

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

13 DECEMBER 2018

**REPORT OF SENIOR
MANAGEMENT TEAM**

CABINET DECISION

Leader of the Council – Councillor Bob Cooke
Regeneration and Housing – Councillor Nigel Cooke

COMMUNITY WEALTH BUILDING

1. Summary

The report was produced by members of the Council's Talent Network and introduces the concept of Community Wealth Building making particular reference to the approach used in Preston via the Preston Model. It outlines the proactive initiatives already undertaken by the Council, the results of which compare favourably to those achieved in Preston. It also advises on a number of areas for ongoing development.

2. Recommendation

1. The successful approach taken by the Council to date in building community wealth be noted.
2. A detailed action plan be developed built around the key actions identified in the report..

3. Reasons for the Recommendation(s)/Decision(s)

To update Members on the Council's approach to wealth buildings within the community.

4. Members' Interests (the text below is fixed and should not be altered by the author).

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

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SUMMARY

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RECOMMENDATIONS

1. The successful approach taken by the Council to date in building community wealth be noted.
2. A detailed action plan be developed built around the key actions identified in the report.

DETAIL

1. Members of the Council's Talent Network volunteered to consider the concept of Community Wealth Building; what it entailed and how the Council's current activity compared to this approach.
2. Community Wealth Building is an approach developed initially by the Democracy Collaborative in the United States which aims to ensure the economic system builds wealth and prosperity for everyone. Local Wealth Building provides a practical framework for generating and spreading wealth within communities.
3. The approach has been adopted by a number of areas in the UK – most notably Manchester, Birmingham, Oldham and Preston, and could be described as having four key elements:
 - Wealth that is there – harnessing the power of the money that anchor institutions such as the Council, the NHS, Police, housing providers are spending on procuring goods and services. Aiming to localise as much of that spend as possible, securing investment in local supply chains and improving local economic competitiveness.
 - Workforce – maximising the benefits of investment in staff by building a skilled and committed workforce and providing an exemplar to local businesses. Paying at least the Living Wage to all employees and encouraging staff to spend local and save local, including through credit unions.
 - Land, Property and Investments – using anchor institution assets to lever in additional investment, to encourage the development of new businesses and support new financial facilities. To consider asset transfer where this best serves the interests of the wider community.

- Economic Democracy – supporting the growth of alternative models of economic governance which gives citizens greater investment in and control over their economic future including the development of new co-ops, helping people feel ownership of assets and decision making processes.

THE PRESTON MODEL

4. One of the initiatives which has received considerable coverage is the Preston Model it therefore provides a good benchmark. The purpose of this report is to consider the approach, to identify benefits as well as lessons learned and barriers to implementation, and to compare it to our local approach identifying opportunities for improvement. It should be noted that the development of the Preston Model was supported by the Centre for Local Economic Strategies (CLES).

Understanding Procurement Spend

5. The first task of CLES was to undertake an analysis of spend across six institutions. CLES found that of the total spend of £747m:
 - £37.5m or 5% was spent with organisations based in Preston.
 - £289m or 39% was spent with organisations based in Lancashire (incl Preston).
 - 49.7% was spent with organisations classified as SMEs.

CLES also conducted an analysis of the top 30 suppliers (by value) for each institution based in Lancashire to determine the nature of goods and services provided. They explored the extent to which this spend was potentially influenceable and found that £58m or 60% was. Expenditure types included construction, repairs and maintenance, human resources and consultancy.

Action Taken

6. Prior to the implementation of the Model Preston had explored a number of initiatives without success. The adoption of the Model brought about a number of actions including:
 - In order to offer more opportunities locally, smaller procurement contracts were considered to expand the number of businesses involved.
 - Local suppliers were given support to develop the key characteristics of organisational success.
 - A commitment to support local apprenticeships was made.
 - Procurement officers were developed and encouraged to “deliver – out” the benefits.
 - A number of private sector engagement events were held focussing particularly on those areas of spend that were influenceable.
 - Local businesses were engaged to focus on localising prosperity. Significant work was undertaken to embed this into core business.
 - The third sector were involved to support local businesses with the aim to build on what was already present. Companies/businesses already in the area were more linked/connected to the local economy and building wealth.

Benefits

7. The Preston Model approach started in 2012/13 and in the first 4 years of operation found:
 - Total expenditure across the 6 anchor institutions had reduced from £747m to £617m.
 - Across the six participating anchor institutions £11m or 18.2% was spent with organisations based in Preston compared to £38m or 5% previously.
 - Spend in Lancashire increased from £489m or 79.2% compared to £289m or 39%.
 - Spend with SMEs increased from 29.7% in 2012/13 to 30.1%. Although a negative change this was largely as a result of a shift in the means of gathering and identifying SMEs through the methodology.
8. The 4 year review identified a number of additional recommendations, these are outlined below:
 - Explore influenceable spend. Suggestions included keeping a database of business; engaging with organisations prior to procurement commencing and encouraging businesses to develop consortia.
 - Explore co-operative development in the four sectors of adults social care, catering, facilities management and furniture/soft furnishings.
 - Engage more proactively with SMEs.
 - Embed Social Value outcomes into procurement.

