

**Report of the Director of City Development**

**Report to Executive Board**

**Date: 21 June 2017**

**Subject: Delivering Social Value through Employment and Skills Obligations**

Are specific electoral wards affected? If yes, 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 Council's ambition to deliver Social Value using the policy levers of procurement and planning to generate employment opportunities from major developments and contracting activity has enabled over 2,300 local residents to secure employment over the last 4 years and has independently been recognised as good practice.
2. Changes in legislation; the economy and labour market; and the need to deploy resources efficiently and effectively requires that we review the current approach of targeting spatial communities. A revised approach which targets priority groups of individuals furthest from the labour market will continue to maximise the benefits for both local residents and businesses from the Council's procurement activity and the growing pipeline of major development and infrastructure schemes.
3. More effectively targeting these interventions will contribute to the Council's inclusive growth ambitions to enable all of our residents to benefit from a strong economy in a compassionate city. In particular, this work will contribute to the Best Council Plan outcome for everyone in Leeds to earn enough to support themselves and their families and our ambitions to be a NEET-free city and a city where children and young people can grow up to lead economically active and rewarding lives.

## **Recommendations**

4. Executive Board is asked to:-

- i) note the success of the approach to date of delivering social value through the application of employment and skills planning obligations and through contracts;
- ii) agree the proposed revised approach to targeting the priority groups set out in paragraph 3.6.2 in the report to ensure that this approach continues to deliver Council policy objectives for inclusive growth; and
- iii) note that the officer responsible for the further development of the revised approach and its implementation is the Head of Employment Access and Growth.

## **1. Purpose of this report**

- 1.1. The report provides summary information on the employment and skills obligations delivered through the Council's procurement and planning activity from September 2012 to March 2017.
- 1.2. The report also highlights learning from the implementation of employment and skills obligations and the review work undertaken by the More Jobs, Better Jobs Partnership; changes in policy and legislation; the economy and target industries; and the need for refinements to the process to ensure that resources are deployed efficiently to maximise benefits for local residents and businesses.
- 1.3. The report recommends a revised approach targeting opportunities to priority groups of disadvantaged individuals rather than the broader targeting of spatial communities. This will enable the Council to continue to achieve and maximise social value through its procurement and planning functions to support a stronger economy in a compassionate city.

## **2. Background information**

- 2.1 In 2011, 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. The inquiry recommendations were approved in June 2012 and joint work between Employment and Skills and the Procurement and Planning services enabled implementation of the Board's recommendations from September 2012 and periodic reporting thereafter of the benefits delivered.
- 2.2 More recently the Government introduced the Public Services (Social Value) Act which came into force in January 2013. This requires that those who commission public services to think about how they can also secure wider social, economic and environmental benefits. There is an increasing appetite from within the Council to consider how social value outcomes can be leveraged through a range of mechanisms, and the work to deliver employment and skills obligations will need to be considered within this context.
- 2.3 In seeking to secure social value, the capacity of developers and contractors to deliver on employment and skills obligations is considered 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 encourage continued investment in Leeds. Those subject to obligations benefit from co-ordinated publicly funded skills and employability (supply-side) support to prepare individuals to access these opportunities.

## **3. Main issues**

### **3.1 Achievements to date**

- 3.1.1 From September 2012 to March 2017, the Council has enabled 2,395 local residents to secure employment through the application of a delivery framework for

employment and skills obligations through planning obligations secured via Section 106 Planning Agreements and through contracts to purchase goods and services.

