

Health and Regeneration

*The Economic Impact of the
NHS in the West Midlands*

Initial Scoping Report

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1. Introduction

- 1.1 With a budget of some £65 billion in 2002-03 and a workforce of over one million people, the NHS has enormous purchasing power and influence on the national economy. But the NHS has, until recently, been seen as more of a drain on the public purse than a stakeholder in the national economy with a significant role to play in sustainable development.
- 1.2 The West Midlands Health Development Agency (HDA) was concerned with how the NHS could unlock the potential of its budgets and resources to aid sustainable economic development and social regeneration in the West Midlands economy.
- 1.3 Consequently, the HDA commissioned a scoping study of the economic impact of the NHS on the West Midlands regional economy on behalf of the West Midlands Regional Assembly Multi-Agency Health Strategy Steering Group, which includes the Regional Assembly, West Midlands Local Government Association, Regional Action West Midlands (RAWM), Government Office West Midlands, the Public Health Observatory for the West Midlands and the Strategic Health Authorities, Primary Care Trusts and NHS trusts covering the West Midlands region. UK Research Partnership and The Mackinnon Partnership were appointed to undertake the research and this is the final report of the scoping study.

Aims of the study

- 1.4 The study had two main aims:
 - To create a profile of the NHS in a West Midlands context and understand its role in the local economy.
 - To understand how the NHS contributes to social and economic regeneration and to suggest how this role can be enhanced, in line with other regional strategies.
- 1.5 In consultation with the HDA's project steering group, the research team adopted a case study approach. It was decided that case studies should reflect both urban and rural parts of the region and should try and examine different types of organisations within the NHS. With these objectives in mind, the following two case studies were chosen:
 - University Hospital Birmingham (UHB).
 - Herefordshire Primary Care Trust (PCT).

Methodology

- 1.6 The research team employed a variety of research methods and data sources in undertaking this study. Data from the West Midlands Workforce Development Confederations, the Department of Health (DoH), the Office for National Statistics (ONS) and the National Online Manpower Information System (NOMIS) was used to compile the regional profile and to give context to our case studies.
- 1.7 A large amount of primary data was made available by staff at both UHB and Herefordshire PCT, who also took part in face to face interviews. The research team is very grateful for the assistance received from these organisations during the course of the work.
- 1.8 The HDA and partners on the Regional Health Steering Group also made a number of NHS documents available to our researchers, for which the research team is very grateful.

This report

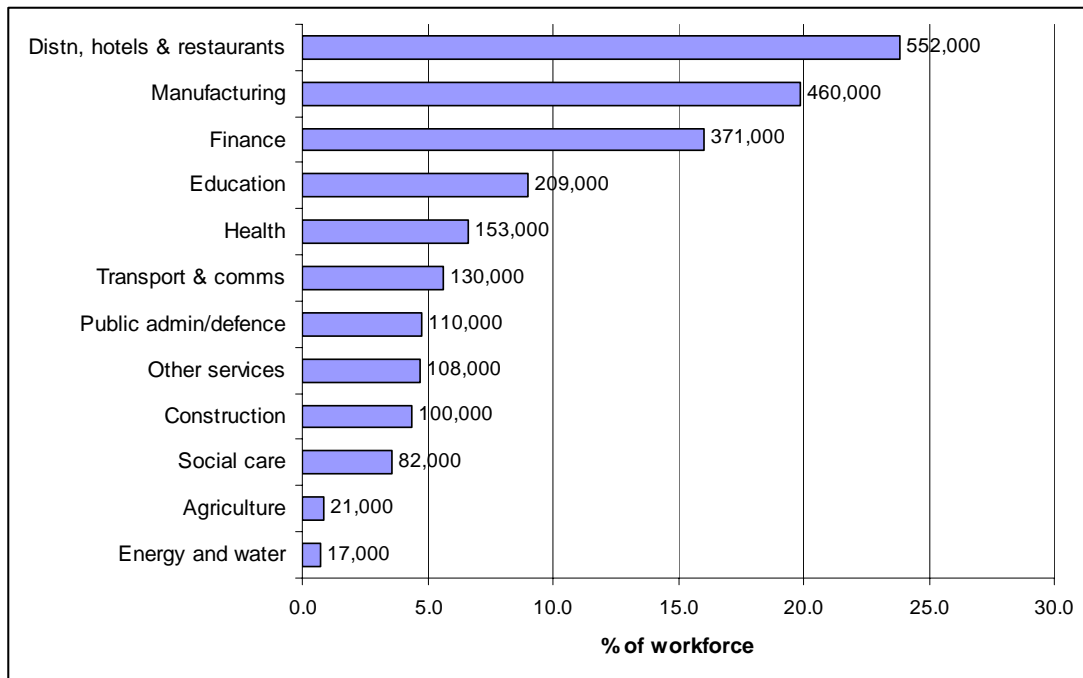
- 1.9 While the majority of the fieldwork and analysis focuses on UHB and Herefordshire PCT, this report begins with a profile of the regional economy and shows the impact of the NHS in a regional context. There then follows an analysis of our two case studies, examining the profile of their workforce and procurement, their policies towards helping local economic regeneration and examples of good practice concerning NHS engagement with regional economic stakeholders.
- 1.10 The report ends with an illustration of how the NHS is contributing to the regional economic strategy before recommendations are made to the HDA and partners on the West Midlands Regional Assembly multi-agency health strategy steering group to help take forward the health and regeneration agenda.

2. Regional profile

The regional economy

- 2.1 The West Midlands is the manufacturing heart of the UK and the central hub of the country's transport infrastructure. Covering both remote rural areas and ethnically diverse urban centres, the region has a population of almost 5.3 million and a workforce of some 2.3 million people.
- 2.2 The health sector is one of the most important employers in the region. Figure 1 shows that 7% of the West Midlands' workforce is employed in the health industry, equating to over 150,000 jobs.

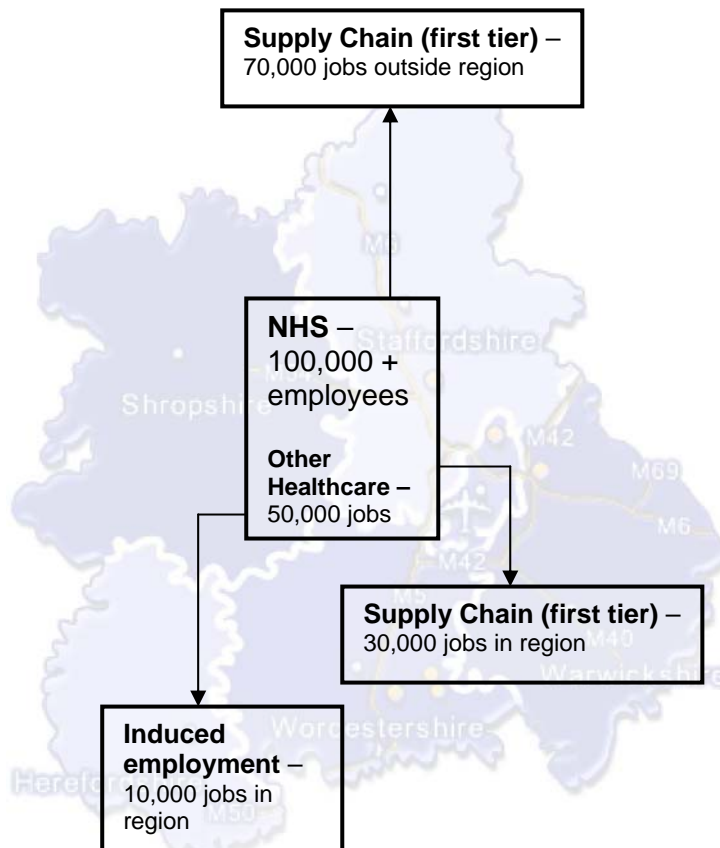
Figure 1 West Midlands workforce by sector



Source: Annual Business Inquiry 2001

- 2.3 Over four fifths (83%) of those who work in the health sector are female, which means that women working in hospitals and medical practices across the region account for over 11% of the entire female workforce in the West Midlands. While not all those in the health sector are employed by the NHS, it is estimated that the health service directly provides at least 100,000 jobs in the region.
- 2.4 But the influence of the NHS on the regional workforce does not stop with those who are directly employed in the health service. The purchasing requirements of the NHS and the money spent in the region by those who work in the health service create business opportunities and employment for others in the West Midlands.

- 2.5 The West Midlands accounts for nearly 11% of the national NHS budget. Hence, almost £7bn is spent by the various parts of the NHS based in the West Midlands – a figure equivalent to approximately 10% of the regional GDP.
- 2.6 Based on procurement data and economic employment multipliers for health and similar industries, it is therefore estimated that the West Midlands health service supports a further 100,000 in the supply chain – at least one third of which are likely to be in the West Midlands region.
- 2.7 It is further estimated that NHS staff who work and live within the West Midlands support a further 10,000 jobs in the regional economy. These jobs are likely to be concentrated in the retail trade, business services and other services industries, all of which are major components of the West Midlands economy.
- 2.8 The impact of the West Midlands based NHS on the economy is therefore extremely significant, directly and indirectly supporting a total of some 210,000 jobs, as shown below.



