

# TACKLING POVERTY THROUGH PUBLIC PROCUREMENT

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**Do young** people and those living in poverty need to 'stand in line' behind those who are more skilled and experienced before they get the chance of the training and track record that will make them more employable?

The inclusion of 'targeted recruitment and training opportunities' in public contracts can help address the lack of opportunity experienced by these groups. Drawing on policy analysis and case studies this report shows that:

- this is action any public body can take to deliver their sustainable development goals and comply with their statutory procurement duties relating to 'social value' and 'community benefits';
- including these social issues in public procurement is compatible with UK and EU procurement and value-for-money policies;
- there is a lot of good practice that can be followed;
- a goal of 'one targeted opportunity per £1m in contract value' should be achievable in works and services contracts.

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*Social value and public procurement: A legal guide* – a summary of the legal and policy frameworks and the relevant case law that underpin this report – is available free of charge from Anthony Collins Solicitors ([www.anthonycollins.com/briefings/social-value-and-public-procurement-legal-guide](http://www.anthonycollins.com/briefings/social-value-and-public-procurement-legal-guide)).

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# LIST OF ABBREVIATIONS AND ACRONYMS

ACS	Anthony Collins Solicitors
BCC	Birmingham City Council
CEiS	Community Enterprise in Scotland
CSR	corporate social responsibility
CWM	Constructing West Midlands
EAT	Employment Access Team
EU	European Union
GHA	Glasgow Housing Association
JBG	Jobs & Business Glasgow
JRF	Joseph Rowntree Foundation
KPI	key performance indicator
NEET	not in education, employment or training
NHSGGC	NHS Greater Glasgow and Clyde
NR	Network Rail
NRT	Neighbourhood Renewal Team
OJEU	<i>Official Journal of the European Union</i>
PPFJS	Procurement Policy Framework for Jobs and Skills
PQQ	Pre-Qualification Questionnaire
SEUK	Social Enterprises UK
SIMD	Scottish Index of Multiple Deprivation
SMEs	small and medium-sized enterprises
UK	United Kingdom

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# EXECUTIVE SUMMARY

## Context

- The United Kingdom (UK) is experiencing a growth in poverty and a decline in social mobility and this is likely to continue even as the economy improves. The inclusion of targeted recruitment and training opportunities in public contracts can make a contribution to addressing these issues. This report draws on case studies and good practice to show how this can be done in a way that is compatible with UK and European Union (EU) procurement rules and good procurement practice.

## Policy basis

- Tackling poverty through employment is an essential part of sustainable development. Personal wellbeing, social cohesion and inclusion, and ‘opportunities for all’ are part of the UK’s principles for sustainable development that should be considered by all contracting authorities, not just those that have a ‘poverty brief’. Targeted recruitment and training and procurement that is ‘friendly’ to small and medium-sized enterprises (SMEs) should therefore be a key consideration in sustainable procurement.
- The current processes for ‘sustainable procurement’ in England are relatively weak on these ‘social issues’ that can help to address poverty: the governments in Scotland and Wales have more developed policies and practices.

### **Glasgow Housing Association (GHA) housing improvement contracts**

1,158 apprentices and trainees obtained 60,000 weeks of employment – 11.4% of the total labour used – with 48% of the opportunities taken by residents of areas of Glasgow with the highest levels of deprivation.

### **Library of Birmingham construction contract**

A total of 306 jobs for Birmingham residents was obtained – including 82 apprenticeships – with 54% of opportunities taken by residents of Birmingham City Council’s priority areas.

Source: GHA and Birmingham City Council case studies  
(see Appendices A and B)

- The Public Services (Social Value) Act 2012 has the potential to improve the position in England, but is limited in its scope: it does not cover construction contracts and smaller services contracts. The scope can be widened through the adoption of 'social/community benefit' policies as a part of the sustainable procurement policy of each contracting authority.
- The term 'social/community benefits' is used to refer to contract requirements that are *innovative* and aim to achieve social, economic or environmental benefits for a target community.
- Facilitation of change is a key element in innovation: it will be more effective if key parts of the delivery process are supported, encouraged and rewarded. Value Wales, a division of the Welsh Government, provides good examples of how this can be done.

... the sustainable procurement duty is the duty of a contracting authority –

- (a) before carrying out a regulated procurement, to consider how in conducting the procurement process it can
  - (i) improve the economic, social and environmental wellbeing of the authority's area,
  - (ii) facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses in the process ...

Source: Scottish Government.  
Procurement Reform (Scotland) Bill 2013, section 9 (1)

## Good practice

- The case studies provide excellent examples of public bodies that have adopted policies and procurement processes that deliver social/community benefits that contribute to poverty reduction.

The social value framework is part of a wider programme of social growth that aims to create a more resilient community: one that is more able to thrive without full dependence on the council and its services. It applies to all relevant council activities, including in-house services and asset transfers, not just procurement.

Source: Knowsley Metropolitan Borough Council case study  
(see Appendix C)

- Current good practice has been developed in construction contracts, but this can be applied to services contracts albeit that work to develop suitable specifications and targets is required.
- Evidence shows that targeted recruitment and training requirements can be delivered at little or no extra cost and that the best contractors on a range of quality measures score highly on this requirement.

- Contractors are willing to deliver social/community benefits and get better at doing so over time, in part because they recognise the business benefits.

Recent tender exercises indicate there is also growing understanding and support for the [community benefits] approach from contractors: many find imaginative ways to meet the targets even where the nature of the work makes this difficult. In part this is because they have seen the business benefits: they get a better and more committed workforce and they are better able to compete for other contracts – which are common in the West of Scotland – that include employment and training requirements.

Source: GHA case study (see Appendix A)

- UK and EU procurement frameworks support the inclusion of social/community benefits in public procurement provided this is done in a way that does not disadvantage non-local bidders. This can be accommodated in the drafting of the specification, typically by requiring the successful contractor to work with named local agencies that make the links to the targeted community.
- EU Treaty requirements on the freedom of movement of labour do not prohibit public bodies from targeting their recruitment activity at selected areas, or agencies that work in a target area, or from asking their contractors to do likewise. Any named agency must be open to nationals of other EU countries and they must have equal treatment to UK nationals, but the agency can be proactive about getting registrations from a target community.
- In this context, the key to tackling poverty is the availability of local agencies that are committed to developing 'employability' within the target community and supporting employers in recruiting from this population.

A clear strength of Derry City Council's Kickstart to Work programme is the process for getting into the most disadvantaged communities and helping residents complete applications for opportunities coming through contracts. The volume of applications and successful appointments demonstrates the talent that can be found in disadvantaged communities.

Source: The Peace Bridge in Derry–Londonderry case study (see Appendix E)

- Social enterprises are good at delivering social/community benefits but they face barriers in competing for larger contracts. More will be achieved by including social/community benefit requirements in larger contracts that are mostly delivered by private companies.
- The barriers to social enterprise participation in public procurement exercises are similar to those facing all small companies. The provision of

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some smaller 'lots' within each procurement exercise is key to increasing tender opportunities for these companies.

- There is a widely accepted approach for including social/community benefits as contract conditions. Where an explicit policy has been adopted they can also be part of 'the subject of the contract' and used in the award of the contract.
- These contractual approaches are more robust than a voluntary/charter or 'corporate social responsibility' approach, where the contractor, rather than the client, decides what will be delivered and what outcome information is provided.

Powys County Council agreed to procure its £4.6 million housing improvement works through a Framework Agreement divided into eight categories covering the north and south of the county, for kitchen replacements, bathroom replacements, rewiring and internal decorations. Five out of eight contracts were awarded to local SMEs.

In two housing refurbishments in Cardiff, United Welsh piloted a direct management approach – purchasing the materials and then procuring local SMEs on a labour-only basis. This maximised opportunities for local businesses and workers, provided the client with better control of the development process, and produced a 20% cost saving.

Source: Chapter 4, section 'Procuring through lots' and United Welsh case study (see Appendix D)

## The 'one in a £ million' challenge

- A very significant impact on poverty and social mobility would be achieved if all of the public sector in the UK committed itself to generating 'one year of work for a person from a target community for each £1 million in contract value', with a strong focus on targeting people who are the most disadvantaged in the labour market.



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# 1 ADDRESSING POVERTY AND IMPROVING SOCIAL MOBILITY THROUGH PUBLIC PROCUREMENT

## Skills, employment and poverty

### **Underemployment**

The number of underemployed people in the first half of 2012 was 6.4 million, comprising three groups: unemployed people (2.6 million); economically inactive people who want to work (2.4 million); and people working part time because they cannot find full-time work (1.4 million).

### **Young adult unemployment**

A million young economically active people aged 16–24 were unemployed in the first half of 2012, that is, 22% compared with 6% for those aged 25–64.

### **Unemployment dynamics**

Although the number of people claiming Jobseeker's Allowance at any one time has been around 1.6 million, 4.8 million people claimed the benefit at some point between April 2010 and April 2012.

Source: Aldridge *et al.* (2012)

Recent research supported by the Joseph Rowntree Foundation (JRF) has sought to understand the causes of poverty and project future patterns, using the European measure of poverty – that is, individuals or households with an income that is less than 60 per cent of median household income.<sup>1</sup> This research can be downloaded from the JRF website – [www.jrf.org.uk](http://www.jrf.org.uk) – and shows the following:

- poverty in the UK is rising and is likely to continue to do so (Institute for Employment Research, 2012);
- in part this is explained by a dual labour market, with an expansion of well-paid 'knowledge-based jobs' and low-paid 'service jobs', and fewer middle-income jobs, but it is also explained by the increasing gap between benefits and wages as benefits are cut (Institute for Employment Research, 2012);
- in-work poverty is the most distinctive characteristic of current poverty (Aldridge *et al.*, 2012);
- limits to the hours of work available, rather than low pay, is the main issue among working households in poverty (Harkness *et al.*, 2012).

While the research demonstrates that the causes and patterns of poverty are complex, it also reinforces the view that obtaining skills and work experience is the best route to help individuals and households escape poverty (Taylor *et al.*, 2012a, 2012b). This holds true across a range of qualification levels. For example, people with basic literacy and numeracy do better than people without this basic education; and people with degree-level education do better than others. However, these positive outcomes are not guaranteed: people with low-level skills do not necessarily progress to higher-skilled and more stable employment; and a significant proportion of graduates do not enter 'graduate employment' (Taylor *et al.*, 2012a). Explanations for this include:

- variations in social skills and networks;
- the state of the labour market in and around the area where the person lives;
- different capacities to move between labour markets;
- the impact of job availability on the working culture of an area: if there are few jobs then the expectation of progressing through work declines.

Work on the 'geography of poverty' has identified two explanations for concentrations of poverty:

- areas that were built to house low-paid workers (including traditional low-quality terraced housing and later 'social housing') where low rents and the allocation policies for social housing result in concentrations of residents with low skills and/or other barriers to employment (such as being disabled or a single parent);
- areas that have declined over time because of a loss of industry, and where declining rent levels and poor-quality housing mean that they attract residents with few other housing options (Harkness *et al.*, 2012, pp. 23–5).

An important implication of the evidence is that people's life chances are determined in part by personal circumstances, but also by factors outside of their control. The latter include:

- the overall number of jobs in the area where they live;
- limited mobility because of housing and transport costs;
- the number of jobseekers in the labour market.

In an area with few jobs, the competition for lower-skilled opportunities will include skilled people 'trading down', including potentially those migrating from other areas. This is a key factor in rising youth unemployment.

For the least educated or those who are unlucky enough to experience long periods out of work, it becomes increasingly hard to get the break that opens the door to the labour market. This locks many young people out of work for long periods and raises concerns over 'scarring' effects, where a period of unemployment or deprivation damages future employment and wages prospects.

Source: Harkness *et al.* (2012)

The JRF-supported research referred to above chimes with the conclusions of the Social Mobility and Child Poverty Commission in its *State of the Nation 2013* report (SMCP Commission, 2013). This describes social mobility as 'a part of Britain's DNA' (SMCP Commission, 2013, Foreword), perhaps because it provides a way of justifying very significant income and wealth differentials within a democratic society: fairness is achieved when everyone has a chance to achieve the higher incomes through education and employment. The accepted goal is equality of opportunity rather than equality of outcome.

The *State of the Nation 2013* report identifies the following as the keys to social mobility:

- good parenting;
- access to education and skills;
- the provision of high-quality jobs with decent levels of pay;
- opportunities to develop wealth.

Public procurement cannot contribute to all of these elements, but the targeting of job and training opportunities that arise from public procurement so that they increase opportunities for the most socially disadvantaged will help to increase social mobility in Britain.

Britain remains a deeply divided country. Disadvantage still strongly shapes life chances. A balanced economic recovery, between different parts of Britain, is not currently within reach. If, as seems likely, the recovery sees the trend of the last decade continuing, where the top part of society prospers and the bottom part stagnates, inequality will grow and the rungs of the social ladder will grow further apart.

Source: SMCP Commission (2013, Foreword)

## Sustainable development

Unemployment, underemployment, skills and productivity (i.e. training plus work experience) are therefore key issues in addressing poverty in the UK. Addressing poverty and providing opportunities for social mobility are key elements of 'social inclusion' and 'wellbeing', which are part of an overarching UK policy on sustainable development that all elements of government in the UK should address. There are economic and moral arguments for this. The economic case is that the UK cannot expect to compete globally if it does not maximise the potential contribution of all of its population: to rely on inward migration (as perhaps it does too heavily at present) implies

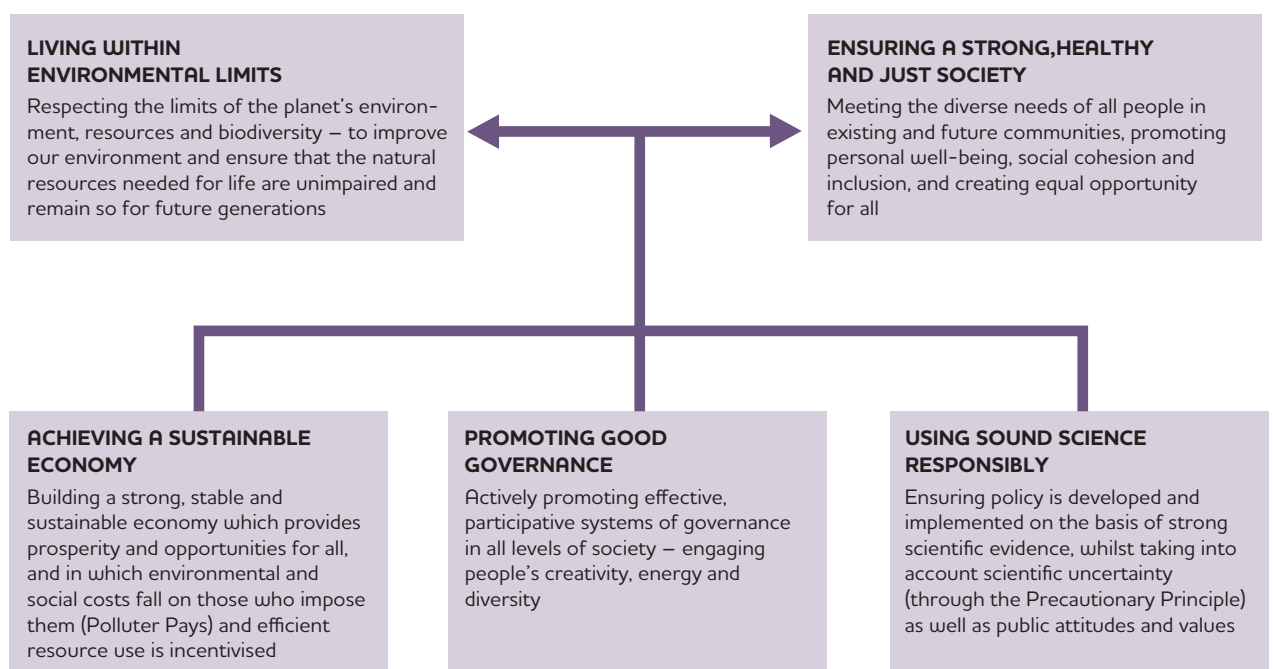
unnecessary increases in social expenditure on housing, schools, health services etc. (for the rising population) and the risk of upward pressure on wage costs in order to compete for scarce skills in a global economy. There is also a moral argument for taking action to alleviate underemployment: if the government is cutting public sector jobs and reducing out-of-work benefits in order to 'make work pay', then it is morally obliged to do everything it can to ensure that there are employment opportunities that are available to the people and families who will be most impacted by these changes. These include, in particular, individuals with low skills and little work experience, many of whom live in social housing.

The UK's sustainable development framework is reflected in the following sustainable development indicators that all departments should be reporting on:

- economic prosperity, including median income;
- long-term unemployment: proportion of adults who are unemployed for over 12 months;
- poverty: proportion of children who are living in low-income households;
- knowledge and skills: human capital (Defra, 2013).

In the UK government and England the main responsibility for overseeing sustainable development rests with the Department for Environment, Food and Rural Affairs (Defra). Government information makes clear that all departmental business plans 'should contain actions that contribute to sustainable development' (Government UK, 2013). There is also an established Flexible Framework that provides advice for departments on the steps that should be taken to implement sustainable development, including the training of staff, the adoption of policy and implementation through the procurement process (Defra, 2011). These policies and guidance notes provide a means for adopting anti-poverty measures such as target recruitment and training in sustainable procurement, but at present the focus at the delivery stage is on

**Figure 1: UK shared framework: principles for sustainable development**



Source: Scottish Government (2005, p. 8)

'green procurement' rather than social/community benefits. This is a weakness that needs to be addressed, perhaps through leadership from departments with a particular interest in employability, social inclusion and place-based poverty such as the Cabinet Office, the Department for Communities and Local Government and the Department for Work and Pensions.