- 3.1.2 This successful implementation of the framework has been underpinned by effective systems and ways of working. Automated notifications, guidance and toolkits to guide option appraisals and robust monitoring systems are in place supported by increased dialogue and joint working between the relevant Council services.
- 3.1.3 A key objective of the approach has been to target opportunities to specific localities that may be adversely affected during the development phase and or to ensure that residents from disadvantaged communities have priority access to the employment opportunities. This is achieved by targeting opportunities to named geographies i.e. localities / wards/ parliamentary constituencies.
- 3.1.4 The targeted approach differs across development sites and contracts and reflects both the number and type of job roles available. For example the target area for customer service roles in a medium size retail supermarket will include adjacent wards whereas supervisory retail roles for a larger retail development on the scale of Victoria Leeds in the city centre have been promoted city wide. The distribution of jobs secured across wards in the city reflects both the existing workforce base of businesses as well as targeted interventions to recruit new employees.
- 3.1.5 Table 1 below details the number of residents supported into jobs and apprenticeships through the application of employment and skills obligations. These are the headline target measures used across all developments and contracts where obligations are applied. However other benefits such as engagement with learning institutions, up-skilling the existing workforce, work experience and supply chain opportunities can also be included dependent on the nature and scale of the development.

**Table 1 Number of local residents supported into employment.**

Monitoring period	Planning		Procurement		Annual Total
	Jobs	Apprenticeships	Jobs	Apprenticeships	
Sep 12 - Jan 14	599	12	266	14	891
Jan 14 - Jan 15	402	12	54	37	505
Feb 15 – Mar 15	50	1	9	5	65
Apr 15- Mar 16	213	10	18	3	244
Apr 16 - Mar 17	583	13	78	16	690
<b>Totals</b>	<b>1,264</b>	<b>35</b>	<b>347</b>	<b>59</b>	<b>2,395</b>

## 3.2 Planning Obligations

The Council, as the local planning authority, through the Leeds Core Strategy policy SP8 requires applications for development to support training and skills and job creation initiatives. This is secured by planning obligation via a planning agreement secured under Section 106 of the Town and Country Planning Act 1990. These enable local people facing disadvantage in the labour market to compete for jobs generated by the development. Secured as part of the planning permission, the employment and skills requirements can include opportunities during both the construction phase and the end use.

- 3.2.1 These requirements are set out in an Employment and Skills Plan detailing the activities, target numbers and localities, supervision responsibilities and time frames before the development commences. The relevant parties are required to use their 'reasonable' endeavours to deliver the plan although evidence locally suggests that developers are receptive to this approach as it supports the delivery of their corporate social responsibility plans and safeguards their reputation for investment in community benefit.
- 3.2.2 In Leeds, employment and skills obligations are applied only on those schemes with the potential to provide a significant impact for entry level employment and training opportunities during construction or in end uses. The following thresholds apply and ensure a consistent approach:-
- Retail developments of over 2,000m<sup>2</sup>
  - Residential developments of over 100 units
  - Construction sites over 10,000m<sup>2</sup>
- 3.2.3 A large number of opportunities have been generated with end users particularly where there is a high volume of entry level roles in retail, hospitality, customer service and warehousing. While the relationship can be distant from the developer, end users of new retail and leisure outlets with a potential local customer base are often invested in recruiting from the surrounding locality and will largely support a targeted approach and engage with the community outreach provision provided by the Employment and Skills service to support and enable local recruitment.

#### **Victoria Gate – Hammerson UK and the John Lewis Partnership planning obligation**

Employment and skills obligations were translated into an Employment Charter agreed by Hammerson, John Lewis and the Council to support recruitment to Victoria Gate, recognised recently as the "Best New Shopping Centre" in the world for 2017 at the international MIPIM conference.

The Council worked with Sir Robert McAlpine Ltd during the construction phase during which 246 Leeds residents were employed and 9 apprenticeships were created along with 122 weeks of work experience being provided for local young people.

Information sessions were held in community hubs during June 2016 to promote the jobs available at Victoria Gate. Over 800 people attended drop-in sessions led by the Council with Hammerson. A further session was delivered in November 2016 to respond to the tenant businesses in Victoria Leeds.

The Council worked with John Lewis to design and commission a pre-employment training programme to support residents some distance from the labour market to acquire key customer service skills. The two week programme, delivered by Leeds City College, supported 21 residents who were guaranteed interviews. The Council and John Lewis hosted information sessions for potential applicants for jobs in their flagship store. Nearly 500 people gained employment at John Lewis and over 300 were Leeds residents.