- 2.9 While it is useful to have broad, headline statistics for the region, the study aimed to explore the types of opportunities available for local people across the region. The next section explores the employment and procurement profiles and policies of our two case studies in detail, examining the demographics of the workforce and how and where the NHS spends its budgets.

3. Case studies

University Hospital Birmingham

3.1 This report focuses on two case studies, the first of which is UHB. The research team analysed workforce and procurement data and undertook interviews with key staff at senior managerial level, including those responsible for social regeneration, human resources, finance, procurement, contract services and ICT.

Profile

Workforce

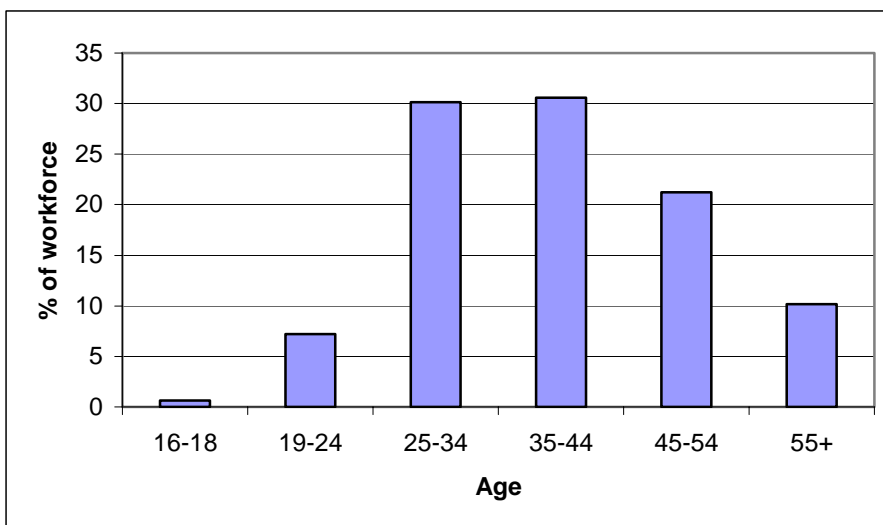
3.2 Birmingham Local Authority District (LAD) has a workforce of 481,450. The health sector is one of the major employers in the city, with almost 36,000 (7% of the workforce) in hospitals and medical practices. Only the education, retail and trade and business services industries employ as many people in Birmingham.¹

3.3 UHB employs a total of 5,759 staff – equivalent to 1.2% of the city’s workforce – and is itself the third largest employer in Birmingham. The Hospital has increased its number of staff by over 20% from a base of 4,787 in 1998.

3.4 Almost three quarters (74%) of UHB’s staff are female, which means that almost one in every fifty women employed in Birmingham works at UHB.

3.5 Figure 2 below shows that almost 8% of staff are aged under 25 and that almost one third (31%) are 45 years old or above.

Figure 2 Age of workforce



Source: UHB

¹ Annual Business Inquiry, 2001

3.6 Birmingham LAD has a rich ethnic make-up. The 2001 Population Census indicates that 70% of the local population described their ethnicity as white, with 11% Pakistani, 6% Indian and 5% Black Caribbean. The Birmingham area is ranked highest in England and Wales on the score of ethnic diversity.

3.7 Table 1 below gives the ethnicity of the UHB workforce and shows that just over three quarters of staff (76%) have a white ethnicity. However, the proportion of workers with a white ethnicity rises to 81% if missing data is excluded from the calculation.

Table 1 Ethnicity of workforce

	No.	%
White	4,384	76.1
Indian	245	4.3
Black - Caribbean	155	2.7
Other Asian background	98	1.7
Pakistani	61	1.1
Black - African	58	1.0
Black - Other	38	0.7
African	34	0.6
Chinese	34	0.6
Caribbean	16	0.3
Bangladeshi	9	0.2
White & Asian	9	0.2
Other mixed background	8	0.1
White & Black Caribbean	5	0.1
White & Black African	3	0.1
Other Ethnic Origin	280	4.8
Not available	322	5.6
Total	5,759	100.0

Source: UHB

3.8 While at least a fifth of staff are from ethnic minority communities, the workforce would appear to under-represent these groups, given the make-up of the local population. However, UHB serves areas beyond the LAD boundaries and draws its staff from a wider catchment area than the city alone.

3.9 Figures for the broader West Midlands Metropolitan County show that 80% of the population is of white ethnicity, with 6% Indian, 5% Pakistani and 3% Black Caribbean. If the UHB workforce is compared to this geography then the ethnicity of staff reflects the broader resident population.

3.10 Table 2 below shows the travel to work area of the UHB workforce. The vast majority (87%) live within the Birmingham postcode area, and virtually all staff (98%) reside in the West Midlands region.

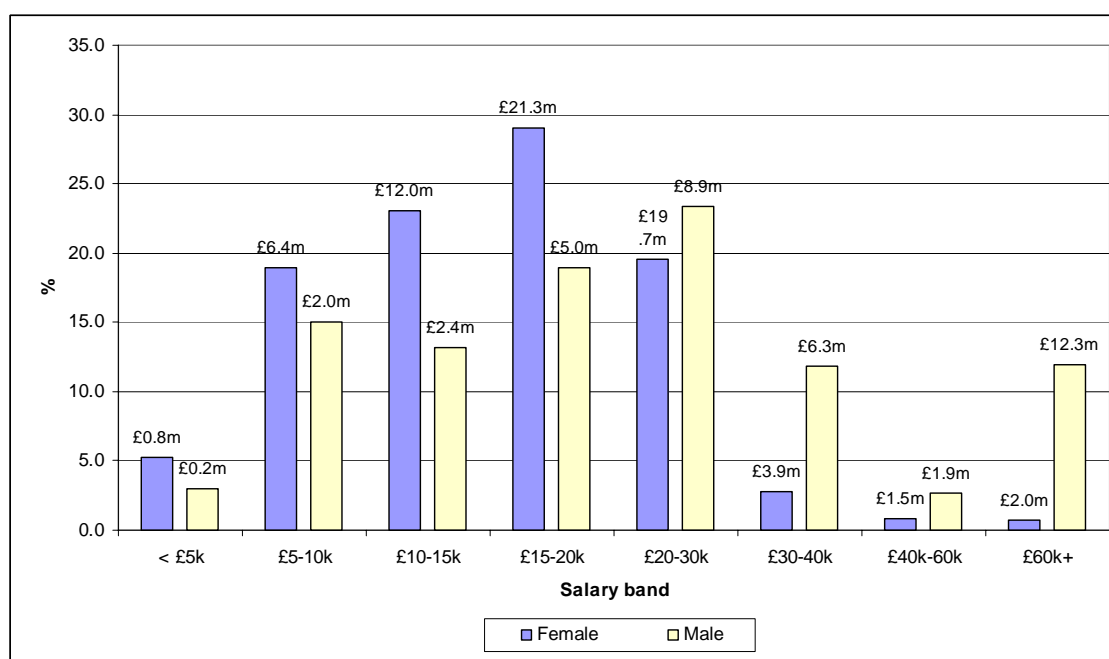
Table 2 Home residence of workforce

Postcode area	No.	%
Birmingham	5,018	87.1
Dudley	223	3.9
Walsall	112	1.9
Worcester	86	1.5
Coventry	71	1.2
Wolverhampton	57	1.0
Stoke	32	0.6
Leicester	17	0.3
London	14	0.2
Derby	12	0.2
Nottingham	12	0.2
Shrewsbury	10	0.2
Other	95	1.6
Total	5,759	100.0

Source: UHB

3.11 In 2002-03, UHB paid a total of £107m in wages to its employees. Figure 3 shows that female workers were more likely to be employed in lower paid jobs compared to their male counterparts.

Figure 3 Earnings by gender



Source: UHB

3.12 The average wage of the UHB workforce is £18,500 per annum, but there is a sharp difference according to gender. On average, male employees are paid £25,800 a year compared to £16,000 per annum for female staff. It should be noted that a high proportion of employees in lower salary bands will be employed on a part-time basis and, pro rata, will have a higher annual salary than is reflected in the chart above.

- 3.13 When wages are analysed by ethnicity, there is little difference between groups. On average, workers of white ethnicity are paid £18,600 a year, compared to £19,600 among ethnic minority staff, within which Chinese employees receive the highest average annual salary and Black Caribbean workers the lowest.
- 3.14 Table 3 shows the UHB workforce broken down by occupation. Almost a third of staff (30%) are qualified nurses, and the majority of these employees (88%) are women.

Table 3 Workforce by occupation

Staff category	Female		Male		Total	
	No.	%	No.	%	No.	%
Nursing (Qualified)	1,519	35.8	210	13.9	1,729	30.0
Clerical	957	22.6	137	9.0	1,094	19.0
Ancillary	395	9.3	241	15.9	636	11.0
Medical	154	3.6	436	28.8	590	10.2
Nursing (Auxiliary)	436	10.3	58	3.8	494	8.6
Technical	289	6.8	184	12.1	473	8.2
AHP	270	6.4	43	2.8	313	5.4
Senior Manager	159	3.7	112	7.4	271	4.7
Scientists	38	0.9	43	2.8	81	1.4
Maintenance	1	0.0	44	2.9	45	0.8
Pharmacists	25	0.6	8	0.5	33	0.6
Total	4,243	100.0	1,516	100.0	5,759	100.0

Source: UHB

- 3.15 Men and women earn roughly the same amount of money in most occupational groups, although men are paid, on average, one third more than their female counterparts in the medical, pharmacist and technical occupations. It must be noted, however, that it is unclear whether this is accounted for by more senior positions within those occupational groups or if the difference is attributable to a proportion of women who work part-time.
- 3.16 There are also differences in occupational group according to ethnicity. Only eight percent of white ethnicity staff are employed in medical professions, compared to a quarter of ethnic minority employees. Employees from ethnic minority groups are less likely to be employed in clerical positions, with only 13% of such employees in this occupational group.

