a business in the area at the very beginning. As a result, seven participants were routed out at this stage. Of the remaining 23 participants, two did not provide any answers, which left 21 responses for analysis.

Five businesses offered their availability to be phone interviewed. Two businesses were subsequently able to be contacted.

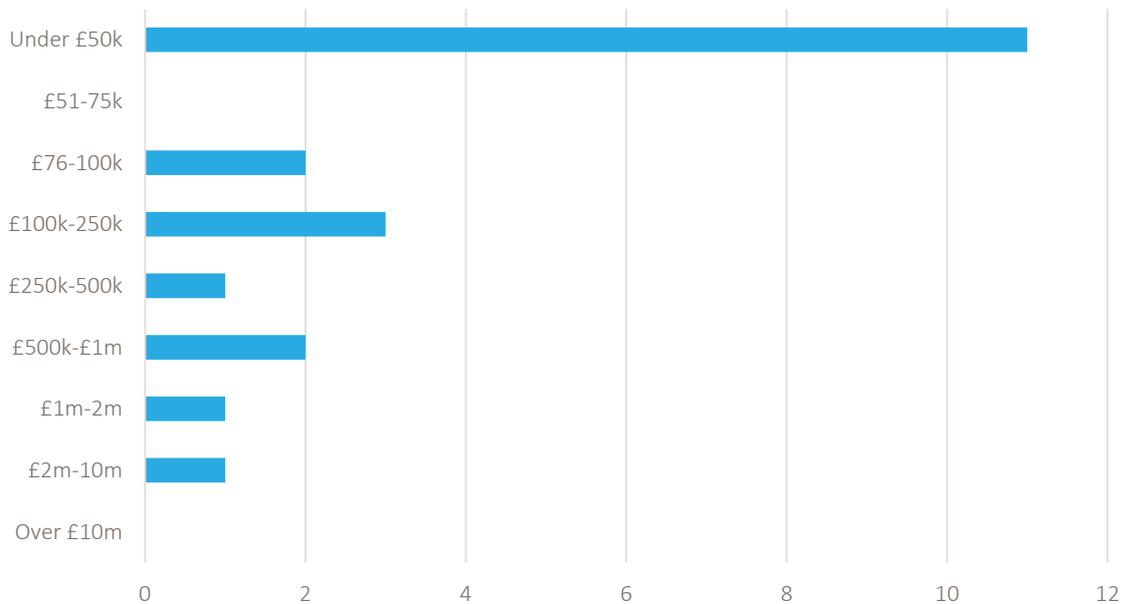
The survey's first set of questions were about the nature and size of businesses. The diagram opposite shows that most businesses provided services rather than goods, although a significant number provide both goods and services.



Classification of businesses which responded to the survey

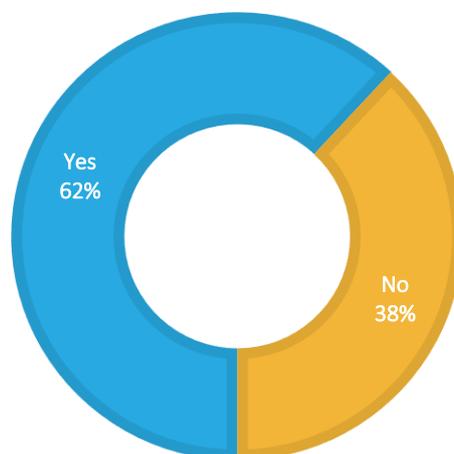


The following graph shows that most of the businesses that responded had a turnover of less than £50k per annum which tallies with the profile identified earlier. In Carmarthenshire, with the average turnover for micro-businesses being £81k per annum, Llandovery's micro-business base would appear to be smaller scale. This may be indicative of the profile of local micro-businesses being particularly small, including sole traders and single person hyper-micro businesses. Only eight of the businesses which responded to the survey were registered at Companies House with a postcode within the project area.



Are you looking to expand your business?

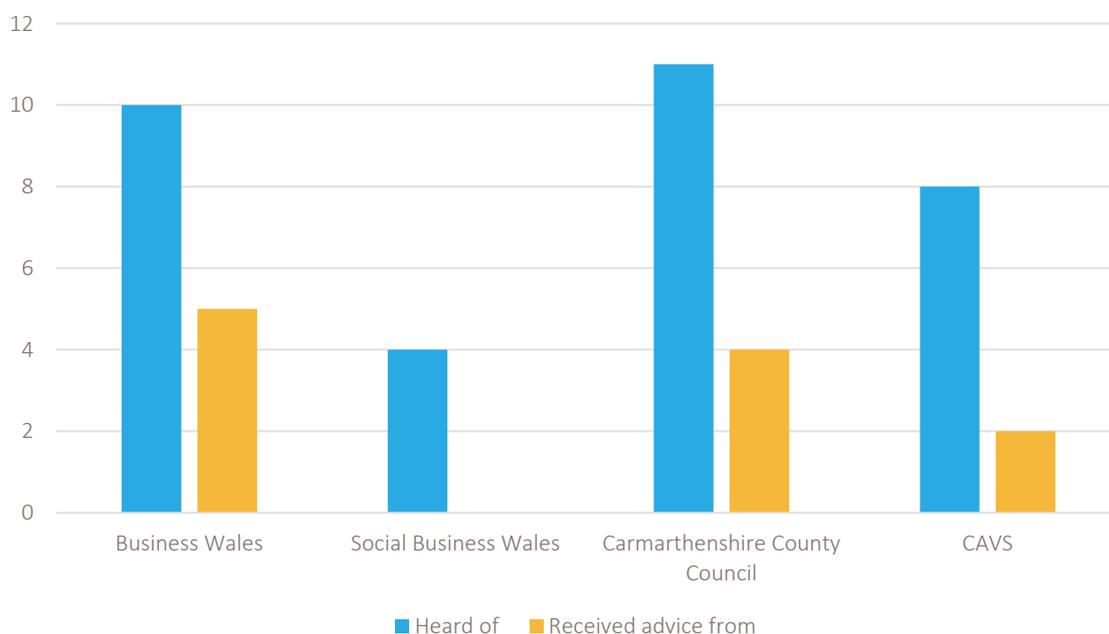
Respondents were asked if they wanted to expand their businesses. Almost 40% said no. This raised questions at interview about the role that business support agencies can offer in helping to support these businesses to thrive, when not intently seeking growth. While such support could lead to a decision to expand in the longer term, small businesses interviewed felt that much of the existing business support was not aimed at them.



Are you aware of any of these organisations who can provide advice/support to small businesses in Wales, or have you ever received advice/support about tendering for public contracts from them?

Businesses were asked whether they had heard of, or received advice on tendering for public sector contracts from a specified range of support organisations: Business Wales, Social Business Wales, Carmarthenshire County Council or Carmarthenshire Association of Voluntary Services. The following graph shows that most respondents had heard of at least one of these organisations with only 24% (4) not being aware of any of them.

Only 28% (6) respondents had received advice from at least one of these organisations and four of those having received advice from more than one. Unsurprisingly, as no social businesses responded to the survey, no advice had been received from Social Business Wales.



Businesses were asked if they had ever tendered for or subcontracted on a public sector contract. Given the types of businesses that responded it was not surprising that the number that had done so was low, with most reporting that such contracts were not directed at their kind of business.

Only two businesses had tendered for a public sector contract. Both had responded to an invitation to tender advertised by Carmarthenshire County Council. One had bid to Natural Resources Wales. One of these respondents found the process easy and one found it hard. Three other respondents who had not submitted tenders stated that they found the process hard or very hard, which might indicate why they had not participated.

The reasons businesses found the process hard included difficulty in forging links in the past, the large volume of work required and a lack of feedback.

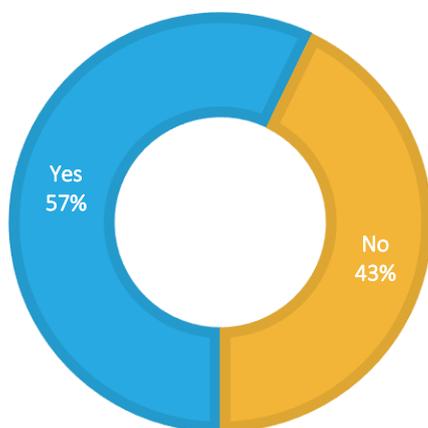
Only 3 respondents were registered with Sell2Wales. The process of registering was described by them as 'a clerical exercise' and 'very easy'. The most common reasons for not registering were:

- They had not heard of Sell2Wales.
- They were not interested in the types of contract advertised.
- Contracts available were not relevant to their business.
- One respondent stated that they 'didn't get much help when we contacted them.'

