



Belfast City Council

Report to:	Strategic Policy & Resources Committee
Subject:	Social Clause and Local Spend Update
Date:	23 October 2013
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1.0	Purpose
	<p>The purpose of this report is to:</p> <ul style="list-style-type: none"> • Update Members on the progress to date on the incorporation of social clauses into Council procurement contracts • Identify potential ways forward for the management, monitoring and delivery of social clauses across city wide contracts • Update Members on activities underway to promote access to procurement opportunities for small businesses • Update Members on a series of initiatives around the Procurement Improvement Programme which focus on local spend and efficiency.

2.0	Background
	<p><u>Investment Programme</u></p> <p>2.1 As part of the £150 million capital investment within the Investment Programme (IP), Members have asked for consideration to be given to introducing, where appropriate, social clauses into council tenders. In addition the IP aims to increase Local Spend by 10% to 60% through by 2015 using a range of initiatives.</p> <p><u>Social Clauses</u></p> <p>2.2 On 4 July 2012, the Northern Ireland Assembly passed legislation that enables Councils to take account of certain non-commercial matters in the award of public works contracts that were previously considered as ineligible.</p> <p>2.3 This change now enables Councils to consider the use of social clauses as contractual conditions, for instance, requiring contractors to provide employment opportunities for the unemployed. These conditions must be incorporated in such a way that they do not infringe the general principles of EU procurement law and must also ensure that they remain compliant with all equality obligations.</p> <p>2.4 Government departments have been working for some time to incorporate social clauses into works and service contracts and some agreement has now been reached</p>

	<p>on a series of thresholds for the employment of apprentices, work placements and long-term unemployed. However the Northern Ireland Executive has yet to sign off an agreed approach. For that reason, practice is still ad-hoc and disjointed across the agencies and departments.</p>
2.5	<p>The Department for Employment and Learning (DEL) has an Employer Engagement Team which assists public sector organisations to implement some employability-related social clause requirements in contracts. Through this team, contractors are put in contact with DEL appointed training providers to help them source individuals to meet their contractual obligations. Upon contract completion, DEL can also provide a percentage based verification on individuals placed, to confirm compliance with the contract conditions on social clauses. The DEL support relates only to work placement opportunities provided through the Steps to Work programme and apprenticeship opportunities provided through the DEL Apprenticeship framework.</p>
2.6	<p><u>Procurement Improvement Programme Including Local Spend Improvement</u> A key strand of the Council’s Efficiency and Investment Programme is the effective procurement of Supplies, Works and Services. Procurement is a key efficiency driver which can deliver significant cash savings as well as improved value for money. It also has the opportunity to act as an economic stimulus for the local economy.</p>
2.7	<p>The Procurement Improvement Programme is currently on target with a number of key recommendations either in progress or already having been carried out. See Appendix A for a progress report along with a description of the key highlights. Members may wish to also note that through Procurement Efficiency process up to and including 2012/13 over £400k of procurement related cash savings had already been realised. A further £408k of cash savings has now also been identified for 2014/15 resulting in a total of £808k of procurement related savings being achieved via the procurement improvement programme.</p>

3.0	Key Issues
	<u>Social Clauses</u>
3.1	<p>The adoption of social clauses within the Northern Ireland public sector has mainly been focused upon delivering employability-related benefits through the provision of apprenticeships and employment/work placements for students and the unemployed. Whilst social clauses with an employability focus have been most high profile to date, a wider range of commercial, environmental and community-focused clauses exist and can be considered under the banner of “social clauses”, where appropriate. In the development of such clauses, consultation with Legal Services will be essential to ensure the clauses to be adopted are within the legal powers of council.</p>
3.2	<p>Council officers continue to work with Government Departments and our own Legal Services in reviewing social clauses being used in central government contracts, with a view to determining how these might be used or adapted for council contracts. The initial scoping work suggests:</p> <ul style="list-style-type: none"> • A lack of consistency across all contracts – with differing thresholds from contract to contract (for LTU/apprentices/work placements) • A lack of coherent guidance – Strategic Investment Board (SIB) produced a

	<p>toolkit a number of years ago and CPD are planning to issue guidance at some time in the future but there is no deadline for this</p> <ul style="list-style-type: none"> • Potential lack of ambition in development of clauses – our research suggests that there is some caution from departments as to the reach of the clauses and that, as such, they are being cautious in their requirements. This potentially reduces the economic impact and added value of the clause.
3.3	<p>Minimum standards for social clauses have been agreed by CIFNI and CPD for construction works contracts and it is understood that similar standards are being developed for construction services as well as for goods and services contracts. Whilst these standards are a useful benchmark, they don't necessarily maximise the economic return, nor do they allow for local economic conditions to be taken into account.</p>
3.4	<p>Members should be assured that council officers have been screening all tender opportunities for the inclusion of the social clauses. See Appendix B for the list of tenders identified for the inclusion of social clauses and those screened for their inclusion. Members should be aware in the absence of a Social Clause Policy for council, contracts with a minimum labour value of £250,000 and contract duration of at least 6 months are being screened for the inclusion of social clauses, in line with CIFNI standards. Appendix C sets out a sample set of clauses included in the Girdwood Community Hub Tender Documents and supplies and services contracts.</p>
3.5	<p>In recognition of the need for coherence and clarity, and taking account of the lack of appropriate guidance from other sources, a social clause policy framework and guidance notes for the council have recently been commissioned.</p>
3.6	<p>Officers are currently investigating the implications of all options in terms of the potential to generate social return, resource implications for management and monitoring purposes and legal considerations. Once complete the findings will be presented to Members to agree the preferred option. Members should be aware that, in the absence of a Social Clause Policy, the council's default position will be to adopt the approach of integrating social clauses as a contract condition, in line with CIFNI standards.</p>
3.7	<p>Members should be aware that, ambitious as the Investment Programme is, the scale of council contracts in terms of value and duration may make it impractical for contractors to deliver longer-term employability benefits such as apprenticeships, the duration of which is expected to be longer than the timescale of the council's contract.</p>
3.8	<p>In order to address these challenges and to achieve sustainable construction related apprentices it will require collaboration and coordination between a number of partner organisations with capital programmes. There are examples of where this has worked in the UK especially in the Manchester and Liverpool areas. They achieve a successful apprenticeship programme by having a social enterprise act as the employer agent who co-ordinates the recruitment and placement of apprentices.</p>
3.9	<p>Working in partnership with other public sector organisations, Council could adopt a</p>