Procurement

- 3.17 UHB procurement data is based on all purchases made during the 2002-03 financial year. Table 4 below shows that the hospital bought in supplies worth almost £125m from over 3,100 different suppliers.

Table 4 Suppliers and value of supplies by region

Region	Suppliers		Supplies	
	No	%	Value (£m)	%
West Midlands	935	29.7	38.2	30.6
South East	579	18.4	28.3	22.7
Eastern	258	8.2	17.2	13.8
East Midlands	216	6.9	15.9	12.8
London	379	12.1	8.0	6.4
North West	219	7.0	5.0	4.0
Yorkshire and The Humber	180	5.7	5.0	4.0
South West	153	4.9	3.9	3.1
Scotland	57	1.8	1.4	1.2
Wales	64	2.0	0.6	0.5
Northern Ireland	8	0.3	0.04	0.0
North East	39	1.2	.03	0.3
UK (unidentified region)	2	0.1	0.05	0.0
UK Total	3,089	98.3	123.9	99.4
EU	29	0.9	0.7	0.6
Non-EU	17	0.5	0.06	0.0
Missing	8	0.3	0.006	0.0
Total	3,143	100.0	124.7	100.0

Source: UHB

- 3.18 The West Midlands region accounts for around 30% of the total number of suppliers in the supply chain and 30% of the total value of supplies. UHB does more business with suppliers located in the West Midlands than in any other region in the UK.
- 3.19 It should be noted, however, that these figures refer to first tier suppliers only and reflect business with 'invoicing addresses' and headquarters of national firms in some instances. It is likely that the majority of such head offices will be based outside of the region (the majority of central NHS agency headquarters are based outside the West Midlands), although they will support local branches (and hence employment) in the West Midlands.
- 3.20 A number of national firms will also sub-contract or buy in further supplies from businesses within the region. The value of business from UHB to firms within the region is therefore likely to be higher than the figure given in Table 4 above.
- 3.21 UHB also trades directly with a number of different parts of the NHS. Contracts through the Logistics Authority account for over £6m – 40% of the 'internal' NHS market and almost five percent of the total value of all supplies.
- 3.22 However, contracts with other NHS trusts, which account for a total value of £5m, are far more likely to be retained within the region. Over 90% of products and services bought in from other NHS trusts are from those based in the West Midlands.

Table 5 NHS internal market

Category	West Midlands		Other		Total	
	Value (£m)	% of category	Value (£m)	% of category	Value (£m)	% of all
NHS Logistics Authority	0.0	0.0	6.1	100.0	6.1	40.1
NHS trusts	4.6	91.5	0.4	8.5	5.0	33.2
PCTs	0.2	100.0	0.0	0.0	0.2	1.5
Health Authorities	0.02	100.0	0.0	0.0	0.02	0.1
Other	0.7	19.6	3.0	80.4	3.8	25.0
Total	5.6	36.9	9.6	63.1	15.3	100.0

Source: UHB

- 3.23 The West Midlands economy is noted for its strong manufacturing base and Table 6 below shows that UHB procures 40% of its raw materials, tools, plant machinery and equipment from within the region, with a value of almost £7.5m.
- 3.24 UHB also uses local firms to meet its consultancy needs – two thirds of management consultancy costs are allocated to firms within the region. Medical and laboratory equipment and transportation costs also account for a large proportion of UHB business with West Midlands firms.

Table 6 Value of supplies by type and region²

Product	West Midlands		Rest of UK	EU/Non-EU/Missing	Total
	Value (£m)	% of product	Value (£m)	Value (£)	Value (£m)
M&S equipment & sundries	5.8	21.3	21.1	0.3	27.2
Laboratory equipment	7.1	33.2	14.2	0.05	21.4
Raw materials, tool, plant & equipment	7.4	40.7	10.8	0.04	18.3
Drugs	1.4	14.6	8.0	0.0	9.5
Management consultancy	3.6	64.2	2.0	0.0	5.6
Office equipment & stationery	1.2	24.2	3.4	0.3	4.9
Hire & lease	0.7	17.6	3.4	0.0	4.2
Transportation	2.6	74.3	0.9	0.0	3.6
Miscellaneous services & expenses	0.5	14.0	3.0	0.0	3.5
Agency nursing	0.6	26.1	1.6	0.0	2.1
X-ray equipment	0.2	10.9	1.8	0.0	2.0
Legal services	0.0	0.1	2.0	0.0	2.0
GP fastening, fixing, retainer, iron items	0.8	44.4	1.0	0.0	1.8
Chemicals & reagents	0.3	19.3	1.3	0.0	1.6
Patients appliances	0.3	17.9	1.2	0.0	1.5
Conferences seminars & training	0.8	55.8	0.6	0.0	1.5
Provisions	0.4	27.8	0.9	0.0	1.4
Medical locum senior house officers	0.5	38.4	0.8	0.0	1.3
Sundries	0.5	54.4	0.5	0.0	1.0
Waste disposal, security, estate services	0.5	52.3	0.5	0.0	1.0
Funeral, patient services, taxi hire	0.4	51.3	0.4	0.0	0.9
Advertising & publicity	0.3	50.5	0.2	0.09	0.7
Furniture and fittings	0.2	31.8	0.4	0.0	0.6
Re-charge NHS	0.3	61.2	0.2	0.0	0.5
Radiographers	0.09	17.2	0.4	0	0.5
Registrar re-charge in-house	0.3	67.5	0.2	0.0	0.5
Bedding and linen	0.3	58.8	0.2	0.0	0.4
Uniforms & protective workwear	0.2	45.8	0.2	0.0	0.3
Medical locum consultants non-NHS	0.2	68.4	0.1	0.0	0.3
Dental and optical equipment	0.05	16.2	0.2	0.0	0.3
Agency pharmacists	0.09	31.9	0.2	0.0	0.3
Other	0.4	9.7	3.8	0.0	4.2
Total	38.2	30.6	85.8	0.8	124.7

Source: UHB

Note: Figures may not agree due to rounding

² All NSV catalogue categories with a total value of over £250,000 are shown separately.

Policy

- 3.25 UHB are clearly keen to maximise the economic impact of the Trust and take on a greater role as a 'good corporate citizen'. A recent senior manager away day, discussing strategy for the next ten years, concluded that they wanted to be more than just a first class hospital and needed to use their assets more effectively to support the regeneration of the communities they serve – both in terms of prosperity and narrowing the gap in opportunities. It is quite rightly acknowledged, however, that economic benefit can only ever be a secondary focus for a health service provider.
- 3.26 UHB's annual plan includes two key strategic aims which begin to turn vision into practice and highlight the main strands for taking this agenda forward:
- To use its assets for the benefit of the communities the Trust serves – across the region and, in particular in Birmingham and the local area.
 - To become the best employer it possibly can be.

Practice

- 3.27 UHB is in the final stages of procuring a new Hospital through the Government's PFI initiative and, at a cost of £350m, the Hospital will be one of the largest PFI schemes to date. The new Hospital will not only provide world-class healthcare but will make a substantial regeneration impact in its own right. The Trust is determined that the new Hospital will be a landmark building and one Birmingham people can be proud of.
- 3.28 The new Hospital will enable UHB to continue its recent employment growth and the construction phase will provide for some 2,000 construction jobs at any one time over the next four years. UHB are working with preferred developers and local partners to ensure that as many of these jobs as possible are taken up by local people and in a way that provides training and progression – for example, by establishing a "learning hub" on the site.
- 3.29 UHB has for some time been an accredited New Deal training provider and has recently substantially expanded its training activity. Working with other Trusts and the NHS Workforce Development Confederation, it has been successful in obtaining a major training grant through the Europe Social Fund (ESF). Worth some £1.4m the grant is aimed at training 310 unemployed local people into jobs in both public and private sector healthcare over the next two years. While this is one of the first times any NHS Trust has accessed ESF, it is very much the start of such practice and further ESF and other external funding support is expected.

- 3.30 This funding has been used to develop the ACTIVATE project, which is now starting operationally and will work in the following way:
- trainees will receive three weeks of job - readiness training;
 - there then follows a further three weeks of 'taster' work experience sessions at UHB, other Trusts or employers;
 - after this initial six weeks the intention is to offer training contracts for a minimum of six months. During the training contract period, trainees will receive a wage and undertake appropriate NVQ or equivalent structured training. At the end of the contract, trainees will have the opportunity to apply for the job on a permanent basis in the normal way.
- 3.31 The project targets disadvantaged areas and black and ethnic minority communities in particular. In terms of placements and job vacancies the focus is on clerical and administration, ancillary and hotel services and care assistants. As such, the project is a key way of directly addressing current recruitment and retention difficulties as well as supporting the Trust's Diversity Strategy.
- 3.32 Across Birmingham and the Black Country, the NHS, alongside local authority and LSC partners, has established a Diversity Partnership which is aimed at mainstreaming such initiatives. It is essential to build a track record of working with people from certain areas in the city: the Pakistani and Bangladeshi communities are the only ones in the city forecast to grow significantly, so more recruits from these groups in particular may be needed. UHB's current employment profile is not quite representative of the city's ethnic minorities, so this also has the added advantage of helping to address that imbalance. Increased recruitment from these communities also helps to encourage these groups to use services to the full and so brings a real health benefit. Workforce development and broadening access to NHS jobs is a key priority for the Birmingham's Strategic Health Partnership a sub-set of the City Strategic Partnership.
- 3.33 The Trust is also involved in upskilling its existing employees in training health care assistants to become nurses or training new recruits from scratch (16 year olds with NVQs, for example).