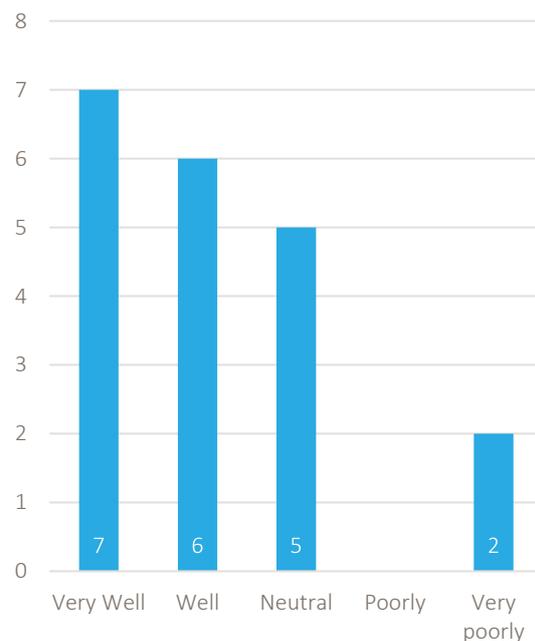
In the final section of the survey, questions were asked about the goods and services which respondents purchased and the extent to which they purchased locally.

The following diagram shows that almost two thirds of respondents reported that they were trying to increase the amount of goods and services they bought locally. The graph that follows shows that a similar number felt connected to local suppliers. The main barriers to buying local were reported as cost – with local goods and services being too expensive or a lack of suitable, specialist, local suppliers.

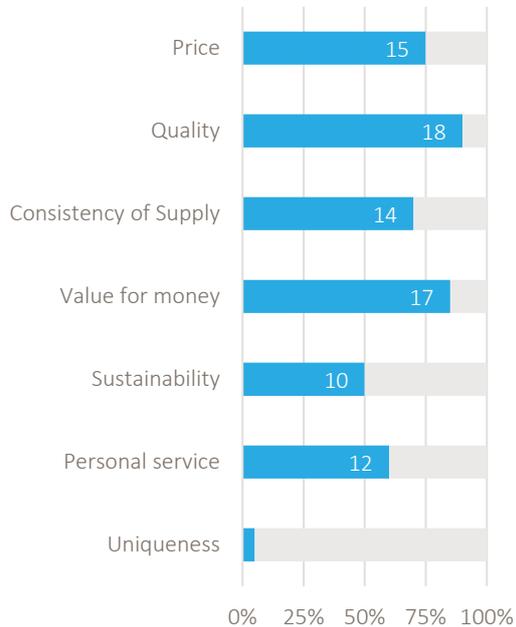
Have you tried to increase the amount of good and services your business / organisation buys from local suppliers within the last 5 years?



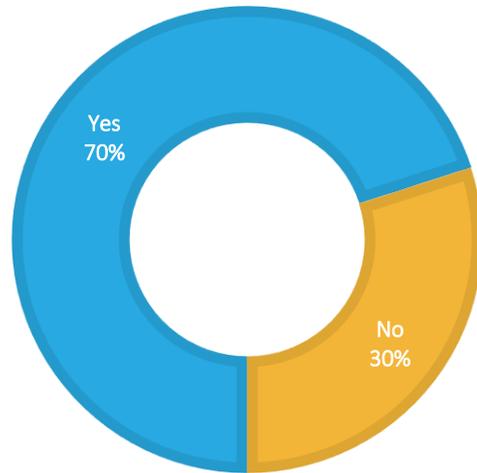
To what extent does your company feel connected to local suppliers?



What are the key factors in choosing a supplier?



Has the Covid-19 pandemic affected how you buy goods and services for your business / organisation?



When respondents were asked what would make them buy more locally, several reasons were given: The top two factors were quality and value for money, followed closely by price and consistency of supply. Not knowing what is available or where to look in the local area were also factors.

When asked what could be done to make them buy more locally, suggestions included:

- A searchable database of goods and materials sold by local businesses.
- Increased capacity, security and stability.
- Increased training and compliant working practice.

Businesses were asked if the Covid-19 pandemic had affected how they bought goods and services for their business. A majority (70%) said that it had, due to either their own business or their suppliers being closed or due to a reduced availability of goods.



Case studies

Small company

We spoke to a small company in the Llandovery area comprising a single Director and with a turnover of £50,000.

Having applied for a couple of public sector tenders, the process was described as 'very annoying and hard to complete'. In one instance, applying for a tender from one national publicly owned organisation, the tendering forms took three weeks to complete. The company did not get the contract and the only feedback was a matrix score against the winning tender but not how many had applied or specifically how to improve their bid. Other examples include filling in an Expression of Interest and then, after a long while, discovering that the tender had been withdrawn, later to discover that the work has been awarded to a large company from outside the area.

Many public sector organisations tended to use the same pool of contractors and therefore the procurement exercise was rigged towards the safety of using proven contractors. Procurement also worked against smaller firms who could not meet all requirements: An example given was professional indemnity insurance, which typically required cover of £1million or more, depending on the grade listing of a building, even if the job itself was very small. There was no tailoring of procurement or insurance requirements to meet the job. Dividing the work into packages was also described as 'very annoying and favoured larger companies.'

The company had sought help from Business Wales and despite being very supportive, the help was generic and not suitable for smaller companies. There was also an emphasis on growing the company and for a small enterprise such as this, it felt too risky, purely and simply because there was no comfort of available, secure and long-term work.

The company's business model was therefore based on; identifying other companies to team up with, as and when work was available. This was a far more flexible and sensible approach, especially during the recent economic climate.

Regarding the local economy, opinions were that the town's regional anchors had a mixed approach: NRW was doing a lot to support Llandovery while the Local Authority was less effective and as business rates remained high, more and more companies were leaving the area. Schools had also been consolidated and this had had a massive impact on the local community, with children having to travel increased distances. The NHS support for the local hospital wavered and there remained a possibility that it would close and of course, 'once it's gone, it's gone'. Covid had had a significant impact, but on a positive note did provide an opportunity to reset procurement processes and instil a new model that favoured local suppliers. It was felt that there was a lot to do on this and it was more important than ever that such new approaches were adopted.

Contractor

We spoke to a contractor based in Llandovery employing about 10 staff and with a turnover between £500,000 to £1,000,000. They operated largely on a 'word-of-mouth' basis with a reputation for excellent services.

In the 1990s they were a much larger firm and did a lot of work for the public sector, particularly the Local Authority. At that time, they were earning something like £250,000/year from contracts from Carmarthenshire County Council and provided around 50 jobs.

Gradually, over the years, they downsized and this coincided with all contract work going onto Sell2Wales. 'The procurement process is often torturous – the paperwork is too complicated; the timescales are too tight and the assessment criteria, difficult to comprehend. Also, the insurance

requirements are often wholly inappropriate for small-scale work'.

It was felt that over the last few years, a new industry had developed in terms of; insurance, health and safety and procurement processes – all of which added burdens to small businesses.

Even at their current size they were still one of the largest employers in Llandovery, but got no support from regional anchors, in particular, the County Council. Whilst the local MP and some County Councillors were supportive, the company felt that most of the Local Authorities' processes and policies completely failed to provide support for businesses – especially those located in Llandovery in the far north of the county, away from the more populated southern coast.

Potential vulnerability

Carmarthenshire County Council, in its June 2020 report 'Analysis of the impact of Covid-19 on Carmarthenshire' identified several sectors which could be classed as 'shutdown sectors.'³⁰ They were:

- Retail
- Food and Beverage
- Visitor economy
- Passenger Transport
- Personal Services
- Food and Drink Production
- Sports and leisure
- Education and Childcare

Matching 5-digit SIC code categories to the high-level categories listed above, reveals the number of Llandovery-based businesses operating within these sectors. It revealed:

- 15 businesses in the Retail sector
- 10 organisations in the Food and beverage sector
- 7 businesses in the Visitor economy sector
- 6 businesses in the Passenger Transport sector.
- 4 businesses in the Personal Services sector
- 3 businesses in the Food and drink Production sector
- 3 organisations in the Sports and leisure sector
- 3 organisations in the Education and Childcare sector

In total, 51 businesses, or 20% of the Llandovery-based businesses operated in sectors which could have reasonably been described as shutdown sectors in the first phase of the pandemic. While some of these sectors have fully or partially reopened for periods of time since the first phase of the pandemic, this remains a reasonable proxy for vulnerability.