In Scotland and Wales the policy position and the commitment to using procurement to help achieve social justice are stronger, and there is experience of incorporating targeted recruitment and training requirements in public contracts, including government contracts.

The Scottish sustainable development strategy (Scottish Government, 2005) refers to employment as a key element of wellbeing, and this is carried into a Sustainable Procurement Action Plan (Scottish Government, 2013), which includes annexes dealing with social and economic benefits. This commitment is strengthened in the Procurement Reform (Scotland) Bill 2013, which includes a sustainable procurement duty that includes social, economic and environmental wellbeing and opportunities for SMEs (section 9), and a requirement that each contracting authority must have a procurement strategy that includes a statement on the use of community benefit requirements (section 5 [b]). The Scottish Government has also published a report on community benefits in public procurement along with a guidance note (Scottish Government, 2008a, 2008b) and has commissioned consultants to help develop procurement practice in relation to community benefits and market opportunities for the third sector.

In Wales the Procurement Policy Statement (Welsh Government, 2012) includes community benefits as one of nine 'policy principles', with the Welsh public sector expected to 'apply community benefits to all public sector procurements where such benefits can be realised' and report outcomes to the Welsh Government for all contracts over £2 million. To support this objective it has:

- adopted milestones to support and strengthen the roll-out of this policy across public sector organisations in Wales;
- provided 'operational support training' on community benefits for the public sector: 16 events involving 250 participants so far;
- provided a web-based 'community benefits mailbox' where procurement teams can post questions and get advice from Value Wales – the procurement service for the Welsh Government;
- developed wording to be included as grant conditions requiring the achievement of community benefits;
- supported the revision of the CAN DO toolkits to bring these in line with current Welsh Government policy;<sup>2</sup>
- developed a community benefits measurement tool that will be used to monitor the work of the public sector in implementing the community benefits elements of the Procurement Policy Statement.

Recognising public procurement as a major lever the aim is to change the way business is done in Wales, helping the public sector deliver contracts that result in re-investment in local communities, providing opportunities that help disadvantaged people back into sustained employment and foster strong local supply chains.

Source: Value Wales Community Benefits Task and Finish Group (2012)

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The Welsh Government's community benefits policy won the UK Civil Service Awards' Procurement Award in 2012, which recognises good practice in public procurement.

In Northern Ireland, the Executive's Programme for Government 2011–15 states that all public procurement contracts will include social clauses, as a part of its sustainability objectives. This is being taken forward by the Central Procurement Directorate: work is in progress to implement the policy commitment.

## The Public Services (Social Value) Act 2012

In England and Wales there is a second rationale for public bodies to consider poverty and social mobility when undertaking procurement. The Public Services (Social Value) Act 2012 makes it a duty of all public bodies in England and some in Wales to consider what wider social value it could achieve when procuring services contracts (but not works or supplies contracts) that are covered by the Public Contracts Regulations 2006, and thereby provides them with a power to do so. Anti-poverty measures like those discussed in this report should be considered here, especially because they would also help achieve sustainable development and support government investment in pre-employment and job-matching activities.

As will be argued in Chapter 4, the provisions of the Act are very modest, but by adopting a suitable procurement policy they can be extended to a wider range of procurement. For example, it is understood that one reason why procurements that are subject to the influence of the Welsh Government have been excluded from the Act is because the policy and practice in Wales is already more comprehensive.<sup>3</sup> For example, community benefits must be a consideration in all public procurement, including supplies.<sup>4</sup>

## Using public purchasing to tackle poverty

In a context where in many areas there are far fewer job opportunities than jobseekers, how can people who lack skills and work experience hope to compete with jobseekers who can offer more skills and productivity? How can they 'get a start'? For those with family resources behind them and good social networks this may be through a period of voluntary work (e.g. internships), but people without these connections need entry-level employment opportunities where they compete with other new entrants to the labour market rather than competing with skilled/experienced workers.

The inclusion of targeted recruitment and training requirements in public contracts is one way of providing a pool of new-entrant opportunities. This would complement other labour market initiatives such as financial support for apprenticeships and vocational training, and pre-employment interventions such as the Work Programme, by generating more employment outcomes – especially for people facing significant barriers to entering the labour market. However, to maximise the impact on poverty the definition of a 'new entrant' has to ensure that opportunities are provided to people who would not otherwise be able to advance into the labour market. Being 'unemployed' is probably not a sufficient criterion since many potential beneficiaries would have the skills and experience to get a job after a few months without help.<sup>5</sup>

Other procurement approaches and requirements can also have a positive impact. Adopting an approach that maximises opportunities for local firms, including social enterprises that have a particular commitment to overcoming poverty and unemployment,<sup>6</sup> can result in:

- increased local employment;
- greater retention of apprentices and trainees;
- an improved impact on the local economy.

Specifying training requirements may also have a beneficial impact on poverty.

The case studies in this report demonstrate that by including appropriate targeted recruitment and training requirements in specifications and contract conditions, public bodies can use their purchasing to make a positive impact on the employment prospects for disadvantaged communities.

For people with low educational achievement and others with ‘barriers to employment’, getting a job with training can significantly improve their life chances and those of their families, especially in a context where out-of-work benefits are being reduced (Taylor *et al.*, 2012a). While this holds true across all types of jobseeker, the benefits will be maximised where ‘sustainable procurement’ is used to create additional opportunities that are targeted at people who are least able to obtain these opportunities without this public sector intervention.

**GHA** obtained 60,000 weeks of employment – 11.4% of the total labour used – with 48% of the opportunities taken by residents of areas of the city with the highest levels of deprivation.

**Library of Birmingham construction contract**

A total of 306 jobs for Birmingham residents were obtained – including 82 apprenticeships – with 54% of opportunities taken by residents of the council’s priority areas.

Source: GHA and Birmingham City Council case studies  
(see Appendices A and B)

Work with Manchester City Council demonstrates that 25 pence in every £1 of procurement spend was re-spent in the city through local workers and a local supply chain. If this impact was achieved across the average £172 million in local authority spend in England, Wales and Scotland, this would result in £43 million being spent in the local economy of the purchasing authority.

Source: Centre for Local Economic Strategies (2013)

## The ‘one in a £ million’ challenge

Sustainable development provides a clear policy-to-practice line that public bodies can take if they wish to use their procurement to make a contribution to tackling poverty in the UK. There is a commitment to this in Scotland and Wales and an emerging approach in Northern Ireland, but there is

much more potential for the UK government to use a wider ‘sustainable procurement’ approach to help achieve a ‘just society’. In the context of the rising concerns about poverty and social mobility and the problems facing lower-skilled and less experienced workers in the labour market – including many young people – the ‘just society’ elements of sustainable development should be given a higher priority in public sector purchasing across the UK. This would be in line with the developing procurement policy in the EU that recognises the importance of common societal goals (European Commission, 2010).

‘[Contract performance conditions] ... may in particular be intended to favour on-site vocational training, employment of people experiencing particular difficulties in achieving integration, to fight against unemployment or to protect the environment.’

Source: EU Consolidated Procurement Directive 2004, Recital 22

A very significant impact on the lack of opportunities could be achieved if each public body committed itself to generating one person-year of work for a ‘targeted new entrant to the labour market’ for each £1 million it spent in works or services. The case studies indicate that this is achievable across a range of works contracts, and in many services contracts it would be more easily achieved because a greater proportion of the contract sum is spent on labour costs.

In this context, the definition of a new entrant trainee is important. The more this definition restricts the benefits to people who do not have the skills or work experience to get a job and keep this until they are able to sustain themselves through the labour market, the greater the impact will be on poverty and social mobility. The GHA and Birmingham City Council case studies illustrate a tight definition, but in other case studies the definition allows unemployed people with skills and experience to be recruited to new entrant trainee positions.<sup>7</sup> This makes it harder for people who need to develop their skills and productivity through a period of work to ‘get a start’.

The case studies demonstrate that contractors can and will react positively to a purchaser’s employment requirements. What is sometimes absent is the willingness of procurement teams to include these social inclusion requirements in their procurements – possibly because it is not perceived as a priority. This needs to change.

‘The Kickstart to Work employment programme really helped me. After being out of work for a while, they helped me to pick myself up again and gave me the confidence to enroll in night classes for book-keeping and payroll. I have now graduated and already started a part-time degree in Business Administration. I am still employed by Graham Construction.’

Aishleen McLaughlin – recruited to work on The Peace Bridge

Source: The Peace Bridge in Derry–Londonderry case study (see Appendix E), originally quoted in Derry City Council (2013)



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# 2 INTRODUCING THIS REPORT

## Background

This report is a follow-up to *Achieving community benefits through contracts: Law, policy and practice* (Macfarlane and Cook, 2002), which was commissioned by the Joseph Rowntree Foundation and published in 2002. It aims to update the law, demonstrate outcomes and good practice, and reflect on the implications for delivering 'social value', which is now a consideration for all public sector bodies in England, and many in Wales, when procuring some services.<sup>8</sup>

As the original report made clear, there is a long history of social issues being incorporated in public procurement.<sup>9</sup> However, the effectiveness of this action is sometimes questionable because of poor understanding and advice, poor specification of what is required, and then a lack of monitoring and enforcement. Without attention to each of these elements, the impact of using a social clause may be limited.

This report aims to provide information that will expand and improve the use of social clauses in UK procurement. While it contains some further policy information and practical examples, some elements of the report are detailed and technical in nature because intervention in procurement has to be done carefully in order to comply with legal and policy frameworks and achieve the intended outcomes.

## Terminology

The term 'community benefits' was used in the 2002 publication – and is now widely used in Scotland and Wales – because the UK government was more comfortable with the term than 'social clauses'.<sup>10</sup> In 2006 the UK government used the term 'social issues in purchasing' (Office of Government Commerce, 2006)<sup>11</sup> and finally in the Public Services (Social Value) Act 2012 (hereafter referred to as the Social Value Act) the term 'social value' is used to refer to economic, environmental and social benefits<sup>12</sup> to the area of operation of the procuring authority, excluding areas outside of the UK.

The UK government's procurement policy note on the Social Value Act (Cabinet Office, 2012b) also introduces the concept of 'additionality'. Much existing procurement aims to deliver wellbeing (e.g. social care and training/job-matching contracts). 'Social value' therefore implies something additional: innovation relative to earlier practice. It follows that requirements that

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start off as a part of social value/community benefit may, in time, become a normalised part of what is being purchased. This has already occurred in relation to many 'environmental' requirements, for example:

- recycling;
- improved insulation;
- energy efficiency;
- reductions in emissions.

So in this report the term 'social/community benefits' will be used. This can be defined as follows:

'Social/community benefits' are outcomes that will provide social, economic or environmental benefits for a target community that are linked to the other elements in the contract and/or supported by the powers and policies of the purchaser but have not conventionally been specified as a part of the contract requirements.

This encompasses the definition of community benefits used in the Procurement Reform (Scotland) Bill 2013.

For the purposes of this Act, a community benefit requirement is a contractual requirement imposed by the contracting authority –

- a. Relating to
  - (i) Training and recruitment, or
  - (ii) The availability of sub-contracting opportunities, or
- b. Which is otherwise intended to improve the economic, social or environmental wellbeing of the authority's area in a way additional to the main purpose of the contract in which the requirement is included.

Source: Scottish Government. Procurement Reform (Scotland) Bill 2013, section 19

## A permissive approach to procurement

A key characteristic of public procurement in the UK is that purchasers are able to define what it is they want to purchase, within the context of their powers (i.e. their objects as laid down in statute and/or their constitution), and their adopted policies and procedures. This provides significant scope for innovation – subject to funding pressures and the threat of Judicial Review if actions are illegal, irrational or procedurally improper.

So, for example, a public body can decide whether its needs are best met by letting one large and comprehensive contract, or a series of smaller contracts each with a more narrow range of deliverables, or by recruiting an 'in-house' workforce as United Welsh Housing Association has done through its Celtic Horizons subsidiary (see Appendix D). Likewise, it can decide what mix of conventional and innovative requirements to purchase, with the latter including social/community benefits.

Government guidance and its local interpretation can have an important impact on the extent and pace of innovation. In relation to social/community

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benefits, the Scottish Government is ahead of the UK government because it operated a pilot programme from 2004 to 2008 and then published detailed good practice and positive guidance for public sector clients (Scottish Government, 2008a, 2008b). The Welsh government has also produced a community benefits buyer's guide (Welsh Government, 2011). However, the 'permissive approach' to public procurement allowed local authorities, social housing organisations and urban regeneration companies elsewhere to include social value and community benefits in their procurement procedures and contracts. The case studies in this report reflect some of this practice.

Experience of working with procurement teams on social/community benefits suggests that the rate of innovation in different areas is related to the message the relevant administration<sup>13</sup> wants to give, and then the clarity of the guidance published. This may reflect innate conservatism, or a concern that value for money in relation to what has been purchased conventionally may be threatened by the inclusion of social value/community benefit requirements that are considered 'inappropriate'. The latter is a subjective view that is often based on little knowledge of the proposed social/community benefits and runs against the principle that the purchaser is in the best position to decide what to buy with the available budget. The Welsh and Scottish Governments, and the local authorities in Birmingham and Knowsley (see Appendices B and C), provide examples of how to innovate to achieve greater use of social/community benefits in procurement.

In contrast, the UK government guidance is clear that only matters that are 'core requirements' (also termed as 'central to the subject of the contract' and 'the subject of the contract') should be used in the award of the contract (Office of Government Commerce, 2006, sections 4.2 and 6.3). Other requirements could be included as conditions relating to the delivery of the contract (Office of Government Commerce, 2006, section 4.5). However, the guidance does not make clear that a purchaser has the power to decide on the core requirements based on (for example) their powers, their legal obligations and their policies. The confusion created by this gap in guidance may have had a restricting effect on the inclusion of social/community benefits in procurement within UK government contracts.

The Birmingham City Council and NHS Greater Glasgow and Clyde case studies provide examples of procurement policies that create a power to treat social/community benefits as a core requirement.

During community consultation on plans for a new £842 million hospital complex in South Glasgow, NHS Greater Glasgow and Clyde identified work for local people and businesses as a key concern. It commissioned a Social and Economic Impact Study and subsequently adopted an Employability and Health Strategy. On the basis of this it sought to include 'community benefits' in the procurement process and contract.

Source: NHS Greater Glasgow and Clyde case study (see Appendix F)

In the context of this purchaser-led approach to public procurement, the Social Value Act is limited in its scope, especially since the duties imposed are merely to consider and consult. A more fitting approach would have been to require public bodies to adopt a policy setting out how they will maximise social/community benefits in their procurement, for example as an element in a broader sustainable procurement policy. The public body could then decide the range (e.g. works and/or services, and/or supplies) and threshold

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value of contracts to be included. The Birmingham case study and the Bath and NE Somerset example (see Chapter 4) are examples of this approach.

At the heart of the Social Value Act is the UK government's apparent willingness to embrace policy-led procurement. It is hoped that this will provide a catalyst for government departments and agencies to recognise their responsibilities – especially to the social justice and social mobility elements of sustainable development – to the places and communities they serve.

## Equalities and targeting UK residents

A barrier to target recruitment and training is an oversimplified interpretation of the EU Treaty requirements on the 'freedom of movement of labour' – i.e. residents of other EU countries having the right to work in the UK.

The EU freedom of movement requirements are directly enforceable against both public and private sector organisations. The key point to note is that targeting recruitment and training benefits at a particular locality does not impinge on an individual's freedom to move either within the country or more widely within the EU: the people within a locality who may benefit from targeted recruitment and training or other social/community benefit requirements could have originated from anywhere in Europe. The purpose behind a targeted requirement must be to benefit the community as a whole and tackle any areas of deprivation – not to discriminate on the basis of nationality or place of origin.

So the Treaty requirements on the freedom of movement of labour do not prohibit public bodies in the UK from targeting their recruitment activity at selected areas, or agencies that work in a target area, or asking their contractors and suppliers to do likewise. The key is that other EU nationals resident in the named area or registered with the named agency must be given equal consideration for vacancies as UK nationals. Any named agency must be open to nationals from other EU countries and they must have equal treatment to UK nationals. However, the agency can be proactive about getting registrations from a target community, perhaps in response to its policies and/or funding criteria.

This position does not mean that 100 per cent of targeted vacancies will be taken by people who are indigenous to the target area or community. However, the aim remains to fill vacancies from a local community – including with people living there who originate from elsewhere – and thereby to benefit that community as a whole.

In the context of discrimination it is also important to take into account UK equalities legislation as set out in the Equality Act 2010. The Act brought into force a public sector equality duty that requires all public bodies to, in the exercise of their functions, have due regard to the need to:

- eliminate discrimination (which could be either direct or indirect);
- advance equality of opportunity;
- foster good relationships.

This duty applies to age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. It is important to recognise that procurement and commissioning are ways in which a public body exercises its functions, and so commissioning activity is captured by this duty.