- 3.34 In industry terms, UHB is convinced that the medical equipment sector, medical technology and innovation (which includes new ways of working as well as “hi-tech” projects) provide a real platform for growth in the West Midlands. UHB is involved in the Innovation Hub designed to serve all the NHS Trusts in the region. This is a national initiative, one of nine across England, backed by DoH and DTI funds. It aims to create a focal point for innovation, create a database of existing activity and offer practical services to enable greater exploitation of ideas. This initiative springs from new powers given to NHS Trusts under the Health and Social Care Act enabling them to set up joint ventures and spin-out companies.
- 3.35 The West Midlands also has two related initiatives in the region. CENTECH is DTI-funded, Wolverhampton-based and focuses on biotech exploitation, offering patenting services for example, and is backed by Wolverhampton and Staffordshire Universities. CHID (Centre for Healthcare Innovation and Development) is funded by Advantage West Midlands and based in the Wolverhampton NHS Trust. (See box below.)

Box 1: Focus on...CHID and the J-Hook

CHID, based within the Royal Wolverhampton Hospital Trust was set up as part of a drive to establish an innovation hub in the region and to facilitate the identification, design and development of innovative healthcare products. The initiative recognised that there is very little practical advice for Trusts on procurement and product innovation. Hospitals also tend to suffer from a lack of commercial expertise. Experience has shown that many of the ideas pursued by the programme have originated from front line staff and patients.

CHID therefore recruited ‘innovation auditors’ – staff with NHS and commercial experience – and began forging links to local companies. There are now over 120 companies attached to the programme and real products are being developed, designed specifically to meet NHS needs, lower costs and raise the standard of patient care.

The initiative ensures that products are priced for the NHS, have a good life expectancy and will be properly trialed before coming to market. CHID therefore minimises the risk for companies developing new products – something which is vital as many global suppliers who have a significant proportion of a product market have no incentive to innovate products (which are sometimes too old to meet modern needs effectively).

One such product example is the J-Hook. Nurses have often complained that stainless steel drip stands are somewhat clumsy and are expensive (some £150). They are also, in the main, currently manufactured in the Far East, so the value to the UK economy in purchasing these products is minimal.

A group of innovation auditors, local manufacturers and front line medical staff set about designing the J-Hook, a new IV holding system, to meet staff and patient needs. At around £25 a set, this will offer a better product at a much reduced price. The manufacturing will also be done in the West Midlands and the IPR retained with the product partners. With an anticipated 40% of the market and a turnover of £4m in the first year, the additionality to all parties is easy to see.

- 3.36 UHB is very positive about these intellectual property initiatives and in AWM's eyes they are linked explicitly to a strategy to modernise the manufacturing base of the West Midlands and to the development of the Central Technology Belt – one of three AWM designated high technology corridors in the West Midlands and which has a medical technology focus.
- 3.37 The Treasury's view is that these initiatives are about leveraging-in more funds from venture capitalists (and EU and other Government departments) to exploit ideas generated within the NHS. However, UHB sees the schemes as fundamentally about exploiting those ideas to improve patient care (not least as some ideas might well take a decade to bring to market).
- 3.38 A key feature of CHID, is the employment of business development managers or 'innovation auditors'. These staff have proved crucial in ensuring ideas from front-line staff involved in delivering healthcare are followed up and new, better products are developed wherever possible.
- 3.39 UHB strongly supports the Medical Technology Cluster initiative of Advantage West Midlands. Examples, from UHB, of the sort of projects that will help develop such a cluster are given below:
- 3.40 **The West Midlands Leukaemia Centre** - at the heart of the Central Technology Belt the Centre will build on existing regional strengths: in transplantation at UHB and cancer research at Birmingham University. A strong partnership has been assembled from clinicians, academics and the private sector. International experience demonstrates that it is precisely this sort of cross-collaboration that can provide a platform for economic growth. The Centre will develop new treatments and therapies for Leukaemia and will provide a national focus for Leukaemia research, training and dissemination of best practice. It will retain very highly skilled clinicians and scientists within the region and create new high value added jobs through expansion of clinical trials, spin out companies and inward investment. The Centre will encourage a medical technology cluster around the Central Technology Belt and will positively promote the image of the West Midlands.
- 3.41 **Electronic Prescribing System** – based on pilots in two wards at UHB this unique technology provides a rules-based and protocol-driven prescribing system which is aimed at avoiding inappropriate drug prescribing. The pilot work has demonstrated a 65% reduction in clinical incidents and a 25% reduction in drug costs. The system has massive potential for roll-out, for example, through a joint venture with a private sector partner. First, UHB are looking for external support to prove the technology across the whole of the Trust.

- 3.42 **The Royal Centre for Defence Medicine** – the RCDM is already based at UHB's Selly Oak site. The Defence Training Agency has now announced its move to south Birmingham. Together, they will substantially add to the city and region's medical excellence and form the basis for substantial future growth and innovative activity.
- 3.43 UHB also supports and engages with businesses in the local economy through its procurement and contracting policies. A major advantage of a Birmingham base is that there is competition for almost every service: the supply base is large, so there is, in theory, little reason to buy outside the region.
- 3.44 The first priority for UHB is to get best value, but this objective often ends up favouring local contractors because they can offer greater certainty of supply and can respond quickly to emergency calls.
- 3.45 On the whole, the locality of suppliers is not, in itself, a criterion against which contract and procurement decisions are judged. UHB has, however, become aware of several key suppliers within the region who are investing heavily in plant and workforce on the back of work won with the Trust. These examples are explored in the final chapter of this report.
- 3.46 While recognising that local purchasing aids the local economy, UHB is unsure how far to push this policy. Advice from the Purchasing and Supply Agency (PASA) is to be careful about following a local purchasing policy, for it might fall foul of anti-competition legislation. While EU anti-competition legislation is certainly behind the times (working still on a confrontational purchaser-supplier model), it presents obstacles to a partnership approach adopted now by best practice firms. There are also concerns about how to apply public sector ethics and probity to a buy-local approach.

Herefordshire Primary Care Trust

- 3.47 The second case study involved examining Herefordshire Primary Care Trust, situated in AWM's Marches Regeneration Zone, which includes the most remote rural parts of the region, covering parts of Herefordshire, Shropshire and Worcestershire.
- 3.48 Workforce and procurement data was analysed and interviews were again undertaken with key senior managers, including those responsible for workforce planning, finance, procurement and IT.

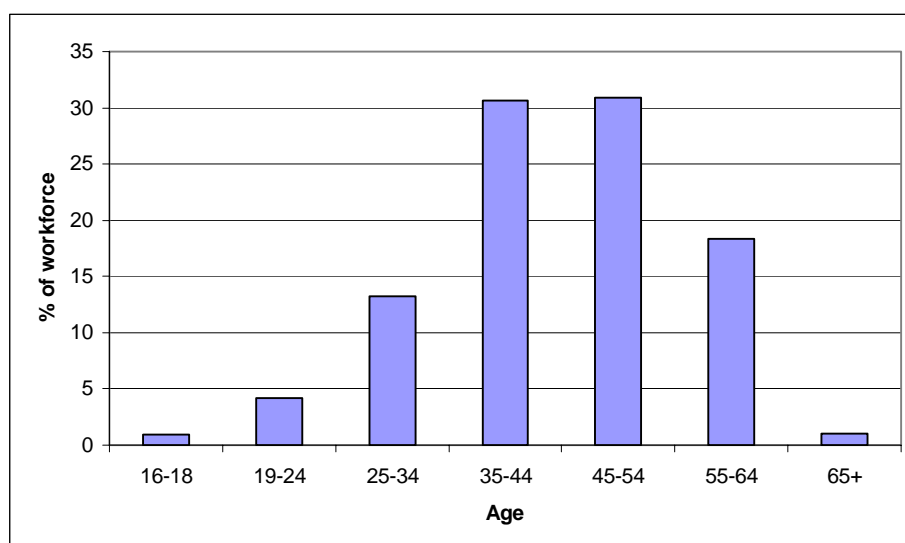
Profile

Workforce

- 3.49 Herefordshire provides employment for a total of 66,265. The healthcare industry is one of the most important sectors in the county, employing almost 6,000 (9% of the workforce) in hospitals and medical practices. Only the education and retail trade sectors employ more people.³
- 3.50 Herefordshire PCT employs a total of 1,513 staff – 2.3% of the entire county-wide workforce. The workforce has increased by almost one third since October 2000, when 1,144 staff were employed.
- 3.51 Over four fifths (81%) of the PCT's employees are female, which means 3.6% of the county's female workforce are directly employed by the Trust.
- 3.52 Figure 4 below shows the PCT's workforce is skewed towards middle aged and older employees, with more than half of all staff aged 45 or over. This implies that in ten years time, 50% of staff will have retired or will be eligible for retirement – retention of staff is therefore a key issue for the PCT.
- 3.53 This age distribution may lead to a future labour shortage for the PCT, and with unemployment currently at 1.6%⁴, the county does not have an immediate supply of easily available labour to fill future vacancies.