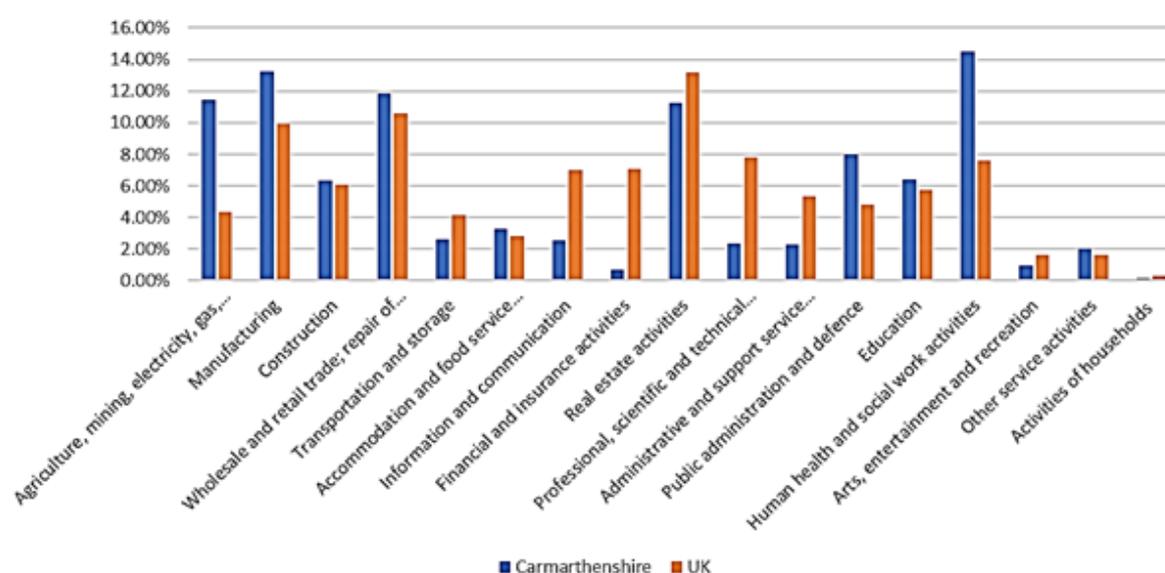
Another metric which is useful to identify sectors that are potentially vulnerable is HMRC's Coronavirus Job Retention Scheme data. This data provides raw numbers of employees placed on furlough, at local authority level. In Carmarthenshire's case, this was 21,200

³⁰ Carmarthenshire County Council Executive Board. (June 2020). "COVID-19 ECONOMIC IMPACT AND RECOVERY Restart, Revive, Renew". [online] Available at: <https://democracy.carmarthenshire.gov.wales/documents/s42158/SUMMARY.pdf> [accessed: November 2020]

employees, or 28% of the workforce in July 2020,³¹ falling to 7,300 employees, or 10% of the workforce in the latest release which covers the period up to 31 August 2020.³² It is equal to both the Wales and England average.

Assessment by sector was then applied. Whilst sectoral data for local authority areas is not available, it is possible to create a proxy for Carmarthenshire by using UK-wide sectoral data. It is not a perfect comparison as the local economies which collectively make up the UK economy have different strengths and weaknesses, opportunities, and challenges. There are specific sectors of particular significance in Carmarthenshire, including agriculture and health and social work, which have a local GVA double that proportionally of the wider UK economy as the following graph shows.³³

GVA by sector (Carmarthenshire and UK)



The most recent Business Register and Employment Survey (BRES) data has been used to ascertain the precise employment patterns of different sectors in Carmarthenshire.³⁴ Plotting this data against the proportion of employers utilising and employees placed on the furlough scheme, as of the 31 August 2020 (the latest available release), the sectors of current concern are:

- Arts, Entertainment and Recreation

³¹ HM Revenue & Customs. (2020). "Official Statistics. Coronavirus Job Retention scheme statistics: July 2020". [online] Available at: <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-july-2020/coronavirus-job-retention-scheme-statistics-july-2020> [accessed: November 2020]

³² HM Revenue & Customs. (2020). "Official Statistics. Coronavirus Job Retention scheme statistics: October 2020". [online] Available at: <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-october-2020> [accessed: November 2020]

³³ GVA – see glossary.

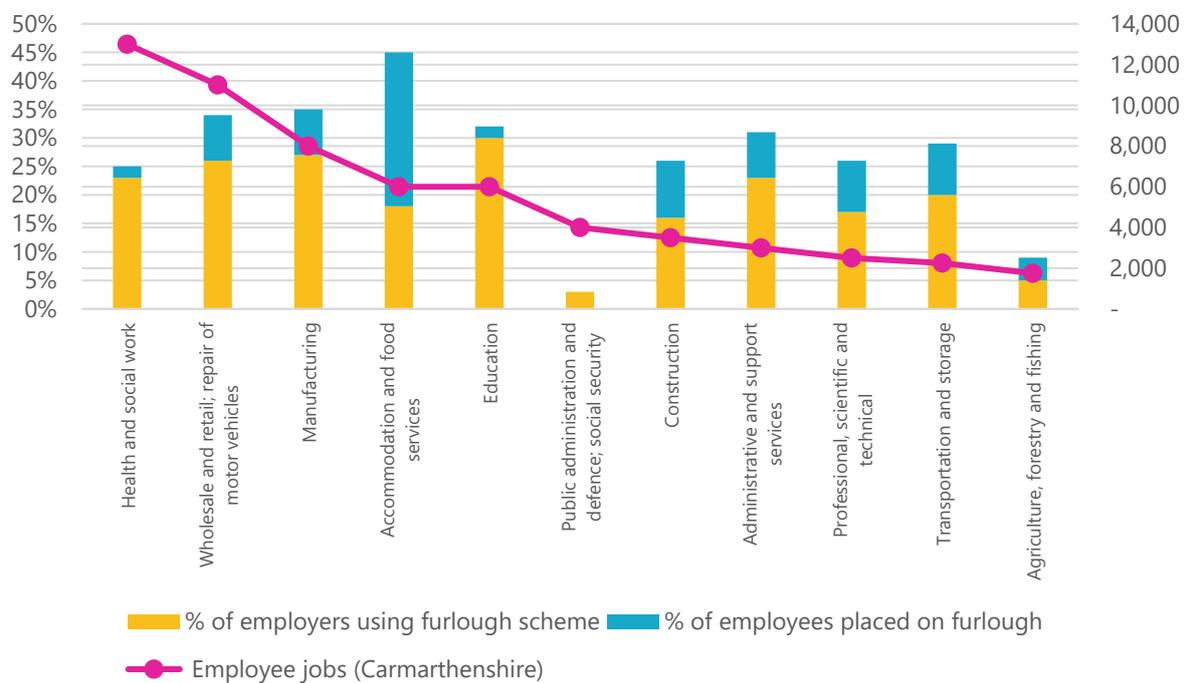
³⁴ BRES counts both employees and employment, including worker-owners and self-employment – see glossary.

- Accommodation and Food Services (15 businesses based in Llandoverly)
- Construction (30 businesses based in Llandoverly)
- Wholesale and Retail (26 businesses based in Llandoverly)
- Manufacturing (13 businesses based in Llandoverly)

This equates to 84 businesses, or 34% of the total registered businesses in Llandoverly.

The chart below shows the relative vulnerability of different sectors in Carmarthenshire (using furlough data as a proxy for vulnerability) and the employment contribution of each sector in the County (the larger the bubble, the more people employed in that sector).

