

MAYORAL RECOMMENDATION

CITY
STATUS - PUBLIC

F&R/4

<p>Cabinet Member: Councillor Paul Brant Deputy Mayor and Cabinet Member for Finance and Resources</p>	<p>Director: Becky Hellard, Director of Finance & Resources</p>
<p>Date of submission: 5th October 2012</p>	<p>Subject: Procurement & Accounts Payable– Improvement Plan and Increased Capacity</p>
<p>Report No / Background papers F&R/4</p>	<p>Contact Officer: Becky Hellard Director of Finances & Resources</p>
<p>Executive summary: A significant amount of review and improvement planning work has been done over the last 12 months. This now needs to be delivered in order to significantly improve the effectiveness and efficiency of the authority's third party spend of £270m per year.</p> <p>Further work has been done on finding the most effective delivery model in order to increase capacity and skills within the authority to make this happen. Delivery requires robust governance arrangements across all Directorates of the authority and ownership and accountability to be put in place.</p> <p>Clear Policies are required to ensure delivery of the Mayoral Pledges and Corporate priorities</p> <p>Procurement Improvement Plan A delivery plan is attached at Appendix 1 which sets out the key improvements required both across the organisation and within the service itself.</p> <p>This includes:</p> <ul style="list-style-type: none"> • Embedding formal governance arrangements • Promoting Local businesses and the economy • Strategic planning of commissioning & procurement • Maximising efficiency & savings 	

- Injecting skills & expertise into the organisation
- Improving ICT and system functionality

Effective Delivery Model

The full spectrum of delivery models have been investigated as follows:

1. In-house Team – recruitment of skills to complement the in house team and increase capacity. There is currently a shortage of such skills in the public sector.
2. Shared Services – a joint arrangement with a public sector partner, this does not allow for input from any private sector partner unless an OJEU procurement process is applied.
3. Externalisation – Outsourcing the current in-house team to a private sector operator to ensure skills and capacity are levered in from the private sector partner.
4. Hybrid – In-house core team supported by private sector through a framework arrangement to allow flexibility within the service to ensure skills and capacity can be easily flexed to match the needs of the fast changing shape of the authority. This can include the use of shared services agreements with other public sector organisations where appropriate to complement the framework.

A full evaluation of the Hybrid and Externalisation options is attached in Appendix 2. The in-house option has been eliminated due to recruitment difficulties and the elapsed time for putting this into place. The externalisation option has been eliminated due to the difficulties building in flexibility and the elapsed time for putting into place as this would require a full OJEU process.

Robust Governance Arrangements

A number of steps have been taken:

- Corporate Procurement Board in place led by Directors with clear roles and responsibilities to ensure that procurement is carried out effectively within Directorates
- Procurement principles in place, see Appendix 3
- Training given to all senior managers with an involvement in procurement
- Broader guidance being developed to improve awareness

The next steps are around embedding this within the culture of the organisation.

Policy Framework for Employment & Skills

The authority has significant buying power, both locally and regionally, and therefore has the capability to support and deliver the mayoral pledges of 20,000 jobs in 4 years as well as the corporate priorities tackling unemployment, worklessness and developing skills for the wider regeneration of Liverpool.

The Policy statement is attached at Appendix 4 and includes measures to promote local suppliers, social enterprise and measures to encourage SMEs. The Social Value Act 2012 is due to be implemented in January 2013 calls for all public service commissioning to factor in social value. This requires public bodies to consider how services which are commissioned and procured might improve the economic, social and environmental well-being of the area. This involves looking beyond the cost of individual contracts and looking at what the collective benefit to the community is when a public body chooses to award a contract.

The Act promotes the use of social enterprises to deliver public services as these organisations are committed to social goals rather than profit per se. Commissioners and Procurers will actively seek out organisations that deliver above and beyond, charging fairer price whilst supporting the City and communities in which they operate. This will be factored into evaluations of tenders and bids within the Procurement process.

Further Improvements being Implemented

- Contracts Register in place and verified within Directorates
- Validation of Sourcing Plans & Budget Savings delivered
- Detailed action planning to support Procurement Improvement Plan
- Streamlining of the Accounts Payable system
- Development of proactive reporting on level of use of local suppliers
- Learning on “Commissioning Specifications”
- Review of Contract Standing Orders

Options

1. Hybrid or externalisation to deliver capacity and injection of skills

Mayoral Recommendation:

That Cabinet –

- (i) approve the Policy Statements set out in Appendix 4 of the report submitted;
- (ii) note the Improvement Plan; and
- (iii) approve the option for delivery.

