

Council for Economic Renewal

Community Benefits through Procurement

Introduction

1. The effective application of public procurement policy is key to realising the full value for money potential of the Welsh public sector's annual expenditure of £4.3bn.
2. This paper focuses on a number of initiatives being progressed to consider options to strengthen application of the Community Benefits policy while also providing a general update on the implementation of other priorities.

Community Benefits

3. Delivery of our Community Benefits policy is part of the Programme for Government. Developed in 2006 and re-launched in 2010, it aims to help regenerate Welsh communities and addresses a number of pan-Government priorities:

Department	Link
Sustainable Futures	Maximising Welsh Housing Quality Standard (WHQS) investment Regeneration partnerships Sustainable Development application
Local Government & Communities	Local Government Compact Anti Poverty Action Plan
BETS	Supplier development Supplier adoption of Corporate Social Responsibility Social Enterprise Action plan Rural Depopulation Action Plan Construction Sector panel
Department for Education Skills	Youth Engagement & Employment Action Plan 21 st Century schools Programme
SPF&P	Wales Infrastructure Investment Plan Equalities plan
Health	'Designed for Life' construction framework

This joined-up working is delivering results including:

- The Local Government Compact includes the commitment to adopt a Community Benefits approach on appropriate projects over £2m;
 - The seven Regeneration Area partnerships (North Wales Coast, Mon a Menai, Aberystwyth, Western Valleys, Barry, Heads of the Valleys and Swansea) have been used as a delivery platform for embedding community benefits into capital investment.
 - Projects have been provided that support delivery of DfES programmes such as Pathways to Apprenticeships and the Young Recruits Programme.
4. Community Benefits policy is about using procurement expenditure to support economic growth through providing local training, employment and supply chain opportunities. Initial research demonstrated that where applied this policy results in a 30% greater local multiplier effect. There are three different options for implementing Community Benefits:
- 'core', where Community Benefits are identified as a 'core' part of the requirement (the subject-matter of the contract) and included in the award criteria. The public body, in this scenario, has the remit to "purchase" the social outcomes and will need to consider how well the tenders meet the requirement. Award criteria would therefore address levels of quality or performance compared with the specified requirements;
 - 'non-core', where public bodies include the delivery of social requirements as contract conditions, and suppliers are required to produce a method statement which is not assessed at selection or award stage but is implemented once contracts are awarded; and
 - Encouraging suppliers to engage with the concept of Community Benefits without making it mandatory. This can sometimes be a useful starter for local bodies and suppliers to develop ideas on how Community Benefits can be delivered. It can also be strengthened by publicising supplier performance.
5. These three options have been widely used across the public sector, and have already resulted in significant added value through procurement. The use of the i2i 'Can Do' Toolkit amongst registered social landlords has been of particular note. Over the last two years the community benefits approach has been applied to £3.4 billion of contracts, ranging from £5m to £300m – most, but not all in construction.
6. Value Wales has developed a Community Benefits measurement tool and used this to track six early projects, worth £146m through to delivery. The outcomes effectively demonstrate the policy. The application of Community Benefits meant that after award, £56m went directly in salaries to Welsh citizens, and £68m (47%) was spent with Wales based subcontractors, 82% of which were Welsh SMEs. In addition 140 disadvantaged people received 8500 weeks of work

experience and 44 apprentices received 7000 weeks of training. Overall, an estimated 2200 jobs for Wales were therefore protected or created, and almost 85% was spent in Wales. There are a further fifty projects using this approach and, as they are delivered, similar benefits are anticipated. Details are provided in Annex 1.