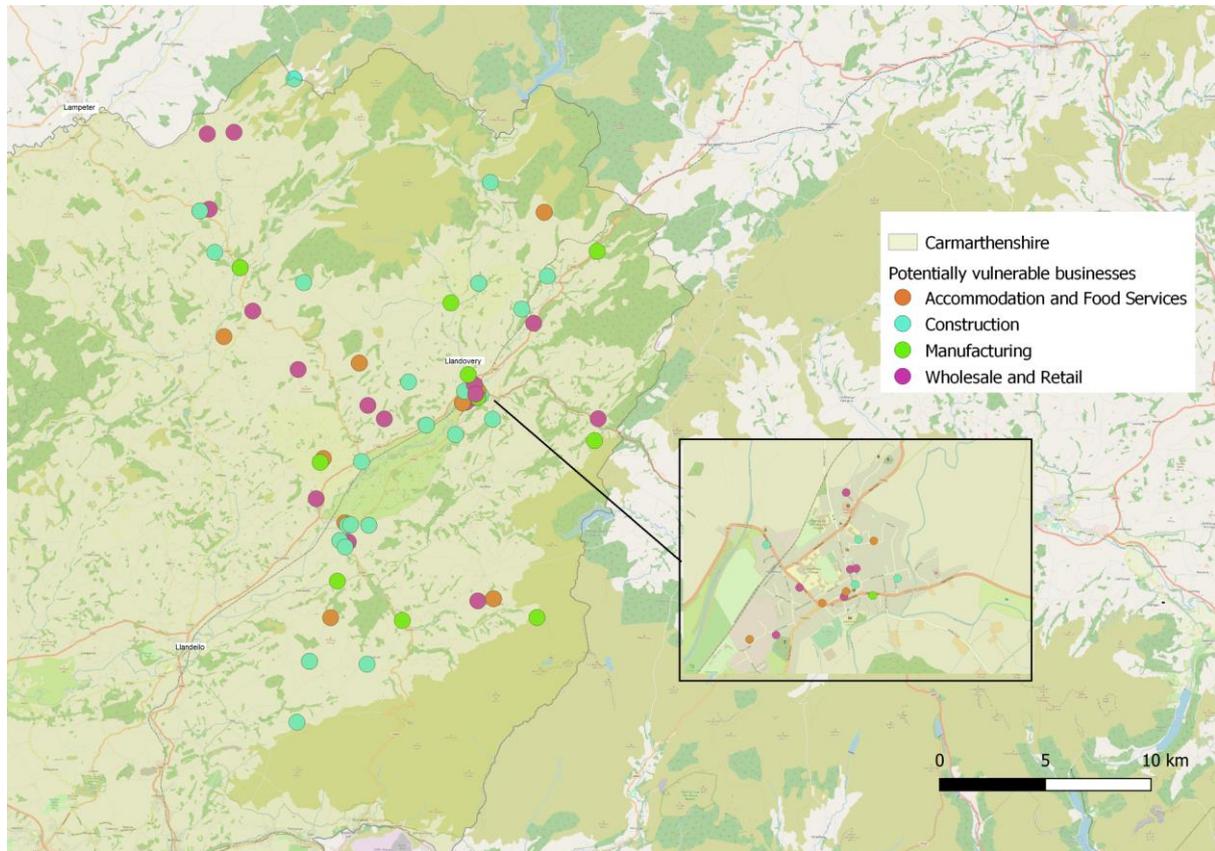
Vulnerability and employment by sector in Carmarthenshire



© Dafydd Wyn Morgan/Cambrian Mountains Initiative



Distribution of Llandovery-based businesses in potentially vulnerable sectors



The analysis in the previous section highlights the predominance of micro and hyper-micro businesses within the selected postcode areas. To the extent that it is possible to flex regional anchors' procurement practice, in terms of the match between leakage and potential supply; access to smaller contracts or strategies to enable businesses to cooperate to supply, should be among the priority areas on which to focus.

It is noticeable that, with a few exceptions, the financial position of the Llandovery-based businesses in these more vulnerable sectors is weak. It is possible that many of these businesses will face difficult and uncertain futures in the absence of support and intervention.

Shared insights from another market town in Wales

Following a detailed discussion with one of Powys County Council's Economic Development Officers, there was interest in understanding the potential implications for community wealth building in Llandrindod Wells and other areas in Powys. The approach was welcomed and examples of some Powys' previous actions to support local business were given.

Local procurement had been a priority for Powys County Council for some years and strides for improvement, made. Many departments were issuing contracts in smaller lots to make them more accessible to local businesses, and large "out of county" businesses were encouraged to sub-contract work locally. However, some difficulties remained.

They had tried to encourage consortium bids, but the lack of experience of the businesses involved meant that despite officer time and support, applications were not up to a sufficient standard to award contracts. Raising expectations and not being successful can cause disappointment and damage within the sector.

Further barriers included a new consortium failing at the first tendering hurdle in not being able to provide a track record of success. They identified that alongside a lack of a track record as a consortium, the technical issue of changing members resulted in declaring a new consortium with no track record of working together as a whole, despite the many collective years of experience among members.

Another Welsh Government project by Severn Wye has been running in tandem with this project.³⁵ In setting up, its focus was mainly on the demand side of procurement in Llandrindod Wells, Powys. Within this project, Severn Wye took a deliberate stance to support the local economy by procuring as much as possible for the refit of a building as a Repair and Reuse Hub from businesses

³⁵ Welsh Government. (2020). "Green Recovery Circular Economy Fund 2020-21". [online] available at: <https://gov.wales/green-recovery-circular-economy-fund-2020-2021-application-form> [accessed: November 2020].



in the town. In doing so, Severn Wye experienced some of the barriers that anchor institutions in Llandovery reported in engaging local suppliers.

Wherever possible Severn Wye used local tradespeople and suppliers. Buying locally from businesses in a small market town during lockdown proved challenging. They included, no online presence, outdated telephone numbers and where websites existed, an absence of stock lists. Several businesses did not return telephone calls/emails, possibly due to staff being furloughed. Of those who answered calls, some were suspicious about requests to buy non-essential items. As some shops relied on notes in their windows to inform customers of their situation, it was difficult to purchase remotely. Several could only produce hand-written quotes and invoices and getting hold of bank details for online payments was difficult and viewed with suspicion.

In calculating impact, 33% was spent procuring goods within Powys. This rose to an estimated 89%, with the inclusion of trades (painters, electricians, plumbers, builders) which are largely payments for labour in hyper-micro businesses. These payments for local labour translate into business profit and wages and will most likely be spent and recirculate within the local economy. This assumption could be tested using a local multiplier exercise such as LM3.

This experience helped us to reflect on the challenges micro and hyper-micro businesses are likely to face going forward and the support they will need to overcome some of the barriers in small, rural market towns in Wales.

An early draft of this report was shared and discussed with Powys County Council officers and depending on eligibility criteria for any future funding rounds, a project to spread and scale learning, could be developed in Llandrindod Wells based on this report's recommendations.



Learning

The learning in this study provides a snapshot of the current business sector in Llandovery and its surrounding rural area. Carried out over a seven-month period, it pools the combined expertise of its partners. Mixed methods were used in research and analysis which combined to triangulate findings.

It focuses on community wealth building using a concentrated place-based approach and identifies some clear learning for future strategies aimed at building community wealth in this and in similar areas.

Sharing formative learning, through the programme's thematic Communities of Practice (CoP) served to identify key issues and themes across projects for escalation to policymakers and developed thinking around barriers, opportunities, the business landscape, business support needs and the current opportunities for procurement reform. Geographic project clusters offered practical support, sharing information and contacts throughout.

This study thus offers useful learning to wider questions concerning the development of the foundational economy and to policymakers.

An economy of hyper-micro businesses

The economic profile and research undertaken by this project has shown clearly that Llandoverly's economy is dominated by high levels of public sector services and associated employment and very small hyper-micro businesses.

Hyper-micro businesses are predominately at the smaller end of the micro-business spectrum, with employee numbers also being low. With annual turnover in the Llandoverly area being significantly lower than Carmarthenshire's average, many people who work from home run their own hyper-micro businesses. Often trading as sole traders, hyper-micro businesses are often unregistered in Companies House and are not easy to find on public records. Eight of the 21 businesses that completed the Micro/SME survey, were registered at Companies House. Locating sole traders is a more complex process, requiring greater time investment, as no publicly available, up-to-date directories exist.

The implications of this economic profile for re-localising public sector procurement are that:

- Evidence shows that both micro and hyper-micro businesses struggle with the demands of regional anchor tendering processes. Any initiatives to encourage greater involvement from small businesses is unlikely to impact on micro businesses and even less so hyper-micros. Currently, for these very small businesses even 'second tiered' (sub-contracted) activity is likely to be inappropriate. Interviews with local anchors also highlighted problems with encouraging local businesses to engage in their less bureaucratic tendering procedures.
- Consortia may have their place but the survey and discussions with both micro businesses and regional anchors involved across the spectrum of foundational economy projects led the project team to conclude that 'ground up' responses tend towards sub-contracting and associate working (especially in professional services) with a lead contracting partner, being a better way forward. Support services could adapt to help lead contractors in their role and create opportunities for increased levels of networking at local level, serving to increase capacity and scale.

Business advice

The Business Survey demonstrated that awareness of business services is reasonable in the project area, but uptake of advice services is low. Interviews hinted that this could be because:

- Business advice is targeted at growth, but the study found that not all businesses want to grow. Stability and strengthening as well as issues around succession, (especially in the context of family businesses) are more pertinent to very small businesses. A recent Bevan Foundation report found similarly differentiated opinions about growth amongst micro businesses in valley communities.³⁶

³⁶ Bevan Foundation. (2021). "Understanding Treherbert, Cwmafan and Treharris: The past, present and future". [online] Available at: <https://www.bevanfoundation.org/publications/understanding-treherbert-cwmafan-and-treharris-the-past-present-and-the-future/> [accessed: February 2021].

- Business advice tends to be aimed at larger businesses with capacity to create lots of jobs. This finding resonates with the findings of a recent IWA report on rebalancing business advice.³⁷ The IWA's report calls for a strengthening of the entrepreneurial eco-system including the availability of micro-finance which also has relevance for places like Llandovery.