Mayor's Priorities

To make Liverpool business and enterprise friendly.

Corporate Aim(s):

The Procurement of goods and services underpins all of Council's corporate aims and the Mayor's priorities.

Key Decision:

Yes

Forward Plan:

Yes

Implementation effective from:

12th October 2012

Timescale for action:

Immediately

Reason(s) for Recommendation:

Delivery of the Mayoral pledges and improvement of our effectiveness of Procurement Services

Alternative options considered:

Various service delivery models have been evaluated over the last 18 months, including externalisation and shared services.

Consultation including consultation with Ward Councillors and outcome:

Consultation with Cabinet Member for Finance & Resources reflecting the fact that this is a policy decision within a support service.

Financial implications (Efficiency Savings):

The option outlined will be funded on an invest to save principle. The initial budget of £0.5m will be funded from reserves. The savings generated from procurement activity will be top sliced to repay the £0.5m and to meet then ongoing budget requirement in future years.

Legal implications:

The Public Services (Social Value) Act 2012 (“the Act”) received Royal Assent on 8 March 2012. The main provisions of the Act are not yet in force and will come into effect on the 1st January 2013. The Act places a duty on public authorities to consider how a procurement for services might improve the economic, social and environmental well-being of the “relevant area”, in our case, Liverpool (“the social values”). This consideration has to be exercised in advance of the formal start of the procurement (i.e. before the OJEU notice or any other advertisement is published). There are no penalties for non-compliance.

- The main provisions of the Act are not yet in force and will come into force on 1 January 2013 – together, it is hoped, with some clear guidance notes about the detailed application of the provisions of the Act.
- The Act only applies to services contracts to which the Public Contracts Regulations 2006 apply i.e. those above the EU threshold (currently £173,934 over the life of the contract) but does not apply to service contracts that are “called off” from Framework contracts or to Works or Supplies contracts. The Act is therefore limited in application.

The extent to which the Act can be applied to contracts is also limited by the requirements in the legislation for the economic, social and environmental improvements (the Social Value improvements) to be directly relevant to the subject matter of the contract and proportionate to its value. Establishing this direct connection will be essential to the legitimacy of any requirement and the extent to which it can be defended in the face of any challenge.

It should be noted that the Act does not override either 1, The requirement of the Council to achieve best value; or 2. The requirement of public procurement law (as set out in the Public Contract Regulations 2006 and /or EC Treaty Principles). Therefore the Council must always act in ways that are non-discriminatory, fair and transparent when it conducts procurement exercises and awards contracts. The Council could choose to apply the principles of the Act voluntarily to more than the large scale service

procurements but the Council could not rely on the protection given by the Act in the same way. The Council would not have freedoms with regards to the consideration of non-commercial matters (s 17 LGA 1988) for anything other than large services procurements that are caught by the Act.

The EU procurement regime already allows procuring public bodies to take into account such considerations and to deliver economic, social and environmental outcomes which will contribute to sustainable development. The proviso is that such considerations must be linked to the subject matter of the contract, are proportionate to its requirements and that the principles of value for money and equal access for the suppliers are observed.

Regulation 39 of the Public Contracts Regulations 2006, as amended, states that a contracting authority may stipulate conditions relating to the performance of a public contract, provided compatible with community law and included in the contract documents such conditions may, in particular include social and environmental considerations.

The Cabinet Office Government Procurement Service Framework is to be used for the Hybrid option. Externalisation would require an OJEU process.

Risk Management:

Finance and Resources Directorate will manage and monitor the progress through its delivery plan.

Equality implications/Equality Impact Assessment:

This policy is relevant to organisations rather than individuals. Detailed Equality Impact Assessments will be undertaken as part of any Service Delivery review to support these plans.

Climate Change Strategic Framework and Climate Change Adaptation Framework:

The Council's Procurement Strategy linked to its strategic frameworks for climate change and sustainability.

Budget and Policy Framework: The option outlined will form part of the budget savings to be included in the Medium Term Financial Plan 2013/14 to 2016/17.

