

# Myth busting for suppliers

## *Delivering employment and skills opportunities for boroughs*

Each year London's boroughs spend around £9 billion on goods and services. Boroughs are increasingly interested in using this buying power to generate additional jobs and skills opportunities for local people.

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 procurement to deliver additional jobs and skills outcomes in their contracts. 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 suppliers might have when boroughs ask them to generate additional jobs and training in their contracts:

***Myth 1: Boroughs are not receptive to negotiating requirements that reflect the nature, size and length of the contract. They may ask for unrealistic numbers or opportunities that are not proportionate to the size of the contract***

Boroughs may set out the numbers and opportunities they want to generate from a contract in their specification; however they would also rather have targets that are viable and achievable. Boroughs recognise that positive, collaborative relationships enable them to encourage suppliers to contribute to wider social, economic and environmental outcomes. By ensuring that suppliers are aware of a local authority's priorities, and by agreeing plans for a supplier's contribution, an authority can draw on the potential of their suppliers to generate jobs and training opportunities. As a supplier it is important that you submit a bid based on what you feel you can realistically achieve, which reflects your business' capacity and the size and nature of the contract. Boroughs will also be keen to see businesses work with their supply chains to generate social value, particularly jobs and skills outcomes. Some boroughs have undertaken innovative work to ensure smaller and medium sized enterprises are able to bid for contracts by creating tenders that have realistic skills and jobs targets.



#### **CASE STUDY: Tower Hamlets, Decent Homes Contracts**

*For the second phase of the Tower Hamlets' Decent Homes programme an OJEU and leaseholder compliant framework was designed to maximise community benefits. Contract packages were split into smaller lots, giving opportunities to smaller local suppliers. Suppliers were asked to offer community benefits from the work, against set minimum standards. Benefits secured include:*

- *240 apprenticeships*
- *adult work experience places*
- *meet the buyer events for smaller businesses*
- *20 per cent of all contracted work to go to businesses in the local area as well as local labour commitments.*

Boroughs will ask suppliers to be ambitious, but they should also be willing to negotiate if there are good reasons why a supplier feels their targets are not achievable. Collaborative relationships from both parties help to engender understanding of each other's concerns and priorities, provide openness and transparency and strengthen a shared commitment to deliver on the strategy of the local authority.

As a general guide London Councils suggests boroughs start by considering that a £1 million contract spend should equate to one opportunity (for example an apprenticeship, employing a previously unemployed person, providing work experience or delivering skills/ qualifications for residents). Suppliers need to consider that different types of contract require different levels of resourcing and that generating jobs and upskilling local people can help them with resource issues and succession planning for their workforce.

No client wants a supplier to win a contract on the basis of them delivering a particular set of social value objectives, only for them to say they cannot do it – and the supplier risks being in breach of contract. Therefore be prepared to feed-in views on appropriate social value outputs and outcomes during any pre-market engagement and as questions of clarification during the tender process.

Suppliers need to be aware that boroughs may ask for additional social value elements in their contracts, for example a commitment to considering local supply chains or providing work experience opportunities; these may be additional to jobs and skills opportunities.

Finally, there may be other social value opportunities, beyond jobs and skills opportunities that boroughs have not considered which you feel can be generated from your contract. If this is the case – please let the borough know!

#### **Myth 2: Boroughs will ask suppliers to create opportunities only for their local residents**

Changes to the welfare system and growing levels of long term unemployment have led to tackling unemployment becoming a political priority in many London boroughs. Boroughs are keen to generate as many opportunities as possible using the tools available to them. Procurement is one of these tools. It may be the case that borough contracts will ask suppliers offer try and offer opportunities to local people.

However, if contractors have good reasons why they do not think local people will be able to fill job opportunities or this will make the contract unviable they should talk these through with the borough.

Boroughs asking for local opportunities in their contracts are likely to have a range of support, from national and local programmes, which can help suppliers to support local people into their jobs. The success of this will also require the goodwill of businesses to engage with existing local support services and agencies.

Boroughs should communicate employment and skills support services to businesses. 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. Suppliers do need to recognise however that boroughs are used to trying to safeguard new jobs for local people and they will need to 'sell' the benefits of cross-borough working to local government.

Some groupings of boroughs are already aware of the value that can be created by working across-boundaries. The West



London Alliance recommends for its members to 'explore collaborative approaches to construction sector initiatives including shared or common approaches to delivery. In particular measures which could enhance the capacity of delivery and brokerage agencies, and those that could support the delivery of apprenticeships'.

**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.*

**Myth 3: Suppliers may be working across a number of boroughs, however boroughs are not willing to take this into consideration and think about cross-borough joining up to relieve the burden on suppliers**

Figures from 2008 show that around 1,600 suppliers trade with 10 or more boroughs and 4,800 with five or more. Boroughs recognise that using different specifications and standards for some services and commodities can create additional overhead for suppliers as well as being inefficient for their own services. Many boroughs are keen as suppliers to explore ways in which procurement can be joined up. The London Procurement Strategy provides a public commitment to shared services, resources and more collaborative working in and across sectors.

The key to delivering cashable savings from procurement in the future, for both boroughs and suppliers, is about working smarter. This is about deciding what is the most appropriate and effective level to work at. This could be national, London-wide, sub-regional, or even individual authorities.

Boroughs cannot legally stipulate that suppliers provide only local employment in their contracts. However, for Works and Services contracts boroughs can **consider** the capacity of a supplier to provide jobs and training opportunities for local people and questions can be put to them asking about their proposals for using local suppliers, their methods for achieving them and the expected results. Therefore if, as a supplier, you have good proposals for how cross-borough working would generate job and training opportunities for local people highlight these in your bid. The most important obligation under procurement regulations is the need to treat all those tendering for contracts equally and to act in a transparent way.

**CASE STUDY: Six borough, ICT collaborative procurement:**

*Lambeth, Lewisham, Barking and Dagenham, Brent, Croydon and Havering collaboratively procured a four-year contract with Capgemini UK plc to facilitate improved council services and generate major cost savings by phasing out older, outdated IT systems, securing economies of scale, eliminating unnecessary paperwork and streamlining processes in areas such as finance, procurement, HR and payroll.*

Where contract management and procurement activities can be standardised London local government is leading the way. If suppliers have additional, practical ideas about how London's boroughs could standardise contracts these should be shared with London Councils and the conversation can be facilitated with boroughs.

**Myth 4: Working with local government to deliver jobs and skills outcomes will be bureaucratic**

London local authorities recognise the need for a clear and simple procurement process. Authorities are mindful of the need for streamlined back office functions. Contracting authorities are unlikely to purposefully develop procurement processes that are burdensome on suppliers as this may potentially reduce the attractiveness of the opportunity and may result in a negative impact on the number or quality of bids. This also applies to contractual 'asks' around job and skills opportunities.



***CASE STUDY: London Borough of Havering, Online Procurement***

***The London Borough of Havering has developed an online procurement system (iProc) to simplify the procurement process and cut bureaucracy. The paperless system for ordering and paying for goods, works and services, has reduced payment times and allows the councils to better monitor its spend with different types of businesses.***

This example demonstrates local government's commitment to reducing bureaucracy. To further develop this, London Councils would encourage open discussions between suppliers and boroughs to understand where the bureaucratic pinch points are in relation to jobs and skills outcomes via procurement and what might be done to streamline the process.

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 generating and take ownership of developing high quality job and training opportunities for local people.