Public sector impact

Analysis demonstrated the importance of public sector spend in the project area, amounting to £5.4m in the 2019-20 financial year, £2.8m of which came from identified regional anchors.

Large numbers of people are employed in the public sector. The study concentrated only on public sector spend, not the impact on employment, service users' and employee spend in local areas. This is another element of the impact of the public pound that was recognised but was beyond the scope of this study.

Nevertheless, the study has clearly shown that public sector activity and the decisions it makes has a significant impact on the project area.

The strategic decision-making powers held by public sector regional anchors need to be recognised. Decisions on introducing, continuing or withdrawing services in a place have far reaching implications beyond those of the service delivery itself.

In rural communities in particular, those place-based services such as schools, hospitals and other outreach provision

have a role as anchor institutions, providing employment, services, opportunities for local businesses to supply goods and services and create reasons for people to travel to those places and access other nearby provisions while in the vicinity.

While cost reduction and population-based provision has been in focus, centralisation has left rural communities in a perpetual downward spiral of reduced services, consequently reducing the opportunities to live and work in rural areas. Contributing to aging demographics and further reductions in services, making it increasingly difficult to retain/attract younger people and families to settle.

More work to understand all elements of public sector spend, including local employee spend, is worth pursuing.

³⁷ IWA. (2021). "A Better Balance: Business Support for the Foundational Economy". [online] Available at: <https://www.iwa.wales/wp-content/media/IWA-A-Better-Balance-Business-Support-for-the-foundational-economy.pdf> [accessed: February 2021].

Opportunities exist

The spend and gap analyses show that there is a theoretical potential for Llandoverly based businesses to meet demand from public sector regional anchors. There was a potential match between 126 businesses and the demand from public sector regional anchors. The analysis was not able to demonstrate how realistic this potential is, as the goods or services being procured may be of a specialist nature. Local suppliers may not have the required skills or capacity, or there may be other factors which provide a strong rationale for regional anchors to source these goods and services from outside Wales. Covid-19 restrictions meant that Business Wales ceased organising 'Meet the Buyer' events. These useful face-to-face meetings had either not been possible or were not organised regularly on a very local basis.

Business interviews and the Regional Anchor Focus Group highlighted opportunities in tenders between £5,000 and £25,000 in value. The problem here being that information about these opportunities is not held at a central point and consequently not promoted as such.

A strong appetite existed among local anchors to support local suppliers but they often experienced difficulties getting local businesses to tender. The reasons for this were not clear. A lack of knowledge about the range of local suppliers was raised in the local anchor focus group and the business survey. Local businesses were not aware of the range of other businesses operating in the area. This was a barrier to supply and to collaboration. Better business to business networking would go some way to overcoming some of these

barriers. Llandoverly did not have an organisation to take on this role.

Interestingly, through interview, the perception of local spend by local anchors was greater than analysis showed. Spend patterns during the pandemic had changed and reportedly further reduced this. Descriptions of historic service and on-call arrangements were described as 'relationships' and are likely to demand greater time and attention than other goods purchased. This perception of time differed from the analysis of data on localised spend.

This suggests is that monitoring data trends, starting in the way that this project has demonstrated, is particularly important for all organisations and notably those with the largest spend in a locality, in this case regional anchors. In any attempts to increase local spend to build community wealth, it is particularly important to establish a baseline against which to take deliberate steps.

From a place perspective, this would be most effective if monitored collectively over time, by a network of anchors and suppliers. It would enable confidence to be built through target setting and achievement and enable early problem solving, such as filling gaps in the supply chain by adapting and developing what can be offered by existing and new local enterprises.

The newly established Growth Team, part of Carmarthenshire County Council's Ten Towns Initiative might be well placed to incorporate this approach.

Potential vulnerability

The analysis showed that 21% of businesses (registered at Companies House, not including many micro and hyper-micro businesses) in the project area are in sectors which could reasonably be described as shutdown sectors in the first phase of the pandemic. Many of these did reopen and will reopen but the figure is still a reasonable proxy for vulnerability.

Further analysis, taking into account BRES and furlough data on 31 August 2020, identifies that 34% of businesses based in the project area and registered at Companies House are in vulnerable sectors. Noting that some local businesses may be registered outside the project area and some micro and hyper-micro businesses are not registered, this may be an underestimation.

Micro and hyper-micro businesses in the Llandovery area have significantly lower

turnovers (under £50k) than Carmarthenshire averages (£81k).

A recent quarterly survey from the Federation of Small Businesses estimates that 250,000 small businesses could fold in 2021 without substantial support.³⁸

The audit of local businesses and third sector organisations found that many did not have a web presence. Many did not even have email. This is worrying given the likely trend towards e-commerce post the Covid-19 pandemic.

It is noticeable that, with a few exceptions, the financial position of the Llandovery-based businesses in these more vulnerable sectors is weak. It is possible that many of these businesses will face difficult and uncertain futures in the absence of support and intervention.

Community Wealth Building

John Heneghan, Associate Director at CLES, noted the value of the exercise for a deeper understanding of Community Wealth Building.

“This project provided an opportunity to apply aspects of a Community Wealth Building procurement analysis through the lens of a small, rural market town, as opposed to a local authority or regional footprint level. Whilst there were some challenges to applying this methodology within such a small geographical footprint (including a recognition that the regional anchors need to consider the potential impact of their spending across a wider area and that datasets such as those at Companies House do not provide a detailed picture of the business base in areas dominated by micro businesses), the process has nonetheless been instructive.”

³⁸ FSB. (2020). “FSB Voice of Small Business Index, Quarter 3, December 2020”. [online] Available at: <https://www.fsb.org.uk/resources-page/at-least-250-000-uk-small-businesses-set-to-fold-without-further-help-new-study-warns.html> [accessed: February 2021].



Recommendations

Despite being conducted in a relatively short time, this foundational economy project, focussed on a small rural market town, has created a baseline from which to consider how community wealth building can be applied, in this and similar situations.

What began as a project to identify the barriers to public procurement by SMEs and third sector organisations in a discreet rural space became something more multi-dimensional. In many ways it resonates with Lang's call for a multiplicity of smaller choices based on localised action.³⁹

A future local model needs to be cognisant of the power of data for information and decision making, including:

- the contribution of the foundational economy at local levels
- regional and local anchor spend information, and
- intelligence about local businesses

³⁹ Lang, M. (2019). "The Llandovery Deep Place Study: A Pathway for Future Generations". p.4. [online] Available at: https://www.cardiff.ac.uk/_data/assets/pdf_file/0020/1703243/Llandovery-Deep-Place-Study-Final.pdf [accessed: September 2020].

In any attempts to increase local spend to build community wealth, it is particularly important to establish a baseline against which to take deliberate steps. It is important for all organisations, particularly those with larger spend in a locality, to monitor data trends.

From a place perspective, this would be most effective if monitored collectively over time, by a network of anchors and suppliers. It would enable confidence to move forward with community wealth building. The newly established Growth Team, part of Carmarthenshire County Council's Ten Towns Initiative might be well placed to incorporate this approach.⁴⁰

This study has already been described as a snapshot. The range of project activity and the insights generated, have given a 360-degree view of what is happening, with consideration of the impact on place as its central focus.

Business development

For decades, business advice has been targeted at growth. This study recognises that for micro and hyper-micro businesses in the foundational economy to thrive, an emphasis on stability rather than rapid growth is necessary. Support needs to be tailored. This includes actions to:

- Improve networking among local businesses. This includes increasing knowledge of local suppliers and enabling those with similar/complementary skills to work together in order to scale up.
- Increase investment in e-commerce including encouraging the use of, websites, social media, email, computerised till and stock control and online ordering/purchasing (where advantageous). Collective solutions could be explored such as 'Connect for Success',⁴¹ co-operative platforms, co-ordinated place-based solutions, such as Treorchy's 'itown app' that offers local businesses advertising, online selling and customer payment to all businesses in a place.⁴²
- Foster entrepreneurship and small start-ups as a way of creating opportunities for younger people and strengthening the business base.
- Improve access to micro-finance for new ventures. Foster links to the Development Bank of Wales.⁴³

⁴⁰ The Means. (2021). "Llandovery: Economic Growth Plan, draft update". [online] Available at: https://static1.squarespace.com/static/5dfb7aeaf844f40ff2c70391/t/6057eb81a79fe46cb99f64a0/1616374663453/CRTEGP_Llandovery_Draft+Economic+Growth+Plan+rev+9.pdf [accessed: March 2021].

⁴¹ Practice Solutions. (2021) "connect4success". [online] Available at: https://connect4success.wales/en_gb/2020/06/17/connect4successrct-the-story-so-far/ [accessed: March 2021].

⁴² Blue Stag. (2020) "itown app". [online] Available at: <http://www.itown.net> and <https://bluestag.co.uk/journal/itown-a-collaboration-to-support-small-businesses/> [accessed: April 2020].