³ Annual Business Inquiry, 2001.

⁴ Unemployment claimant count, NOMIS, May 2003

Figure 4 Age of workforce

Source: Herefordshire PCT

- 3.54 The vast majority of staff (85%) live in the Hereford postcode area, which means the Trust's catchment area for staff is, in the main, very localised and further restricts future recruitment strategies.
- 3.55 The ethnic make-up of the PCT's workforce reflects the demographics of the county. In all, just over one percent of Herefordshire PCT staff are from ethnic minority communities, compared to 0.9% across the county.
- 3.56 Table 7 below shows that half of the workforce is made up of nursing staff, 90% of which are female. Almost a quarter (23%) of staff are employed in senior manager or clerical positions.

Table 7 Workforce by occupation

Staff category	Female		Male		Total	
	No.	% of total	No.	% of total	No.	% of total
Nursing	671	44.3	78	5.2	749	49.5
Clerical	265	17.5	31	2.0	296	19.6
Medical	60	4.0	114	7.5	174	11.5
PAMs	113	7.5	17	1.1	130	8.6
Senior Manager	30	2.0	20	1.3	50	3.3
Technicians	42	2.8	6	0.4	48	3.2
Scientific	32	2.1	9	0.6	41	2.7
Ancillary	5	0.3	15	1.0	20	1.3
Maintenance	0	0.0	5	0.3	5	0.3
Total	1,218	80.5	295	19.5	1,513	100.0

Source: Herefordshire PCT

- 3.57 Turnover rates for nursing staff were given as 9%⁵ and while this is line with figures across the region, the rate emphasises the importance of staff retention in a key occupational group.
- 3.58 Figures for October 2001 suggest that almost two-thirds (63%) of PCT staff are employed on a part-time basis. This may represent a flexible approach to recruitment and afford employment opportunities to local people that are not so evident in other industries.
- 3.59 However, well over half (58%) of nursing jobs in 2001 were part-time positions. In total, almost two thirds (63%) of men worked on a full-time basis, compared to only 33% of women.
- 3.60 Table 8 shows that the total wage bill for Herefordshire PCT was over £20 million. More than half of this amount is attributable to nursing staff and reflects the number of staff employed in this group.

Table 8 Workforce by earnings⁶

Staff category	Total	
	Value	%
Nursing	£10,111,984	50.2
Clerical	£4,079,689	20.2
Medical	£2,107,779	10.5
PAMs	£1,585,501	7.9
Scientific	£1,012,099	5.0
Dental	£432,885	2.1
Technicians	£341,587	1.7
General payments	£219,856	1.1
Ancillary	£162,519	0.8
Maintenance	£101,487	0.5
Total	£20,155,388	100.0

Source: Herefordshire PCT

- 3.61 The majority of Herefordshire PCT staff live in the Hereford postcode area. Table 9 shows that three quarters of employees live in the local area, a proportion which rises to 85% if missing data is excluded. Most of the workforce for whom home residence is known, live in the West Midlands region (93%).

⁵ Figure is for October 2001.

⁶ Due to differences in the way the data is recorded by the PCT, occupational groups in Table 7 and Table 8 are not exactly the same.

Table 9 Home residence of workforce

Postcode area	No.	%
Hereford	1,147	75.8
Worcester	59	3.9
Shrewsbury	34	2.2
Gloucester	31	2.0
Newport	26	1.7
Llandrindod Wells	23	1.5
Birmingham	3	0.2
Wolverhampton	3	0.2
Other	20	1.3
Not available	167	11.0
Total	1,513	100.0

Source: Herefordshire PCT

Procurement⁷

- 3.62 In 2002-03, Herefordshire PCT bought in supplies worth a total of £9.3m. This included £1.36m of services bought in from Hereford Hospital Trust.
- 3.63 The PCT made some 13,000 transactions over the last financial year and it is estimated that these involve over 300 companies and agencies, two thirds of which are national UK operations.
- 3.64 It is estimated that the PCT, through direct contracts with local companies in the first tier of the supply chain, provides £3m of business to firms within the West Midlands.

⁷ Due to the nature and timing of the data requirements, Herefordshire PCT was unable to provide detailed procurement data at the time of writing.

Policy

- 3.65 The primary aim of Herefordshire PCT is to maintain the health of the county's population. Consequently, its key strength and purpose is "*fixing people's health*" and its agenda and workforce reflect this strategic priority.
- 3.66 However, all senior management recognise that prevention is better than cure and this had led the PCT to become more concerned with the health promotion agenda and in stopping people becoming ill. When the PCT considers the question of how to promote public health, it begins to share objectives and agendas with a range of other local partners and agencies.
- 3.67 The public health agenda is based on clearly understood links between deprivation, employment, transport, the environment and ill health, so the PCT has especially close links with the local authority, Herefordshire County Council, which is a unitary authority.
- 3.68 The Council are involved in a wide range of social and economic matters which cross over with the interests of the PCT and there are also strong links to the Local Education Authority (LEA). These overlaps, however, are driven more by the public health agenda than by any direct interest in economic regeneration or development issues as such.
- 3.69 The PCT is also influenced at national level to incorporate social and economic regeneration and sustainable development agendas into its policies. Over the last six years, a more explicit recognition has emerged of the link between public health, poverty and the economic well-being of the country. Pressure on the NHS to become a 'good corporate citizen' and realise its potential as a key regional stakeholder has meant the PCT has developed strategic visions and policies to meet these aims. But has this message filtered down to operational people on the front line – and what does it mean in practice?

Practice

- 3.70 Herefordshire PCT is recognised as being at the leading edge in terms of the way it works in partnership with other local stakeholders and was the first to have a jointly managed mental health service.
- 3.71 The Trust is involved with local economy stakeholders at a number of points. The PCT plays a prominent part in the work of the Herefordshire Partnership, which includes the local authority, Chamber of Commerce, police and a range of other agencies whose areas of responsibility contribute to the health of local people.

- 3.72 The Partnership has a wide programme of objectives or ‘ambitions’, covering each of the main areas: health, education, transport, environment, business and employment. Each ambition is addressed by a sub-group of the Partnership and all have their own executive board. There is a significant level of overlap among those partners who sit on different boards, which ensures close working relationships can be built between a wide range of partners and cross-cutting themes can be easily explored. Indeed, health is perhaps considered a cross-cutting theme in its own right.
- 3.73 The PCT also manages a Joint Planning Partnership Team, a unified group of NHS, PCT and local authority social services planners and an almost unique initiative which has been very successful in moving towards relatively seamless planning.
- 3.74 There are, of course, obstacles in the way of complete synergy. NHS and local authority performance measures are rather different and this restricts working towards common aims in some instances. Nevertheless, the ten people on the team take joint responsibility for strategic planning and policy for Herefordshire and directly influence decision-making amongst budget holders in the PCT and the local authority, allowing the county to tackle key areas collaboratively and with more resources at their disposal.
- 3.75 Another local example of partnership working is their involvement in the South Wye Single Regeneration Budget (SRB) area project, located in the south of the county. The PCT has representatives on the board of directors of this programme and their influence has meant that a number of health related targets have been included to fit alongside the more conventional economic development and regeneration objectives.
- 3.76 Herefordshire PCT also works with a number of local partners in an ad-hoc, opportunistic manner. They are now a key partner in the local authority’s Green Travel Plan and have commissioned a piece of research on the PCT’s environmental impacts. Involvement in the green transport agenda of the Council has therefore prompted the Trust to ask more searching questions about their own impact on the environment and to take these effects into account when planning for the future.
- 3.77 Estate management and new build is another area which has benefited from a more collaborative approach. The PCT now has informal links to local authority property managers who exchange plans and aspirations and explore scope for mutual benefit. If either partner, for example, has surplus buildings or sites that might be developed, then the best common interests for this land is discussed, meaning the question of land use, releasing space and use of buildings are now on a shared agenda with the local authority.
- 3.78 These discussions also include local housing requirements and the PCT consults with the local community on the sorts of facilities they would like to have in redeveloped areas, ensuring community health facilities are included in future schemes.

