

**Report of the Director of City Development and the Director of Resources**

**Report to Executive Board**

**Date: 7<sup>th</sup> November 2012**

**Subject: Delivering employment and skills opportunities through the Council's procurement**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

- 1 The vision for Leeds is to be the best city in the UK with one of the top priorities being the creation of new job opportunities, supported by a skilled workforce to meet the needs of the local economy. This was a key driver for the Scrutiny Board (Sustainable Economy and Culture) Inquiry into Maximising Powers to Promote, Influence and Create Local Employment and Skills Opportunities through the Procurement and Planning functions of the Council completed in May 2012. The Board identified a number of ways to contribute to the achievement of this objective by strengthening the approach to the inclusion of employment and skills obligations in Council contracts.
2. There are a number of examples of good practice where employment and skills opportunities have been delivered through the Council's contracting activity. However, the opportunity exists to provide greater clarity through an explicitly stated policy that has the potential to increase the number of employment and skills opportunities delivered through the Council's contracting activity.

**Recommendations**

3. Members of the Executive Board are asked to approve a policy for the inclusion of employment and skills obligations to be considered in all contracts where the value of the contract is over £100k and where it is shown to offer appropriate value for money.

## **1.0 Purpose of this report**

- 1.1 The Scrutiny Board (Sustainable Economy and Culture) established an inquiry into how the Council uses its procurement and planning functions as an enabler of locally driven, sustainable economic growth that benefits both local people and businesses.
- 1.2 During the course of its inquiry, the Board identified several examples of where these benefits had and are being pursued to deliver employment and skills opportunities. However, the inquiry concluded that the Council should implement improvements to achieve greater clarity and a consistency of approach and that there is the potential to increase the number of opportunities that could benefit local communities and businesses.
- 1.3 The report outlines the legislative framework, the opportunities to include employment and skills obligations on contractors delivering goods, works and services to the Council, and how this could be taken forward and strengthened by introducing an explicit policy for the inclusion of employment and skills clauses to be considered in all contracts where the value of the contract is over £100k and where it is shown to offer appropriate value for money.

## **2.0 Background information**

- 2.1 The recession and a slow recovery has reduced the number and type of jobs that are available to local people and this has had a disproportionate impact on the most disadvantaged groups. The Council is well placed as a buyer of goods, works and services to promote the employment and skills agenda. The Council spends in excess of £800 million annually on buying in goods, works and services. Sustainable procurement, that is, using the Council's buying power to secure social, economic and environmental objectives in ways that offer real long term benefits, already forms a part of Council policy but is not explicit in relation to employment and skills.
- 2.2 Examples of high profile contracts with employment and skills clauses included in the contract have largely been construction related and include housing repairs and improvements, the construction of Leeds Arena, refurbishment of Woodhouse Lane car park and Morley Town Hall and Private Finance Initiative projects. Examples of good practice where greater access has been secured for local people to jobs and training opportunities , include the Leeds Arena which has delivered 94 jobs, 74 apprenticeships and 43 work experience opportunities to date. However further work is required to place employment and skills at the core of procurement procedures, not just for capital and construction projects, but for other goods and services too .
- 2.3 All public procurement is required to achieve value for money and is subject to the UK regulations implementing the EU Public Procurement Directives, and the overriding principles of the EC Treaty. The EU procurement rules aim to ensure a level playing field for suppliers from the UK and other member states. It is permissible to address requirements for employment and skills in public procurement processes, so long as these requirements are relevant to the contract,

are proportionate, do not compromise value for money, and do not unfairly discriminate against prospective contractors.

- 2.4 The lack of clarity and frequent changes in guidance and legislation over the years, together with a concern that employment and skills clauses will have an inflationary effect on contracts, has led to many practitioners deciding not to include these initiatives as part of their tender process resulting in different approaches across the Council. An explicit policy to include employment and skills clauses in the procurement process will provide greater clarity and enable the introduction of a systematic and seamless approach that has the potential to create access to more opportunities that could benefit local communities and businesses. This would build on the good practice that has been delivered to date in the City.
- 2.5 Other aspects of social value and socially responsible procurement, such as environmental performance and community benefits, are currently being reviewed through the Transforming Procurement Programme, and will be the subject of further reports to Executive Board at a later date. These other aspects of social value are also subject to the same legislative and E.U requirements outlined in paragraph 2.2 above. The review is seeking to identify the appropriate mechanisms within the law that the Council can use to ensure its procurement activities support the Council's wider ambitions.

### **3.0 The Proposed Approach**

- 3.1 It is proposed that for all contracts above a threshold of £100k in value, consideration will be given prior to tender to the potential employment and skills opportunities that the contract could provide. Where it is identified that opportunities could be available and offer value for money it is proposed to embed employment and skills requirements in the procurement process through specific clauses leading to a contractually agreed set of outputs and outcomes.
- 3.2 In developing the tender specification and evaluation framework to include employment and skills clauses, it is noted that different approaches will be required on contracts for different types of goods, works and services, length and lifetime values. These will take into account:
- § The legislative framework
  - § The nature, maturity and strength of the provider market
  - § The technical and professional abilities required to deliver the contract
  - § Local skills needs and opportunities
  - § Contract values and length of contract
  - § The costs and benefits – the ability for contractor to absorb the cost or whether these will be passed onto the Council or met through other local support initiatives.
- 3.3 A toolkit has been developed for commissioning managers, containing guidance and advice, providing a framework for consistent implementation and to ensure all necessary factors are appropriately addressed, and relevant legislation complied with when assessing the employment and skills opportunities suitable for particular contracts. Included are model statements for inclusion within the specifications, sample documents, templates for employment and skills clauses placing obligations on the contractor, work flows and process maps to support decision-making and the

advice and support available for both commissioning managers and contractors from the Employment and Skills service.