Report attached:

- Appendix 1 – Procurement Delivery Plan
- Appendix 2 – Assessment Criteria
- Appendix 3 – Draft Procurement Principles
- Appendix 4 – Procurement Policy

Appendix 1

Procurement Delivery Plan

Priority Improvement Area	Timetable
Development of an Annual Procurement Plan and prioritised workplan for CPS Development of a comprehensive Corporate Contract Register	Q3
Procurement Champions in each directorate. Corporate Procurement Board in place	Q3
Ensure that procurement activity fully supports the objectives of the Council. Develop Procurement Policy to focus on social value, local economy and employment & skills	Q3
Substantial benefits from the intelligent and appropriate use of national, regional and sub-regional frameworks and contracts, and collaborative commissioning and procurement activity to leverage spend and achieve savings	Q4
Reduce the time taken from procurement initiation to contact award. Maximise the value of savings achieved	Q3
Improve visibility of all 3 rd party expenditure to achieve savings from well informed sourcing decisions, opportunities to aggregate spend and proper vendor management. Effective management of the supply base to drive value and savings	Q3
Improve visibility and scrutiny of all anticipated sourcing activity to achieve savings from planned, prioritised and properly timed sourcing decisions	Q3
Increase % of influencable spend on contract	Q4
Enhance the self-service functionality of SAP. Reduce the number of processing interventions required by the Ordering and Payment teams	Q4
Reduce the number of processing interventions required by the Ordering and	Q3

Payment teams	
Implement a new structure for CPS through the development of a core service	Q3
Increase the % of strategic CPS officers with CIPS Professional Qualification	Q4
Improve the capability and performance of all CPS officers	Q4
Improve business intelligence through better use of technology	Q3

Appendix 2

Chosen criteria	Option under appraisal	Score (1-5)	Description/rationale for score
1. The procurement approach is in keeping with our organisational culture	a. Outsourcing	2	<p>The procurement approach is unlikely to be aligned to our culture, as one might expect the culture of any private sector contractor will be driven by the commercial relationship with LCC, the achievement of savings and the cost of providing the service.</p> <p>Although it is always possible to build in contractual obligations to ensure we maximise the delivery of the Council's key priorities (e.g improving employment, skills development and business opportunities through procurement activity) they will not necessarily be a key driver for the service.</p> <p>There are very marked differences between the behaviours and practices of private sector procurement functions and those of the public sector.</p>
	b. Retain in-house and increase capacity. With the option to use framework contracts for specialist projects and peaks.	5	Clearly this option is the closest to our current organisational culture.
2. Timeframe	a. Outsourcing	2	This option would require a formal tendering process and therefore would be at least 12 months before it is operational.
	b. Retain in-house and increase capacity. With the option to use framework contracts for specialist projects and peaks.	4	This option would require recruitment exercises and time for the new team to embed. The timeframe would also be dependent on the skills/experience of staff being brought in. Framework contracts with specialist providers would reduce this delay.
3. Long term strategic control is retained at	a. Outsourcing	2	Whilst the contract will be managed by the Director of Finance and Resources and therefore a large degree of strategic influence will be

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Liverpool City Council			retained by LCC, it is still the option where LCC would have the least direct influence over procurement. It is certain that a private sector service provider will want a high degree of control over all decisions associated with 3 rd party spend, and especially as the success of the relationship will be predicated (in the main) by their ability to deliver savings.
	b. Retain in-house and increase capacity. With the option to use framework contracts for specialist projects and peaks.	5	Strategic control would remain solely with LCC.
4. The skills / experience of the individual that will be assisting on the ground need to be sufficient to add to and develop our current skills.	a. Outsourcing	3	Outsourcing would provide an immediate injection of skills (following the outsourcing taking place); this would be monitored through the management of the contract.
	b. Retain in-house and increase capacity. With the option to use framework contracts for specialist projects and peaks.	4	Depending on the level of staff brought in, the capacity and skills of the unit will be increased. Having framework contracts in place for specialist projects will assist in developing the skills of our current team.
5. Will allow effective links to commissioning	a. Outsourcing	2	It is certain that a private sector service provider will want a high degree of control over all commissioning decisions associated with 3 rd party spend, as the success of the commercial relationship will be predicated (in the main) by their ability to deliver savings.
	b. Retain in-house and increase capacity. With the option to use framework contracts	5	This relationship will be managed through the Procurement Board and Integrated Commissioning Group at a high level and through both the procurement and commissioning champions. With this option LCC have total control over the links, and the ability to shape