7. The Wales Infrastructure Investment Plan (WIIP), which is under preparation, is fundamental to our Community Benefits aspirations. The WIIP will provide greater clarity and certainty to the private sector about the investment pipeline and the procurement strategies developed, will identify and strengthen opportunities to apply Community Benefits to maximise the local benefit of our investment.
8. The Community Benefits policy is already delivering but it can be strengthened. It is important that business is involved in shaping the future policy. To this end Constructing Excellence have been commissioned to carry out a 'business sounding' to garner views from a range of construction contractors on how the policy is being delivered in practice, and what incentives and barriers exist to achieving more. Construction Skills Wales have offered to facilitate further discussion on the results. The report is being finalised but the key messages already emerging are:
 - There is evidence that the Community Benefits approach has become more widespread and is better understood;
 - There is support amongst business for the policy;
 - There is no evidence that the 'core' approach delivers more than the 'non core' approach – what is far more significant is the degree of client leadership and involvement after contract award;
 - Coordination of support agencies is key to cost effective provision of apprentices and disadvantaged people; and
 - Rigid application of employment targets does not deliver long-term sustainable employment benefits.
10. The new European Directives for procurement, due to come into effect in 2013, appear to provide opportunities to strengthen Community Benefits policy. It has therefore been decided to complete the business consultation on the policy before seeking legal advice on both the opportunities to strengthen our approach and a view on the scope provided by the new directives.
11. Different legal opinion can sometimes stymie the application of Community Benefits policy. A series of legal workshops have thus been organised - to be held during February and March - specifically targeted at procurement teams and Heads of Legal Services across the public sector to encourage better adoption of this policy.
12. The 'lessons learned' review of the two major construction frameworks let by Powys and Rhondda Cynon Taf Councils has been completed by the Welsh Government's Internal Audit Services. The outcome of this review has further emphasised the need to embed the use of

Community Benefits in construction projects. The Minister for Finance and Leader of the House issued a statement on the outcome of this review on 9 February.

Supplier Qualification Information Database (SQulD)

13. The SQulD approach to pre-qualification simplifies this part of the procurement process through encouraging procurers to use a risk based approach to setting proportionate qualification criteria from a common set of questions.
14. Extensive trials have been completed, with excellent business feedback, and the release of the final SQulD, and the Construction SQulD was announced on 21st February. Almost 500 public sector procurers have been trained including the entire NHS and local government sector and a number of education institutions have committed to its use.
15. Use of the early versions of the SQulD has simplified pre-qualification and enabled more suppliers to win contracts. In the construction sector in the last 10 months, Wales based businesses have won 45 of the 67 contracts or framework places awarded, potentially worth £755m. This means that Welsh business is now winning two-thirds of construction awards with two-thirds of the value, compared to only one third in 2010 a major boost to the economy.

Visibility of Contract Opportunities

16. Visibility of contract opportunities is fundamental to indigenous business growth. The National Procurement Website 'sell2wales' is used by every major public sector organisation in Wales to publish notices of upcoming contracts. In excess of 50,000 suppliers are registered on the Website, of whom over 30,000 are Welsh.
17. As a result of the *Breaking Down Barriers*' research, public bodies are encouraged to increase the advertisement of lower value, sub-OJEU contract opportunities via sell2wales. Over the last two years the volume advertised has increased by almost 30%. These contracts are of great interest to Welsh suppliers, the vast majority of which are SMEs.
18. Major projects provide sub-contracting opportunities which can assist in the development and growth of smaller businesses. Therefore, visibility of these opportunities is important. Public bodies are encouraged to request main contractors to advertise sub-contracting opportunities via the 'Tier 1' sub-contracting portal on sell2wales. Use is growing and the number of 'Tier 1' notices posted this financial year has already increased by 50% compared to 2010/11. This is helping Welsh suppliers to win valuable supply-chain contracts.
20. In conclusion, innovative public procurement has a positive impact on the economy and progress has been made in extending benefits for

local communities. However, more can be done and work will continue to strengthen procurement policy, including adoption of Community Benefits, and to monitor delivery across Wales. This will involve close working with the Trade Unions, the Confederation of British Industry, the Federation of Small Businesses, the Welsh Social Enterprise Coalition and other social partners through their membership of the Procurement Supplier Board set up in 2010 to strengthen joint working on public procurement policy.

Annex 1

List of projects and frameworks incorporating community benefit clauses:

Title	Owner	Value
South East Highways Framework	RCT & 9 LAs	£200,000,000
Peripheral Distributor Road	NPT	£110,000,000
The Works	Blaenau Gwent	£350,000,000
Pontio Project	Bangor University	£25,000,000
SEWSCAP Framework	RCT & 9 LAs	£300,000,000
Construction Framework	Powys & mid Wales	£250,000,000
Dwr Y Felin School	NPT	£8,500,000
Hendre School	Gwynedd	
SWW Construction Framework	Carmarthenshire lead	£300,000,000
Project Gwyrdd	Caerphilly	
HOV Organic Waste	Caerphilly	
Legionella services	WPC	
Asbestos removal	WPC	
Schools Milk	WPC	£9,000,000
YYF Highways Improvement	Caerphilly	£13,000,000
Bro Dysynni school	Gwynedd	£5,000,000
Blaenau Regeneration Project	Gwynedd	£2,000,000
Glamorgan Capita Consultancy	MT, RCT & Bridgend	£20,000,000
NHS Estates	NHS Shared Service Partnership	£600,000,000
Facilities Management	WG	£17,000,000
Fuel Poverty Scheme	WG	£80,000,000
Work Based Learning	WG	£120,000,000
Arbed Programme	WG	£45,000,000
Personal Travel planning	WG	£5,000,000
Broadband	WG	£500,000,000
National Survey Wales	WG	£6,300,000
Axis II	WG	£16,000,000
HOV Dualling Scheme Phase 2	WG	£100,000,000
HOV Dualling Scheme Phase 3	WG	£116,000,000
Building Services	Cardiff City Council	£30,000,000
Quadrant Interchange	Swansea City Council	£10,000,000
Waterfront Phase 1	Swansea City Council	£900,000
Waterfront Phases 2 & 3	Swansea City Council	£800,000
Hafod Renewable Area	Swansea City Council	£1,000,000
High Street Station	Swansea, WG & Arriva Trains	£5,000,000

Alexandra House	Swansea (WG Grant)	£12,000,000
Oystermouth Castle	Swansea City Council	£1,300,000
European Boulevard – Tawe Bridges	Swansea City Council	£3,000,000
City Centre – Lower Oxford Street	Swansea City Council	£1,500,000
BISF Steel frame Housing	Swansea City Council	£2,300,000
Cefn Hengoed School	Swansea City Council	£10,000,000
Maesglas Flats	Swansea City Council	£1,700,000
Cert Housing Renewals	Swansea City Council	£1,100,000
Urban Village – Coastal Housing	Swansea City Council	£12,000,000
Hafod Group Repair Scheme 25 & 26	Swansea City Council	£600,000
Hafod Group Repair Scheme 27	Swansea City Council	£600,000
Wind & Weather Proofing Trallwn	Swansea City Council	£500,000
Ysgol Maesydderwen, Ystradgynlais	Powys CC	£9,700,000
Four Primary Schools, Club House & Sports Pitch, Ystradgynlais	Powys CC	£20,000,000
Welsh Housing Quality Standard	Powys CC	£17,100,000
Home Standard	Carmarthenshire CC	£24,310,733
A40 Penblewin to Slebech Park Improvements	Welsh Government	£31,185,000
Pontypridd Regeneration project	RCT CBC	TBC
Aberdare Regeneration project	RCT CBC	TBC
Abercynon School	RCT CBC	TBC
Albion Reclamation Scheme	RCT CBC	TBC

Expected total value: £3,394,395,733

Value Wales Community Benefits Measurement Tool outcomes

To date 6 projects have completed the Measurement Tool to capture the value of their contracts:-

Project Title	Contract Value	Income to Welsh Residents	Total Revenue to Welsh Based Businesses	Value of Total Revenue to Welsh SMEs	Disadvantaged Persons helped into employment	Training weeks Provided to disadvantaged persons
RCT Church Village Bypass	£67m	£26.4m	£35.6m	£29.2m	71	536
Welsh Government A465 Road Scheme (Section 3)	£3.9m	£2.6m	£850,000	£550,000	0	0
Carmarthenshire Home Standards Property Services Framework	£24.3m	£7.9m	£15m	£14.2m	53	7711
Welsh Government A40 Road scheme	£31.2m	£10.2	£16.2m	£11.8m	0	129
Glamorgan Capita Consultancy Project Year 2009	£8.4m	£3.7m	£113,627	£113,672	8	62
Glamorgan Capita Consultancy Project Year 2010	£11.1m	£5m	£225,211	£225,211	9	108
Total	£145.9m	£55.8m	£68m	£56m	141	8546

Notes

The Measurement Tool provides a consistent format for contractors to record and report information about local employment, use of local businesses and training schemes. The table above shows highlights from the tool. Columns contain:

- i) Total contract cost paid by public sector organisation
- ii) The amount of the contract value that was spent on staff and labour costs to people living in Wales
- iii) The amount of the contract value that the main contractor went on to spend with Wales based businesses.
- iv) Of the amount spent with Wales based business, the value spent with Wales based SMEs
- v) The number of unemployed persons helped back into work
- vi) The number of weeks of training provided to unemployed persons recruited, plus other disadvantaged persons in the local communities. Training includes apprenticeships, NVQs, work trials, work experience, etc.