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There are some clear interfaces between seeking social/community benefits and complying with the public sector equality duty:

- procurement can recognise and respond to the diverse needs of communities, and social/community benefits and equalities issues can therefore align very well;
- procurement activity can be designed to enable contracting authorities to promote equality of treatment as a social/community benefit;
- including targeted recruitment requirements in contracts can make work on contracts more accessible, thus complying with the public sector equality duty, but care must be taken to ensure that the targeted community has a mixed population to avoid a risk of challenge for indirect discrimination;
- opening up opportunities to black and minority ethnic enterprises, SMEs, social enterprises and social firms can be a way of achieving social/community benefits while also taking into account equality issues;
- agencies with a role in delivering social/community benefits should have an equal opportunities policy and focus their work on communities with high levels of disadvantage;
- targets that are set using 'social exclusion characteristics' such as long-term unemployment, under-achieving young people, people who lack skills and accreditation, satisfy the demands of European law (and the requirement not to discriminate on the basis of locality) and also the public sector equality duty.

A new entrant trainee is defined as:

'a person leaving school, college, training etc., people that are over 6 months unemployed and seeking a job with training (i.e. because they are new to the sector), or people that are recognized as "new entrant trainees" but need a new position to complete their allotted time (156 weeks for an apprentice or 52 weeks for an 'other trainee').'

Source: Construction West Midlands framework contract  
(see Appendix B)

It should be noted that 'skills and experience' are not grounds for discrimination (as long as they are not clearly linked to age, gender etc.). Employers can select a workforce that has the skills and experience they need. On the other hand, they can also select new entrant trainees even though there may be skilled/experienced workers available in the labour market. This is important in a context where existing skilled workers can assume that they have a prior right to job opportunities.

## Transferring knowledge

Although there is a decade of experience of including targeted social/community benefits in public sector contracts in the UK, this is almost exclusively in construction contracts. However, in the context of the Social Value Act that is limited to services and some 'services plus works' or 'services plus supplies' contracts, it is important to provide advice that is relevant to contracting authorities – including for the first time many UK government departments and agencies – that have to implement this Act. In

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Wales, social/community benefits requirements are being included in supplies contracts.

The position in this report is that there are lessons and 'principles of good practice' that are derived from case studies of social/community benefits in works contracts that are relevant to services and supplies contracts. Much of this good practice can be taken directly from the six self-contained case studies (see Appendices A to F), but to simplify this the next three chapters provide a summary of how to maximise social/community benefits from public procurement in a way that complies with UK and EU procurement frameworks.

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# 3 KEY ELEMENTS OF GOOD PRACTICE

## Case studies

This chapter relies substantially on the six case studies presented in Appendices A to F, but also on three decades of working with public sector organisations seeking to use their procurement to achieve social benefit. The case studies were selected to reflect significant experiences in England and the devolved administrations. All but Knowsley focus on construction contracts – where most of the examples have been – and the intention in this chapter is to use knowledge gained from these works contracts to present good practice for the inclusion of social/community benefits in services contracts.<sup>14</sup>

Key characteristics of the case study organisations are as follows:

- GHA has one of the longest-running construction programmes that includes community benefits and answers some questions about setting targets and the impact on value for money (Appendix A).
- Birmingham City Council has led the way in implementing a mandatory Procurement Policy for Jobs and Skills, and has incorporated requirements in the Construction West Midlands framework contract (Appendix B).
- Knowsley Metropolitan Borough Council is a pioneer in developing a council-wide response to the Social Value Act (Appendix C).
- United Welsh Housing Association has split the procurement of materials from labour in works contracts to produce smaller value contracts that local SMEs can bid for, and developed an in-house works/training organisation that carries out maintenance works (Appendix D).
- Ilex, the Derry–Londonderry Urban Regeneration Company, has pioneered the use of community benefit clauses in Northern Ireland (Appendix E).
- NHS Greater Glasgow and Clyde has implemented the approach in a non-local authority context and sought to provide opportunities for social enterprises (Appendix F).

There are many other organisations that could have been used as case studies, and many would have an equally good tale to tell.

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## Adopting explicit policy

In Chapter 5 significant weight is given to the benefit of adopting a specific policy to support the treatment of social/community benefits in procurement. In part these policies provide a legal foundation for the inclusion of social/community benefits as 'core requirements' (see ACS, 2014, section 3.13), but as important is their role in developing the knowledge and commitment of staff and consultants whose support is needed in order to deliver the social/community benefits. So it is a part of the normal and necessary process of innovation.

The policy also gives notice to 'the market' of the wider social value that the purchaser is seeking to achieve through its procurement.

The Procurement Policy for Jobs and Skills was championed by Birmingham City Council's chief executive and corporate management team as a way of achieving the commitment in the Community Strategy and the Local Area Agreement to 'reducing worklessness and raising skill levels'. It was developed by senior officers from Regeneration, Corporate Procurement and Legal Services and establishes a position where Birmingham City Council can include jobs and skills as part of the subject of the contract and therefore part of 'best value', and in the award of the contract.

Source: Birmingham City Council case study (see Appendix B)

## Value for money and affordability

The core requirements of a contract reflect what the purchaser has decided to buy – including social/community benefits – and value for money (and 'best value' for a local authority) can properly reflect the cost of delivering all of the core requirements. Social/community benefits that are not 'core requirements' should not be part of the value for money decision, although they can of course improve the value for money being achieved.

However, the fact that social/community benefits are 'core requirements' does not in itself make them affordable, and a lot of the resistance to including these requirements may reflect a concern that budgets provided for what was traditionally purchased will now be spent, in part, on these 'innovations'. This can apply to the incremental extension of the specification (e.g. adding new tasks to a care services contract) as well as adding completely new requirements (e.g. adding targeted recruitment and training to a care services contract).

Affordability is not the only such concern. Procurement teams will also want to consider the potential impact on quality and timely delivery, although, as the United Welsh case study demonstrates (see Appendix D), there can be positive outcomes here also.

It is important to consider these other procurement issues when developing the specification for social/community benefit requirements, for example by:

- focusing on benefits that can be achieved by different ways of working rather than by additional requirements that could add cost;



- encouraging contractors to contact organisations (e.g. training, job-matching and business development agencies) that already have resources that can help deliver the social benefits;
- identifying additional budgets that can be used to fund the additional requirements.

Since the employment and training elements are part of 'the subject of the contract', the value for money assessment includes any costs associated with this element. However, if there is an additional cost it seems that this is not significant. Each year, GHA commissions external consultants to benchmark its major investment programme and this demonstrates that the association's costs are below national benchmark levels.

Source: GHA case study (see Appendix A)

## Drafting social/community benefit requirements

A key characteristic of social/community benefit requirements is that they are innovative: they extend the contract requirements beyond what has been procured conventionally. This implies a need to develop new text for the specification that:

- will achieve the social/community benefits, including local targeting;
- is measurable, or at least capable of comparative evaluation;
- will not disadvantage non-local bidders through their lack of local knowledge.

A common response to this is tender requirements that ask contractors how they will address the social/community aspirations of the purchaser. This assumes that bidders have knowledge of what will work best, which may not be the case and can result in responses that are long on positive rhetoric but short on measurable commitments. Another response is to utilise a package of requirements put together by another organisation, but do these really reflect the purchaser's priorities, especially around targeting?

The best results will be where a champion for the social/community benefit leads the work to draft the specification. Key elements of this role include:

- identifying colleagues or partners who have relevant knowledge and resources to commit to the work;
- identifying other organisations that have adopted similar requirements or prepared useful material;
- talking to existing or potential suppliers as part of the preparation for the tendering exercise – what have they learnt from earlier experiences?

Once the champion has collected examples and ideas, and perhaps partners to work with, they should consult their procurement team on how best to draft the requirements so that they are clear, measurable and provide a 'level playing field' for bidders.

At the tender stage, bidders had to submit a Targeted Recruitment and Training and Supply-chain Opportunities Method Statement that would achieve the following:

- 60 person-weeks of paid employment for a new entrant trainee per £1 million in invoiced contract value;
- every vacancy arising from the contract to be notified to the client for the contract;
- notification of all subcontract and supply opportunities to a portal site identified by the employer (e.g. Find it in Birmingham);
- registration of each new entrant trainee with the employer for contract monitoring purposes.

Source: Construction West Midlands framework contract. See Birmingham City Council case study (Appendix B)

In the construction sector the specification of targets for new entrant trainees<sup>15</sup> has been worked into a formula, and one firm of cost consultants has developed this into a database that uses the value and type of the construction contract, and a target percentage for trainees, to provide person-week targets for trainees by trade area for the contract. Value Wales is currently developing benchmarks for employment-related community benefits in construction contracts. This will help with setting minimum targets to be included in future Welsh Government grants.

For targeted recruitment and training requirements – including those in services contracts – the following questions may be useful in determining targets and identifying ‘partners’:

- What proportion of the contract value is used in wages and salaries to deliver the contract?
- How many full-time equivalent workers/trainees are required to deliver the contract, or what is the average wage cost per person (to calculate the number of full-time equivalent workers/trainees required)?
- What pre-recruitment training and accreditation is needed and who delivers this locally?
- Is there a ‘stock’ of local skilled/experienced workers available and/or is there a stock of local trained people seeking their ‘first job’? How is each group best recruited?
- How long does it take for a new entrant to become productive enough to cover their costs, including any training-related costs? For how long is a new entrant a new entrant?
- How many trainees can be used safely on a contract?

It will take time to develop the methodology for setting social/community benefit requirements in an appropriate and measurable way, but this is as necessary with these requirements as it is with the conventional elements of the contract. In construction there is now a good degree of established practice (see the GHA case study in Appendix A) because the pioneering work has been done, but there is very little experience of setting specifications for targeted recruitment and training and supply-chain opportunities in services contracts.

The Social Value Statement does not at this stage provide examples of texts that can be included in specifications. Instead, commissioners (i.e. client departments) and procurement officers, with support from the council's Social Inclusion team leading this work, develop these on a case-by-case basis, consulting clients and potential contractors as necessary. The intention is that examples will be collected and shared after a period of operation and more proactive work is then done to fill in the gaps.

Source: Knowsley Metropolitan Borough Council case study  
(see Appendix C)

However, one important lesson from the GHA case study is that the outcomes reflected the commitment and capability of the contractor more than the type of work they were delivering. Setting reasonable targets is important, but getting contractors' commitment and compliance is key to achieving the outcomes. And the evidence is that contractors get better with experience.

The improved quality of method statements received in recent tender exercises indicates there is also growing understanding and support for the approach from contractors: many find imaginative ways to meet the targets even where the nature of the work makes this difficult. In part this is because they have seen the business benefits: they get a better and more committed workforce and they are better able to compete for other contracts – which are common in the West of Scotland – that include employment and training requirements.

Source: GHA case study (see Appendix A)

## Facilitation

Facilitation is a critical element in innovation. It will be more effective if key parts of the delivery process are supported, encouraged and rewarded. The facilitation needs to happen at two levels:

- within the procurement/client team, at the pre-procurement, procurement and contract delivery stages;
- with the contractor and any external delivery partners they are working with.

This has resource implications that must be considered.

Birmingham City Council's Employment Access Team (EAT) supports the implementation of the employment and skills element within the procurement process from the outset, devising appropriate employment and skills contract clauses, evaluating tender responses, supporting the recruitment process, and monitoring and evaluating outcomes.

Source: Birmingham City Council case study (see Appendix B)

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In some of the case studies the support for the procurement team has come from within the organisation: in GHA it was the Neighbourhood Renewal Team; within Birmingham City Council it was the Employment Access Team. In other cases it has come through partner organisations: in Derry–Londonderry this was the city council’s Kickstart Team; for NHS Greater Glasgow and Clyde it was Jobs & Business Glasgow and the city council. External consultants may also play a key role, bringing detailed knowledge and good practice gained in other contexts.

The approach adopted by Value Wales was outlined in Chapter 1 in the section entitled ‘Sustainable development’, while in Scotland the government has appointed consultants to promote and support the roll-out of the use of community benefit requirements and the development of markets for ‘third sector enterprises’.

A similar pattern can be seen in facilitating delivery by the contractor. Again there are two stages:

- providing advice and support during the tender stage that helps contractors develop their methodology and price with an awareness of the local context;
- providing services to the contractor during contract delivery.

GHA named Jobs & Business Glasgow (JBG) as its preferred partner. During the bidding process, tendering firms are referred to JBG for information on recruitment services and funds that the contractor could potentially access if they take on trainees etc. JBG is acting as an adviser to potential contractors and not working on behalf of GHA.

Source: GHA case study (see Appendix A)

In the bidding stage it is likely that one support organisation will be approached by several bidders, perhaps because all are given contact information in the tender documentation. In this context it is clearly important that they provide similar information to all bidders and do not disclose confidential information from one bidder to others. Where organisations are new to this role they may require the procurement manager to provide clear guidelines.

In the contract delivery process, a key danger is that the support organisation does not give sufficient attention to the contract requirements, perhaps favouring their own organisational priorities. This can result in significant underachievement of the original policy intentions and where the facilitation organisation is within the purchasing organisation this can amount to an unauthorised change to the contract conditions.

In relation to targeted recruitment and training it could be argued that GHA has the strongest approach. It does not get involved in contractors’ recruitment processes but instead focuses its resources on recording and verifying outcomes. Its staff are not put under pressure by contractors to renegotiate the requirements as circumstances change, which may help explain the robust outputs over many years.

An unexpected problem may be the lack of willing partners that are prepared to support contractors and help deliver the outputs, perhaps because they see the ‘contract condition approach’ as a threat to their existing ‘goodwill’ relationships with contractors/employers.

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## Monitoring and reporting

It is important that the tender specification and contract conditions set out what monitoring information is required, and at what intervals. However, to be useful the client needs to have the means to assess and respond to the information, and too often this is not the case.

GHA employs a person full time on this activity. At the earliest stage they set up a computer system for data management and analysis. Quarterly data from each contractor is fed into this and reports are produced. These are discussed at director level within GHA, and action is taken at a senior level to ensure that contractors address any underachievement.

A key issue here is resources. Monitoring and reporting are important, but they are expensive for both the client and the contractor. In response, client organisations could consider:

- limiting the range of social/community benefits they seek – prioritise one or two;
- limiting the information that is required from contractors to assess outcomes;
- obtaining other data on a one-off basis (e.g. registration of new entrant trainees) which may allow the client to verify outputs and produce information on beneficiaries.

One implication of this is that it may be impractical to collect the range of data that is required to implement ‘social return on investment’<sup>16</sup> or the Local Multiplier 3 (LM3)<sup>17</sup> measure of social impact – which may be useful in establishing the case for including social/community benefits in procurement but impractical in the routine monitoring of contracts.

It is understandable that governments would want to collect data on the outcomes from a policy of including social/community benefits in a wide range of public procurement. For example, Value Wales has developed a Community Benefits Tool – effectively a monitoring report – which has to be completed for contracts valued at £2 million or above.<sup>18</sup> This collects output data for ten sustainable development measures from clients and contractors/suppliers, and uses a local multiplier to measure the impact on the economy of Wales. However, how well the data is verified will depend on the contract management team.

One danger of adopting a standard monitoring document that covers a range of potential social/community benefit requirements is that procurement teams may use this in drafting future specifications, leading to an overload of requirements! Value Wales emphasises that its data collection form is a menu rather than a list of what should be included: procurement teams should consider what social/community benefits are appropriate for the contract to be procured and will deliver added value for the local community.

Also, national monitoring/reporting arrangements necessarily focus on quite wide areas (e.g. the Value Wales approach is seeking to collect information on the benefits to Wales) whereas the monitoring of outcomes for an individual contract may want to be more fine-grained and locally focused.

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# 4 DELIVERING 'SOCIAL VALUE'

## Transferring lessons

The above material suggests that there are transferrable lessons from the extensive use of social/community benefits in works contracts for the implementation of the Social Value Act in services contracts, including the following:

- select a small number of requirements that properly reflect the social/community issues to be addressed;
- establish support and training for procurement teams, and implementation support for contractors;
- commit time to researching how to draft appropriate and measurable requirements and key performance indicators (KPIs) for the specification/contract conditions;
- set up monitoring and reporting systems early in the process, and use resulting information to enforce the contract conditions;
- watch out for 'policy drift' – a loss of the intended outputs over time because the arrangements for targeting the intended beneficiaries are not robust or get skewed to meet the priorities of delivery support organisations;
- consider how each of the above activities will be resourced, either internally or through partner organisations.

Some of these lessons are reflected in the draft Social Value Procurement Policy being considered by Bath and North East Somerset Council.

The Council's initial priority is to implement this Social Value Procurement Policy in relation to targeted recruitment and training and targeted supply-chain opportunities. Implementation will be extended to other social value outcomes where the following tests are met:

- seeking added social value outcomes appears to the Council to be likely to improve the economic, social and environmental well-being of the Council's administrative area or any part of it;
- the Council has access to appropriate expertise in the 'social value outcomes' to be secured, either internally or through a partner

organisation, so that proper support can be given to both the procurement team and service teams during the commissioning process and in the delivery of the contract;

- the potential benefits to the Council or to the target community justify any additional work and expense incurred by the Council;
- the proposed requirements are affordable; and
- the social value outcomes are not inconsistent with the Council's wider policy goals (including the Sustainable Communities Strategy and the Procurement Strategy), and/or the Council has identified the outcomes as a specific policy goal.