⁴³ IWA. (2021). "A Better Balance: Business Support for the Foundational Economy". [online] Available at: <https://www.iwa.wales/wp-content/media/IWA-A-Better-Balance-Business-Support-for-the-foundational-economy.pdf> [accessed: February 2021].

- Encourage more social enterprise to fill gaps in supply chains and support important local services, building on Llandovery’s success in sustaining long established charitable organisations and fostering several new CICs.
- Differentiate between the micro and hyper-micro businesses that make up the vast majority of enterprises in the area, with tailored and targeted support, to sustain and strengthen existing and new enterprises.⁴⁴

Regional anchors

This study has shown that regional anchors can be the largest economic drivers and have profound influence on local communities. Their actions can either sustain or undermine local economies. Their levers include:

- procurement
- employment
- provision of services in a locality
- creating a multipurpose destination (an anchor) that attracts a range of other services

In short, regional anchors need to act strategically with full awareness of their multiple impacts on place. This is in line with legislation such as Wellbeing of Future Generation (Wales) Act 2015.

Current reforms to procurement policies at a national level offer unparalleled opportunity for change. The power of procurement as a strategic decision-making tool needs to be recognised and can provide new insights and focus. The public sector has a pivotal role in finding new ways to develop procurement policy to support local supply. This is extremely important in order to retain and recirculate local wealth.

To effectively engage small, micro and hyper-micro businesses, regional anchors need to tailor their demands to match the capacities of each. This could be done by:

- Offering support in overcoming the range of barriers that small, micro and hyper-micro businesses face in supplying the public sector, such as:
 - Ensuring that threshold requirements are proportionate.
 - Assisting where real costs of application, whether time or money, are prohibitive either in real terms or as an investment risk.
 - Broadening measures and risk around proven track records for new suppliers.
- Ensuring that all new tenders issued by regional anchors are fit for purpose for a rural economy dominated by very small businesses. Tenders could be designed to be

⁴⁴ Bevan Foundation. (2021). “Understanding Treherbert, Cwmafan and Treharris: The past, present and future”. P.14. [online] Available at: <https://www.bevanfoundation.org/publications/understanding-treherbert-cwmafan-and-treharris-the-past-present-and-the-future/> [accessed: February 2021] .

targeted and accessible to either small, micro or hyper-micro businesses.
Recognising where tailored business support would be available and could assist.

As a next step towards the employment impact of regional anchors, a local multiplier exercise (e.g. LM3) could be undertaken.

Concerning joint service provision; strategic action for local sourcing could be taken through joint commissioning.

National policy

Micro-business support

In Llandovery, most of the locally-developed economy consists of micro and hyper-micro businesses. As previously discussed, a bespoke programme of support is needed.

If Llandovery is typical of many small market towns in rural Wales, this could be made more widely available across rural Wales.

From evidence gathered by other Foundational Economy Challenge Fund projects such as the Bevan Foundation's study,⁴⁵ micro and hyper-micro businesses exist and need support in order to thrive in communities across Wales. The Welsh Government could develop a programme of bespoke support, delivered by existing national business support agencies.

The Welsh Government's Foundational Delivery Plan published on 19th March 2021, recommends that Business Wales should support micro-businesses to grow into SMEs.⁴⁶ This does not address the support needs of those micro and hyper-micro businesses which do not want to expand but want to be stable within the economy.

Rural economy

The application of community wealth building methodology to a small, rural market town has highlighted the specific nature of rural economies. It has provided a more granular understanding of the importance of local economic multipliers and has reinforced the need for local economic policy to be tailored to the unique nature of rural economies.

⁴⁵ Bevan Foundation. (2021). "Understanding Treherbert, Cwmafan and Treharris: The past, present and future". [online] Available at: <https://www.bevanfoundation.org/publications/understanding-treherbert-cwmafan-and-treharris-the-past-present-and-the-future/> [accessed: February 2021].

⁴⁶ Welsh Government Department for Economy & Transport. (2021). "Foundational Delivery Plan March 2021 to July 2021". [online] Available at: <https://gov.wales/sites/default/files/inline-documents/2021-03/foundationaldeliveryplan.pdf> [accessed: March 2021].

Monitoring and Evaluation

The Foundational Economy Challenge Fund was an experimental fund aimed at supporting pilot projects. As a pilot project, the study of the Llandovery area set out with a theory of change aimed at unlocking community wealth through a series of actions that tackled the barriers hindering local SMEs engagement with public procurement opportunities. A Monitoring and Evaluation Plan was produced in October 2020 which included an Evaluation Logic Model.

What the project discovered was an economy dominated by the public sector and hyper-micro businesses and a situation where even local anchors (themselves often SMEs) had difficulty encouraging local businesses to tender for work. The project thus became more multi-dimensional.

A project plan was developed from the outset, setting activity milestones against activities. This was broken down on a week-by-week basis for the entirety of the project. It was used to monitor progress at monthly video conferenced Project Management Team meetings.

The project plan was adjusted in January 2021 and again in late February 2021 to take into account the decision to engage local businesses via a questionnaire rather than a focus group. Earlier in this report the challenges around the Covid-19 pandemic have been described. The project plan was adjusted for the necessary changes made.

Activities were colour coded to allow each partner to identify their own contributions' deadlines. This worked extremely well for both individual and team review and decision making, especially as some of the partners in this project have never met other than by video conference.

The project had three key results.

a. Opportunities for Local Foundational Economy Businesses

The project met its target of engaging with four local economy anchors.

The top four opportunities identified by sector (identified by SIC codes) were:

- Construction
- Professional, scientific, and technical activities
- Wholesale and retail
- Information and communication

Approaches and initial conversations were achieved with seven such businesses but four went on to complete in depth interviews. Only two produced data for analysis and participated in the local anchor focus group. Businesses faced extreme pressures due to changing pandemic regulations and therefore found it difficult sometimes to commit to project activities.

b. A Report

This report highlights opportunities for the development of the foundational economy in a small market town and proposes a model for the transfer of the learning from the report.

c. Presentation of Results

A workshop for local stakeholders has been arranged for 28 April 2021. This will provide an opportunity to discuss and plan future activity and dovetail the findings with the proposed work of the Llandovery Growth Plan.

This report, its findings and recommendations will be presented to the Foundational Economy Fund Community of Practice legacy event, planned for 29th April 2021. This will allow sharing of the New Foundational Economy Model for Rural Market Towns with the other 52 projects across Wales.

The Monitoring and Evaluation Plan set out the following outputs.

- a. A local economy mapping/market analyses and gap analysis.** This was completed by CLES and is incorporated into this report.
- b. A training programme for the project management team in the CLES methodology.** This was completed on 28 October 2020.
- c. 1-2-1 semi-structured interviews with 3 local anchors.** 4 local anchors were interviewed.
- d. A Business Support Audit.** This has been completed and is attached as Appendix 2.
- e. Identify another market town for sharing results.** Early talks have begun with Llandrindod Wells, Powys.
- f. A Regional Anchor Focus Group.** This was held on 26 January 2021.
- g. Two Focus Groups with SME/Micro/Third Sector businesses.** Getting buy-in to Focus Groups proved difficult, so the project undertook a survey and some one-to-one interviews.
- h. A Local Anchor Focus Group.** This was held on 17 February 2021.
- i. Final Report.** This document.

Replicable model shared with stakeholders. This report, its findings and recommendations will be presented at two events; to local stakeholders as described above. The outcomes of the project were:

- **Increased awareness amongst stakeholders.** The project held two focus groups, spoke to a range of local businesses and promoted the concept of community wealth building through the 'Love Llandovery' Facebook page. Attendance at the PAVO AGM and discussions with Powys County Council also raised awareness.
- **Impact on policy.**
 - A meeting was held with Carmarthenshire County Council on 5 March 2021 to discuss how the findings of the study can add value to the Councils Ten Towns Initiative in Llandovery.

- The Community of Practice has been an excellent mechanism for sharing learning, testing ideas and assumptions. It feeds into Welsh Government policy development.
- **Interest about the potential of local wealth building in a second Welsh market town.**
 - Severn Wye has been able to compare the findings of the Llandovery project to a new initiative in the Powys town.
 - Severn Wye delivers the Rural Futures programme in 13 rural communities across Wales, work which will continue until 2024. Several of the communities are similar sized to Llandovery and could benefit from the learning coming from this project to support community wealth building in those communities.

Next steps

The curtailment of the project due to the Covid-19 pandemic and the restrictions placed on the methodology restricted the breadth of work possible to undertake in this project. The study has demonstrated however that some key differences of approach are needed when approaching a foundational economy development programme in a small rural market town.