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	for specialist projects and peaks.		and influence service delivery options and models that will generate both service improvement and financial benefits, with commercial acumen levered in through the framework.
6. Enables reporting of performance and a build up of business intelligence	a. Outsourcing	3	<p>The agreed business model will ensure that business intelligence is built up and retained, and accessible to LCC. With the outsourcing option this would need have to be managed through the contract.</p> <p>The advantage of this option is that it is certain that a private sector service delivery provider will already have a more sophisticated approach to the collection of BI and PMI than is currently available from current systems and PM framework.</p>
	b. Retain in-house and increase capacity. With the option to use framework contracts for specialist projects and peaks.	5	<p>The agreed model will ensure that business intelligence is built up and retained; clearly we will have more direct control over this in-house.</p> <p>Currently, systems do not adequately capture and manage information in a way that is useful from a procurement perspective. There will be a level of investment required to ensure that the information required for BI and PMI is captured at the appropriate level, and that business process rules are followed and managed effectively to support the collection of such information. This is built into the Procurement Delivery Plan.</p>
7. Is conducive to our Mayoral Pledges and Corporate Strategy	a. Outsourcing	3	This option is neutral in terms of our Corporate Strategy.
	b. Retain in-house and increase capacity. With the option to use framework contracts	3	This option is neutral in terms of our Corporate Strategy.

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Chosen criteria	Option under appraisal	Score (1-5)	Description/rationale for score
	for specialist projects and peaks.		
8. Has specific public sector experience in high risk areas where additional expertise is required	a. Outsourcing	5	This would be driven by the service specification issued to bidders and would be a mandatory requirement of the contract. The advantage of this model is that a private sector service provider is likely to be able to call on the specific expertise required on a project by project basis, rather than placing a reliance on any permanent organisational structure. Thus making it the most beneficial and cost effective model.
	b. Retain in-house and increase capacity. With the option to use framework contracts for specialist projects and peaks.	5	Having the framework contracts in place will allow the unit to seek specialist expertise where this cannot be provided in-house.
9. Can lead to a transference of skills to our in-house team within procurement and contract managers	a. Outsourcing	2	The skills transference would be to our contract managers as we would no longer have an in-house procurement team.
	b. Retain in-house and increase capacity. With the option to use framework contracts for specialist projects and peaks.	3	When recruiting additional resource we would ensure that the individuals had the necessary interpersonal skills to build up the existing skills of the team. Where specialists are brought in through the framework contract, they will be able to share knowledge with the procurement team.
10. Ability to continue to influence our ability to meet the savings requirements of future central government funding settlements	a. Outsourcing	3	This would be built into the agreement – if the payment mechanism was a fee rather than a % of savings LCC would still retain a large influence over our ability to meet savings requirements. The agreement would also have savings targets within them as a performance measure to ensure that we can meet the savings requirements.

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Chosen criteria	Option under appraisal	Score (1-5)	Description/rationale for score
	b. Retain in-house and increase capacity. With the option to use framework contracts for specialist projects and peaks.	5	LCC would still retain the control over our ability to meet savings requirements.
11. Cost	a. Outsourcing	-	Not known at this stage, as this would require an OJEU process to determine this.
	b. Retain in-house and increase capacity. With the option to use framework contracts for specialist projects and peaks.	-	Costs would be determined on an individual project basis and funded from top-slicing savings delivered.
12. Deliverability and resulting savings	a. Outsourcing	3	This model would have savings built into the contract. It is likely however that the savings would be capped and the model would be inflexible for the period of change that the public sector is experiencing.
	b. Retain in-house and increase capacity. With the option to use framework contracts for specialist projects and peaks.	4	This model would build on our existing service and allow the degree of flexibility required in the changing environment that the organisation is currently facing.
Key Risks / Opportunities (Not referred to above)	a. Outsourcing		There is a risk that the market would not want to supply procurement services given the organisation has been through two procurement outsourcing / consultancy exercises that were not completed.

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Chosen criteria	Option under appraisal	Score (1-5)	Description/rationale for score
	b. Retain in-house and increase capacity. With the option to use framework contracts for specialist projects and peaks.		There is a low risk that the framework contracts may not be able to supply the specialist resource when needed.
Total Score	a. 30		
	b. 48		

DRAFT PROCUREMENT PRINCIPLES

In order to deliver the agreed procurement strategy, corporate budget savings and efficiencies required by the City Council, it is necessary to implement a robust governance process throughout the whole organisation.

The consolidation of all procurement activities from all areas of the City Council into the Procurement Board will ensure effective governance, standardisation and increased realised savings.