Source: Bath and North East Somerset Council, draft policy

## Social value and social enterprise

A number of umbrella organisations within the third sector<sup>19</sup> have sought to emphasise the social/community benefits that the sector can deliver. This has been important in winning support for the Social Value Act in England and Wales. However, in terms of procurement processes social enterprises must bid for contracts in the same way as any other organisation. Once a procurement has been started, a contracting authority cannot favour any type of organisation.

A purchaser's decision to procure social/community value may improve a social enterprise's chances of bidding for a public contract successfully, because they may be better equipped to deliver this element of the outcomes. However, the NHS Greater Glasgow and Clyde case study (see Appendix F) shows that if a contract or subcontract is critical to the delivery of the works/services,<sup>20</sup> the purchaser and main contractor will probably want to impose conditions that will ensure that its 'critical path' outcomes can be met. These conditions may not be acceptable to the social enterprises in the market.<sup>21</sup>

The objective of providing subcontract opportunities for local social enterprises has been difficult to achieve. This indicates that good intentions may not be sufficient to enable social enterprises to take on commercial subcontracts within the construction sector. The latter will also need:

- an appropriate operational model, including a reliable and adequately skilled workforce;
- the financial resources to commit to the contract terms and the associated risks;
- the management skills to prepare a robust costing and subsequently manage the delivery within budget;
- established quality and environmental practices.

Source: NHS Greater Glasgow and Clyde case study (see Appendix F)

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For some services, third sector organisations are already major suppliers. This includes many health and social care services where large charities, universities and hospitals are already key providers and have sufficient capital and track record to bid for larger contracts. However, these may not be considered 'social enterprises' by Social Enterprises UK (SEUK) since the majority of their income is not obtained by trade (Social Enterprises UK, no date).

Government data suggest that there are 68,000 social enterprises in the UK, but the government's definition is wider than SEUK's and its data suggests that 97 per cent of this wider category are micro firms and small firms.<sup>22</sup> So when it comes to attracting social enterprise bids for a particular contract in a particular area, the number of suitable bidders – even for carefully selected packages of work – may be very small. And the number will fall as the size and scope of the contract increase.

In this context it is important for public bodies to focus on the additional social/community benefit they seek rather than on the capacity of social enterprises to deliver. More social/community benefits can be achieved by intervening in larger contracts that are mainly delivered by the private sector and some large third sector organisations than by focusing solely on potential 'social enterprise contracts'. One lesson from GHA is that private sector organisations – and perhaps especially the larger organisations – are adroit at adapting their delivery when the market requires social/community benefits to be delivered.

What is critical for social enterprises are the barriers to their participation that result from:

- the scale and value of contracts being let;
- the technical and financial criteria that they have to satisfy.

In this they share common cause with other SMEs.

## SME-friendly procurement

The provision of contract opportunities for SMEs<sup>23</sup> has been the subject of concern within the 'public procurement community' and has generated research, recommendations and initiatives. The Glover Report – *Accelerating the SME economic engine* (HM Treasury 2008) – collected and commissioned relevant research and reflects the key rationale for government in promoting opportunities for SMEs: increasing competition that will lead to better value for money for the public sector in the longer term.

In this literature the problems for SMEs are identified as:

- accessing information on forthcoming opportunities;
- pre-qualification: too much information is required and there is too little standardisation across the public sector;
- 'aggregation' (combining similar requirements into a larger contract) and 'bundling' (putting together different requirements into a larger contract) results in larger contracts that are beyond the scope of SMEs (and especially micro and small enterprises) to deliver e.g. because they do not have the financial backing or track record.

The 'solutions' proposed to overcome these barriers for SMEs typically include:



- advertising contract opportunities through websites, and increased e-procurement;
- pruning and standardising the pre-qualification information requirements;
- reversing the trend towards aggregation and bundling;
- encouraging main contractors to advertise their subcontract and supply opportunities;
- increased use of outcome-based specifications and procurement processes that encourage innovation.

## Procuring through ‘lots’

While progress on some of these recommendations has been made, the trend towards the aggregation of contracts continues, especially in the environment of year-on-year budget cuts for the public sector. In this context the key to generating more opportunities for a local supply chain – including social enterprises – relies on purchasers breaking contracts into ‘lots’.

### Using frameworks for maximising opportunities for SMEs – Powys County Council

To achieve its commitment to support the local economy, Powys County Council agreed to procure its £4.6 million housing improvement works through a Framework Agreement. This was divided into eight categories covering the north and south of the county, for kitchen replacements, bathroom replacements, rewiring and internal decorations. Contracts were issued in these eight categories over the next four years with an annual expenditure of each contract typically under £400,000.

Through this process, three contracts were awarded to larger and non-local suppliers, and five were awarded to local SMEs, where ‘local’ is defined as based in Powys or an adjoining authority.

The council also procured framework contractors for property maintenance and construction jobbing and small projects with a value of less than £25,000. The framework has four lots: two for ‘jobbing works’ (north and south) and two for small projects. To provide service managers with appropriate local options, 61 contractors have been appointed to the frameworks, of whom 59 are ‘local’ and most are SMEs.

Source: Unpublished case study

Some public bodies such as Powys County Council have been successful in enabling the continued participation in contract delivery by local SMEs through the use of ‘lots’. Others have achieved this by splitting their contracts in other ways. For example, United Welsh Housing Association decided to procure the materials and main components (e.g. bathroom and kitchen fittings) for the refurbishment of a sheltered housing development separately from the labour to build and install these.<sup>24</sup> This meant that the value of each supplies or labour contract was much smaller and therefore viable for local SMEs to bid for. United Welsh recognised that it needed more

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in-house staff to manage the procurement and development, but calculated that the savings it could achieve by purchasing the materials and components direct meant that the approach would deliver better overall value for money as well as supporting local firms and jobs.

In two housing refurbishments in Cardiff, United Welsh piloted a direct management approach – purchasing the materials and then procuring local SMEs on a labour-only basis. This maximised opportunities for local businesses and workers, provided the client with better control of the development process and produced a 20% cost saving.

Source: United Welsh case study (see Appendix D)

In one London Borough of Haringey contract the challenge of procuring and managing multiple suppliers was contracted out. This contractor was tasked with procuring a range of small and medium-sized employment agencies – many of which would be local – and then managing the distribution of recruitment requests to these. This enabled the council to establish a better quality of supply, and standard terms and conditions for suppliers, while maintaining the business opportunities for many small local agencies – including many minority-ethnic-owned businesses – within the borough.<sup>25</sup>

As the above examples demonstrate, it is possible to develop a procurement process that allows a contracting authority to aggregate demand, but disaggregate the supply. Contracts that include ‘lots’ may also include social/community benefit requirements and it seems likely that this combination – smaller contract options and the inclusion of social/community benefits – will maximise opportunities for social enterprises.

In this context it seems strange that the Social Value Act only applies to larger services contracts. Many of these will be considered too small to break into ‘lots’, but too large for most social enterprises to realistically bid for.

## Addressing poverty and improving social mobility through procurement

The material in this report demonstrates that including social/community benefits in contracts can deliver significant additional value and that over the last decade a substantial body of good practice has been developed, mainly in works contracts. The lessons learnt can be applied to services and supplies contracts at a general level, but in each sector there will be a need to develop skills and experience in drafting and facilitating social/community benefit requirements.

“Our social objectives have one main aim: to put money into the pockets of local people through the investment made by the organisation in its development and maintenance programmes.”

Source: Richard Mann, Director of Development, United Welsh Housing Association

Perhaps the most important and transferable lesson is that the best outcomes will be achieved where the principles of good procurement

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are applied to the social/community benefits requirements, including the following:

- adopt a clear and ideally measurable specification;
- select a list of bidders to tender who have experience and/or commitment to delivering the requirements;
- give weight to the social /community benefit requirements in the award process;
- enforce the contract requirements.

These principles will be easiest to apply where the requirements are a part of the subject of the contract, i.e. a core requirement. This can be widely achieved by the purchaser adopting an explicit corporate policy on what social/community benefits it will seek from its procurements so that these can be considered core requirements (see the Birmingham City Council, Knowsley Council and NHS Greater Glasgow and Clyde case studies – Appendices B, C and F).

The construction case studies suggest that approximately 50 per cent of the beneficiaries of the target recruitment and training requirements came from localities with high levels of deprivation. This use of public procurement to help address poverty relies on three interventions in the contracting process:

- understanding what is required to make a difference to poverty and using this in the drafting of the specification and contract conditions;
- identifying a ‘supply chain’ of organisations that help the contractor to deliver the requirements;
- the collection of monitoring data and using this to enforce the relevant contract conditions.

The impact of the approach will be weakened if these interventions are not in place, which can lead to:

- a drift in objectives: what is included in the specification will not really impact on poverty and social mobility;
- a drift in outcomes: these seem to be achieved, but deeper analysis shows that the actual beneficiaries are not those that were intended;
- disappointing results: the contractor and supply chain are not actually required to deliver the social/community benefits elements of the contract.

There are three characteristics of a good social/community benefits ‘system’ that can help avoid this ‘drift’:

- high-level leadership within the purchasing organisation that is committed to using procurement to achieve reductions in poverty and improvements in social mobility;
- a ‘systems approach’ whereby the use of social/community benefits requirements to address poverty and improve social mobility becomes a part of ‘business as usual’ for the procurement team;
- delivering support to contractors in-house or through partners that share the aim of bearing down on poverty and improving social mobility.

The last of these has resource implications that are likely to get more critical as purchasers face further public sector cuts.

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A clear strength of the Derry–Londonderry approach is the process for getting into the most disadvantaged communities and helping residents complete applications for opportunities coming through contracts. The volume of applications and successful appointments demonstrates the talent that can be found in disadvantaged communities.

Source: The Peace Bridge in Derry–Londonderry case study  
(Appendix E)

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# 5 PROCUREMENT METHODOLOGIES

## Legal frameworks

The legal and policy frameworks for public procurement in the UK are derived from:

- the EU Treaties that set out requirements for all procurements, and the Procurement Directive that sets out specific obligations for procurements with an anticipated value that exceeds financial thresholds (see ACS, 2014, section 3);
- the various Procurement Regulations that incorporate the Directive into UK law and cover England and the devolved administrations in Wales, Scotland and Northern Ireland;
- procurement policy and guidance issued by the UK government (currently the Cabinet Office) and devolved administrations.

These frameworks are typically interpreted through procurement policies and financial regulations adopted by individual public bodies. These guide the procurement activity within the organisation and reflect its powers, obligations and wider policies.

A summary of the legal frameworks prepared by Mark Cook and colleagues at Anthony Collins Solicitors (ACS), who have been at the forefront of discussions about how to incorporate social/community benefit into public procurement since they developed the approach in the 2002 JRF report, is provided separately – see *Social value and public procurement: A legal guide* (ACS, 2014).

Despite a degree of common ground on how to incorporate social/community benefits in the guidance coming out from the UK government and the devolved administrations, it is common to experience very conservative advice on this subject from solicitors in both the public and private sectors. This is inhibiting the development of practice and the achievement of outcomes for communities. So in this chapter the primary aim is to set out three clear pathways for procuring social/community benefits and to explain how to accommodate some of the key constraints on the actions of public bodies.

These pathways are presented as three tables so that a procurement team can select the method they consider best reflects their powers, policies and approach, and follow this through.

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## Conditions relating to the delivery of the contract

This methodology recognises that non-core matters that are linked to core requirements<sup>26</sup> can be included as contract performance conditions to be delivered by the successful contractor, but they are not used in the award of the contract.

These requirements should also be proportionate and within the powers and policies of the purchaser (see ACS, 2014, section 3.13). There is support for this approach within the UK government and the devolved administrations.<sup>27</sup>

It is also important that the specifications for all social/community benefit requirements are drafted so that they are capable of being delivered by a contractor from anywhere in the EU. For example, a contract condition that 'the contractor shall engage 14 trainees from the area of delivery of the contract' would not be permissible because it could disadvantage non-local bidders. However, a condition that 'the contractor shall seek to engage 14 trainees from the XYZ training centre (or an equivalent) and shall give equality of opportunity to applicants from that training centre' would level the playing field between local and non-local bidders: each would have to recruit from the same source or argue why their intended source is 'equivalent'.

To achieve the 'targeted outcomes' the named source would target its activities at the intended 'area of benefit' of the purchaser. It could be part of the client organisation (e.g. the Birmingham City Council Employment Access Team) or independent (e.g. Jobs & Business Glasgow, and Community Enterprise in Scotland).

The above approach can be enhanced by requiring a Social/Community Benefit Method Statement to be delivered as a part of each valid tender, provided that it is not taken into account in the award decision. The advantage of this is that the bidder would need to consider how they will deliver the social/community benefits when developing their contract methodology. If they do not do it at this stage then the options for delivering the social/community outcomes may be constrained by the contract methodology that was used in preparing the tender.

Where the social/community benefit includes 'workforce matters' such as target recruitment and training, local authorities and some other public bodies in England need to consider the constraints imposed by section 17(5) of the Local Government Act 1988.<sup>28</sup> This can be set aside for contracts covered by the Social Value Act<sup>29</sup> or any contract where the social/community benefit 'is necessary to achieve best value' (DCLG, 2011).

A step by step methodology for this approach is set out in Table 1.

## A core requirement

To include social/community benefits as a part of the core requirements of a contract, and as award criteria, the procuring body must:

- have the 'power' to procure the social /community outcome;
- have adopted a policy that it will seek to do so (see ACS, 2014, pp. 6–7).

It follows that a purchaser can create 'core requirement' status for social/community benefits by adopting suitable policies, provided this is within its powers as established by statute or through its constitution. This may also provide a 'best value' justification in workforce matters.<sup>30</sup>

**Table 1: Method 1 – Social value/community benefits as contract performance condition (only)**

Stage of procurement	Actions	Reasons
Pre-procurement	<p>Identify what the subject matter of the contract is to be. Consider what community benefits/social value could be obtained through the contract in order to achieve the organisation's objectives and policies, within the budget available.</p> <p>Consider how the procurement should be undertaken. For example, use smaller contracts or divide the contract into 'lots' to maximise SME and social enterprise opportunities.</p>	<p>The requirements should be within the powers of the organisation, and ideally should have a basis in its policies. There should be a considered and consistent approach. Consultation with the client(s) and potential contractors is possible.<sup>a</sup></p>
Contract notices	<p>Routinely include a statement that social/community benefits relating to the area of the delivery of the contract may be included in the contract conditions. No marks should be indicated in the scoring framework for the contract.</p>	<p>This alerts potential contractors to the client's focus on these issues.</p>
Pre-Qualification Questionnaire	<p>Do not include questions relating to the social/community benefit.</p>	<p>It is legal to ensure that all bidders have the technical and managerial competence to comply with the contract conditions, but this is not critical.</p>
Specification (or equivalent)	<p>Detail the social value or community benefit requirements so that all bidders provide a price that reflects the same specification.</p> <p>The drafting should be such that non-local bidders are not disadvantaged.</p> <p>Include references to organisations that can help contractors to deliver the social/community benefit specification and target the benefits.</p>	<p>Good procurement practice suggests that these should be expressed as measurable requirements so that outcomes can be monitored and the contract conditions enforced.</p> <p>It is good practice that the requirements do not disadvantage non-local bidders. Enabling them to make links with local organisations can target the benefits and provide access to resources.</p>
Mid-tender interviews	<p>If mid-tender interviews with bidders are organised, these should include clarification of the social/community benefit requirements.</p>	<p>Because social/community benefit requirements are (by definition) innovative, every opportunity should be taken to explain what is required. This will help 'level the playing field' between bidders.</p>
Scoring of the tenders	<p>No action.</p>	<p>The award of the contract must be based only on the core requirements.</p>
Contract conditions	<p>Include the social/community benefit requirements in the contract conditions.</p>	<p>Although they have not been used in the selection of the contractor, the social/community benefit requirements have to be delivered by the successful contractor.</p>
Pre-contract discussion	<p>Engage with the contractor during the pre-contract stage to agree a methodology for delivery of the social/community requirements and the provision of monitoring information. Broker contacts with organisations that can help deliver the outcomes.</p>	<p>Outcomes are derived from these early relationships. The contractor's staff involved at the bidding stage may not be the same as those responsible for delivery. The latter may need induction.</p>
Enforcement	<p>Monitor the outcomes and routinely discuss progress at contract review meetings.</p> <p>If necessary the client's contract manager must exert pressure on the contractor's senior staff to obtain compliance.</p>	<p>Enforcement will largely come through the building of positive relationships with the contractor and local 'supply chains'.</p>

Note:

<sup>a</sup> The Social Value Act requires relevant contracting authorities to consider the social value that can be achieved **before** procurement commences.

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Use of the approach set out in the previous section is often based on an assumption that the inclusion of the social/community benefit requirements are not covered by the powers and policies of the procuring body. This is far from the case. For example:

- all ‘contracting authorities’ in England and some in Wales now have a duty to consider the inclusion of social value in their procurement of some services under the Social Value Act, and thereby have a power to procure social value where the Act applies (see ACS 2014 Section 4);<sup>31</sup>
- the Welsh Government has adopted a policy that requires social/community benefits as a core requirement, as the ‘default position’;
- many public bodies will have adopted a Sustainable Procurement Strategy that could include references to social/community benefits, and this may become a requirement in Scotland;<sup>32</sup>
- many local authorities have the power to take actions that will promote the wellbeing of their area;<sup>33</sup>
- government departments and agencies and other contracting authorities can consider whether their powers extend to the procurement of social/community benefits – see the NHS Greater Glasgow and Clyde case study (Appendix F).