The next stage of a project could aim to test out some of these approaches such as:

- Increasing networking at local level and aiming to develop sub-contracting opportunities. This could include the development of a local directory or platform as a go-to place for local purchasing. Building micro and hyper-micro businesses capacity to engage in tendering/sub-contracting with regional anchors.
- Exploring how regional anchors could tailor procurement processes to make them accessible to micro and to hyper-micro businesses. Exploring further theoretical potential within the local supply chain; identifying potential small-scale prototypes to test out and where successful, scale up.
- Carrying out further impact measurement of local spend within communities through a local multiplier exercise (e.g. LM3).
- Working with the local Growth Team to raise awareness of the potential for community wealth building identified within this report.
- Pursuing opportunities for spreading and scaling the methodology across rural Wales and beyond in communities exhibiting similar socio-economic characteristics as Llandovery.

Glossary

Anchor Institution

Anchor Institutions are 'tied' to a particular place by their histories, missions, physical assets and local relationships and cannot easily move away. Their scale and local links mean that they can play a key role in local economic development, representing the 'sticky capital' around which economic growth strategies can be built and innovation fostered at a local level.

https://cles.org.uk/wp-content/uploads/2018/07/Local-Wealth-Building-in-Birmingham-and-Beyond_report_2018.pdf

In this study we have distinguished between:

Regional Anchors

Exclusively These are public services which operate in a geographic area that includes Llandovery and surroundings. They include Carmarthenshire County Council, Hywel Dda University Health Board, Welsh Ambulance Service Trust, Mid and West Wales Fire and Rescue Service, Natural Resources Wales, Dyfed Powys Police, Coleg Sir Gar.

Local Anchors

These are Llandovery's larger employers, operating in the third and private sectors or public sector, working entirely within the Llandovery area, with high degrees of autonomy.

Atamis

A leading UK procurement software provider at <https://www.atamis.co.uk/>

BRES - Business Register and Employment Survey

Publishes employee and employment estimates at detailed geographical and industrial levels and is regarded as the official source of employee and employment estimates by detailed geography and industry.

<https://www.ons.gov.uk/surveys/informationforbusinesses/businesssurveys/businessregisterandemploymentsurvey>

Community Wealth Building

Over the last ten years, Local Wealth Building has emerged as a powerful alternative in which local economies are reorganised, so that wealth is not extracted but broadly held and income is recirculated. These ideas are being applied by a growing number of businesses, social and public sector organisations across the UK who are now driving a shift in economic development thinking.

https://cles.org.uk/wp-content/uploads/2018/07/Local-Wealth-Building-in-Birmingham-and-Beyond_report_2018.pdf

GVA - Gross Value Added

Gross value added is the value generated by any unit engaged in the production of goods and services. GVA per head is a useful way of comparing the value of different business sectors.

<https://www.ons.gov.uk/economy/grossvalueaddedgva>

Local Multiplier 3 (LM3)

A tool developed by the New Economics Foundation to measure and improve local economic impact, in particular, to influence the public sector on procurement decisions.

<https://neweconomics.org/uploads/files/money-trial.pdf>

Lower Super Output Area (LSOA)

A geographic area. Lower Super Output Areas are a geographic hierarchy designed to improve the reporting of small area statistics in England and Wales.

<http://lle.gov.wales/catalogue/item/LowerSuperOutputAreas/?lang=en>

ONS

The Office for National Statistics is responsible for collecting, analysing and disseminating statistics about the UK's economy, society and population.

<https://www.ons.gov.uk>.

Nomis

A service provided by the Office for National Statistics (ONS) to give free access to the most detailed and up-to-date UK labour market statistics from official sources.

<https://www.nomisweb.co.uk/>

SIC

Standard industrial classification of economic activities (SIC). A condensed list of SIC codes for providing Companies House with a description of your company's nature of business.

<https://www.gov.uk/government/publications/standard-industrial-classification-of-economic-activities-sic>

SME

Small and Medium-sized Enterprises. SMEs make up around 99.9 per cent of all businesses in the UK, so are enormously important to the UK economy. Millions of people work in SMEs – they are a key driver of economic growth and sustainability. Third sector organisations were included and categorised within and according to business sizes as follows.

SME Definitions	Micro	Small	Medium
UK	< 9 employees	10-49 employees	50 – 250 employees
EU	< 9 employees and turnover < €2 million or balance sheet total < €2 million	10-49 employees and turnover < €10 million or balance sheet total < €10 million	50 – 250 employees and turnover < €50 million or Balance sheet total < €43 million

Source: <https://www.simplybusiness.co.uk/knowledge/articles/2020/05/what-is-an-sme>

Welsh Index of Multiple Deprivation (WIMD)

It is designed to identify small areas in Wales where there are the highest concentrations of several different types of deprivation. WIMD 2019 is the most recent index and ranks all small areas in Wales from 1 (most deprived) to 1,909 (least deprived). The small areas are otherwise known as Lower Layer Super Output Areas (LSOAs). This geography is built from census data and represents small areas each with a population of around 1,600 people.

<https://gov.wales/analysis-protected-characteristics-area-deprivation-2017-2019>

Appendices



Appendix 1: Local Anchor Organisations Interviewed

Elidyr Communities Trust

Glasallt Fawr

Llandovery College

Ysgol Rhys Pritchard

Appendix 2: Business Support Services Audit

As of 17 December 2020.

Table A: Summary

	Covers Llandoverly Y/N	Tendering / Procurement Support	Private Sector			Social Enterprise	
			SMES	Medium / Large	Entrepreneurs	Social Entrepreneurs	Social Businesses
Business Wales (Antur Cymru in Carmarthenshire)	YES	YES	✓	✓	✓		
Social Business Wales (Wales Co-operative Centre)	YES	YES				✓	✓
Antur Cymru	YES	YES	✓	✓	✓	✓	✓
Carmarthenshire County Council	YES	YES	✓	✓	✓	✓	✓
Carmarthen Enterprise Hub	YES	NO	✓			✓	✓
CAVS -County Voluntary Council	YES	YES					✓
Centre for Building Social Action CBSA	YES	NO					
Coalfields Regeneration Trust	NO						
Development Trusts Association Wales	YES	NO					✓
Federation of Small Businesses	YES	YES	✓	✓		✓	✓
Menter a Busnes	YES	YES	✓	✓	✓	✓	✓
Menter Bro Dinefwr	YES	NO					
Prime Cymru	YES	NO					
Prince's Trust	YES	NO	✓			✓	✓
Social Businesses Wales	YES	YES				✓	✓

UnLtd	YES	NO					
Wales Council for Voluntary Action (WCVA)	YES	NO					

Table B: Detail

Organisation	Type of support
Business Wales (Antur Cymru in Carmarthenshire)	<p>Business Wales offers FREE advice and guidance to help your company develop skills and knowledge in tendering successful for contracts with the public and private sector.</p> <p>121 Advice and Guidance</p> <p>Offers 121 support from a Tendering Adviser who will work with your company to prepare the business for public sector tendering opportunities through advising on implementing the correct business policies, procedures and business processes to meet the standards of public sector organisations. Advice is provided on understanding procurement processes and how to prepare your company to be “tender ready”. Offers FREE webinars designed to help you better understand tendering processes and assist with positioning your business to tender for contractors both in the public and private sector and identify possible supply chain opportunities for your business.</p> <p>Introduction to Tender Webinar</p> <p>How to tap into the estimated £4.3 billion spent by the public sector in Wales. Shares invaluable insights into the process, rules and regulations. Focus on:</p> <ul style="list-style-type: none"> • Understanding the procurement process • Increasing your chance of success when tendering • Utilising the Sell 2 Wales procurement portal • Responding to the procurer’s pre-qualification questionnaire (PQQ) or tender questions and requirements. • Communicating your experience, track record and expertise. <p>Advanced Bid Writing</p>

Funded by Business Wales, this new course will give you fresh insight and clear practical guidance on how to:

- Making sure your company is 'bid ready' when opportunities are there
- How to be a better 'Bid Manager' within your business
- Understanding how to create winning bid content in your responses
- Managing the feedback process to build better bids
- Understanding how to bid for international opportunities as well as UK ones
- Practical workshop-style exercises on evaluating and developing winning bids

This workshop is ideally suited to those who have tendered previously but are frustrated at a lack of success or who simply do not know how to develop their bid content to a higher standard for better results. It is a relaxed, workshop style course with a mix of presentation, group discussion and practical exercise on the day. If you are not sure where you are going wrong or how to improve – this course will give you the clear insight need on how to raise your game in a hugely competitive process.

