



Community Benefit in Procurement Clauses: The New South Glasgow Hospitals

NHS Greater Glasgow and Clyde (NHSGGC) have used Community Benefit Clauses (CBCs) in procuring the new South Glasgow Hospitals. This resulted in Project OsKar, a subsidiary company of Kibble which is a well-established social enterprise, winning the contract to provide industrial painting services for the fencing around the building site. This was the first time NHSGGC used CBCs in procurement and provided a high profile example of the use of social clauses to deliver supply chain benefits to the social enterprise sector.



Background

In November 2009 NHS Greater Glasgow and Clyde (NHSGGC) awarded the contract to build the new South Glasgow Adult and Children Hospitals to Brookfield Multiplex, a construction company. The work on this £842million project commenced in 2010. The first phase of the project, a new Laboratory facility, was completed in 2012.

To inform the tender process NHSGGC commissioned a Social and Economic Impact Assessment to assess the potential impact of the project. This study identified a number of potential social and economic impacts,

NHSGGC wanted to make sure these social benefits were achieved and adopted the use of Community Benefit Clauses (CBC) in the tender procurement process for the project. This was informed by the approach developed by Glasgow City Council in its procurement for the 2014 Commonwealth Games.

Community Benefits were incorporated into tender information for the project and were included in evaluation process.

CBCs were subsequently included as a contractual requirement.

Scope and focus

In line with the recommendations of the Social and Economic Impact Assessment, the contractual requirements focused on three main areas of social and economic benefits:

- Targeted Recruitment and Training (TR&T), specifically local New Entrants, Apprenticeships and work experience places.
- SME engagement and development.
- Social Enterprise engagement and development

No specific targets were set for the inclusion of SMEs and social enterprises in the supply chain.

Importantly, the procurement process engaged the contractor early in the process, providing NHSGGC to work with the contractor, Brookfield Multiplex in identifying opportunities to consider social enterprise solutions in its sub-contracting.

Implementation

Given the scale and complexity of the project, NHSGGC developed a bespoke procurement process for the project, which included CBCs.

The project was sponsored by the NHSGGC Director of Acute Services Strategy and Implementation with a project team established under the direction of an overarching Project Director. Importantly, securing social and economic benefits from the project was strongly supported at an executive level within the organisation and within the project team..

To embed CBCs into the procurement process, the Project Team included a member of NHSGGC's Community Engagement Team. This ensured a focus on community benefits from the outset and continuously throughout the process.

The tender process included a specific section on community benefits with questions weighted as part of the overall scoring matrix..

Stages involved in procuring a painting contract

- Brookfield Multiplex appointed a Community Engagement Manager to manage the implementation of the CBCs.
- The company then established a Community Benefit Partnership with Glasgow's Regeneration Agency (GRA) to ensure local people got access to opportunities.
- The requirement for painting the fencing surrounding the building site was recognised as an opportunity for a social enterprise.
- Before tendering the contract on the open market, Brookfield Multiplex contacted the Ready for Business programme to ensure suitable social enterprises were aware of the opportunity, that they were able to compete in a commercial tendering process, and were capable of delivering on the requirements.

- The Ready for Business programme identified Oskar's as a social enterprise interested in tendering and supported them in submitting their bid. Project OsKar provided the best combination of price and quality and won the contract to paint the fencing around the business site.
- Project OsKar started the work of applying three coats of paint on over 1,000 metres of fencing in January 2012 and finished the job on time in April 2012.

Oskar

Project OsKar operates a re-use and recycling centre in Paisley with the aim of reducing the quantity of waste going to landfill. It creates jobs and training opportunities for disadvantaged young people, and supplies good value household items to members of the public, particularly low income families and housing association customers.

Project OsKar also runs a retail outlet for refurbished second hand goods and provides a range of services including painting, cleaning, decorating, grass-cutting, and clearing out void properties.

Main challenges

There were a number of challenges to overcome to successfully complete the procurement process. These included:

- **Procurement focussed on outputs.** Traditional procurement processes are focussed on measuring and managing outputs. NHSGGC has experience of procuring outcomes in delivering health improvement programmes. However, the concept of incorporating social and economic outcomes as part of a traditional design and build procurement process was challenging.
- **Determining appropriate Social Enterprise Targets.** The tender process did not specify targets for involving social enterprises in the supply chain. This made sub-contracting with social

enterprises reliant on nurturing effective working relationships with partners such as Ready for Business and capitalising on the main contractor's commitment to that partnership process.