Since the use of these duties and powers in relation to social/community benefits may be new to the purchasing body, it is useful to develop an explicit corporate policy which demonstrates that the organisation intends to use its purchasing to secure social/community benefits. In Birmingham City Council this was the Procurement Framework for Jobs and Skills; in the NHS Greater Glasgow and Clyde this was an Employability and Health Strategy.

The NHS Greater Glasgow and Clyde case study is especially important in illustrating how a government department or agency might need to implement its duties under the Social Value Act.<sup>34</sup> This could vary depending on the innovation. For example, an incremental extension of existing procured services should not raise issues in relation to powers, but the addition of something new – such as targeted recruitment and training requirements – could do. Local authorities have very wide powers but other contracting authorities may need to go through a process that includes:

- clarifying the powers and objects<sup>35</sup> of the client organisation to identify the ‘hooks’ for adding in the social/community benefit requirements;
- undertaking or otherwise commissioning research to demonstrate how the social/community benefits could contribute to the objectives of the client organisation;
- drafting and adopting explicit policy that justifies the addition of the specific social/community benefits in subsequent procurements.

The adoption of policies can extend the use of the social/community benefit requirements beyond that provided for in legislation. For example, the scope for intervention provided by the Social Value Act can be extended to works or supplies contracts, and lower-value services contracts.

So with a positive approach many contracting authorities can establish a position where the social/community benefits can be core requirements. This gives the requirements a higher profile in the mind of bidders: they must address these requirements or risk the allocated percentage of the tender scoring framework, which could result in them losing the contract. As the GHA case study shows, most contractors take this seriously and over time improve their capacity to deliver these new market requirements.



The converse is also true. If social/community benefit is not an award criterion it is difficult to justify its place as a key performance indicator (KPI), and this will signal to the contractor that it is of less significance to the client.

It should be noted that under EU case law a contracting authority does not need to demonstrate that the social/community benefit requirements will deliver a financial/economic benefit. If the outcomes help meet a policy objective this is sufficient to be included in the 'most economically advantageous tender' assessment. This is important in a context where considerable work has been invested in ways of measuring social/community benefit.<sup>36</sup>

A step by step methodology for this approach is set out in Table 2.

**Table 2: Method 2 – Social/community benefits as core requirements**

Stage of procurement	Actions	Reasons
Pre-procurement	<p>Identify what the subject matter of the contract is to be. Consider what community benefits/social value could be obtained through the contract in order to achieve the organisation's objectives and policies, within the budget available.</p> <p>Consider how the procurement should be undertaken. For example, use smaller contracts or divide the contract into 'lots' to maximise SME and social enterprise opportunities.</p>	<p>The requirements should be within the powers of the organisation, and should ideally have a basis in its policies. There should be a considered and consistent approach. Consultation with the client(s) and potential contractors is possible.<sup>a</sup></p>
Contract notices	<p>Identify what the subject matter of the contract is, and what social/community benefit is relevant to this. Routinely include a statement that social/community benefits relating to the area of the delivery of the contract may be included in the contract conditions.</p> <p>Indicate what proportion of the scores in the award process will be given for specified social/community benefits.</p>	<p>Use every opportunity to let potential bidders know that social/community benefits will be part of the contract.</p>
Pre-Qualification Questionnaire	<p>Include questions relating to the technical and professional competence of the bidder to deliver social/community benefit, and set out what percentage of the selection marks will be given for this.</p> <p>Score the Pre-Qualification Questionnaire responses to ensure that contractors invited to tender have the competence to deliver the social/benefit requirements.</p>	
Specification (or equivalent)	<p>Detail the social value or community benefit requirements so that all bidders provide a price that reflects the same specification.</p> <p>Include requirements for monitoring and KPIs.</p> <p>The drafting should be such that non-local bidders are not disadvantaged, so include references to organisations that can help contractors to deliver the social/community specification and target the benefits.</p> <p>Require the submission of a pro-forma Method Statement for the social/community benefits with each valid tender. This will make standardised scoring easier.</p>	<p>A requirement to provide 'local benefits' can disadvantage non-local bidders that may have little knowledge of relevant supply chains and resources (e.g. for recruitment, training and subcontractors). Naming organisations that must be used to deliver the targeted social/community benefit is a means of ensuring that any bidder can deliver the required benefits.<sup>b</sup></p> <p>Good procurement practice suggests that requirements should be measurable so that delivery can be monitored and the contract conditions enforced.</p>

(continued)

**Table 2: Method 2 – Social/community benefits as core requirements (continued)**

Stage of procurement	Actions	Reasons
Mid-tender interviews	If mid-tender interviews with bidders are organised these should include clarification of the social/community benefit requirements.	Because social/community benefit requirements are (by definition) innovative every opportunity should be taken to explain what is required. This will help 'level the playing field' between bidders.
Scoring of the tenders	Develop a scoring framework for the social/community benefits with 'experts' in these requirements before the tender process begins. The scoring process must be robust as it could be challenged.  Score the social/community Method Statement and incorporate this in the overall tender evaluation.	The award of the contract must be based on the subject of the contract – the 'core requirements' – which now includes the social/community benefits.
Contract conditions	Include the social/community benefits in the contract conditions.	The social/community benefit requirements have to be delivered by the successful contractor.
Pre-contact discussion	Engage with the contractor during the pre-contract stage to agree a methodology for delivery of the specification and the provision of monitoring information based on the contractor's tender submissions.  Broker contacts with organisations that can help deliver the outcomes and target the benefits.	Outcomes are derived from these early relationships. The contractor's staff involved at the bidding stage may not be those responsible for delivery. The latter may need induction and encouragement. However, the methodology must be based on the contractor's tender submissions to avoid challenge.
Enforcement	Monitor the outcomes and routinely discuss progress at contract review meetings.  If necessary the client's contract manager must exert pressure on the contractor's senior staff to obtain compliance.	Recognise that enforcement will largely come through the building of positive relationships with the contractor's team and delivery-support organisations.  However, in framework contracts poor delivery of social/community requirements could influence the allocation of further work.

Notes:

<sup>a</sup> The Social Value Act requires relevant contracting authorities to consider the social value that can be achieved **before** procurement commences.

<sup>b</sup> See the Beentjes case (ACS, 2014, Appendix 1).

## Voluntary commitments – corporate social responsibility

There is a clear difference between the two contractual approaches set out above and a corporate social responsibility (CSR) approach. The former allows the purchaser to decide what they want to see delivered and, where these are core requirements, to make a judgement on the proposed delivery arrangements in the award of the contract. In a CSR approach the contractor can decide what they will deliver and how, and what information on outcomes they will provide to the client.

In the procurement process the client can express their aspirations for CSR contributions but they cannot consider any offer by bidders in relation to these as part of the award of the contract. After contract award a contractor can decide what, if anything, they will deliver. In this context the client needs to take every opportunity to clearly express their aspirations and encourage bidders to develop links with organisations that can help deliver the intended benefits.

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This approach is much weaker than models 1 and 2 above: outcomes are far less certain, and there is little (if any) recourse if a contractor fails to achieve the aspired-for benefits (see Table 3).

A step by step methodology for this approach is set out in Table 3.

## **What a social/community benefit specification should include**

The following matters should be considered for inclusion in a specification:

- the policy background (for social/community benefits);
- the requirements, set out in a way that will ensure that tenders are prepared on the same basis and that outcomes can be measured against the requirements;
- monitoring/KPI information that must be delivered;
- information on organisations that could be contacted to assist in the delivery;
- a requirement to provide a Method Statement either prior to commencement of the contract or with the tender (essential under Method 2), ideally using a pro forma provided;
- a 'disclaimer' protecting the client from claims if an organisation they name, or people/subcontractors who are recruited through a named organisation, do not perform to the contractor's expectations.

In some cases, clients include a net cost schedule that has to be completed for the social/community benefits. This identifies the cost of delivering the requirements and how this cost is being offset through grants and the use of local organisations that already have resources (e.g. training organisations and job-matching agencies).

Some examples of clauses that have been used to include social/community benefits in all stages of the procurement process can be found in Chartered Institute of Housing Cymru (2008) and Scottish Government (2008a, 2008b).

**Table 3: Method 3 – Post-award voluntary agreement**

<b>Stage of procurement</b>	<b>Actions</b>	<b>Reasons</b>
Pre-procurement	<p>Identify what the subject matter of the contract is to be. Consider what community benefits/social value could be obtained through the contract in order to achieve the organisation's objectives and policies, within the budget available.</p> <p>Consider how the procurement should be undertaken. For example, use smaller contracts or divide the contract into 'lots' to maximise SME and social enterprise opportunities.</p>	<p>Always consider what action could be taken, before choosing a particular method.</p> <p>Any action sought from a contractor, even on a voluntary basis, should be within the powers of the organisation, and should ideally have a basis in its policies.</p>
Contract notices	Routinely include a statement that social/community benefits relating to the area of the delivery of the contract may be discussed after the award of the contract on a voluntary basis.	This is not necessary, as it does not form part of the contract, but it is worthwhile alerting contractors to the client's focus on social/community benefits.
Pre-Qualification Questionnaire	No questions.	As the social/community benefit requirements are not to be part of the contract, the experience of bidders is not relevant.
Specification (or equivalent)	<p>Include text referring to the purchaser's policies and priorities for social/community benefits and stating that the contractor will be asked to make a voluntary contribution to the achievement of these if appointed.</p> <p>Include references to organisations that can help contractors to deliver the social/community benefit aspirations.</p>	This information may encourage bidders to consider how they can contribute to the purchaser's policies and priorities when they are developing their methodology and tender price.
Mid-tender interviews	If mid-tender interviews with bidders are organised, these should include clarification of the social/community benefit aspirations, while making clear that these are not contract conditions or award criteria.	Every opportunity should be taken to encourage a positive response to the social/community aspirations from potential contractors. However, the contracting authority must be confident that it can do this in a way that does not influence the contract award decision.
Scoring of the tenders	Disregard in the evaluation of tenders.	Because delivery is an aspiration, not a contract condition, any 'offer' from a bidder in relation to the aspiration must be disregarded in the award of the contract.
Contract conditions	Nothing is included in the contract.	The contractor is not obliged to deliver any outcomes.
Pre-contract discussions	There is no reference to the social/community benefit aspirations.	The aspirations should not influence any stage of the award of the contract.
Post-award discussion	Engage with the contractor to agree a methodology for delivery of the social/community benefit aspirations and the provision of monitoring information. Broker contacts with organisations that can help deliver the outcomes and target the benefits.	<p>It is at this stage where any voluntary agreement with the contractor can be made.</p> <p>The contractor can legitimately decide not to offer any outcomes.</p>
Enforcement	<p>Work with the contractor to maximise the outcomes, for example by maximising links to 'delivery organisations'.</p> <p>Organise regular reviews of progress with the contractors and delivery organisations.</p>	<p>Recognise that enforcement will largely come through the building of positive relationships with the contractor's team and delivery-support organisations.</p> <p>The contractor can disengage at any point.</p>

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# 6 CONCLUSIONS

## Well-established methodologies

Since the publication of *Achieving community benefits through contracts* in 2002 (Macfarlane and Cook, 2002), there has been extensive use of social/community benefit clauses in public contracts to achieve target recruitment and training, most especially in Scotland and Wales and by some local authorities and social housing bodies in England – public bodies that are more aware of local economic issues and the importance of making all public expenditure contribute to the fight against poverty. Chapter 5 summarised the main approaches used: including the social/community benefits as a core part of the contract requirements and as award criteria, or alternatively including them as contract conditions only. A third approach – where the social/community benefits are requested as a voluntary commitment – can be useful as a means of obtaining social/community benefits from contracts that have been already awarded.

Existing practice has demonstrated that targeted recruitment and training and other social/community benefits can be included in procurements that are subject to the EU Treaties and the Procurement Directive. As with other elements of the procurement it is important to follow the prescribed procedures and make sure that the social/community benefit requirements are capable of being delivered equally by a contractor from anywhere in the EU. This requires a degree of sophistication: information on suitable approaches is provided in Tables 1 to 3 above.

In political discussion it is common for a policy wish to be stated too bluntly, e.g. ‘we will ensure that local people and contractors are employed on local contracts’. This is a legitimate policy objective but would be better served by a more sophisticated use of language. ‘We will maximise the job and supply-chain opportunities made available through local organisations’ might seem rather less punchy but would avoid statements being attacked as illegal (under EU frameworks) and therefore undeliverable, an accusation that this report demonstrates is untrue but which nevertheless generates unease and procrastination among procurement teams.

## UK government – a more positive approach?

The extent to which the above approaches are used reflects the commitment of the procurement advisers within government bodies. This has been strongest in Scotland and Wales, and here the use of the ‘core requirements’ approach is common.<sup>37</sup> The advice in Whitehall/England has been more

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conservative, with published advice focusing on the ‘contract conditions’ approach, and this is reflected in the more limited use of clauses, especially in contracts issued by government departments and agencies. The latter now have a duty to consider the potential to achieve additional social value through their procurements,<sup>38</sup> but this requirement applies only to larger services contracts.<sup>39</sup>

In Scotland, Wales and Northern Ireland, commitment to a UK Shared Framework for Sustainable Development<sup>40</sup> is used as a basis for including social/community benefits – and specifically targeted recruitment and training opportunities – in public contracts. This framework also covers UK government departments and agencies and provides a basis for incorporating a commitment to delivering social value within their sustainable procurement policies or plans. In the longer term, the Social Value Act should be amended to:

- extend the duty to all works and services contracts, including smaller-value contracts;<sup>41</sup>
- provide a more explicit power for bodies covered by the Act to procure social value;
- require all public bodies covered by the Act to adopt a social value procurement policy – perhaps as a part of a wider sustainable procurement policy.

## Extending the range of social/community benefits

What is surprising is how little use of social/community benefit clauses there has been outside of the construction sector. However, this is beginning to happen, for example through the Birmingham City Council Procurement Policy for Jobs and Skills and the response to the Social Value Act in England e.g. by Knowsley Council (see Appendix C) and Bath and North East Somerset Council (see Chapter 4).

There are two ways of ‘extending the application’:

- including targeted recruitment and training requirements in contracts in new sectors, e.g. health and social care; environmental services; education and employment services; defence, catering and hospitality etc.;
- using social/community benefit clauses to tackle other social issues, e.g. requirements to pay a living wage or address equal opportunities matters.

Each ‘extension’ requires some upfront commitment of time, first by the client and then by the contractor and support agencies they work with to deliver the contract – see Chapter 3. This has happened in the construction sector over numbers of years so that in Scotland and Wales it is sufficiently commonplace for clients to be able to access local knowledge and skills in drafting the specification and adopting a safe procurement process, and for contractors to have developed expertise in how to deliver the social/community benefits. The market has been changed from ‘construction’ to ‘construction with social/community benefits’. Over the next decade this position needs to be achieved in other sectors and for other social/community benefits.

In promoting this extension of activity it is important to address the issue of affordability – see the section ‘Value for money and affordability’ in Chapter 3. It is not the case (as many procurement officers initially assume)

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that social/community benefits will always cost more. Such additional expenditure may be legitimate<sup>42</sup> and may result in better value for money for the taxpayer overall,<sup>43</sup> but whether or not there are additional costs will depend on what is required, and what alternative resources – e.g. for training and mentoring – can be accessed by the contractor.

In Chapter 1 this aim of extending the use of targeted recruitment and training requirements was presented as ‘the one in a £1 million challenge’. If all of the public sector that is procuring works and services committed to obtaining one year of work for a new entrant – someone who needs training/retraining and a period of supported employment to become fully productive – for each £1 million in contract value, this would have a very significant impact on youth unemployment and long-term unemployment. Using a wide range of public expenditure to provide opportunities for these new entrants is critical at a time when funding for welfare and other anti-poverty programmes is being cut.

This would not necessarily equate to one opportunity per £1 million because some beneficiaries would need several years of training and support to get to the point where they can sustain themselves through the labour market – e.g. trade apprentices – but the impact would nevertheless be very significant.

With sufficient government and client support, the target could be the subject of a voluntary agreement with existing contractors, allowing a quick build-up of opportunities.

## Focusing on poverty

Finally, there is a need for practitioners to maintain a focus on tackling poverty and disadvantage, not just on placing people from a target community into work. To be fair, the expressed intent of the social/community benefit requirements in the case studies was not usually expressed as reducing poverty. More typically the intention was to target opportunities at neighbourhoods with high levels of deprivation and the candidates selected by the employer – probably the best available from the area – may or may not have had significant barriers to employment.

In the ‘employability industry’ the targeting of opportunities at people who are more distant from employability is measured by ‘additionality’, which has been described as “... the net changes that are brought about over and above what would have happened anyway” (Scottish Enterprise, 2008). This is in a context where most employability schemes have historically benefited the most able unemployed people – many of whom would statistically have got a job within a few months without specific help – rather than those with significant barriers. To date there is no known analysis of the additionality achieved by including social/community benefits in contracts, but the Scottish Government is currently commissioning research on this.

It would be worthwhile for all organisations using targeted recruitment and training requirements in their contracts to focus more on the additionality achieved. This will:

- provide better value for money for the time and resources invested in the inclusion of targeted recruitment and training requirements in contracts;
- better support other publicly funded employability programmes and help to achieve better value for money from this investment;
- maximise the reduction in poverty and reliance on state benefits, and improve the local and national economies.