### 3.3 Procurement

- 3.3.1 In recent years, the Government has given greater weight to community benefits in procurement through the Public Services (Social Value) Act 2013. The Act only applies to services contracts rather than capital projects but sends a clear signal that wider social, economic and environmental objectives need to be considered within commissioning strategies. The Government introduced a requirement in September 2015 that all bids for Government contracts worth more than £10 million were expected to include an appropriate number of apprenticeships.
- 3.3.2 Currently, all Council contracts with an estimated value of over £100,000 are subject to an option appraisal to determine whether the inclusion of employment and skills obligations in the contract is appropriate. The minimum number and type of outputs to be delivered are then detailed in the specification. The tender evaluation process then includes a weighted scoring of these measures.
- 3.3.3 These obligations are contractually binding and the Council has the right to withhold payment for non-compliance. However, contractors are usually asked to use 'reasonable' endeavours to deliver outcomes. Evidence suggests that there is increasing receptiveness to employment and skills obligations among contractors and an awareness that failure to comply may have implications for the firm's reputation and ability to bid for future contracts.
- 3.3.4 The number of outputs delivered to date through contractual obligations has been low relative to planning obligations, this reflects the processes used to identify contracts in scope as well as the nature of the employment activity generated through the goods and services procured. A high number of contracts have met the threshold but have been appraised as not suitable for the inclusion of employment and skills obligations because of the specialist nature of the work and the higher level skills required but largely due to the length of the contract. This is a key determinant of the ability of the contractor to achieve employment and skills outcomes without impacting contract costs.

#### **Leeds Flood Alleviation Scheme Phase 1 Contract**

The £41m contract awarded to BMM (Bam and Mott MacDonald) to provide flood defence works to protect the City centre started on site in June 2015 and will complete shortly.

Employment and skills obligations included 7 people recruited into new jobs, 8 new apprentices.

To date 44 people have been recruited to new jobs with the contractor including 13 residents from Leeds in roles such as site administration, general operatives, steel fixers and engineers. 9 new apprentices were taken on in civil engineering, planning, quantity surveying and business administration roles.

The contractor has engaged with local schools and community organisation to provide site visits and Leeds City College and the University of Leeds to provide student placements and 41 weeks of work experience.

- 3.3.5 The majority of schemes where employment and skills obligations are applied are large scale capital build or maintenance contracts as in the Flood Alleviation scheme with a relatively smaller number of outputs delivered relating to the changing nature of the construction industry with increased specialisms in construction techniques and off- site fabrication.
- 3.3.6 In commissioning Home Care services, the Council's Adults and Health Directorate has recently required providers to sign up to Unison's Ethical Care Charter which includes quality standards and to pay a rate that increases the current wage paid to front line care workers in Leeds which is guaranteed to be above the minimum wage and move to introduce the Living Wage within the lifetime of the contract. More recently work has been undertaken to agree the wording of model clauses relating to the employment of disabled people and it is anticipated that this could be applied to appropriate contracts in the near future.