- 3.79 Herefordshire PCT has a vested interest in developing the skill-base of the local population and, consequently, works on a number of initiatives on the training and skills agenda. The Trust is starting to look at areas of shared training with the local authority (funded through the Workforce Development Confederations), making the relationship with the Council more and more central to their work. They are creating, for example, a training department with a stakeholder board that has local authority and other representation on it, with a view to covering the whole of the health and care community.
- 3.80 Although not so much a conscious policy move in this direction, the Trust would recognise and seek spin off benefits from these initiatives as a secondary objective. Their training department, for example, is expanding to offer care training for the independent sector (nursing homes, and so on). The PCT has a direct interest in improving the quality of care home staff in order to improve their service and as this is a commercial training offer to the private sector, also brings in revenue to the NHS.
- 3.81 The Trust is also starting to recognise the need to recruit locally to meet its own labour and skills needs. Our analysis of the PCT workforce has shown an 'age bulge' emerging in the over fifties, coupled with a narrow travel to work area and a settled, stable workforce across the county. Local residents aged under 30 are being recruited to replace those who are retiring and links have been forged with the Herefordshire & Worcestershire Learning and Skills Council (LSC), private training providers and Adult Community Learning to address future skill needs and upskill those currently employed by the Trust.
- 3.82 Finally, the PCT has made efforts in the past to take on local people who are unemployed or at risk of losing their jobs. By working with the Employment Service, for example, they recently tried to take on people, particularly those with IT skills, from Bulmers' cider factory that had lost their jobs due to a downsizing of the plant. However, this again is an example of an individual manager's initiative rather than any strategic or corporate policy aimed at solving the needs of the local workforce.

Case study conclusions

- 3.83 Both UHB and Herefordshire PCT clearly play a significant role in supporting their local economies. They employ a substantial proportion of the local workforce and, in particular, provide employment to a substantial number of women and people from ethnic minority communities.
- 3.84 Each case study Trust has notably increased their staff numbers over the last few years and both plan to take on significantly more employees over the coming years. This employment growth is far beyond the average employment growth of the region, so the impact of the NHS on the regional economy is likely to be even greater in years to come.

- 3.85 This is particularly so for UHB, whose plans to build a new hospital at the cost of some £350m will bring enormous employment and business opportunities as well as transport and environmental improvements to the region.

Box 2: Focus on...New Hospital Project

The Birmingham New Hospitals project will transform healthcare services in South Birmingham and act as a catalyst for the regeneration of the whole of south Birmingham.

The plan is to build a replacement for the existing Psychiatric Hospital on the QE site and two new small psychiatric units in the community. The vacated psychiatric hospital site will facilitate the development of a new University Teaching Hospital which will replace the existing Queen Elizabeth and Selly Oak Hospitals. The New Hospital facilities will be the finest in Europe and allow both UHBT and BSMHT to deliver modern, efficient clinical services with sufficient capacity to achieve current and forthcoming waiting time and service quality standards. The intention is to provide a "landmark" building which the people of Birmingham and indeed the region can be proud of. The New Hospital will have a central bank of 30 operating theatres which will be in use 23 hours a day. This is distinct from the existing 'distributed' model where each department has its own theatre.

The project will also deliver a new Plaza designed to be a quality public space which will link the new hospital to an integrated transport system. The outline of Metchley Roman Fort will be shown in the plaza design, providing an important archaeological interpretation with tourism potential. UHB recognises that there are wider determinants of health – not simply health services – and the ecological, archaeological, tourism and image aspects of the project are seen as important components of the New Hospital scheme.

The building project presents a number of significant challenges to the Project Team. Currently, 2,500 cars are parked where the new hospital will stand and there will be 1,500 more to be accommodated once it is built; the Elan Aqueduct (which carries 50% of Birmingham's water) has to be moved; a Conservation area has to be worked around; a road junction needs to be remodelled to allow construction lorries to have access to the site; the Bourn Brook has to be restored to provide a local amenity. It is also recognised that improved access and transport are key to the projects success and the New Hospital project has been a catalyst for the Selly Oak Relief Road.

The New Hospital has outline planning consent, which is currently being updated to reflect growth in the scheme to comply with Government targets in respect of waiting times and access to emergency services. The new application supports the creation of a clinical-academic complex alongside Birmingham University, who are important project partners.

The New Hospital provides an important opportunity for construction jobs – an average of 2,000 over the next four years - to be taken up by local people. UHB is working with the Learning and Skills Council, Job Centre Plus and the City Council to establish a "learning hub" on-site to maximise local training and job benefits.

The scheme is currently approaching preferred bidder stage, with start-on-site scheduled for Autumn 2004, with scheme completion anticipated in Summer 2008.

- 3.86 Both case studies are doing valuable work – but under different local conditions. Herefordshire PCT is a more geographically isolated area, so its focus has been on working with other partners in the County to drive forward its health promotion agenda. UHB, located in the England's second city, has more of a regional and national focus.

- 3.87 UHB is making a real difference through its work with partners and its local training initiatives. Its medical technology proposals have tremendous potential. The CHID programme at the Royal Wolverhampton Hospital should be considered a model of good practice.
- 3.88 Herefordshire PCT is involved in a great deal of partnership working to the advantage of all involved. The Trust benefits from a high level of co-terminosity between itself, the local authority and other local stakeholders and this has made strategic planning links easier to forge and operate. This level of community engagement and cross-agency collaboration should also be seen as a model of good practice.
- 3.89 Both UHB and Herefordshire PCT recognise the value of aiding regional social and economic regeneration as a way of improving the health of the West Midlands population. This recognition is now starting to turn into practical policy and this research is well placed to make a number of recommendations to further this process.
- 3.90 But there is much more that could be done to transform positive, but essentially ad-hoc initiatives into corporate-wide and consistently applied policy commitments.
- 3.91 The NHS also supports the region and its regional economic strategy in ways above and beyond simply employing people and procuring goods and services. These impacts are outlined in the next chapter before we conclude this report with suggestions to take the health and regeneration agenda forward.

4. NHS and the regional economic strategy

- 4.1 Advantage West Midlands (AWM), the Regional Development Agency for the West Midlands, published its regional economic strategy, *Creating Advantage*, in October 1999, which lays out the strategic objectives for the West Midlands.
- 4.2 This strategy was translated into a deliverable programme of action in the publication of *Agenda for Action* in 2001. The Agenda sets out the key priority actions needed to make progress towards achieving the goals of the region and outlines three key initiatives to support sustainable economic regeneration in the West Midlands:
- cluster development;
 - hi-tech corridors, and
 - regeneration zones.
- 4.3 This study and other evidence suggest that the NHS has a role to play in the development of all three of AWM's key initiatives, some examples of which are outlined below.

Clusters

- 4.4 The commitment to cluster development is based in part on evidence that certain industries have established themselves in specific locations around the world – the most famous example, perhaps, being the electronics industry in 'Silicon Valley', California.
- 4.5 Clusters cannot be created by the actions of Government agencies alone, but the right policies can help to nurture and support existing ones. There are a number of themes important to the success of a cluster including a skilled workforce, quality universities, good sites and investment capital. Access to supplier industries and customers is also very important. The point is, quite specific connections need to be made between companies and sources of technology in given clusters and between skills, finance, land, suppliers and potential customers in order to foster greater economic competitiveness and growth.

Medical technologies

- 4.6 The NHS has a clear and obvious link to AWM's Medical Technologies cluster. This report has shown that UHB and Royal Wolverhampton Hospital are closely involved in medical technology and innovation – and in ways which aim to develop new medical products and concentrate the design and manufacturing process in the West Midlands.

- 4.7 Examples of this type of work have already been given (see Box 1: Focus on...CHID and the J-Hook), but the potential to support existing medical technology companies is already huge. UHB spends some £50m a year on medical and laboratory equipment alone. If each NHS Trust and PCT in the region spent the same proportion of its budget on such products, this would mean a market with a value in excess of £500m.
- 4.8 The West Midlands is experiencing strong growth in this sector, but has started from a low base – it is currently defined as an ‘embryonic cluster’. Initiatives such as those mentioned above and the involvement of higher education will help to grow existing companies and encourage ‘spin-out’ and inward investment. In addition, where hospitals in the region achieve foundation hospital status, they would be in a stronger position to form local partnerships, address a local agenda and provide a platform for job growth in ways which benefit disadvantaged communities.

Tourism and leisure

- 4.9 Some clusters have a less obvious link to the NHS. The Tourism and Leisure sector is one such example, but the NHS is a significant customer. Through training needs, away days, conferences and seminars, the NHS has a need to utilise local hotel, conference centres and tourist attraction facilities to host such events.
- 4.10 UHB alone spends £1.5m a year on conferences, seminars and training, well over half of which is with West Midlands based companies. However, as the NHS constantly chases best value, some of these requirements will be moved in-house.
- 4.11 As mentioned earlier, UHB’s proposals for the Plaza and the interpretation of the Metchley Roman Fort show very direct tourism benefits.

Transport technologies

- 4.12 The West Midlands and East Midlands populations are more likely to use their car to travel to work than any other regions in the UK (over 67%)⁸. In addition, a little over 10% of people in the West Midlands travel to work by public transport. This is largely due to the fact that the West Midlands covers some remote rural areas that make travel by bus or train a non-starter for many of the region’s workforce.
- 4.13 Given that the NHS employs in excess of 100,000 people in the region and gave over 1.1m treatments to more than 710,000 West Midlands residents⁹ this represents some 25m car journeys per year. Clearly there is an environmental impact which needs addressing and we have given examples of how Herefordshire PCT is working with local partners to produce green travel plans which reduce harmful effects.

⁸ Population Census, 2001

⁹ West Midlands Public Health Observatory, 2002-03

- 4.14 One of the key aims of the Transport Technologies sector strategy is to harness the expertise and technology of the motor vehicles and motor sports industries within the region and transfer knowledge across to develop new materials to lessen the environmental impact of car use in the region. This sector employs some 175,000 people in the region and the demand for new, greener technologies is high, giving great potential for growth in this part of the sector.
- 4.15 UHB's New Hospital offers the potential for an innovative public transport initiative, showcasing new technologies, not just on the New Hospital site itself but linking to new developments at Selly Oak, Battery Park, and Pebble Mill.