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To refocus efforts in this way requires a different message to be given to contractors and the job-matching agencies they work with to fulfil the contract conditions – through the specification, through engagement and through monitoring and feedback arrangements.

In a labour market that is now at least EU-wide, there are always likely to be candidates – often self-employed or agency workers – who have the skills and work experience required by a contractor, and agencies exist in many sectors to make such recruitment easy. If there is no attempt to set aside and sustain new entrant opportunities for people that do not already have the characteristics that the employer is seeking, then these people can never get the start they need, and therefore never get the skills and experience that will help them sustain reasonable employment through the labour market: employment that will help lift them and their family out of poverty. This should be the focus of targeted recruitment and training requirements in public contracts across the UK.



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# APPENDIX A: CASE STUDY 1 – GLASGOW HOUSING ASSOCIATION

## Introduction

Glasgow Housing Association (GHA) was created as the housing stock transfer organisation for Glasgow, with initially over 80,000 homes to improve and manage. This number was reduced to 42,000 through demolition of unpopular/unsustainable stock and transfers to neighbourhood housing associations after improvement. However, GHA has now become part of a newly created Wheatley Housing Group, which is expanding to incorporate other housing management organisations, both in Glasgow and elsewhere in Central Scotland.

GHA's Neighbourhood Renewal Team (NRT) has been in place since the creation of the organisation in order to deliver the training and employment and wider community development elements that were offered to tenants during the 'transfer vote'. The principal focus of its work is employment and training, including the scoring and monitoring of related requirements in the construction and refurbishment contracts.

GHA set up a computer-based monitoring and reporting system in 2005, which is fundamental to its employment and training activities. Each beneficiary has to be registered with the NRT using a pro forma that includes personal information. Main contractors are responsible for collecting these from subcontractors. Any person who is not registered is not counted towards the contract target.

The GHA example is of particular importance because it has been operating virtually unchanged for nine years and has been well documented: a detailed case study covering the initial procurement and operation was published in 2008 (Scottish Government, 2008a) and monitoring data has been collected from 34 contracts across 15 types of work, including technical disciplines (electrical, plumbing, heating, lifts), roofing and environmental work, demolitions, repairs and new build.

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## The procurement process

GHA has always regarded the employment and training requirements as core to its purpose. They were critical in the offer made to tenants ahead of the 'transfer vote' and therefore critical to the way GHA set about delivering services. In this context, GHA refers to the community benefit requirements in the contract notices<sup>44</sup> and the Pre-Qualification Questionnaire (PQQ).

'The successful economic operator and its supply chain will be required to assist in the achievement of the contracting authority's social and environmental objectives. Accordingly, economic operators should be aware that contract performance conditions and evaluation criteria may include social and environmental considerations. Details will be set out in the contract documents.'

Wording from OJEU section III.1.4 'Other particular conditions'

The PQQ responses are not now scored but usefully flag up the importance of employment and training to GHA, but the employment and training 'offer' in the tender is assessed using a standard scoring framework, and this typically accounts for about 40 per cent of the 'quality score' – about 12 per cent of the overall score.

GHA has included the following requirements in its tenders for construction work:

- every vacancy to be notified to agencies named by GHA;
- 10 per cent of person-weeks delivered by new entrant trainees engaged in a training programme agreed by GHA;
- the equivalent of 5 per cent of person-weeks to be available for work experience placements;
- the provision of records (personal data) for monitoring purposes.

A new entrant trainee is defined in the documents as 'a person leaving an educational establishment ... or a training provider, or a non-employed person that is seeking employment that includes ... training'. These can be in one of two categories: an apprentice (who can be counted as a new entrant for up to 104 weeks); or an 'other operative/trainee' (who can be counted for 52 weeks). These definitions are a key part of achieving the GHA objective of maximising employment and training opportunities for people facing barriers in the labour market.

A pro-forma Community Benefits Method Statement has to be submitted with the tender showing how the above will be achieved, including projected job numbers for different trade areas. Many contracts have been tendered as 'frameworks' whereby the actual amount of work to be undertaken is not known at the tender stage. In this context the Community Benefits Method Statement has to be prepared for a notional value of work of a type described in the tender.

Each main contractor also has to submit a quarterly report to the NRT that includes outcome information relating to the above requirements. This information is aggregated for each contractor and provided to the GHA contract management team. The percentage of new entrant trainee person-weeks delivered is included in the KPIs for each contract, and underachievement can influence the award of subsequent work under framework contracts.

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GHA named Jobs & Business Glasgow (JBG) as its preferred partner. During the bidding process, tendering firms are referred to JBG for information on recruitment services and funds the contractor could potentially access if they take on trainees etc. JBG is acting as an adviser to potential contractors and not working on behalf of GHA. If a question on the employment and training requirements is raised by a tenderer then this is referred to the procurement team and they ensure that any additional information is given to all bidders.

Nine years on, many bidders have already done contracts with GHA and have therefore worked with JBG, and so they know how the system works.

When a contractor first starts working for GHA, the NRT will have a meeting to explain the registration and reporting system and requirements. After this the contact with contractors will mainly be if they are not providing reports and/or meeting their targets.

## Job matching

A distinctive characteristic of the GHA approach is that the NRT staff do not get involved with contractors in the recruitment of people to fulfil the new entrant trainee obligations. As a consequence they do not come under pressure to negotiate a variation to the contract requirements. As with other elements of the contract, the employment and training requirements are set out in the contract and NRT staff check and report outcomes. They will progress-chase if information is not being received, and get GHA contract managers to intervene if the contractor is unresponsive. But ultimately the contractor has a strong commercial interest to deliver the KPI target, and this is non-negotiable.

JBG is a charitable arm's-length organisation of Glasgow City Council with a brief to focus on Glasgow residents who are disadvantaged in the labour market, including long-term unemployed people, lone parents, people who are not in education, employment or training (NEET), care-leavers and ex-offenders. It covers the whole city from 20 local offices and has a proven track record of assisting contractors to deliver on their commitment to engage new starts and new entrant trainees.

The organisation has a client-centred approach, providing personal development, motivation and life skills, vocational training and job-search support. To maximise outcomes for Glasgow residents, JBG provides pre-employability training to ensure that clients meet the requirements of the post.

JBG uses the Hanlon database system for recording jobseekers, matching to vacancies and tracking clients. There are two categories flagged on the database, from which different types of vacancy can be filled:

- a jobs portal where any UK resident can register an interest in Glasgow jobs;
- a listing of long-term unemployed people and other priority candidates from the Glasgow area.

When vacancies arise for a skilled worker or a new entrant trainee, the database identifies potential candidates with the relevant experience. JBG pre-screens clients based on the contractor's vacancy notification to create a shortlist of job-ready candidates. A special feature of the database is that it records a person's skills and experience as well as their qualifications, and job

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matching is done through an analysis of the skills and experience required for the job, rather than qualifications.

## Impact on costs

One argument that has been raised against the inclusion of community benefits in the tender award process is that it could result in the appointment of a contractor that only won the contract because they scored highly on the community benefits element. This could result in less good value for money in terms of the primary purpose for which the public money was made available. An analysis of the first 13 GHA works packages demonstrates that at both the PQQ (344 submissions) and the award (84 tenders) stages the highest scoring contractors in relation to community benefits were also among the highest scoring across a range of quality measures (Scottish Government, 2008, pp. 37–7).

Since the employment and training elements are part of ‘the subject of the contract’ – i.e. what GHA is buying – the value for money assessment should include any costs associated with this element. However, if there is an additional cost it seems that this is not significant. Each year GHA commissions external consultants to benchmark its major investment programme and this demonstrates that the GHA costs are below national benchmark levels.

## Outcomes

Between 2005 and 2013 a total of 657 apprentices obtained an average of 74 weeks’ engagement, while 501 ‘other new entrant trainees’ obtained an average of 22 weeks’ employment. In total these new entrant trainees obtained just under 60,000 person-weeks of employment: 11.4 per cent of the total weeks used on all contracts, against a target of 10 per cent. Apprentices provided 81 per cent of new entrant trainee person-weeks.

An additional 843 people were recruited to fill vacancies for experienced staff. Of these, 37 per cent came from Glasgow and 82 per cent came from the Glasgow travel-to-work area.

From Table 4 it can be seen that there was some variation in the outcomes between types of contract, but the target was met in two-thirds of these. However, Table 5 demonstrates there were often greater differences in the outcomes achieved by contractors carrying out similar types of work. Some of this may be the result of the specific content of the contract, but it seems likely that much of this is to do with the commitment and management skills of the contractor. One low-achieving contractor with a significant-sized contract could significantly lower the norm for the type of work. For example, in the electrical rewiring contracts, two contractors achieved about 19 per cent of the works delivered by new entrant trainees; the third achieved only 4 per cent and the average dropped to 9.6 per cent.

A critical issue for GHA is the extent to which the job-matching process delivered opportunities for the most disadvantaged communities in Glasgow. Defining the latter as the bottom 15 per cent of areas in the Scottish Index of Multiple Deprivation (SIMD), 48 per cent of opportunities went to residents of these target areas. Again there was significant variations between types of contract, with the ‘technical trades’ recruiting lower proportions from the target areas (electrical rewiring 42 per cent, kitchens and bathrooms 44 per cent, lift maintenance 35 per cent) and less technical

**Table 4: Person-weeks outcomes from 35 GHA contracts**

Contract type	Total person-weeks	New entrant trainee person-weeks					
		Apprentices		Other trainees		Total	
		Person-weeks	% <sup>a</sup>	Person-weeks	% <sup>a</sup>	Person-weeks	% <sup>b</sup>
Electrical rewiring	71,305	6,203	91.0	611	9.0	6,814	9.6
Environmentals	19,306	224	9.3	2,174	9.0	2,398	12.4
Kitchen and bathrooms	95,988	13,823	91.8	1,229	8.2	15,052	15.7
Roofing and cladding	102,695	8,718	83.7	1,697	16.3	10,415	10.1
T84 <sup>c</sup> improvements	5,170	39	11.5	299	88.5	338	6.5
MSFs <sup>d</sup> improvements	35,140	104	13.5	665	86.5	769	2.2
Low-rise demolitions	4,249			191	100	191	4.5
High-rise demolitions	19,476	24	1.4	1,657	98.6	1,681	8.6
New build	30,425	1,942	50.4	1,911	49.6	3,853	12.7
Boiler replacement	5,110	664	94.5	39	5.5	703	13.8
Lift maintenance	9,236	1,494	100			1,494	16.2
Electrical upgrade	3,147	394	100			394	12.5
Repairs and maintenance	111,515	13,935	98.9	156	1.1	14,091	12.6
Handyperson	1,135			390	100	390	34.4
Wingets	6,227	788	91.0	78	9.0	866	13.9
Total	520,124	48,352	81.3	11,097	18.7	59,449	11.4

Notes:

<sup>a</sup> % of all new entrant trainee person-weeks.<sup>b</sup> % of total person-weeks used.<sup>c</sup> Tower blocks.<sup>d</sup> Multi-storey flats.**Table 5: Highest and lowest new entrant trainee outcomes<sup>a</sup> in each type of contract (%)<sup>b</sup>**

Contract type	New entrant trainee outcomes		
	Highest-achieving contractor	Lowest-achieving contractor	Average across all contractors
Electrical rewiring	19.2	4.6	9.6
Environmentals	12.5	12.3	12.4
Kitchens and bathrooms	21.7	9.2	15.7
Roofing and cladding	18.6	4.7	10.1
Low-rise demolition	19.1	0	4.5
High-rise demolition	17.2	2.0	8.6

Notes:

<sup>a</sup> new entrant trainee person-week as a % of total person-weeks utilised.<sup>b</sup> where three or more contractors carried out the works.

works a higher proportion (environmentals 56 per cent, handyperson 63 per cent). However, the new-build contracts also achieved 60 per cent.

These outcomes have been achieved with approximately 1.5 full-time equivalent staff dedicated to the facilitation and monitoring activity within GHA.

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## Strengths and weaknesses

The GHA approach demonstrates what can be achieved where targeted recruitment and training outcomes are given a high priority within the client organisation and this is reflected in the procurement process and contract management. Resources were made available in the earliest days of GHA to develop a methodology that dovetailed with the procurement process and was given weight within that process, while maintaining a level playing field for contractors from across the EU. Resources were also made available to ensure that contractors' outcomes were properly recorded and reported and that contractors were held to account through the KPI process. Poor performance has a commercial impact for contractors.

Compared with 2005/06 there is now a widespread acceptance of the community benefit requirements within tenders and contracts in GHA. Evidence of this is as follows:

- procurement staff approach the NRT when new procurements are taking place;
- quarterly reports are seen by the Executive Group and the Board of GHA;
- director-level staff are happy to get involved if a contractor is not performing.

The improved quality of method statements received in recent tender exercises indicates that there is also growing understanding and support for the approach from contractors: many find imaginative ways to meet the targets even where the nature of the work makes this difficult. In part this is because they have seen the business benefits: they get a better and more committed workforce and they are better able to compete for other contracts – which are common in the West of Scotland – that include employment and training requirements.

The tender scoring team have also learned to identify contractors that may have a poor understanding and commitment. Key signs are a lot of copied and pasted text, the use of the ambiguous 'could' rather than the more positive 'will', and a failure to name the appointed recruitment route.

It could be argued that one reason for the success of the GHA approach is that NRT staff have not got involved in negotiating outcomes with contractors. A standard 10 per cent new entrant trainee target has been applied across the board, and even where contractors at first argued that this was not deliverable in their type of work, most have then gone on to deliver good outcomes. By holding fast to the KPIs and encouraging contractors to solve the problem of how to achieve the target, the overall target has been met.

However, this points to the importance of having a job-matching partner that is equally committed to targeting opportunities at people with significant barriers to entering the labour market. JBG – largely funded outside of mainstream government programmes that may dictate other priorities – provides an ideal partner. There is a small downside to this: the NRT does not meet and work with the beneficiaries.

A final sign of success is that the approach developed by GHA will now be rolled out across the Wheatley Group.

### Enquiries

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# APPENDIX B: CASE STUDY 2 – BIRMINGHAM CITY COUNCIL

## Background

Birmingham City Council (BCC) has a long track record in working with employers in targeting recruitment, including the negotiation and implementation of voluntary Jobs and Skills Charters. In 2009–10, BCC included jobs and skills requirements as contract conditions in the new £193 million Library of Birmingham project and after appointment negotiated a target of 250 jobs for local unemployed people, and a sub-target of 25 apprenticeships, with the contractor. These have been delivered as part of a National Skills Academy for Construction. At project completion, 306 jobs had been achieved, including 82 apprenticeships, of which 54 per cent were taken by residents of the council's priority areas.

This work is carried out through BCC's Employment Access Team (EAT) that supports the implementation of the employment and skills element within the procurement process from the outset, devising appropriate employment and skills contract clauses, evaluating tender responses, negotiating suitable targets, supporting the recruitment process and monitoring and evaluating outcomes.

## The Procurement Policy Framework for Jobs and Skills (PPFJS)

The PPFJS was championed by the council's chief executive and Corporate Management Team as a way of achieving the commitment in the Community Strategy and the Local Area Agreement to 'reducing worklessness and raising skill levels'. It was developed by senior officers from Regeneration, Corporate Procurement and Legal Services and was underpinned by the power to 'promote the social well-being of the area' in section 2 of the Local Government Act 2000. It establishes a position where BCC can include jobs and skills as part of the subject of the contract and therefore part of 'best value', and they can be used in the award of the contract.

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The PPFJS is mandatory for all council procurement teams to consider during the commissioning and procurement process. It requires them to engage contractors in the jobs and skills agenda through contract clauses (the default position), voluntary agreements or a charter. The following threshold values were agreed for the initial implementation of this policy:

- all new service and construction contracts for a value of more than £1 million will be subject to the full application of the policy – i.e. that jobs and skills contract clauses are always considered first;
- all goods/product supply contracts for a value of more than £1 million will be subject to a negotiated Jobs and Skills Charter;
- all existing service and construction contracts with a value more than £5 million will be subject to negotiated voluntary agreements;
- all existing service and construction contracts with a value of £1 million to £5 million will be subject to a negotiated Jobs and Skills Charter.

Where a procurement team consider that the PPFJS requirements are inappropriate, they can submit an exemption report to the relevant cabinet member.

A major benefit of the PPFJS approach is that contract managers and procurement teams approach the EAT for help, rather than the latter having to approach each team to ask for action on jobs and training.

Working with Corporate Procurement, the EAT has:

- supported training and awareness sessions for commissioning teams;
- prepared a 'how to do it' toolkit that is on the council's intranet system;
- helped to develop the jobs and skills elements of specifications;
- set up jobs and skills monitoring and reporting arrangements;
- undertaken the scoring of jobs and skills method statements, which often have a weighting in the contract award process (varying from 5 to 19 per cent).

## Targeted recruitment

When a contractor is appointed, an EAT officer meets with them to discuss and agree a targeted recruitment and training schedule. As each opportunity becomes available a job and person specification will be obtained and this is circulated to around 100 community-based training and employability agencies. These agencies send candidates' 'expression-of-interest' forms and CVs through to the EAT who register them on a database, shortlist suitable candidates and arrange interviews.

Where lead-in time permits and the opportunities warrant it, customised pre-employment training courses leading to a guaranteed interview or a place in an employer assessment centre are delivered in partnership with the jobcentre, colleges and training providers.