- **Minimising Risk.** In replicating the process adopted as part of the nSGH project on other NHS procurement activities, there is a requirement to agree consistent legal advice and guidance on applying CBCs. Procurement advise, particularly legal, seeks to minimise risks which can often result in managing perceived risks by progressing arguments that restrict progress rather than 'making it happen'.
- **Issues becoming risks.** For many organisations there is limited awareness and understanding of the role that Social Enterprises and their ability and capacity to deliver. Given the lack of experience of working with the sector, issues can be identified as 'risks' by procurement specialists.
- **The lack of tools to define and measure community benefits.** NHSGGC is committed to implementing CBCs across the spectrum of its procurement activities and despite organisational support, there remain challenges in measuring and scoping out potential impacts beyond easily defined and measurable Training and Recruitment targets. Further evidence of the expected social impact of social enterprises and the tools to measure outcomes and impact would support future procurement decisions.
- **The lack of capacity and resources.** NHSGGC recognises the social impact of third sector suppliers and actively engages them in procurement processes. However, developing social enterprise suppliers can be resource intensive. NHSGGC does not have the remit, resources and capacity of other public sector organisations (e.g. Local Authorities) to support, develop and manage relationships with third sector

suppliers from an economic development perspective. Subsequently, it requires to work collaboratively with partner organisations.

Outcomes

By the end of April 2012 the contractor reported a range of overall outcomes on the key targets under the Community Benefit Clause, including:

- the creation of 185 new entrant jobs, of which 161 (87%) went to local people;
- the creation of 100 skilled jobs;
- 47 apprenticeships for young people;
- 141 work experience places;
- a range of educational instruction visits to the site from local schools and universities; and
- a number of sub-contracts let to local SMEs and social enterprises, including the painting contract to Project OsKar.

Through the use of CBCs in the fence painting contract it was the first time that a social enterprise won a contract in a major construction project, other than the catering contracts won by Unity Enterprise.

For NHSGGC the use of CBCs resulted in a number of important achievements, including:

- **The proof that CBCs can work.** After a number of previous attempts to engage with third sector suppliers, this was the first time that the use of CBCs led to a social enterprise supplier winning a contract in a major construction project. This has strengthened the belief within NHSGGC that CBCs can be a useful addition to the procurement process.
- **Increased trust in the capacity of social enterprises to deliver.** The successful and timely delivery of the contract by Project OsKar showed that social enterprises are a viable option for the procurement of commercial contracts.

- **Increased readiness for introduction of the Procurement Reform Bill.** NHSGGC realised that the imminent introduction of the Procurement Reform Bill will place a responsibility upon publicly funded organisations to account for wider social value created from procurement. In particular it stipulates the inclusion of CBCs in contracts. NHSGGC has piloted the use of CBCs in the Glasgow South Hospitals contract and has now experience, contacts, and guidance in place, to use CBCs in future procurement.

For Brookfield Multiplex the benefits from the CBCs in the contract have included:

- Satisfactory completion of the contract has instilled confidence in Brookfield Multiplex that the social enterprise sector has the skills and capacity to deliver contracts to the required quality standard, on time, and on budget.
- Working with Project OsKar helped Brookfield Multiplex further its corporate social objectives and deepened their relationship with Ready for Business.

For Project OsKar the contract has generated useful experience of tendering for, and delivering, commercial contracts. Without CBCs in the contract, Project OsKar would not have been able to tender for the contract. As a result of successfully completing the contract Project OsKar has now been recommended by Brookfield Multiplex to other construction companies.

In summary, inclusion of the CBCs has demonstrated that social enterprises can deliver commercial contracts of a significant scale, and has given confidence to the contract or to do business with social enterprises in future.

Critical success factors

There are a number of factors identified as critical to the success of the approach. These include:

- **Leadership.** Senior managers from NHSGGC involved in the nSGH project were supportive of social benefit clauses from the outset.
- **Support from Ready for Business.** Without support from Ready for Business it is unlikely that Project OsKar would have heard about the opportunity, decided to compete, or would have won the contract.
- **Targets for social enterprise.** A key lesson learned by NHSGGC is that CBCs without specific targets relative to supply chain involvement are difficult to realise. Moving forward, NHSGGC aims to incorporate supply chain targets for SMEs and social enterprises in future procurement initiatives.
- **Building an effective team.** In taking forward complex and challenging procurement projects that focuses on opportunities it is essential that the appropriate skills and competencies are incorporated into the team as and when required. From a community benefit perspective, this ensured a focus on community benefits from the outset, rather than something injected into the process near the end.
- **A competitive bid.** Project OsKar competed against commercial providers. Brookfield Multiplex has had previous experiences with social enterprises submitting unrealistically priced bids, justifying this with the higher running cost for social enterprises. In this case Project OsKar submitted the most competitive priced bid.
- **Employing a Community Engagement Manager.** Brookfield Multiplex employed a dedicated staff member with the remit to ensure the CBC requirements were delivered. This greatly improved

the likelihood of achieving the requirements of the social clauses.

Future ambitions

NHSGGC have demonstrated the potential to develop the social enterprise sector through the use of CBCs and are planning to introduce social clauses in other contracts.

Current policy is now to use CBCs in all capital contracts and NHSGGC is looking at introducing CBCs for goods and services contracts as well.

From the South General Hospitals procurement NHSGGC has developed guidance and a toolkit to include CBCs in procurement. This guidance will be available for future procurements.

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