Food and drink

- 4.16 The NHS spends £500m on some 300m meals every year¹⁰ over £50m of which is likely to be spent by hospitals and trusts based in the West Midlands. With a more strategic focus on food and drink production and delivery from plough to plate, the NHS is keen to reduce transportation and storage costs for food by buying locally.
- 4.17 The Food and Drink cluster, employing 60,000 people in the West Midlands, is experiencing employment growth and NHS policy will further facilitate this expansion. The sector is keen to develop its ethnic food industry and UHB in particular has made progress in identifying local suppliers to provide new product ranges for its staff and patients, thus supporting ethnic minority business start-ups and growth.
- 4.18 The development of the cluster is also a key driver in supporting and growing the rural economies of the West Midlands.

Specialist business and professional services

- 4.19 UHB spends £5.6m a year on management consultancy and other professional services (including legal and accountancy), two thirds of which is with West Midlands companies.
- 4.20 The Specialist Business and Professional Services cluster is forecast to experience significant employment growth over the next few years, particularly in Birmingham City Centre. With West Midlands based NHS hospitals and trusts spending over £50m annually on such services, the health service could be a key client for growing firms within the region.

¹⁰ Claiming the Health Dividend, King's Fund, 2002.

Environmental technologies

- 4.21 It is estimated that the West Midlands based NHS spends approximately £5m a year on waste disposal. The Environmental Technologies cluster was recently identified by the DTI as a growing sector within the region, particularly in sub-sectors which focus on waste management and recycling.
- 4.22 The industry currently employs 50,000 people in the region and the NHS, recognising that work needs to be done to develop waste management policies and to train managerial and front-line staff in the way they deal with clinical and domestic waste, will need to buy in more skills and services from the cluster in the future.

Building technologies

- 4.23 There are a number of substantial NHS building projects planned in the region including the PFI funded hospitals in Hereford at Birmingham (see Box 2: Focus on...New Hospital Project). While detailed plans for these projects are not yet available, new build projects will require substantial support and expertise from the established Building Technologies cluster.

Information and communications technology

- 4.24 This research has made some unusual and difficult data requests to the case studies involved and has highlighted the differences in systems between different parts of the NHS and the difficulty involved in extracting data that has a detailed, economic development focus.
- 4.25 The NHS is currently rolling out a new system to standardise the types of data that are collected and ensure consistency. The health service is also forecast to need more employees with a wider range and higher level of IT skills in the future.
- 4.26 The Information and Communications Technology cluster has experienced historic growth in the region over the last few years and directly employs some 60,000 people. With substantial software development expertise in the South of the region, an emerging hardware manufacturing sector and consultancy and training skills throughout the region, the NHS will be tapping into this pool of talent more and more as the NHS's need for more advanced IT skills increases.

Hi-tech corridors

- 4.27 There are three corridors in the West Midlands region covering areas where efforts are focused on the development of high technology business through links to research centres and universities. They are situated along the Birmingham/Worcester Corridor, the Coventry, Solihull, Warwickshire Triangle and the Telford/Wolverhampton Corridor.

- 4.28 They are not tightly defined areas and despite being called ‘corridors’ they do *not* represent an attempt at Greenfield ribbon development along arterial highways. However, the areas selected to be corridors do have two common characteristics. They have the potential to attract and develop more high tech, high value added businesses due to the presence of Universities, research institutions and property opportunities. They are also located in areas that are heavily dependent on the automotive sector (many of Rover's suppliers are located in these parts of the region).
- 4.29 Various projects have been identified within the corridors and are a mixture of property based schemes and those which aim to improve the interface between universities, research establishments and firms. There are also a number of cross-corridor initiatives.
- 4.30 Our case studies have described the links forged between the NHS, private sector companies and universities and our commentary on cluster development above explains how the NHS is supporting the growth of medical technology companies – a key component of the hi-tech companies operating in the corridors.

Regeneration Zones

- 4.31 Regeneration Zones are designed to ensure that resources are targeted in areas where they are most needed, to improve the links between need and opportunity and to co-ordinate regeneration activity in each area.
- 4.32 There are six regeneration zones in the West Midlands covering one third of the region's population, half of its unemployed residents and nearly three fifths of its long term unemployed. The zones cut across local authority boundaries, which it is hoped will encourage cross boundary working, and have been designed to cover areas of greatest need in the region.
- 4.33 The NHS is a key employer in each of the Regeneration Zones. Herefordshire PCT, for example, is based in The Marches zone, covering the more remote, rural parts of the region. The Trust plays a significant role as an employer, a customer of local businesses and as a local economy stakeholder involved in working with the local authority and other partners to promote further social and economic regeneration.
- 4.34 As the NHS's demand for labour grows and its skill needs rise, the health service could become a key partner in recruiting and developing unemployed or under-employed people in the region and in upskilling their workforce, since its employment growth will outstrip natural population increases and incoming migration.

- 4.35 More generally, this report establishes that the NHS is recognising the need to tackle some of the causes of ill health as a way to safeguard the continuing health of the population: prevention is better than cure. Tackling health issues through employment, anti-poverty and skills development policies and opportunities is vital to the NHS and also forms the core objectives of AWM's regeneration zones.
- 4.36 Overall, our view is that individual Trusts (or, better still, a regional regeneration consortium of Trusts) would be in a good position to work with AWM to identify specific clusters, hi-tech corridors and regeneration zones to which they could make a material contribution through:
- research, development and technology acquisition;
 - business spin-outs;
 - procurement;
 - workforce development, and
 - employment growth.

5. Recommendations

- 5.1 This scoping study has illustrated how the NHS is directly supporting the regional economy through employment and procurement. It has also given examples of how the health service is assisting wider social and economic regeneration through working in partnership on a number of cross-cutting themes: health, unemployment, transport and local community capacity building.
- 5.2 Involvement in running SRB programmes and LSPs, establishing green transport plans with other public sector partners and working with the private sector to facilitate business development (in medical technology clusters and innovation hubs, for example) has enabled the NHS to begin to pursue a health promotion agenda through a number of new avenues.
- 5.3 There is, however, much more that can be done. Health promotion and sustainable development objectives are somewhat embryonic in the NHS and the HDA and partners can progress these agendas by taking advantage of the huge potential offered by the health service.

Potential

- 5.4 In this final section we summarise where this scoping study has identified strong areas of potential where the NHS can use its resources and needs to maximise the impact on growing the regional economy. We lay out our recommendations for the HDA and partners on the cross-agency strategic health group at the end of this section.

Operating environment

- ⇒ we recommend (1) that the HDA and partners establish a clear set of strategic objectives for the NHS that allow economic and social regeneration to be incorporated into the wider work of the health service. The HDA should produce guidelines to 'operationalise' these strategic aims into deliverable action plans.
- 5.5 Nationally, the health service is now being encouraged to work much more closely with other local partners on a range of agendas that directly and indirectly affect health. In the past, one of the biggest stumbling blocks to tackling the non-medical causes of ill health – poverty, unemployment, lack of opportunity and economic growth and poor infrastructure - has been a lack of collaboration between services on the ground. But this is changing.

- 5.6 The DoH has been working to shift the management of the health service from central government to front line organisations and staff. Creating national standards and ensuring they are delivered locally delegates responsibility for health planning and delivery to a lower level, linking the health service, local government, social services and the care sector. At the moment, these are related but separate agencies that have a common interest.
- 5.7 The links between the health economy and regeneration is a 'hot topic'. Our case studies have clearly shown that elements of a strategic vision are in place for the NHS at the local level to become something more than just a first class health service provider for its local communities – it can aid local social and economic regeneration. But the NHS and individual trusts need to turn their aspirations, piecemeal interventions and high level strategic objectives into real policy and, vitally, practical operational guidance.

Employment

- ⇒ we recommend (2) that the HDA and partners forge closer links between the NHS and Jobcentre, designing training and employment initiatives that target socially and economically disadvantaged communities in the West Midlands while addressing the future staffing needs of the health service.
- 5.8 In 2002, the Chancellor used his budget speech to pledge an increase in health spending by an average of 7.4% in real terms for each of the next five years. On this basis, the NHS budget would rise from £65.4bn in 2002-03 to £105.6bn in 2007-08.
- 5.9 This increase in spending will mean a proportional rise in NHS employment. The analysis of our two case studies has shown that staff numbers have already increased by some 20% over the last five years – the demand for new labour and skills in the forthcoming years will be equally strong.
- 5.10 Working in partnership on initiatives such those with Jobcentre Plus on New Deal programmes must be continued and expanded if AWM and the LSCs are to achieve their targets of reducing unemployment and raising the skills base of the West Midlands population, and the NHS is to get the numbers of skilled employees it needs to continue to deliver its healthcare commitments.

Procurement

- ⇒ we recommend (3) that the HDA and partners establish a set of criteria to help NHS purchasers include economic and social regeneration objectives in the procurement decision-making process.