In creating an interview list of people who meet the employer's requirements, the EAT look first at applicants from the council's priority areas and wards, and then at other Birmingham candidates. If there is a shortfall then people who do not have a Birmingham postcode are included. The employer then selects from the shortlist of interviewees and advises the EAT who they have appointed. This is logged on the database through a registration form completed at the person's induction session for those contracts that are measured by job outcomes.



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Outcomes are collected through a monitoring form provided by the main contractor. They have responsibility for collecting information from subcontractors.

## **Constructing West Midlands (CWM) framework contract (post policy adoption)**

An early contract affected by the PPFJS was the CWM framework that BCC was procuring but can be used by neighbouring West Midlands authorities and other public bodies. At the tender stage, bidders had to submit a Targeted Recruitment and Training and Supply-chain Opportunities Method Statement that would achieve the following:

- 60 person-weeks of paid employment for a new entrant trainee per £1 million in invoiced contract value;
- every vacancy arising from the contract to be notified to the employer (i.e. the client for the contract);
- notification of all subcontract and supply opportunities to a portal site identified by the employer (e.g. Find it in Birmingham);
- registration of each new entrant trainee with the EAT for contract monitoring purposes.

A new entrant trainee was defined as:

‘a person leaving school, college, training etc., people that are over 6 months unemployed and seeking a job with training (i.e. because they are new to the sector), or people that are recognized as “new entrant trainees” but need a new position to complete their allotted time (156 weeks for an apprentice or 52 weeks for an “other trainee”).’

The Method Statement included a projection of the person-weeks to be delivered by new entrant trainees (split between apprentices and other trainees), for a notional £50 million contract and a ‘net cost schedule’ relating to the targeted recruitment and training elements. This was scored as a part of the contract award process.

Individual work packages are procured through call-down projects. One framework contractor may undertake many contracts and the aggregate jobs and skills targets are calculated by the framework manager as projects are invoiced. These are then compared with the outputs achieved and the results form a part of the contract KPIs and inform future work allocations. This helps to keep the focus of contractors.

In a context where more procurement is taking place through multi-client framework contracts, the CWM contract is important in demonstrating how jobs and skills can be fully incorporated, embedded and implemented.

By June 2013, the accumulated target was 2,757 person-weeks and 3,493 person-weeks had been achieved through 111 opportunities: 71 jobs, 27 apprenticeships and 13 work placements.

## **Birmingham Gateway – Network Rail**

Network Rail (NR) is leading the development of Birmingham Gateway that includes the regeneration of New Street Station and surrounding property. It

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was required to take action on jobs and skills and local business opportunities under the terms of a Planning Agreement (linked to the award of planning consent for the proposed development) and as a condition of grant from the Regional Development Agency.

To achieve these requirements, NR signed a Charter for Jobs and Skills with BCC and subsequently agreed to include jobs and skills requirements in the specification of work packages with an anticipated value of over £810,000, using standard documentation. These are also included as contract conditions.

Critical to delivery has been the secondment of an EAT officer to NR for three days a week over a number of years. The officer, who is based in the NR office, works with commissioning and monitoring staff on the identification of suitable new entrant trainee targets for each contract – depending on the scale and nature of the onsite activity. These targets are incorporated in the specification and in KPIs for contractors.

During the tender process for each 'package', the EAT officer gets involved with mid-tender interviews to explain what is required, and then scores a Jobs and Skills Method Statement as part of the contract award process. As opportunities become available these are recruited through the EAT approach described above.

Monitoring is done through the submission of monthly spreadsheets by each contractor listing the local beneficiaries they have onsite. A key part of the approach is the way that KPIs are managed by Mace, the Contract Delivery Partner for Network Rail. Outputs for jobs and skills are assessed each month and the outcomes shared at a meeting of all contractors. So any underperformance is exposed and widely shared. It also impacts on overall KPI scores which determine future allocations of work, and so has commercial implications for the contractor.

With two years' construction still to run, the initiative has delivered the following:

- 325 construction jobs/apprenticeships/graduate positions have been filled by Birmingham residents, and a further 70 positions have been safeguarded;
- 101 unemployed Birmingham residents have participated in customised pre-employment training;
- 15 people have obtained jobs with associated railway employers.

## Strengths and weaknesses

A key strength of the PPFJS approach is that there is a formal requirement for BCC procurement and commissioning teams, and then contractors, to engage with the EAT. Through this comes the utilisation of the EAT services, and through this flows opportunities for Birmingham residents, including those from target communities and wards.

The approach maintains 'a level playing field' for non-local contractors by requiring all contractors and subcontractors to recruit or consider recruiting (depending on whether this is a contract condition or a charter) via the EAT.

A possible weakness of the approach is that to integrate jobs and skills into quite complex contracts (like the CWM framework) may require a level of sophistication that neither the contractor nor the EAT staff want to use in the delivery phase.

The Library of Birmingham and Birmingham Gateway projects demonstrate the importance of investing heavily in a relationship with the

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contractor's management team. Officers from the EAT have been seconded to work with the contractor for two days and three days a week respectively. Over time they build up understanding with the management team, which results in the contractual approach being imposed on subcontractors and the incorporation of jobs and skills into the KPIs against which the subcontractors are assessed. This ensures that jobs and skills outcomes are commercially important for contractors.

A potential weakness is the resources needed to provide the EAT service to an expanding list of contracts. How can this be provided in a context where council budgets for the essential but 'non-statutory' EAT service is under severe pressure?

**Enquiries**

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# APPENDIX C: CASE STUDY 3 – KNOWSLEY COUNCIL SOCIAL VALUE FRAMEWORK

## Introduction

The Knowsley Council social value framework is part of a wider programme of social growth that aims to create a more ‘resilient community’: one that is more able to thrive without full dependence on the council and its services. This is in a national context where cuts will continue to reduce council budgets.

A Social Value Statement has been adopted by the council and referenced in its Corporate Plan 2013–16 and Procurement Strategy. It is also included in The Knowsley Partnership’s Plan for Knowsley. In this statement ‘social value’ is defined as ‘outcomes, measures and activity that will create strong and well-connected public, private and social sectors that enable communities to be more resilient’. The statement sets out six outcomes and 29 examples of measures that will achieve this end (see Table 6). These were developed with commissioners and providers in workshops to both enable an understanding of the role of social value and gain commitment to its future use. It does not at this stage provide examples of texts that can be included in specifications. Instead, commissioners (i.e. client departments) and procurement officers, with support from the council’s Social Inclusion Team leading this work, develop these on a case-by-case basis, consulting clients and potential contractors as necessary. The intention is that examples will be collected and shared after a period of operation and more proactive work will then be done to fill in the gaps.

The social value framework applies to all relevant council activities (e.g. in-house services and asset transfers), not just procurement. Commissioners within the council are required to implement the framework in their procurement, ‘where relevant’. As part of a ‘commissioning scrutiny review’, a review will take place to monitor the impact of social value in procurement.

**Table 6: Knowsley Council social value outcomes and measures**

<b>Outcomes</b>	<b>Examples of measures (6 of 29)</b>
1. Increase in community resilience	Provision of working-age population in work
2. Reduction in demand for public service	Number of people supported to live independently
3. Impact of volunteers	Number of new volunteers
4. Impact of community businesses (CBs)	Number of community businesses with social purpose linked to communities
5. Private sector investment in communities	Level of investment in Knowsley as part of CSR
6. Residents making socially responsible decisions	Increase in recycling rates for household waste

## Legal and procurement advice

The council's Social Inclusion Team, together with legal and procurement officers, have produced a guidance note for commissioners. This sets out a position that distinguishes between 'core social value measures' and 'added social value measures'. The former are innovations (often preventative measures) to the way the core service requirements are delivered, and the latter are requirements that will help achieve the social value policy. Both have to be relevant and appropriate to purchase within any procurement process.

For service covered by the Social Value Act 2012, both the 'core' and the 'added' social value requirements can be included in the tender evaluation process. Where the Act does not apply – i.e. works, supplies and low-value services contracts – the view is that added social value should only be included as contract conditions or a voluntary agreement, and so they should not be scored in the tender evaluation.

Where the Social Value Act applies, the social value will be scored in the tender evaluation, with between 5 and 10 per cent of the overall scored typically being allocated to each type of social value.

## Social growth

The social value framework supports wider work to grow the social sector – including social enterprises – in the borough so that it is better able to deliver services to the community using a mixture of income, including some from council contracts. To facilitate this, the council has been working with the sector to develop its capacity:

- Social Enterprise Support provides development and business support to social enterprises;
- The Knowsley Foundation is attracting funding for distribution to social enterprises;
- Forward Together is a company established by the social sector as a vehicle for consortium bids;
- The Social Enterprise Stakeholder Group brings together large social enterprises in the borough;
- One Approach to Volunteering provides a single register for volunteers that can be accessed by social enterprise and charities;

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- social sector options are considered for delivery of some council services where appropriate.

At present there are no formal arrangements to link these support structures to bidders for contracts that are not local social enterprises, which might enable local providers to act as subcontractors on major contracts.

## Monitoring and outcomes

Responsibility for monitoring the delivery of the social value requirements rests with the commissioning teams, with the council's Procurement Team having responsibility for aggregating the outcomes of social value delivered through council contracts.

The first report covering the six months to March 2013 indicated that social value had been included in three contracts prior to full implementation of the Act, two of which are detailed below:

- Integrated Sexual Health Services: extending the normal service to promote self-esteem and confidence and help clients take responsibility for their own health and wellbeing;
- Substance Misuse Services: linking clients to an employment and training consultant to develop an Individual Learning Plan leading to either a job or self-employment, and providing benefits advice.

In each contract the social value was scored 5 per cent and 4 per cent respectively. The social value outcomes form part of contract monitoring but the above contracts are too new to show outcomes at this time.

The report lists a further seven services contracts where work has started to include social value in the procurement process.

## Longer-term impact

The Knowsley approach is a response to the changing resources and role of the council. The aim is to reduce demand on services by increasing the self-reliance of residents and by strengthening the role of the social sector. The social value framework requires commissioners and procurement teams to contribute to this process, and they are given the freedom to decide how best to do this within the funding available after having been involved in the development of the social value model. What remains to be seen is whether the choices they make are sufficient in scale and kind to achieve the aims of the framework without more central guidance.

### Enquiries

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# APPENDIX D: CASE STUDY 4 – UNITED WELSH HOUSING ASSOCIATION

## Introduction

United Welsh Housing Association is a registered social landlord with nearly 5,000 housing units spread predominantly across Blaenau Gwent, Caerphilly and Cardiff in South Wales. In 2008, it made a corporate commitment to proactively utilise its procurement power to create new training and employment opportunities and to support those furthest from the labour market.<sup>45</sup> In addition, it began to proactively support the growth of local SMEs by investing in the local community. The procurement and property maintenance functions of United Welsh are now heavily geared towards these objectives. Over 180 people have benefited through the approach. “Our social objectives have one main aim: to put money into the pockets of local people through the investment made by the organisation in its development and maintenance programmes” (Richard Mann, Director of Development, United Welsh).

## SME-friendly procurement

In 2009, United Welsh piloted an SME-friendly approach to procurement in the refurbishment of two housing developments in Cardiff. Adams Court is a 74-unit homeless hostel and Newtown Court is a 43-unit complex for older people. The work had a total budget of £2.7 million and involved complete refurbishment of both schemes, including bathrooms, kitchens and communal areas. Rather than seeking to let a single contract, United Welsh decided to manage the works in-house and then procure the labour and materials through a series of small contracts.

To facilitate this approach, United Welsh recognised that it needed to bolster its staff team through the appointment of:

- a project manager;
- a Construction Design Management (CDM) coordinator;
- a site-based coordinator;
- a tenant liaison officer.

This team – most of whom were already employed by the organisation and took on the new responsibilities as just one part of their roles – effectively replaced staff who would normally be employed by the main contractor and charged to the client in the contract price.

It was intended that the main cost savings would come through splitting the procurement of materials and components from the procurement of labour. However, this also meant that each contract was of modest scale and would be unattractive to bidders from outside the local area. Potential suppliers were identified from in and around the Blaenau Gwent, Caerphilly and Cardiff. Negotiations were undertaken with suppliers and tenders were issued for the labour-only contractors. All of the works and supply contracts were awarded to local SMEs – those based in the operating area of United Welsh.

To test the value for money of the approach, tenders were also issued for the whole work and responses obtained from two larger contractors.

At the end of the pilot the approach was evaluated by United Welsh. This indicated the following:

- all subcontracts were delivered by local suppliers (within 25 miles) employed directly through local procurement;
- material for the project was ordered through a direct material procurement channel with local companies, which provided increased flexibility, delivery speed and cost savings;
- a 20 per cent cost saving was achieved, relative to appointing a main contractor;
- as the buildings were occupied, a huge amount of flexibility was required to manage and refurbish the apartments, which was possible through the direct management approach;
- the approach allowed United Welsh to change the specification without incurring high variation costs – allowing it to react to the needs of the scheme and the customer e.g. three apartments for use by disabled people were identified and altered with minimal disruption to the refurbishment programme.

In terms of good practice, United Welsh has identified the following from this pilot:

- there are guaranteed to be some contracts awarded to local SMEs and therefore employment opportunities for local residents (see Table 7);
- certainty of cost and product, even where the specification changes;
- better value for money
- control of scheme progression
- opportunities for onsite trainee placements.

**Table 7: United Welsh contracts awarded to local firms**

Element	Value	Subcontractor location
Heating	£369,173	Cardiff
Windows	£217,375	Caerphilly
Extension	£100,000	Cardiff
Electricals	£96,000	Cardiff
Painting and decorating	£80,000	Caerphilly
Carpets	£10,000	RCT (social enterprise)



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There is a certain amount of risk in using a direct labour model. The key is to minimise the additional areas of work that are identified during the project that fall outside the original budget. Having completed a number of these refurbishment projects this process is now fairly tight.

The plan is to roll the model out to a few small development sites for new build where the site manager will manage the local subcontractors and also be hands-on to reduce labour costs.

## Celtic horizons

Following the success of the direct labour model and a desire to further develop the repairs and maintenance service offered to its customers, United Welsh launched a wholly-owned subsidiary called Celtic Horizons in April 2013.

In developing Celtic Horizons, United Welsh consolidated its asset management services into a single coordinated model, creating a delivery vehicle unique in Wales.

Celtic Horizons is the first wholly owned subsidiary of its kind, created in consultation with staff and tenants. It has been developed around a partnership with sector experts Mears, and delivers Total Asset Management, hard and soft landscaping, maximising efficiencies, and the achievement of broader outcomes e.g. community-based services shaped by tenants, boosting jobs and training and apprenticeship opportunities. “Overall satisfaction with the quality of repairs since ‘go live’ is 95.5 per cent – with 98.6 per cent of people saying that staff are helpful and polite” (United Welsh).

United Welsh’s aim was to develop a model that would give scope to mould and improve service delivery and introduce new concepts such as the ‘complete property service’, a concept of lean working to improve efficiency and maximise resources. However, the model has already delivered a range of jobs and training opportunities working in customer services, grounds maintenance and general maintenance – many for their own tenants. In addition, three apprentice placements have been created alongside a number of eight-week volunteering opportunities for people to gain invaluable work experience, improving their employment prospects and developing new skills.

### **Tackling financial exclusion**

The direct labour model was recently offered to a local credit union through Celtic Horizons. The £250,000 refurbishment project in Caerphilly provided a new high-street presence. Not only did the direct labour approach offer £30,000 savings compared with a main contractor, the new premises has delivered a 20% increase in credit union membership – a huge step forward in addressing financial exclusion within the area.

### **Empty Homes Wales**

A focus on work around the refurbishment of empty homes has created additional opportunities. The Empty Homes Wales initiative has presented a number of small-scale refurbishment projects attractive to the local SME community.

Source: United Welsh

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The continued growth of Celtic Horizons will present additional opportunities for the local community in terms of targeted recruitment and training, and United Welsh is seeking to maximize take-up by its tenants. The latter is part of a wider programme to provide every tenant with advice and support on training and employment in response to the changes in welfare reform that could result in higher rates of rent arrears.

While the Celtic Horizons work programme is currently limited to maintenance, it could in the future bid for development contracts from United Welsh.

**Enquiries**

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# APPENDIX E: CASE STUDY 5 – THE PEACE BRIDGE IN DERRY–LONDONDERRY

## Background

The River Foyle divides the mainly Protestant community in the Waterside (east bank) area of Derry–Londonderry from the city centre with its historic links, administrative, education and commercial facilities – and a predominantly Catholic community. The Peace Bridge was built by Ilex urban regeneration company to provide a new and inspiring pedestrian and cycle link across the river in the context of:

- providing new shared space;
- encouraging the direction, flow and movement of people across the city;
- improving community relations;
- advancing regeneration.

The project had an onsite construction budget of approximately £8.2 million and was completed in June 2011.

## Social clauses

The Regeneration Plan for the City – *One city, one plan, one voice*<sup>46</sup> – advocated the use of social clauses in public procurement as a way of providing employment and training opportunities for people furthest from the labour market.

The Peace Bridge was the first procurement in Northern Ireland to incorporate social clauses related to jobs and skills. It was procured by Ilex, which stipulated that the contractor (either directly or through the supply chain) must:

- recruit one person who has been registered unemployed for more than six months for each £1 million of project value;
- secure one apprenticeship for each £2 million in contract value;

- 
- comply with fair employment, equality of opportunity and anti-discrimination legislation.