### **3.4 External Review**

- 3.4.1 The research study 'Major development projects: 'Connecting people in poverty to jobs' published by the Joseph Rowntree Foundation (JRF) in May 2016 was commissioned from the University of Sheffield and Sheffield Hallam University through the More Jobs, Better Jobs Partnership. It reported on practice nationally and locally in connecting people in poverty to employment opportunities through major developments.
- 3.4.2 The study noted that the approach adopted by Leeds City Council to embed employment and skills obligation into contracts and planning agreements and align this with pre-employment support targeted to disadvantaged communities was good practice. However, it was also noted that the number of residents supported into work from target localities varied significantly depending on the scale and nature of development, varying between 30 - 70%, and there was little information on the additionality delivered or deadweight i.e. how many of the people accessing these opportunities would secure work without this support.
- 3.4.3 The JRF study revealed that opportunities created through procurement and planning obligations are more likely to support inclusive growth if they are targeted at individuals furthest away from the labour market with specific needs e.g. Care Leavers, people with disabilities, ex-offenders rather than a particular geography because not all jobseekers are living in poverty and some are closer to the labour market than others.
- 3.4.4 The learning from implementation in Leeds along with the above review has also supported the development of the West Yorkshire Combined Authority's approach to leveraging jobs and skills through the procurement of major capital schemes. The scale of the opportunity is significant given the £1billion plus West Yorkshire Transport Fund that will be procured by the Combined Authority. It has adopted a statement of policy on their ambitions, which is now being enshrined in formal procurement processes. This includes employment, apprenticeships and traineeships, skills development and engagement with schools, colleges and universities. The Combined Authority is also developing, in close partnership with local authorities and Jobcentre Plus, a brokerage facility for developers and contractors to support their implementation of obligations.

### 3.5 Changing requirements

3.5.1 The operational framework for delivering employment and skills obligations has evolved through periodic light touch reviews. However, it is timely to more fundamentally review the approach in light of the factors summarised below:-

- a) the pipeline of major developments and infrastructure projects has grown but the nature of the construction industry has changed with new methods of construction including an increasing volume of off-site construction; a highly mobile workforce and an increasing need for higher level skills such as project management and digital design
- b) the introduction of the community infrastructure levy and the apprenticeship levy and how concerns about viability might constrain the use of planning obligations relating to employment and skills
- c) an increasing number of employment outputs emerging from end users of developments rather than the construction phase, where opportunities are sometimes of a nature and at a level more suitable for a larger number of local residents disadvantaged in the labour market
- d) the increasing use of framework agreements for the contracting of goods and services, and the impact this has on the opportunity to attach employment and skills obligations
- e) Changes in the labour market including a reduction in the number of job ready people actively seeking work as the employment rate rises, resulting in the need to place a greater focus on those furthest from the labour market, and whose entry and or return to it would yield significant economic and fiscal benefits. These include groups such as:-
  - young people as first time entrants disadvantaged by their lack of workplace skills and experience, in particular, those from BME communities, those leaving care and those with learning difficulties experience much higher levels of unemployment
  - adults with physical and mental disabilities and or long term health conditions experience significantly higher levels of unemployment and in Leeds 32,370 (6.4%) residents of working age claim Employment Support Allowance, the main out-of-work benefit for those with a health condition.
- f) the need to better align the Council's and partners' supply-side interventions to move participants closer to being considered job-ready and a potential beneficiary of the obligations.

3.5.2 All the above suggests that there will be diminishing opportunities to apply these policy levers and to efficiently deliver social value through employment and skills obligations in the current form. A more holistic and less target driven approach is now required which should focus on the most disadvantaged individuals in the labour market and, where appropriate, take account of the longer-term impact on

the supply chain to provide a more effective means of delivering the Council's ambitions for inclusive employment growth.

- 3.5.3 Activities such as those described below at Kirkstall Forge suggest how such a revised approach to the social value aspect of employment and skills development can support both our residents to engage with the labour market and access job opportunities, as well as contributing to the development of a deeper and more sustainable talent pool for developers and contractors to access. It goes above and beyond obligations and outputs to create something more sustainable in nature.

**Kirkstall Forge - Skills Mill**

Described as the creation of a new community in the city boundaries, Kirkstall Forge, comprises 300,000 square feet of commercial space, 100,000 square feet of leisure and amenity facilities, 1,100 housing units, a new primary school and a train halt.

In addition to the employment and skills obligations attached to the Planning Permission, the development is demonstrating the added value that can be achieved through engaged and innovative developers and stakeholders working together, going above and beyond obligations and putting in place an approach to up-skilling local people and offering them real on-site experience of the construction industry, through the Forging Futures Initiative.