The following principles will underpin the Procurement Board;

1. All spend will be subject to the category management methodology and all stakeholders of that spend will ensure compliance with the methodology.
2. A 60% Cost; 40% Quality ratio will apply to all contract award criteria unless an alternative is presented and justified to and specifically agreed by the Procurement Board.
3. No commercial agreement with a supplier, contractor or provider in whatever form can be raised without Procurement Board.
4. All procurement requires financial and, in some instances, technical approval, before a commitment can be made to a supplier, contractor or provider.
5. The Procurement Board will ensure there is a 'one version of the truth' in relation to procurement data and the business must inform the Procurement Board of any changes promptly and correctly.
6. All procurement activity will be conducted via an approved source to pay process utilising a Procurement Board approved source to pay system.
7. The end user will be empowered to requisition and resolve any supplier, contractor or provider issue in the first instance, with escalation, if needed, to the Procurement Board.
8. Financial approval, separation of duties and Standing Orders and Financial Regulation are applied to all acquisition of spend.

Procurement policy framework for jobs and skills – harnessing Liverpool City Council’s buying power to achieve outcomes on jobs and skills

Policy context

Employment and skills

Liverpool has grown its economy faster than any other major “core” city outside of London in recent years, but it has started from a much lower base than other places. It is a place with enormous economic potential but currently skills profiles show an imbalance between the type and number of skills that would be expected in a growing and global City.

Despite major improvements in educational attainment (with the number of schools pupils getting five good GCSE’s now above the national average) around 18% of our residents have no qualifications at all, meaning they struggle to find employment. Over 67,000 individuals of working age are currently classed as workless.

For Liverpool, tackling unemployment, worklessness and developing skills is a key priority for the wider regeneration of the city and surrounding areas. Unless sufficient people with the relevant skills are available to take up job opportunities, the growth of the local economy will be limited, affecting the prosperity of the whole of Liverpool, not just those out of work.

Sustainable procurement

The Sustainable Community Strategy, - Liverpool 2024: A Thriving International City – is our vision for the future and states that “we must make better use of public sector procurement, to ensure that our purchasing power supports the local economy in an environmentally and socially friendly way”.

The Procurement Strategy 2010- 2014 advocates the use of procurement as a tool to achieve social and economic benefits, and sets out the approach to embedding sustainable procurement practices.

Liverpool City Council (LCC) has embraced this concept and recognises its spending power is significant enough to be used as an influential tool in encouraging sustainable practices and delivering community benefits across all procurement and commissioning activities. The Procurement Strategy can be found on the council’s website.

The Procurement Strategy is underpinned by Contract Standing Orders which set out provisions for the consideration of social outcomes and community benefits in all procurement activity.

Public Services (Social Values) Act 2012

The Procurement Strategy and Contract Standing Orders (CSO's) fully support the objectives of the Public Services (Social Values) Act 2012, an Act that requires public authorities to have regard to economic, social and environmental well-being in connection with public services contracts; and for connected purposes.

The Public Services (Social Value) Act 2012 ("the Act") received Royal Assent on 8 March 2012. The main provisions of the Act are not yet in force and will come into effect on the 1st January 2013. The Act places a duty on public authorities to consider how a procurement for services might improve the economic, social and environmental well-being of the "relevant area", in our case, Liverpool ("the social values"). This consideration has to be exercised in advance of the formal start of the procurement (i.e. before the OJEU notice or any other advertisement is published). There are no penalties for non-compliance.

- The main provisions of the Act are not yet in force and will come into force on 1 January 2013 – together, it is hoped, with some clear guidance notes about the detailed application of the provisions of the Act.
- The Act only applies to services contracts to which the Public Contracts Regulations 2006 apply i.e. those above the EU threshold (currently £173,934 over the life of the contract) but does not apply to service contracts that are "called off" from Framework contracts or to Works or Supplies contracts. The Act is therefore limited in application.

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It should be noted that the Act does not override either 1, the requirement of the Council to achieve best value; or 2. The requirement of public procurement law (as set out in the Public Contract Regulations 2006 and /or EC Treaty Principles). Therefore the Council must always act in ways that are non-discriminatory, fair and transparent when it conducts procurement exercises and awards contracts.

The EU procurement regime already allows procuring public bodies to take into account such considerations and to deliver economic, social and environmental outcomes which will contribute to sustainable development. The proviso is that such considerations must be linked to the subject matter of the contract, are proportionate to its requirements and that the principles of value for money and equal access for the suppliers are observed.