- 5.11 The NHS supports a vast number of jobs in the regional supply chain through its procurement of goods and services – but can this impact be expanded? Pursuing a local purchasing policy runs the danger of encountering anti-competition law, but it is possible to adjust the criteria against which procurement decisions are made in order to bring real additionality to the region.
- 5.12 UHB currently employs a method of evaluating procurement decisions based on three key questions, characterised as TOE:

<i>Current practice</i>	T	Technical: Does the supplier have the requisite technical capability and skills to manufacture the product or provide the service?
	O	Organisational: Does the supplier have sufficient planning, distribution and delivery skills to produce the goods on time?
	E	Economic: Does the cost of the product provide good value for money for the NHS given the quality of the product?
<i>Next step</i>	S	Sustainable Development: All things being (sufficiently) equal, does a decision to favour one supplier over another bring added value to the NHS and the regional economy?

- 5.13 If all regions in the UK decided to buy locally, there would be very little net gain for the national and regional economies. While transport costs (and associated environmental impacts) would be reduced, it is unlikely to fuel much economic growth nationally. But the West Midlands based NHS, as a stakeholder in the regional economy, should support local businesses where it can.
- 5.14 In addition, assessing the letting of contracts based on an ‘added-value’ measure allows the NHS to marry best value for the health service to regional economic growth. An example is seen in the winner of a waste contract that promised to build a new local plant to handle the work, invest in more environmentally friendly technologies and employ a substantial number of local people. A further example is a firm that won a laundry contract for a Trust based partly on the additional economic benefits the decision brought to the region. The value of the contract enabled the successful bidder to invest in its workforce, recruit more local people and safeguard the jobs of its existing staff.
- 5.15 Product areas should be identified that would produce ‘quick wins’ for the NHS in purchasing locally (changing lease car system arrangements to specify local delivery suppliers and maintenance, for example). It is also recognised that procurement is not solely the jurisdiction of purchasing managers, but a wide-reaching process that involves a large number of clinicians. It is often the case that procurement departments log transactions rather than control them. As an incentive to broaden the purchasing decisions criteria, savings could be shared between departments.

- 5.16 It is clearly not possible to analyse each and every bid on each and every contract, but the NHS can help more local companies win work by assisting them with access to health service markets. The NHS must be able to guarantee high standards in the goods that it buys and suppliers must show that they are in a position to meet these levels of quality on all fronts. By working in partnership with agencies such as Business Link, more local companies can be identified as potential NHS suppliers and receive assistance in getting their businesses in shape to meet health service requirements. Access to opportunity is particularly important as Private Finance Initiative (PFI) contracts come into play.

PFI

- ⇒ we recommend (4) that the HDA and partners establish mechanisms to engage PFI contract managers to ensure economic benefit and opportunities for local people are retained within the West Midlands economy.
- 5.17 From a regional economic development perspective, PFI provides a great opportunity for local area regeneration. The proposed £350m PFI funded hospital to be built in Birmingham will require an enormous amount of raw materials, pre-fabricated components, manufactured goods and a whole range of good and services, not to mention a substantial construction workforce. Moreover, when the hospital is up and running in 2008, a wide range of employment and business opportunities will become available for local people.
- 5.18 But with these opportunities comes a threat. PFI contracts are long-term – some 30 years, with the possibility of an extension by the same amount. Once the deal is signed, the majority of purchasing decisions will be for the winning contractor. It is vital, therefore, that mechanisms are found to ensure access to opportunity for local people and businesses: encouraging a policy of “things being equal, buy local” and, with the local planning authority, exploring the potential of Section 106 agreements to increase the chances of local construction labour and suppliers being used, are two examples.
- 5.19 The contracting ideology is that as little as possible is specified in PFI contracts (and the Project Executive Group steps in if they judge that the specification is getting too detailed), although clinical advisers have the right to step in on medical practice issues. But it is important that contracts are not made too ‘thin’ at the expense of regional economic growth.

Targets

⇒ we recommend (5) that the HDA and partners establish a set of non-clinical targets for recruiting and purchasing locally. A framework must also be designed to ensure consistency of data collection that allows progress towards targets to be measured, benchmarks to be established and comparisons between trusts to be made.

5.20 While practically every aspect of NHS activity is measured and its performance monitored against set targets, there appear to be extremely few economic development type targets. The HDA and partners should explore a set of non-clinical targets that encompass two main themes:

- recruiting locally and targeting certain demographic groups, and
- increasing the proportion of different types of products that are purchased from within the region.

5.21 Establishing benchmarks for trusts and hospitals in terms of recruiting from ethnic minority communities, school leavers and the unemployed, for example, would allow the NHS to take a more strategic approach to employment and workforce development.

5.22 Trusts are unlikely to have analysed the types of goods and services (and their value and source) that are bought in locally. We have seen in this study that this procurement data is difficult to access on a routine basis. New procurement data protocols would make it possible to establish benchmarks and set targets that play to the region's strengths and priorities for cluster development: in food and drink, specialist business and professional services and medical technologies, for example.

Working in partnership

⇒ we recommend (6) that the HDA and partners establish a regional forum to work with PCTs and NHS trusts on economic and social inclusion agendas and to feed recommendations from this group through the regional health group to engage directly with AWM.

5.23 Our analysis of Herefordshire PCT has shown several good practice examples of working with other local economy stakeholders to achieve common aims. But there is a feeling that there is an insufficiently clear *regional* voice in this respect and a consequent lack of opportunity for effective dialogue with AWM.

- 5.24 Herefordshire PCT report that they, along with other trusts in the region, have lost some of the infrastructure that was needed to maintain communications and sharing of ideas and policy at a regional level - for transferring knowledge and skills between different health authorities regionally and with other regional players. Nevertheless, the emergence of LSPs provides an excellent opportunity for the NHS to work with local partners to push health promotion through more conventional economic development routes. There is a concern, however, that:

“There isn’t really a public health function at a West Midlands regional level that can engage with PCTs. There are fewer opportunities for people to meet, exchange information, experience and views. This really only exists at a sub-regional level now, as defined by strategic health authority boundaries. Herefordshire, Worcestershire, and Coventry and Warwickshire people meet, but not the West Midlands PCTs as a whole. There is probably a case for re-inventing some kind of West Midlands regional public health forum.”

Herefordshire PCT

- 5.25 The HDA and partners in the regional public health group are ideally placed to address these concerns and to create a dialogue with AWM in order to drive forward a regional health and regeneration agenda.

Further work

⇒ we recommend (7) that the HDA and partners flesh out the findings from this research and consider more detailed research into NHS supply chains and the community and voluntary sector and develop a series of themed policy development workshops through which to undertake the preceding recommendations in this report.

- 5.26 While this scoping study has identified many possible suggestions for the future, there are several areas that require further investigation if the true extent of the impact of the NHS on the regional economy is to be gauged and the full potential for proactive engagement on the economic development and regeneration agenda is to be realised.

The supply chain

- 5.27 Our analysis of the UHB supply chain has shown a significant level of detail and allowed this report to illustrate the kinds of goods and services most in demand, who supplies them and where suppliers are located. The economic geography of local NHS supply chains is beginning to take shape, but much more could be done to flesh this out. UHB data only covers first tier suppliers, a number of which will be national NHS agencies or headquarters of firms based outside the region, which may be supporting local branches or plants in the West Midlands that actually manufacture the products or supply the services.

- 5.28 It would also be of great interest to explore the make-up of the workforce in the supply chain, the dependency of these suppliers on NHS business and the relationship between provider and customer. As well as gaining a more detailed understanding of the types of employees and sectors supplying to the NHS, this would enable the health service and AWM to answer some important questions:
- Do companies in the supply chain know enough about the current and future needs of the NHS to build the requisite skill base and guarantee the supply of products to a high standard in the future?
 - Do suppliers in key sectors – such as medical technologies – have a sufficiently close relationship with the NHS that enables them to assume a degree of ‘design authority’ that allows them to innovate and produce higher quality and/or cheaper products?
- 5.29 It would be unrealistic to survey every supplier, but a case study approach, either through an individual trust or hospital, or drilling down into the supply chain for a certain type of product (eg medical supplies) across a number of trusts, would be achievable.
- 5.30 Such studies would also develop a platform for dialogue between supplier and customer and lead to clear benefits for both sides.

Community and voluntary sector

- 5.31 The contribution of the community and voluntary sector to the West Midlands economy is likely to be extremely significant. A recent study of the East of England economy found that the voluntary sector employs 170,000 people (mostly part-time) across 30,000 organisations, uses 600,000 volunteers, has an annual income of £1.2bn and works 2.45m hours every month.¹¹
- 5.32 There is a close relationship between the community and voluntary sector and the health sector and the scale and nature of the contribution made to the health service, and to the regional economy, should be unpicked through additional research.

Workshops

- 5.33 If the NHS is to engage strategically with AWM and other regional economic stakeholders, it must be clear about what it wants to achieve and how it wants to achieve it – but it is important to give ownership of this decision making process to those working in the health service.

¹¹ COVER, 2003 (a "network of networks" representing and co-ordinating voluntary and community groups across Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk).

- 5.34 During the course of this research, a number of NHS and local government staff we have spoken to expressed an interest in attending workshops to *“...hammer out a battle plan to work alongside other interested parties in promoting both the health of the local people and the health of the local economy”*.
- 5.35 We suggest that a series of themed policy development workshops, covering recruitment policies and local purchasing practices, are set up to share ideas and best practice examples. As the health and regeneration agenda begins to turn from strategic vision into real policy, the time is ripe for such debate.