Developing better Relationships with Key Public & Private Sector Buyers

The Tendering Strand works closely with key public and private sector buyer organisations – Local authorities, NHS, NRW, to identify contracting opportunities. Business Wales works with suppliers to develop key relationships between suppliers and buyers. These relationships are developed through: -

- Meet the Buyer Events with Public and Private Sector Buyer
- Contractor Briefing / Early Engagement Events with Public Sector
- “Live Tender Workshops” run by Business Wales to support suppliers bidding for public sector contractors.

Engagements with Business Wales Advice Team

The Tendering Strand works closely with other members of the business advice team – specialist and growth advice to package the correct support to enable SMEs to win new work through bidding for contracts and growing their companies. BW can:

- explain how the public sector buying system works

	<ul style="list-style-type: none"> • help you better understand what major buyers are looking for in a supplier • offer 1-2-1 support and advice on developing tenders for specific contracts or frameworks • help you understand how to work in collaboration with other small and medium sized businesses to bid for larger contracts • help guide you through the electronic tendering systems being used by the public sector buying organisations in Wales • help get you started on Sell2Wales the site where the majority of the Welsh public sector advertise their business https://businesswales.gov.wales/sell2wales-selling-public-sector-0 <p>Online Support</p> <ul style="list-style-type: none"> • Tenders - https://businesswales.gov.wales/tender-contract • Tendering support workshops - https://businesswales.gov.wales/Procurement • Worked in past with CCC on pre-engagement initiatives (Kim Baker) kbaker@cararthenshire.gov.uk. • Powys work on stimulating the local market.
<p>Social Business Wales (Wales Co-operative Centre)</p>	<p>https://businesswales.gov.wales/socialbusinesswales/</p> <ul style="list-style-type: none"> • Pan Wales flexible support to social enterprises. • Works closely with Business Wales. • Interested in potential of consortia arrangements amongst social enterprises. • Focus on social value. <p>Growth section of service probably most relevant: https://businesswales.gov.wales/socialbusinesswales/growing-social-business</p>
<p>Antur Cymru</p>	<p>Commercial consultancy support for businesses in addition to services offered through Business Wales. Advisory services, IT Services, community ventures and helping businesses access finance.</p>
<p>Carmarthenshire County Council</p>	<p>Works closely with Business Wales and Social Business Wales. Support includes:</p> <ul style="list-style-type: none"> • Early Market Engagement – before a tender is advertised.

	<ul style="list-style-type: none"> • Briefing Sessions – normally tender specific. Pre- tender advertisement briefing with frontline staff from interested organisations. Example: Flying Start tender. • Meet the buyer – usually sector specific e.g. event at Parc y Scarlets for the South West Wales Regional Contractors Framework. The companies listed are very large but they are encouraged to engage with second tier companies to increase local spend. • Planned procurement surgeries in 2020 did not happen due to Covid. One of these was planned specifically for the Third Sector. New dates for virtual events have now been set for January 2021. <p>The Contract Team try to split tenders into smaller lots to increase local opportunities e.g. Mechanical and Electrical Engineering contract will be in 30 lots.</p> <p>Under £25,000 contracts dealt with by departments as requirement only for quotes. The senior procurement officer tries to be the link to the departments.</p>
Carmarthen Enterprise Hub	<p>Based at Yr Egin, College Road, Carmarthen. Covers whole of Carmarthenshire.</p> <p>Focus on entrepreneurship, offering business support and a vibrant, community-focused experience for potential start-ups and early-stage entrepreneurs. During Covid doing whatever it can to support all business.</p>
CAVS - County Voluntary Council	<p>Online Info Sheets</p> <p>3.7 Commissioning http://www.wcva-ids.org.uk/cavs/1160</p> <p>3.8 Contracts http://www.wcva-ids.org.uk/cavs/1161</p> <p>7.7 Procurement http://www.wcva-ids.org.uk/cavs/1127</p> <p>Work closely with CCC procurement team on briefings. Promotes understanding of third sector in Carmarthenshire. Supports third sector with commissioning processes.</p>
Centre for Building Social Action CBSA	No longer do business support. Now concentrate on anti-poverty programmes.
Coalfields Regeneration Trust	Not active in Llandovery

General advice around tendering for Public Sector contracts but not specific training or professional advice on Tender applications etc Training is sometimes available on this by WCVA or Wales Coop, or Business Wales.

Any support on a chargeable basis if it does not qualify for one of existing programmes.

Very interested in promoting Buy Local and Keep it Local, as well as Buy Social (to Public Sector as well as third sector) and creating more opportunities.

Locality, (DTA Wales' sister organisation in England) produce research, toolkits and guides (for public or community sectors) as part of their Keep it Local Campaign and action pilots.

DTA would, resources allowing, like to roll something like this out in Wales. New report due on their work in Bristol and Bradford.
See below.

Keep it Local

<https://locality.org.uk/wp-content/uploads/2020/03/LOC-Keep-It-Local-Report-40pp-WG08.pdf>

<https://locality.org.uk/policy-campaigns/keep-it-local/>

<https://locality.org.uk/wp-content/uploads/2018/11/LOCALITY-KEEP-IT-LOCAL-TOOLKIT-FINAL.pdf>

Keep it Local Resources, Guides

<https://locality.org.uk/policy-campaigns/keep-it-local/keep-it-local-resources/>

https://locality.org.uk/wp-content/uploads/2018/04/KEEP-IT-LOCAL-COMMISSIONERS_FINAL_220318.pdf

https://locality.org.uk/wp-content/uploads/2018/04/LOCALITY-KEEP-IT-LOCAL-A5-GUIDE_FINAL_220318.pdf

https://locality.org.uk/wp-content/uploads/2018/04/LOCALITY-KEEP-IT-LOCAL-COMMUNITY_100418.pdf

Federation of Small Businesses	<p>Membership Organisation: https://www.fsb.org.uk/fsb-regions-and-nations/fsb-wales.html</p> <p>Webinars on tendering: https://www.fsb.org.uk/event-calendar.html</p> <p>FSB Wales recently published policy document “A Fresh Start to Procurement”. https://www.fsb.org.uk/resources-page/a-fresh-start-for-procurement-.html</p>
Menter a Busnes	<p>Bespoke service.</p> <p>Commercial service now so tends to be for larger organisations.</p>
Menter Bro Dinefwr	Welsh language support but no generic business support.
Prime Cymru	PRIME Cymru provides free support for individuals over the age of 54 years in Wales to set up in business, find employment, or develop skills through training and volunteering opportunities.
Prince’s Trust	Provides programmes for 11-30yr olds including setting up a business and getting into employment: https://www.princes-trust.org.uk/help-for-young-people/programmes
Social Businesses Wales	Bespoke to enquiry. If business is a social business, then can fund support out of core.
UnLtd	Support for entrepreneurs. No direct training for tendering but has run Social Impact Seminars and Funding Workshops.
Wales Co-operative Centre	<p>Have various projects /programmes outside of Social Business Wales including:</p> <ul style="list-style-type: none"> • Digital Communities Wales • Care to Co-operate (Connecting Carers & Communities Together - Swansea) • Communities Creating Homes including Co-housing in Powys Project <p>Offers bespoke services on a commercial basis.</p>
Wales Council for Voluntary Action (WCVA)	Have delivered this type of training in the past but no plans to. Support via CVC (see above).

Appendix 3: Llandoverly Foundational Economy Challenge Fund Project: Actions and Targets

Welsh Government agreed the following actions and targets for the project.

Project Actions

In order to achieve the revised objectives, the Llandoverly project undertook the following:

- Employ a place co-ordinator to work with local institutions and SMEs.
- Utilise CLES's methodology to analyse spend by anchor institutions.
- Work with a select number of anchor institutions and run focus groups to identify the barriers they face when issuing tenders that could support SMEs and the Third Sector in Llandoverly.
- Work with a select number of SMEs and Third Sector organisations and run a focus group to identify the barriers they face when tendering for contracts with Anchor Organisations in Llandoverly.
- Highlight support services for SMEs and the Third Sector to help them tender for contracts based on the barriers identified (above).
- Collate learning from the project and share this with stakeholders across Wales.
- Produce a report on our approach and recommendations deduced from research identifying the barriers to local procurement from the point of view of SMEs/Third Sector and Anchor Institutions and what can be done to reduce these.

Project Targets

The revised project targets were to:

- Identify 4 additional opportunities for local foundational economy businesses.
- Prepare a report highlighting the opportunities and model for transferring to other communities in Wales.
- Deliver an event to other relevant projects in the pilot programme to share the model.



Llandoverly Town Hall by Ade Rixon (CC BY-NC-ND 2.0)



severn wye

Asiantaeth Ynni **Severn Wye** Energy Agency Ltd

Temple Chambers
South Crescent
Llandrindod Wells
Powys LD1 5DH

01452 835060
info@severnwye.org.uk
www.severnwye.org.uk

Company No: 03830608
Charity No: 1083812