Regulation 39 of the Public Contracts Regulations 2006, as amended, states that a contracting authority may stipulate conditions relating to the performance of a public contract, provided compatible with community law and included in the contract documents such conditions may, in particular include social and environmental considerations.

The Act will result in social enterprises delivering more public services. The Act will ask that public bodies, including councils, commission services from providers that are committed to doing more than simply making money from a contract. Commissioners and procurement officers will be requested to seek out organisations that deliver above and beyond, charging a fair price while supporting the City and communities in which they operate.

The Council's intends within the legal framework applicable, wherever possible, to support social enterprises, organisations with a low level of pay multiple between the highest and lowest paid staff, and organisations which can demonstrate clear local benefits.

To support the implementation of the Act, service of guides, best practice events and offers will be developed to support social enterprises and public sector bodies to build their capacity to comply with the Act.

Procurement policy frameworks for jobs and skills

Social and economic issues are part of the wider concern of sustainable procurement, and targeted recruitment, training and opportunities is one element in a wider range of community benefits.

Harnessing LCC's procurement resources to align and achieve outcomes on employment and skills is identified as a key action within LCC's Skills & Employment Framework.

The LCC Procurement Policy Framework for Jobs and Skills is based on the West Midlands Procurement Framework for Jobs and Skills. It builds on best practice nationally, within the West Midlands, and from existing examples in LCC, where targeted recruitment and training outcomes have already been deployed in contract clauses, embedded within voluntary agreements or highlighted in formal jobs and skills charters.

The implementation of this policy will ensure this approach is embedded as a core consideration throughout the procurement and commissioning processes. By adopting this strategic approach LCC will be positioned, as a key enabler of locally driven, sustainable economic growth that benefits local people and local supply chains.

The recession has clearly reduced the number and type of jobs that are available to our residents, with further, disproportionate impact on the most disadvantaged groups. This policy will secure greater access to jobs and training opportunities for local people, especially those that are disadvantaged in the labour market.

LCC Procurement Policy Framework for Jobs and Skills

The policy framework aims to harness public sector buying power to achieve outcomes on jobs and skills, as outlined in the Local Area Agreement, within the relevant legal and policy frameworks. The purpose of this policy is to provide an effective lever in tackling worklessness and skill levels by embedding within LCC a requirement to consider at every stage of the procurement process the contractual relevance of clauses that stipulate a commitment to Targeted Recruitment and Training initiatives, including apprenticeships.

To achieve this, it commits to harnessing LCC buying power to increase access to jobs and skills opportunities for local people by:

- considering what recruitment and training, subcontract and supply chain opportunities could be obtained from relevant contracts;
- at the commissioning stage, including work experience, training, equal opportunities, recruitment requirements and supply chain opportunities in its contract specification, where it considers this appropriate;
- including other social and environmental matters in its contract specifications, where it considers this to be appropriate; and
- including these as part of the 'core requirements' that are considered at all stages of the selection, contract award, contract management and monitoring process.

This does not mean jobs and skills clauses will be applied to all contracts, but that they will be considered within the framework identified below, the threshold value of contracts, and within relevant legal and policy frameworks.

To support implementation of this policy LCC is adopting the following framework:

Strategic approach

The strategic application of contract clauses to the end-to-end Procurement System

The specific use of Contract Clauses, Voluntary Agreements Jobs and Skills Charters

The strategic approach: Jobs and skills outcomes are embedded as a core consideration throughout the city council's procurement and commissioning processes. The strategic and systematic approach ensures that jobs and skills contract clauses are **always** considered first, with the city council adopting a 'default' position.

This requires clauses specifying jobs and skills requirements to be routinely **considered** for their relevance to all stages of the commissioning and procurement process and each and every procurement exercise undertaken, within the threshold values.

If contract clauses are considered not to be relevant to the contracts under consideration, the commissioner must seek exemption from the Procurement Board and decision(s) will be reported to Cabinet. If exemption is approved the commissioner can move sequentially to consider the use of a voluntary agreement and then, if this is not considered appropriate, to introduce the jobs and skills charter.