	<p>similar approach to provide continuity of employment for apprentices to complete their qualification in full. Additionally whilst advice from legal services has confirmed our contracts can have employment clauses such as those for apprentices, the Council cannot insist on Belfast residents being the beneficiaries of these clauses. The Councils vires only allows it to work within its own geographical boundaries. However employment through a third party provider will provide Council with a mechanism of targeting opportunities to local communities without explicitly limiting these to Belfast residents.</p>
3.10	<p>In order to maximise the impact of this approach, consideration needs to be given to working in partnership with OFMDFM and DEL to consider how this could be delivered and resourced.</p>
3.11	<p>In addition to the employability-related clauses referred to above, there are opportunities to include additional clauses into upcoming contracts which will help maximise the local impact of the activity. These might include the promotion of supply chain opportunities, environmental benefits and/or project specific community benefits.</p>
3.12	<p>Given the complexity of this area of work, careful consideration should be given to the availability of resources for the monitoring and management of all social clauses in order to achieve contractor compliance and to derive maximum benefit for the local economy.</p>
3.13	<p>In summary, the next steps for council in the adoption and implementation of social clauses are:</p> <ul style="list-style-type: none"> • Further development of the social clause policy options and associated guidance, with sign-off by January 2014 • Consultation with OFMDFM, DEL and partner organisations to consider how a collaborative approach to apprenticeship opportunities and other employability-related benefits can be developed – initial meeting in November 2013 • Review options available for the management and monitoring of social clauses in council contacts – December 2013.
3.14	<p><u>Increasing Local Spend</u></p> <p>In order to measure and further enhance local expenditure, Centre for Local Economic Strategies (CLES), was commissioned following a competitive procurement process to undertake a study on the economic impact of the Council's expenditure. Findings from this study have concluded that every £1 of Council expenditure generates;</p> <ul style="list-style-type: none"> • 76 pence is spent or re-spent in the Belfast economy • 80 pence is spent or re-spent in the post LGR boundary • £1.02 is spent or re-spent in the Greater Belfast Area • £1.35 is spent or re-spent in the regional economy. <p>These figures compare favourably with other UK local authority areas which typically have in the region of 50-60 pence within the local economy. Appendix D contains a summary of the CLES findings.</p>
3.16	<p>Following this study a series of recommendations is being developed to identify</p>

	approaches that the Council could adopt to further increase and sustain the impact of its expenditure within the local economy. These will be reported through the Development Committee once completed.
3.17	Members should also aware of the ongoing work to up skill and engage local businesses in the council and wider public sector supply chain. A series of procurement workshops is currently being delivered across the city, to educate and inform local businesses on the council's procurement processes and on consortia building, facilitating them to compete for public sector contracts. A schedule of upcoming workshops is contained in Appendix E .
3.18	To increase local spend, a commitment to 'buy local' in areas where we can influence spend has been endorsed by the Corporate Management Team. In addition it has been recommended to staff that, where appropriate, quotations are issued to Belfast based SMEs.
3.19	To support this approach it has also been agreed that a ' buy local first ' communications initiative be devised with Corporate Communications and a corporate quotation protocol drafted and mandated. Corporate Procurement Services has been given the authority to challenge Services where local suppliers are not being selected.

4	Resource Implications
	No specific additional resource implications are required at this time.

5	Equality and Good Relations Considerations
5.1	Any emergent Social Clause Policy will required to be equality screened.

6	Recommendations
6.1	Members are asked to: <ol style="list-style-type: none"> 1. Note the work ongoing regarding the social clause policy and maximising local expenditure. 2. Approve the interim position of using the CIFNI social clause standards and screening council contracts for inclusion of social clauses with a labour value of £250,000 and 6 month contract duration. 3. Endorse the proposal to engaged with DEL and OFMDFM to explore the potential for an employer agent model as a means of sourcing apprenticeships across, government contracts, and to explore funding opportunities for this approach 4. Note the financial spend and re-spend impact of council expenditure in both the local and regional economy.

7	Decision Tracking
The Director of Property and Projects and the Director of Development will be responsible for the continued progress of these aspects of the Investment Programme.	

8	Key to Abbreviations
<p>IP Investment Programme PIP Procurement Improvement Programme OFMDFM Office of First Minister and Deputy First Minister DEL Department for Employment and Learning CLES Centre for Local Economic Strategies CIFNI Construction Industry Federation Northern Ireland SME Small and Medium Enterprises SIB Strategic Investment Board CPD Central Procurement Directorate</p>	

9	Documents Attached
<p>Appendix A – Procurement Improvement Programme Update Appendix B – List of tenders screened for the inclusion of Social Clauses Appendix C – Sample set of clauses included in the Girdwood Community Hub Tender and supplies & services contracts Appendix D – Executive Summary of CLES Report Appendix E – Procurement Workshop Schedule</p>	