Information on the services that would be available to support the contractor and facilitate delivery of the above (see Kickstart to Work, below) was included in the specification: a clear indication that this recruitment service should be used.

After the award of the contract an officer from Kickstart to Work met the contractor and agreed a list of twelve opportunities that would be provided. These included:

- five apprentices employed by the main contractor and one by a subcontractor – four engineers, one welder and one office administrator;
- three operatives, including a client/community liaison officer who arranged 39 presentations to schools and community organisations – including some site visits.

Kickstart to Work undertook a recruitment campaign to fill the positions from the target communities.

## Kickstart to Work

Kickstart to Work is Derry City Council's employment programme – funded by the European Social Fund and Ilex to address long-term unemployment in Derry–Londonderry. It provides:

- a job-brokerage service to employers to help them recruit long-term unemployed people from the most deprived communities;
- one-to-one mentoring and support to help people find and sustain work;
- 50-week employment opportunities with local employers supported by an employer subsidy.

The Peace Bridge utilised the first two of the services. To attract applicants, Kickstart to Work undertook a two-week marketing campaign and recruitment drive. It advertised locations and times when its Jobs Bus would visit the target communities and jobseekers were given information and help with filling out the job application. This generated 290 applications for the 12 positions. Kickstart shortlisted applicants and these were interviewed by the employer, who then made the appointments. Unsuccessful applicants continued to be supported through other Kickstart programmes.

Mentoring to both the new recruit and their employer was provided by Kickstart throughout the project to overcome problems and maximise retention. The final outcomes of the social clause element of the Peace Bridge project was that eleven out of the twelve employed remained in full-time permanent employment when the contract ended. One person left employment after three months due to personal problems.

“The Kickstart to Work employment programme really helped me. After being out of work for a while, they helped me to pick myself up again and gave me the confidence to enrol in night classes for book-keeping and payroll. I have now graduated and already started a part-time degree in Business Administration. I am still employed by Graham Construction.”  
Aishleen McLaughlin – employee on the Peace Bridge, quoted in Derry City Council, 2013

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## Derry City Council

The city council has included targets similar to those on the Peace Bridge in other construction contracts with a value over £1 million, but as a voluntary commitment. This is introduced as a part of the procurement process:

'Notice to Tenders

Derry City Council requests that contractors uphold their aspirations to the commitment of the implementation of social clauses in procurement.

For contractors this means that they will seek: ... [then follows the targets used by Ilex – see above].'

It seems that the reason why the council has been reluctant to include the social clause in the specification and as a contract condition relates to uncertainty about the legal framework for such action. It is possible that this could change as a result of legal advice contained in a council-produced document *Social procurement: Building a brighter future 2013* (Derry City Council, 2013) and new advice being developed by the Central Procurement Unit in Northern Ireland (Northern Ireland Government, 2013).

Kickstart has negotiated with the contractor in two council projects with a 'voluntary commitment' in order to secure opportunities, undertake a recruitment campaign and provide mentoring support:

- phase 1 of the Guildhall restoration project – three jobs and three apprenticeships resulted from a £4.7 million contract;
- the £7.2 million Culmore Landfill Project – two jobs have been created and negotiations are ongoing for a further four to six jobs.

## Strengths and weaknesses

Ilex's decision to include social clauses in the Peace Bridge project demonstrates what can be achieved where the social clause is included in the specification and as a contract condition. However, the council's approach demonstrates that positive outcomes can be achieved by making contractors aware at the tendering stage that they will be expected to deliver jobs and training outputs, even though these are not formally written into the contract conditions.

To some extent both approaches depend on the personality and negotiating skills of (in this case) a Kickstart to Work officer, but this may be less important where delivery is a contract condition. In a voluntary agreement – albeit 'flagged up' at the tendering stage – much depends on the goodwill of the contractor and subcontractors.

A question this poses is how robust each approach is. Will a 'voluntary approach' be as successful if there are staff changes, or if the contractor chooses to take the view that their role is simply to deliver the contract? A less cooperative approach could impact on the type and quality of the opportunities provided, not just the number. In the longer term it may be better to at least include the requirements as contract conditions.

A clear strength of the Derry–Londonderry approach is the process for getting into the most disadvantaged communities and helping residents complete applications for opportunities coming through contracts. The

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volume of applications and the retention rate demonstrate the talent that can be found in disadvantaged communities. Furthermore, the unsuccessful candidates are retained within the Kickstart service and helped to go into other training and employment opportunities.

**Enquiries**

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# APPENDIX F: CASE STUDY 6 – NHS GREATER GLASGOW AND CLYDE

## Background

During community consultation on plans for a new £842 million hospital complex in South Glasgow, the NHS Greater Glasgow and Clyde (NHSGGC) identified work for local people and businesses as a key concern. It commissioned a Social and Economic Impact Study and subsequently adopted an Employability and Health Strategy. On the basis of this it sought to include these ‘community benefits’ in the procurement process and contract, working with Jobs & Business Glasgow (JBG) and a social enterprise support organisation called Community Enterprise in Scotland (CEiS). The latter operates a Scottish Government programme called Ready for Business.

## The requirements

Legal advice indicated that it was appropriate to include targeted recruitment and training requirements in the specification because of the established links between employment and health: increasing employability and employment falls within the scope of NHS powers. On this basis a KPI was included in the specification: 10 per cent of the labour required to deliver the project should be new entrant trainees. The definition of the latter includes people leaving an educational or training organisation, non-employed people without construction experience and construction workers who have been unemployed for more than six months. This was amended to three months in response to rising unemployment in the sector. Bidders had to complete a pro-forma Training Opportunities Method Statement that detailed what would be delivered without additional cost to the client. This was scored as part of the contract award process.

However, legal advice did not support the inclusion of targets for supply-chain opportunities so here the specification just identified the related policies and required bidders to complete Method Statements on how they would involve SMEs and social enterprises at no additional cost to the

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client. These did not form a part of the award process but the provision of monitoring reports and case studies is a condition of contract.

## A partnership approach

The contract was procured through a competitive dialogue process in which bidders worked up their tender in discussion with NHSGGC. During this process each bidder was invited to make contact with Glasgow City Council and JBG to discuss their 'community benefits offer'. They were given advice based on the construction of a major retail centre where a partnership approach was developed. The successful bidder – Brookfield Multiplex – offered to adopt a similar approach as well as committing to engage 250 new entrant trainees and provide 184 work experience opportunities.

A formal Partnership Agreement sets out the roles and responsibilities of each partner. Broadly:

- Brookfield Multiplex Construction Europe Ltd. has overall responsibility for delivering the community benefits;
- NHSGGC has responsibility for monitoring progress on achieving these;
- JBG has lead responsibility for maximising the training and employment opportunities for local people;
- CEiS has lead responsibility for maximising business opportunities for social enterprises;
- Supplier Development Programme is responsible for capacity building within local SMEs.

Each partner committed staff resources to the work, with Brookfield Multiplex recruiting a community engagement manager as the key point of contact between the company's procurement staff and lead subcontractors, and the other partnership organisations. This conduit for internal/external working has been crucial to enabling the other partnership organisations to help deliver the outputs. Furthermore, the partnership meetings have created strong relationships, which enable problems or new initiatives (like the Brookfield Multiplex CSR contributions) to be discussed.

## Employment and business opportunities

To achieve the targeted recruitment and training opportunities, JBG operate an on-site recruitment centre (provided by Brookfield Multiplex) that undertakes a job-matching service to fill vacancies (see GHA case study for the JBG methodology – Appendix A).

Glasgow City Council supports the provision of local supply-chain opportunities by providing Brookfield Multiplex with access to the Scottish Local Authorities' Supplier Development Programme database where local firms can register their interests and experience.

Both of these 'established processes' have worked well for the partnership. What has proved more challenging is meeting the commitment to provide opportunities for social enterprises. Working with Ready for Business – which already has a register of social enterprises in Glasgow – Brookfield Multiplex identified packages of work that could be suitable for social enterprises. The latter were invited to submit bids for the work but in a number of initial 'packages' the social enterprises were unable to deliver on



certain requirements, e.g. the consistency and quality of delivery, time and staff resources.

From the NHSGGC and the Brookfield Multiplex perspective, the terms could not be relaxed because each package was on the critical path for completion of the project and therefore essential. However, the implication in a Ready for Business case study is that purchasers may be too risk averse: ‘Given the lack of experience of working with the sector, issues can be identified as ‘risks’ by procurement specialists’ (Social Value Lab and Ready for Business (no date, p. 3).

Twelve packages of work suitable for local social enterprises were identified. One of the more successful was for painting the perimeter fencing as this was not time-critical. Project OsKar, a local social enterprise, won and successfully delivered this subcontract, creating jobs and training opportunities for disadvantaged young people. As with the employment and training outcomes, the role of the intermediary in facilitating this was critical: ‘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 (Social Value Lab and Ready for Business, no date, p. 4).

## Outcomes

With roughly two-thirds of the contract completed, the outputs presented in Table 8 have been achieved

## Key issues and good practice

Key issues for success included the following:

- Establishing the links between employability and the health objectives of NHSGGC was important in legitimising the inclusion of new entrant trainee requirements in the contract.
- The establishment of the partnership, underpinned by a contractual commitment to measured targets for new entrant trainees and

**Table 8: Outcomes achieved to date (NHSGGC)**

Activity	Contract requirement (if any)	Outcomes achieved
Targeted recruitment and training	250 new entrant trainees	379 new entrant jobs filled
Targeted recruitment and training	184 work experience opportunities	196 provided
Targeted recruitment and training	502 training outcomes	3,000+
SME opportunities	Maximise opportunities	65% of available work packages to SMEs
Social enterprise	Maximise opportunities	Four contracts valued at £28,000
CSR	Charitable fundraising and donations	£191,000
CSR	Community volunteering	1,000 hours

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maximising local supply-chain opportunities, was critical in the successful delivery of community benefits, including the CSR contributions.

- The contact between JBG and bidders during the procurement process enabled JBG's existing working practices to inform the development of the bids, which made subsequent implementation much quicker and easier.
- The long-term commitment to funding JBG, especially by Glasgow City Council, enabled the organisation to commit resources to the partnership with Brookfield Multiplex for the duration of the four-year construction programme. Likewise the Scottish Government funding of Ready for Business.
- The objective of providing subcontract opportunities for local social enterprises was difficult to achieve. This indicates that good intentions may not be sufficient to enable social enterprises to take on commercial subcontracts within the construction sector. The latter will also need:
  - an appropriate operational model, including a reliable and adequately skilled workforce;
  - the financial resources to commit to the contract terms and the associated risks;
  - the management skills to prepare a robust costing and subsequently manage the delivery within budget;
  - established quality and environmental practices.

While recognising that the number of social enterprises with the potential to work specifically with the construction industry is limited, in order to maximise opportunities purchasers may need to consider the available work packages, including support functions such as catering and cleaning, that offer the best opportunity to engage social enterprise. Procurement teams should also consider how best to vary their standard procurement approach e.g. by breaking contracts into small packages or negotiating different terms, while ensuring best value for the public purse.

This may require a more detailed specification in the tender documentation, which in turn requires NHS commissioners to convince their legal advisers that social enterprises will deliver health benefits (such as increased employment in disadvantaged communities) – outcomes that it is legitimate for the NHS to procure. A key lesson learnt by NHSGGC is that community benefit clauses without specific targets relative to supply chain involvements are difficult to realize.

Specifying targets will provide focus, support delivery and create demand for the services that social enterprises can provide. However, social enterprises need to be ready to respond to these opportunities when they arise.

#### **Enquiries**

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# NOTES

## Chapter 1

- 1 So poverty is relative, and increasing rates of poverty will arise if median household income rises e.g. because of sharp increases in incomes for relatively few high-earners.
- 2 These are produced and maintained by the Chartered Institute of Housing Cymru's i2i project (see Chartered Institute of Housing, 2008).
- 3 See ACS 2014 page 16 for a list of public bodies covered by the Act.
- 4 The Public Services (Social Value) Act 2012 does not apply in Scotland or Northern Ireland.
- 5 It is important to distinguish between requirements such as 'targeted recruitment' and 'SME-friendly procurement' that can aid a local economy, and providing opportunities for people with additional barriers to employment who make up the poorest segment of a community.
- 6 Through SME-friendly procurement: organising the purchasing so that SMEs can compete.
- 7 For example, the Scottish Government's guidance notes on *Monitoring the impact of community benefit clauses in procurement contracts* (Scottish Government, no date) allow any unemployed person, whether they have previous experience in the field or not, to be defined as a new entrant trainee.

## Chapter 2

- 8 See Public Services (Social Value) Act 2012 and the related Procurement Policy Note dated 20 December 2012.
- 9 For example, fair wages clauses were widely used in the decades up to 1981.
- 10 'Social clauses' were at that time being promoted in the EU but resisted by the UK government.
- 11 But this term includes matters that do not just benefit a UK community e.g. Fair Trade and International Labour Organization Conventions.

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- 12 These are the three elements of 'sustainable development' that underpin *Social issues in purchasing* (Office of Government Commerce, 2006) and the three elements of 'wellbeing' in the Local Government Act 2006.
  - 13 That is, the UK government or the devolved administrations in Scotland, Wales and Northern Ireland, or senior management as in Birmingham City Council and Knowsley Council.
  - 14 In Wales, the community benefits policy also applies to supplies contracts. As there is little experience of including social/community benefits in these contracts, Value Wales is supporting a method that invites bidders to say what they would provide. It is anticipated that, over time, benchmarks for supplies contracts will be developed.
  - 15 See the Birmingham City Council and NHS Greater Glasgow and Clyde case studies for examples of how this term has been defined (Appendices B and F).

### Chapter 3

- 16 See, for example, Cabinet Office (2012a) and the work of the New Economics Foundation (see NEF, 2008 and Wilkinson *et al.*, 2009).
- 17 See [admin@lm3online.com](mailto:admin@lm3online.com)
- 18 Community Benefits Measurement Tool v5.1 (Welsh Government, forthcoming).

### Chapter 4

- 19 Covering social enterprises but also charities, voluntary organisations and others.
- 20 The Social Value Act only applies to larger services contracts, but the Scottish Government's Ready for Business programme has a wider brief.
- 21 For their definition, see [www.socialenterprise.org.uk/about](http://www.socialenterprise.org.uk/about)
- 22 See [www.msduk.org.uk/upload/publications/\\_25720165842\\_11-1077-estimates-women-ethnic-minority-led-social-enterprisees-in-UK.pdf](http://www.msduk.org.uk/upload/publications/_25720165842_11-1077-estimates-women-ethnic-minority-led-social-enterprisees-in-UK.pdf)
- 23 Firms with under 250 staff or a 50 million euro turnover.
- 24 See Appendix D.
- 25 Anthony Collins Solicitors. Haringey Council Neutral Vendor Contract. Case study prepared for the Manufacturing Forum of the Department of Trade and Industry. 2006.

### Chapter 5

- 26 A discussion of what determines the core requirements is included in the next section.
- 27 In Northern Ireland the published methodology (see Northern Ireland Government Department of Finance and Personnel, Central Procurement Directorate 2013) is currently

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limited to the construction sector and to the delivery of opportunities for participants in government skills programmes. Nevertheless, this has established some principles that are compatible with the approach in Table 1.

- 28 The Act originally applied to Wales and Scotland but has effectively been set aside in those devolved administrations.
- 29 Contracts for services that are covered by the Public Contract Regulations 2006.
- 30 In relation to section 17(5) of the Local Government Act 1988 that still applies in England.
- 31 If any person is under a statutory duty, it follows that they have the power to perform that duty (see ACS 2014 Section 4).
- 32 Procurement Reform (Scotland) Bill 2013.
- 33 In England this is a general power of competence under the Localism Act 2011. In Scotland and Wales the powers are provided by Local Government Acts.
- 34 Which provides a duty to take action but does not extend an automatic power to do so.
- 35 As set out in statute and/or its constitution.
- 36 This may provide a 'value for money' argument for social/community benefits, but it is not essential as a basis for including social/community benefits as an award criterion.

## Chapter 6

- 37 In Northern Ireland there is a political commitment to adopt a community benefits approach but advice on how this should be done is only now being developed (see Northern Ireland Government Department of Finance and Personnel, Central Procurement Directorate 2013).
- 38 Public Services (Social Value) Act 2012.
- 39 See Cabinet Office 2012b – section 9 and the Technical Questions.
- 40 Discussed in Chapter 1.
- 41 Value Wales is extending use to include contracts for supplies, but in general these contracts will have limited local employment impacts – since most manufacturing is not local – and therefore the impact on poverty in specific localities is likely to be limited.
- 42 Where social/community benefits are a core requirement, any associated costs are legitimate contract payments.
- 43 For example, the additional costs may be paid by a local authority but far greater cost savings from getting beneficiaries into the labour market may accrue to the Department for Work and Pensions.

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## Appendix A

44 Including the *Official Journal of the European Union* (OJEU).

## Appendix D

45 United Welsh was a key contributor to the development of the CAN DO Toolkits on targeted recruitment and training by the Chartered Institute of Housing Cymru's i2i team. This continues to produce good up-to-date material. See [www.whq.org.uk/docs/i2i/english](http://www.whq.org.uk/docs/i2i/english)

## Appendix E

46 Quoted in Derry City Council, 2013, p. 4.

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