- 3.4 To ensure maximum flexibility and effect, the toolkit will include a range of activities which support employment and skills opportunities, including school/college workplace visits, entry level skills, work experience, new apprenticeships and employment, continuing skills development and safeguarding for existing staff. Support to develop and deliver these interventions can be provided through publicly funded employability and skills programmes.
- 3.5 The toolkit guidance provides detailed templates and monitoring returns that will be required from the contractor to evidence compliance with the agreed outcomes. These will form part of the agreed contract, which will also set out the actions the Council will take if the agreed targets are not met.
- 3.6 Performance on individual contracts will be aggregated and reported on a six monthly basis to the relevant Directors and will be available for Executive Board and Scrutiny Board as required. The implementation of the policy will be reviewed annually and will include the evidence base on contract costs and benefits as well as seeking the views of key stakeholders. The review process provides the opportunity to consider changes to the policy framework and the way in which it is applied to reflect changing economic circumstances including local and sectoral changes; changes in employment and skills policy and publicly funded provision; and that additional guidance and support is made available to officers and contractors where appropriate.

## **4.0 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 Consultation on the proposal to include employment and skills obligations in contracts has been undertaken with key stakeholders to inform the Scrutiny Board Inquiry. An on-line survey of the Council's contracted suppliers and more detailed face to face interviews were conducted with a sample of the suppliers with the greatest levels of expenditure to better understand how this would work in practice, the possible challenges and how these might be addressed. Responses were positive with contractors keen to see clearly defined outputs and a number identified work experience placements, skills training and apprenticeships as opportunities they could offer.
- 4.1.2 Key contract suppliers across the range of procured services and commissioning managers were also consulted and engaged in the development of the Procurement Toolkit to support and guide implementation. It is proposed that implementation and impact of the policy is reviewed on an annual basis in consultation with the network of contractors engaged with the Council.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 In February 2012, there were over 66,220 benefit claimants of working age in Leeds. In August 2012, 25,024 benefit claimants were actively seeking work of which 7,375 were aged between 18-24 years. Evidence from the last recession and the current data indicates that increased unemployment has disproportionately

impacted on those neighbourhoods with the highest levels of claimants. Targeted support to enable those seeking skills training and paid work will reduce the benefit claim period, help local people develop the skills to secure, stay and progress in work and improve their lives. Employment and skills obligations should include minimum levels to be achieved and be targeted to specific communities and claimant groups as well as cohorts of young people engaged in employability and skills programmes. Please see attached EIA screening form.

### **4.3 Council policies and City Priorities**

4.3.1 The proposed approach will contribute to the achievement of targets in both the Sustainable Economy and Culture Partnership and the Children and Young People's City Priority Plans. The proposed activity will contribute to increasing the skill levels of local people required by businesses in the City and by increasing the number of people in employment, apprenticeships and learning.

### **4.4 Resources and value for money**

4.4.1 The Council has significant spending power that can be used to influence and encourage organisations to deliver wider outcomes and benefits for the city while still offering appropriate value for money. It is accepted that whilst the inclusion of employment and skills requirements into contracts may (in some cases) slightly increase the cost of contracts, the wider return on investment for the council and city can justify this. The decision to include particular obligations and the value for money impact will be considered on a case by case basis.

4.4.2 The proposed changes to policy and procedure can be implemented within the Council's existing resources.

### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 Activity to secure employment and skills obligations must comply with and not contravene the EU and UK Public Contract Regulations. Providing the legislation is observed the legal implications are limited.

### **4.6 Risk Management**

4.6.1 Risk management will be integral to the monitoring and review process. The delivery of outputs will be actively monitored and the impact of introducing employment and skills obligations on contractors will need to be considered over the short, medium and long term and in the context of prevailing economic conditions; the strength of targeted sectors within the economy; and the need to balance any gains with the need to achieve efficiencies and encourage continued investment in Leeds.

### **5.0 Conclusions**

5.1 Employment and skills obligations are included in some existing Council contracts, and consultation with key suppliers to the Council about the development of this approach has been positive. By using the Council's purchasing powers more creatively the opportunity exists to create additional employment and skills opportunities.

- 5.2 There is a strong business case to drive investment in skills training through the Council's relationship with developers, investors and deliverers of Council contracts. There would be clear benefits for individuals, businesses and the local economy, however, this must be achieved within policy and legislative frameworks governing procurement and planning and balanced against the need to obtain value for money and continued investment in Leeds.
- 5.3 Implementation of these changes will be supported by a robust monitoring framework that will enable the Council and key stakeholders to assess the effectiveness of this approach and take appropriate action to amend the approach to meet changing circumstances and needs when required.

## **6.0 Recommendations**

- 6.1 Members of Executive Board are asked to support a policy for Employment and Skills obligations to be considered in contracts where the value of the contract is over £100k, and where it is shown to offer appropriate value for money.

## **7.0 Background documents<sup>1</sup>**

- 7.1 Employment and Skills Toolkit 10<sup>th</sup> July 2012

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.