Launched in March 2017, Forging Futures is jointly funded by the developer CEG and the main contractor, Wates, to provide a live environment for students from Leeds College of Building to gain practical experience on site, as well as for work experience for local schools. The College of Building has recently appointed a co-ordinator and Wates are currently offering a two week, full time skills development opportunity on site to unemployed young people aged 19 years plus.

The Building Futures programme, delivered by Wates offers young people the opportunity to learn a variety of practical skills through trade taster sessions, visit live construction sites, improve their employability skills and sit their CSCS test. At the end of the course the young people will be presented with a BTEC Level 1 Certificate in Construction, a meaningful demonstration of their capability and enthusiasm to progress into work.

- 3.5.4 The Leeds Social Value Charter was launched on 24 May 2016 and has been adopted by a wide range of partners from across the public, private and third sectors in Leeds. The Charter sets out shared ambitions to promote social responsibility, build social capital and deliver social value to contribute to the ambition for Leeds to be a compassionate and caring city where everyone benefits from the city's economic growth. This is informed by an increasing appetite from within the Council to consider how social value outcomes can be leveraged through a range of mechanisms and the proposed revised approach needs to be considered within this context, and in particular, how the Council co-ordinates our engagement with business to deliver on these potential multiple asks and evidences the impact. The Employment and Skills service is working closely with internal stakeholders to both share our significant experience of attaching obligations and working with businesses, but also to ensure that a consistent and proportionate framework for seeking social value outcomes is developed.

## **3.6 The Revised Process**

3.6.1 The proposed revised approach will require further work to be undertaken by the Employment and Skills service, working with colleagues in Planning Services and PPPU and commissioning managers across the Council to better balance the assessment process against the developments and contracts that have the potential to deliver opportunities if obligations are to be delivered without significant additional cost to the Council. Work will include reviewing key gateway criteria, thresholds and contract value that can be consistently applied to make best use of resources.

3.6.2 It is proposed that priority target beneficiaries include:-

- Young people under the age of 25 as first time entrants to the labour market in particular those identified as BME, leaving care and those with learning difficulties
- Adults with a disability or those with long term health conditions including mental ill-health wishing to move into or return to work.

The above priority groups are increasingly the focus of the Council's targeted employment support programmes delivered and commissioned by the Employment and Skills service and linked to the wider group of customers accessing guidance services in the Community Hubs. They are also groups who, given appropriate and effective support to move into the labour market, offer the greatest potential impact on the social and economic benefits of reducing worklessness in the city.

3.6.3 It is proposed that further work is undertaken to better co-ordinate our ask of businesses across commissioning managers using Key Account Management principles and building on the approach of a nominated project lead employed on inward investment and major development projects. The work will be concluded by September 2017.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

4.1.1 Key stakeholders including contractors, developers and their end users along with the Planning and Procurement services and commissioning officers from across the Council informed the current approach and continue to engage in dialogue to evolve the assessment, negotiation and implementation phases relating to the obligations.

4.1.2 The research commissioned by the More Jobs, Better Jobs partnership examined the implementation of similar approaches to connecting local people to opportunities arising from development and contracted services. This has enabled the Council to benchmark its approach and outcomes against others to better understand its strengths and areas for improvement. It has also enabled a dialogue with other local authorities and agencies to learn from their experience.

4.1.3 The proposed revised approach will engage a range of stakeholders including elected members, developers and contractors, Planning and Procurement leads and officers taking forward Social Value approaches alongside training and employment support service providers delivering supply side interventions. Their experience and views of the process and outcomes for individuals will continue to be captured and inform implementation.

## **4.2 Equality and diversity / cohesion and integration**

4.2.1 An Equality Impact Assessment screening was undertaken in 2012 to inform the introduction and use of employment and skills obligations through planning obligations and the Council's procurement policy. Obligations include minimum levels to be achieved and are targeted to benefit specific communities with the highest out-of-work claimant levels. This was seen as a positive intervention to connect disadvantaged communities to opportunities that they may not otherwise have the opportunity to access. However, it is clear that to date this has largely benefitted the 'job ready' within those communities.

