

# Myth busting for boroughs

## *Asking suppliers to create skills and employment opportunities in their contracts*

Each year London's boroughs spend around £9 billion on goods and services. This buying power represents a significant opportunity for London local authorities to exert influence over their suppliers to generate jobs and skills opportunities for London's residents.

This document has been developed in partnership with London First to develop awareness and understanding between suppliers and boroughs as to how boroughs might use their procurement activities to generate jobs and skills opportunities. Boroughs have a number of tools they can use to work with suppliers on this agenda, for example London Councils' Procurement Pledge (adopted by boroughs in early 2012) has been bolstered by The Public Service (Social Value) Act 2012, which obliges boroughs to consider how to create social value in certain contracts. One of the ways to create social value is to generate additional jobs and skills opportunities.

The Public Services (Social Value) Act 2012

- Requires public bodies to consider how the procurement of a service may improve the economic, social and environmental well-being of an area.
- For local government, the act applies to public service contracts with only an element of goods or works over £173,934.
- The act does not require contracts for public works or public supply (goods), or contracts for services under the EU threshold, to consider social value, (it is important to note that even on those contracts where they are not legally obliged many boroughs are seeking to implement the 'spirit' of the legislation).
- The government's definition of social value is: 'A concept which seeks to maximise the additional benefit that can be created by procuring or commissioning goods and services, above and beyond the benefit of merely the goods and services themselves'.
- The Public Services (Social Value) Act 2012 differs from S106 planning agreements.

The following myths represent a number of concerns boroughs might have when working with suppliers to generate jobs and skills in their contracts:

### ***Myth 1: Suppliers are not willing or interested in delivering employment and skills opportunities***

Suppliers, particularly large ones that deliver multiple contracts across a number of boroughs and large Pan-London infrastructure projects, are aware of the value their contracts can create for local economies, places and people. They are also aware of the new obligations placed on local authorities under the Public Services (Social Value) Act 2012, and so will not be surprised by employment and skills requirements in contracts.

Further to this many suppliers have corporate social responsibility targets that can be met by generating employment and skills opportunities for locally disadvantaged residents. Boroughs should be aware that suppliers, in their attempt to meet their obligations, may consider offering opportunities that are not directly linked to the procured goods and services but rather have been generated from their core business activities and other contracts. Boroughs should be open to these options.

Some smaller suppliers may need some support in understanding the reasoning behind why boroughs are building employment and skills asks into their contracts, but the Public Services (Social Value) Act 2012 and London Councils Procurement Pledge can offer a useful starting point for discussions.



Although S106 agreements to generate community benefits are different to generating social value through procurement, the fact remains that many suppliers (particularly in construction) are used to delivering employment and skills outcomes. These large suppliers also see an economic value in delivering employment and skills outcomes for the local community, as it is better to have people in work in the area they are developing rather than high unemployment. Suppliers also recognise that generating jobs and up skilling local people can help them with resource issues and succession planning for their workforce.

**CASE STUDY: Lend Lease, Elephant and Castle**

*Lend Lease is a property and infrastructure provider that currently works in Elephant and Castle. Lend Lease has worked with Southwark council to create jobs for people and also create the right people for these jobs. The supplier goes one step further than simply generating employment opportunities and targeting these towards the borough's priority groups, but also creates training and skills opportunities to try to get residents recruitment ready.*

**Myth 2: Introducing employment and skills obligations on suppliers will automatically increase the price of the contract. This will create insurmountable barriers for prospective bidders, and potentially lead to 'market failure'**

Quite often new contracts will require additional staff and/ or training, and every contract will require some staff to deliver it. Stipulating certain proportions that ask suppliers to consider local employment and training opportunities should not place unreasonable burdens on contracts or vastly increase their cost. Using Transport for London's formula of £1 million = one opportunity, (for example an apprenticeship, employing a previously unemployed person, providing work experience or generating skills/ qualifications for residents) both boroughs and suppliers can have an understanding of reasonable 'asks' in a contract.

In order to ensure targets are realistic and achievable, suppliers should be asked to propose numbers that they feel they would be able to deliver. This should be done during the tender process and raised as early as possible with suppliers. It is better to agree a set of targets that a supplier will be able to deliver rather than spend time and effort chasing suppliers for outcomes that could not have been realistically achieved in the first instance. Open and honest dialogue with suppliers is vital in achieving contracts that can deliver ambitious but realistic social value outcomes.

When working with SMEs procurement practices may need to be more flexible and a creative understanding of what social value constitutes should be considered. Of particular concern is SME capacity to provide job opportunities for local people who may need additional support and skills before they are ready to take a job. Boroughs should consider balancing the value generated from including a (potentially local) SME in their supply chain, for example better links to the local community and potential to strengthen the local economy, with some of the costs associated with these smaller suppliers not having the necessary resources to train local people. If an SME is able to bring value in some of the ways outlined above but requires additional support in brokering jobs for local people, boroughs should be aware of any support they may be able to offer.

**Myth 3: Suppliers are not aware of the legal frameworks around placing employment and skills opportunities stipulations into contracts and will challenge boroughs even if they are following all the right legal guidelines. This will cause hold-ups and increased burden on the council**

The Public Services (Social Value) Act 2012 has meant that both suppliers and contractors must be more aware of the 'asks' around social value and therefore the employment and skills stipulations entered into contracts. There are a variety of toolkits that boroughs can use to help suppliers understand the legal framework around employment and skills opportunities. For example the [Social Value Guide](#) has been created by Social Enterprise UK to help public bodies to consider social value in their commissioning activities.