There are three methods to secure contractor support for Targeted Recruitment and Training initiatives in securing greater access to jobs and skills opportunities for local people, which underpin the strategic approach:

1. **The specific use of contract clauses:** City council directorates include jobs and skills requirements within specific procurement exercises, leading to a contractually agreed set of outputs and outcomes.
2. **Voluntary agreements:** the City council works with their existing contractors to secure commitments to specific jobs and skills outcomes over a specified time period, with support provided to contractors by a range of public sector agencies. This approach can be used retrospectively with longstanding contractors and in the middle of long-term contracts.
3. **Charters:** the City council shares its strategic priorities and goals (specifically around jobs and skills) with current and prospective contractors and encourages the adoption of exemplar behaviours and practices and look to develop new customer/supplier relationships.

Threshold values

The following threshold values have been agreed for the initial implementation of this policy:

- all **new** service and construction contracts that are
 - (i) framework contracts, or
 - (ii) for an annual value of more than £1 million will be subject to the full application of the policy – i.e. that jobs and skills contract clauses are **always** considered first
- all goods/product supply contracts for a value of more than £1 million will be subject to a jobs and skills charter
- all existing service and construction contracts that are
 - (i) framework contracts or
 - (ii) have an annual value more than £5 million will be subject to negotiated voluntary agreements

- all existing service and construction contracts that are
 - (i) framework contracts or
 - (ii) have an annual value of £1-5 million will be subject to a jobs and skills charter.

The threshold values will be considered and revised on a periodic basis, as part of the ongoing review of this policy.

Costs and benefits

Costs

When procuring any new contract it is important to get the best value possible. However the 'lowest cost' does not always mean the best value and it is standard practice when awarding contracts to consider quality along with price.

The balance between cost and quality will differ depending on what is being purchased and also over time. It is important to be realistic and aware that requiring contractors to recruit new staff from non-traditional routes, to guarantee a certain level of training for new staff or take on apprentices, may place an additional financial cost on the contractor.

The contractor has three options:

- to absorb the cost (which may be possible if the targets are relatively low compared to the overall contract value);
- to pass the cost on to the council; or
- it may be possible for contractors to draw on government initiatives such as the Young Person's Guarantee for training staff and taking on apprentices. This will help reduce the additional cost greatly.

Informing contractors of the availability of any support, and offering to assist them access it is key to the success of this approach, and will help reduce any additional cost that might be passed on to the council.

In order to evaluate the additional costs attributed to the inclusion of jobs/training, the tender process must require the costs to be identified as part of the tender submission.

Assessing the additional cost that this brings and determining if it presents good value for money within the overall contract and its contribution to a key corporate priority on jobs and skills will be essential in demonstrating the best use of resources.

For large contracts, and with sectors experienced at targeted recruitment and training, soft market testing prior to contract advertising will indicate the likely price increase that the additional requirements will incur. Commissioners will then be in a position to determine if this additional price provides good value for money.

Benefits

There will be significant benefits to the city, to employers and to individuals through adoption of this policy.

Work can provide the best form of welfare for the majority of people, increasing personal health, enhancing engagement in communities and supporting social cohesion.

Helping people find sustainable employment will lead to a reduction in LCC's payments of housing and council tax benefits, fewer requests for free school meals, reduced pressures on welfare rights and debt advice services, fewer demands on health services, and increased spend by those in sustainable jobs to support Liverpool's economy.

The Council will develop an approach to measuring the social value delivered in support of its commissioning strategies. A Social Value Tool will be developed and piloted that measures the Social Return on Investment, and which supports the focus on social value and outcomes.

Policy implementation

To support the implementation of this policy framework:

- a toolkit for LCC officers has been developed containing model documents, including template jobs and skills clauses, process map, roles and responsibilities and signposting for advice and support. This can be accessed on line, and provides detailed information on legal and policy matters (agreed by LCC solicitors), and issues to be considered when implementing the framework.
 - Awareness raising and training in the implementation of the policy will be provided to staff.
 - The LCC Employer Engagement Team Liverpool In Work will provide flexible recruitment and skills advice tailored to the individual needs of contractors. A supply side information leaflet to inform prospective contractors on local training, job matching and supply development opportunities can be accessed via Liverpool In Work.
 - The Liverpool In Work team will co-ordinate the supply side (people with experience, motivation and skills) and the demand side (alignment of projects and labour needs) of activities within the city to maximise opportunities for Liverpool's residents. A multi-agency and managed approach will bring coherence to the planning and delivery of services.
 - The creation of this website will help LCC to identify supply chain opportunities, increase their transparency and create jobs and training, supporting local enterprise.