4.2.2 The proposed revised arrangements have been subject to an Equality Impact Assessment screening which shows that the proposed revised approach will more effectively target those groups furthest from the labour market that continue to be disadvantaged during a period of employment growth. The revised arrangements will also support more effective links with targeted supply side intervention programmes and services delivered through the Community Hubs. The outputs will be monitored to ensure that these measures continue to meet agreed policy objectives.

## **4.3 Council policies and best council plan**

4.3.1 The activities described in this report contribute directly to our ambitions to enable all of our residents to benefit from a strong economy in a compassionate city, and in particular, to the Best Council Plan outcome for everyone in Leeds to earn enough to support themselves and their families and the Best Council Plan priorities around providing skills programmes and employment support and supporting economic growth and access to economic opportunities. They also support our ambitions to be a NEET-free city and a city where children and young people can grow up to lead economically active and rewarding lives.

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

4.4.1 Work to date has been implemented within existing resources and has delivered additional benefits to local residents and local businesses that may not have otherwise happened. Support offered to developers and contractors to implement their obligations has included access to a range of existing publicly funded employability and skills programmes.

4.4.2 The proposed revised approach will seek to maximise the outputs delivered by this approach for those with additional and or multiple barriers to accessing work whilst maintaining efficient practices and value for money.

## **4.5 Legal implications, access to information, and call-in**

4.5.1 There are no specific legal implications arising from this monitoring report.

4.5.2 All revisions to processes to deliver employment and skills obligations must be compliant with regulations and guidance. In the case of procurement, activity must comply with the Public Services (Social Value) Act 2013, the Public Contract Regulations 2015 and must not contravene the legislative framework and in case of planning obligations, these must comply with the Community Infrastructure Regulations 2010.

4.5.3 This report is subject to call-in.

## **4.6 Risk management**

4.6.1 A continuation of the existing approach runs the risk that public resources are deployed to those that are able to compete in the labour market while those requiring additional support are left further behind.

4.6.2 The impact of imposing employment and skills obligations on developers and contractors will continue to be considered over the short, medium and longer term and in the context of prevailing economic conditions; the strength of target sectors within the economy; and the need to balance any gains with the need to encourage continued investment in Leeds. These issues will be monitored and kept under review and consideration will be given to how any such risks can be mitigated.

## **5. Conclusions**

5.1 The current approach, employed since September 2012, has enabled over 2,300 local residents to access employment. While this approach has benefited many within communities with highest levels of unemployment, the evidence suggests that a significant number would have secured employment anyway. It is proposed to more effectively target opportunities to those furthest from the labour market that would benefit most from additional support namely young people, in particular, those from BME communities, care leavers and those with learning disabilities and adults with disabilities or long term health conditions.

5.2 Evidence of delivery to date suggests that employers and contractors are not resistant to the principle of Social Value and will be supportive of the proposed changes to the delivery of employment and skills obligations particularly where these are aligned with the supply-side interventions providing employability skills training and wrap around support.

5.3 Work will continue to refine and more effectively target the approach to those developments and contracts with significant employment generating potential during construction and in end users alongside the continuous review and evolution of the framework to deliver obligations that contribute to the Council's inclusive growth ambitions.

## **6. Recommendations**

### **6.1 Executive Board is asked to:**

- i) note the success of the approach to date of delivering social value through the application of employment and skills planning obligations and through contracts;
- ii) agree the proposed revised approach to targeting the priority groups set out in paragraph 3.6.2 in the report to ensure that this approach continues to deliver Council policy objectives for inclusive growth; and
- iii) note that the officer responsible for the further development of the revised approach and its implementation is the Head of Employment Access and Growth.

## **7. Background documents<sup>1</sup>**

### **7.1 There are no background documents.**

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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.