Local Authorities have local economic prosperity at the forefront of their organisational strategic objectives, and as a result many boroughs now have sustainable procurement policies which allow them to easily let suppliers know what is expected from them within legislative guidelines. For example, [Croydon's Social Value Toolkit](#) is a practical document that aims to provide answers to the questions about where and when the council will look to generate employment and skills opportunities, what wording to include in contracts and the legal and fairness questions that can arise.

Procurement teams should take a lead on this and look to provide training and guidance to local, and in particular small and medium size, companies and third sector providers to help them understand the legal frameworks surrounding employment and skills opportunities in procurement. The new EU Regulations set to be enacted in late 2013/early 2014 will give increased support to this objective. It is important to consider that the Public Services (Social Value) Act 2012 was championed by Social Enterprise UK as an opportunity to design contracts that focussed on quality as well as the cost of supplying a service, and so in theory should support more SMEs and social enterprises to win public sectors contracts.

#### ***Myth 4: Suppliers won't be able to monitor the outcomes of the employment and skills opportunities***

If employment and skills opportunities are criteria on which a contract has been granted, suppliers should be aware of the importance of monitoring and reporting these outcomes. Performance measures should be set out in the contract documentation to ensure suppliers are fully aware of both the measures and the measurement methodology. It is important that the performance outcomes selected, provide clear evidence of the success, are not over-specified and data is, as far as possible, readily obtained from the direct performance of the contract. This will need to be highlighted as there are costs attached to the production and maintenance of metrics by the supplier who will seek to pass them on in the form of higher prices or charges. Monitoring performance measures should not be seen as a method of control, but as a proactive means of improving the performance of a supplier.

There are good examples where suppliers have used technology to gather the required data.

#### ***CASE STUDY: Lend Lease and Landsec, Smart Staff ID cards***

***Lend Lease and Landsec use smart staff ID cards that give them to process personal data, job type, job hours etc. This allows ease of reporting back to contract managers on social value outcomes.***

Strong contract management is needed from boroughs to ensure suppliers report on any outcomes they have generated. If suppliers are not providing information about job and skills outcomes, or are failing to deliver on their targets, steps will need to be taken to understand the reasons why, and if necessary impose penalties on underperforming suppliers.

However, boroughs should also support suppliers to deliver on their targets. Boroughs asking for local opportunities in their contracts are likely to have a range of support, from national to local programmes, which can help suppliers support local people into opportunities. . Boroughs need to be aware of the best way to signpost suppliers to employment, skills and other support services. This is a complex landscape and can be confusing. Information should be relevant, manageable, up-to-date and refreshed every time a new initiative is in place.

Boroughs also need to recognise that data monitoring can be made more difficult by having different monitoring standards across multiple boroughs. Opportunities for standardisation should be considered to improve data collection.

#### ***Myth 5: Boroughs will get more jobs and skills opportunities if they work in isolation with a supplier, even if they have multiple sites across the capital***

London boroughs are increasingly aware of the benefits of pan-London procurement projects. For example, the London Procurement Strategy Board was convened with senior finance and procurement staff from across London's local authorities to consider and take forwards a more strategic approach and collective responsibility in driving forward collaboration



opportunities between boroughs in relation to procurement. Despite this, there are some concerns among local government that cross-borough working may decrease the net supply of jobs and skills opportunities available for local residents.

Working in isolation can lead to wastage in the system as local mismatches between available jobs and candidates could mean that jobs are hard to fill and candidates are not successful in securing employment, or there are not enough people in one borough that want to fill the jobs available. These candidates may have the skills to work on a site elsewhere in the capital. While there is a need for close monitoring to ensure certain boroughs are not reaping all the benefits, better cross-borough working is likely to open up more and better opportunities for our residents.

Cross borough working is good because:

- It helps people into sustainable jobs
- It is a more efficient use of the labour force
- It supports employers at a number of levels – gives them access to a more skilled labour force; helps protect their investment via increased community buy-in for development; helps the local community by generating more employment opportunities; and has a positive economic impact on local community which impacts on the value of the development.

Suppliers recognise boroughs are used to trying to safeguard new jobs for local people and they may need to 'sell' the benefits of cross-borough working to local government. It is important that boroughs are willing to listen to this case as it may result in better quality opportunities for local people.

***CASE STUDY: Notting Hill Housing, Construction Training Initiative (CTI)***  
***CTI operates across eight boroughs and with 20 Registered Social Landlords. Since starting in 1995 more than 1,000 people have benefited have developed skills with CTI. Funding for administration and training costs are calculated as a percentage (0.3 per cent) of the contract cost of each site, the contractor also pays the trainees' wages - also calculated as a percentage of the contract cost.***

Due to the considerable spending power of London local government, it is vital for London's residents that both boroughs and their suppliers are proactive in taking ownership of and generating high quality job and training opportunities for local people.

The logo for 'London First' features the word 'London' in a blue, stylized font and 'First' in a red, stylized font. A red swoosh element is positioned above the 'i' in 'First'.The logo for 'LONDON COUNCILS' consists of the word 'LONDON' in dark blue and 'COUNCILS' in pink, both in a bold, sans-serif font. A dark blue swoosh is located below the text.