Difficulties Experienced

9. A number of difficulties were experienced during the implementation of the Model and the ensuing period of operation. The continued challenge of operating within EU legislation was an issue throughout. Mapping the current spend was complex and resource intensive as was the building of relationships with anchor institutions. The latter needed the investment of significant time from senior politicians, managers as well as the various procurement teams. Finally, it was considered important to continue to encourage inward investment as part of the process, there was a need to ensure that Preston got the balance right.

THE STOCKTON COUNCIL APPROACH

10. Although not using the term the Council has been proactive in its approach to community wealth building for a number of years. The actions the Council has taken map directly to those outlined in paragraphs 6 and 8 and achievements compare favourably to those of Preston even after the adoption of the Model.

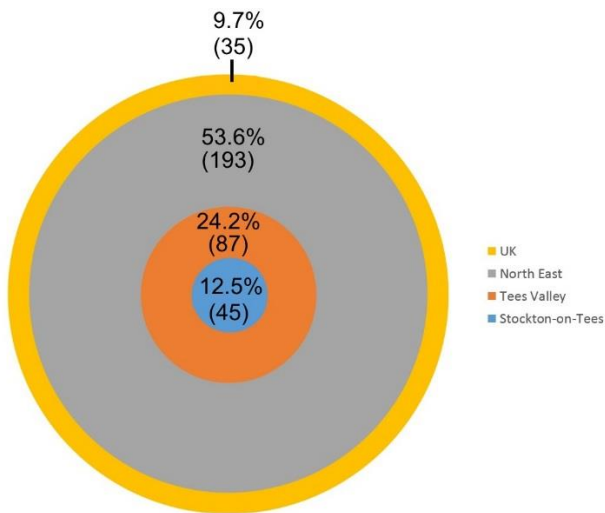
Procurement Spend

11. In terms of procurement spend in 2017/18 of the £190m:
 - £57m or 30% is spent within organisations in Stockton (compared to £11m or 18.2% in Preston).
 - £83m or 44% is spent within the Tees Valley and £108m or 57% is spent within the North-East (compared to £289m or 39% in Lancashire).

- 54% is spent with organisations classified as SMEs (compared to 30.1% in the Preston Model approach).

Action Taken - Procurement

12. The Council has been very proactive in the development of contracting and tendering processes with a view to encouraging local businesses. One of the main difficulties experienced by Preston was the continued challenge of working with the EU legislation. The Council, as a public body, is subject to the Public Contract Regs 2015 which include the principle of equal opportunity to bid for publicly financed contracts across the member states of the EU. The regulations mandate the requirement to advertise contract opportunities in the Official Journal of the European Union (OJEU) above certain values which exposes them to both the national and EU based supply base. The Council does, however, have some scope to determine its own rules below these thresholds and these rules can be designed to encourage local companies and the Council uses this extensively. Even when the contract value exceeds the thresholds the Council can and does, determine how contracts are structured again as an encouragement to local suppliers.
13. In addition, a report to Cabinet in 2013 agreed that the Council should set a relatively high threshold for supplies and services for when contract opportunities need to be advertised (currently £162,000) and therefore any contracts below the threshold are tendered through a closed quote system whereby a minimum of 4 companies are invited to quote. This allows for the selection of at least a minimum of 2 local companies to quote for work. The Council also uses lotting strategies when tendering for supplies and services in order to create smaller lots that are more attractive to local companies. This encourages a more diverse supply base.
14. In many cases such as in the case of contracted care services for example, we also require a local presence to serve the needs of the local population. This generally attracts local companies or at least companies who have a local branch office or presence. Under the Public Services (Social Value) Act 2012 the Council is required to consider how our procurement activity can help improve the social, economic and environmental wellbeing of the local area and our work on this is to be recognised at the National Social Value Awards in November. As a result of this approach Targeted Recruitment and Training clauses have been built into the Council's procurement contracts and planning and development agreements. This approach has worked particularly well including on the North Shore gyratory road works and the improvements to Ian Ramsey School, which secured employment for a number of Stockton residents. Recently, commitment has been secured through these clauses from the housing developments at Yarm, the Hampton by Hilton hotel and the Globe restoration. Typically the clauses will require companies to use best endeavours to ensure that at least 10% of new entrant jobs and at least 10% of the supply chain spend comes from the Stockton/Tees Valley area. For example, when procuring large scale works such as the Hampton by Hilton Hotel, the quality criteria of the tender assessment included the value of spend with suppliers and subcontractors within the Borough and wider Tees Valley. By October 2018, the principal contractor and its sub-contractors had purchased £480,000 of materials and equipment from Stockton-based suppliers and £580,000 from Tees Valley suppliers. In addition 37% of the workforce was from the Tees Valley with 54% from within the North East, as shown in the graphic below:



15. Members will be aware of the most recent Jobs Fair undertaken for the Hampton by Hilton Hotel which saw approximately 100 people attend the Rediscover Stockton shop to find out about the opportunities. The recruitment process continues but a strong representation lived in the Borough. In addition the Council's Learning and Skills team attended to promote and sign up residents to a bespoke designed pre-employment course to give residents who are unemployed and in receipt of benefit the best possible opportunity of securing a role at the hotel. Courses are running through November, 13 people attended the first course which ran in the week starting 5 November. Colleagues are working closely with Job Centre Plus to promote the opportunity and recruit participants for the course.
16. Members will also be aware that the Council, as an employer, has committed to be a Living Wage employer and has also committed to the Great Jobs Agenda and through our contracts and tender processes encourages all of our suppliers to do the same.
17. The Council continually seeks to improve its procurement and commissioning processes and is currently piloting a new approach to social value using the national Themes Outcomes and Measures Framework (TOMs) whereby all 'social value' included in tenders is awarded a financial value thereby making it easier to evaluate and consider in the tender process. If this approach is successful, it will be rolled out to all tenders. Representatives from the Council's Procurement and Economic Growth teams attend the North East Procurement Organisation (NEPO) social working group to which is looking to expand this across the North East.
18. The proactive approach the Council has taken to procurement and commissioning hasn't simply been based around contracts and tendering, however.

Action Taken – Market Engagement Private Sector

19. The Business and Enterprise team engage with local suppliers to raise awareness of opportunities and provide support.
20. As part of the procurement process for the Hampton by Hilton Hotel construction contract, a meet the buyer event was held in autumn 2017 with the intention of putting local suppliers and contractors in contact with the main contractor, Bowmer & Kirkland, to give them the opportunity to discuss specific sub contract opportunities and clarify the tender process and requirements. The event was a success with 40 companies in attendance and a further 60 registering their interest to join B&K's supply chain. Tees Valley supplier Midas Cladding, for example, were awarded a significant contract as a direct result of the event.
21. This approach has since been repeated for the Globe and Ingleby Barwick Leisure Centre projects, where over 80 local suppliers had the opportunity to meet the construction contractor

for both schemes Willmott Dixon Construction Ltd, and a further 20 registering their interest to join Willmott Dixon's supply chain. It is intended that further meet the buyer events will be held as part of the development process for future major capital works contracts let by the Council providing opportunities for local companies to forge relationships with major contractors and potentially access additional work through links made at these events.

22. The meet the buyer events were a positive experience even for those who were not successful. Following the appointment of Bowmer and Kirkland as detailed above, two Stockton based companies, Glaztech Architectural and N Sign, were successful in joining Bowmer & Kirkland's supply chain through the initial engagement provided by the hotel development. N Sign have gone on to be successful in winning a sub contract package on a Bowmer and Kirkland project in Middlesbrough, demonstrating the value of initial interaction between local companies and large contractors.
23. The Business & Enterprise Team also works with North East Procurement Organisation (NEPO) to raise awareness of public sector contract and supply chain opportunities and signposts interested businesses to the NEPO website. NEPO undertakes high-value procurement in major strategic areas of spend in conjunction with North East local authorities and a range of associate members. The Council is represented on the NEPO Stakeholder Engagement Group which is made up of representatives from the business community and reports into the Collaborative Procurement Sub-Committee. The group focuses on maximising the economic and social benefits of NEPO's procurement practices and procedures. The NEPO Business Club is NEPO's supplier development programme. The programme delivers training courses to suppliers and providers in the North East to help improve tendering skills. NEPO have also launched a series of short videos designed to help suppliers improve their tendering skills and find opportunities/expressing an interest in contracts. In recent years, Stockton Council has sponsored courses to be delivered in the Borough tailored for small and growing local businesses to increase their understanding of public sector procurement. The Business and Enterprise team regularly field enquires sign posts and offers additional support to businesses that are seeking to gain contracts through public sector procurement routes.
24. In June 2017 School House Recruitment was one of 21 businesses attending a NEPO introductory procurement course in Stockton. Since then the business has accessed further support and has submitted a tender to be a supplier on the new National Framework for Supply Teachers. The successful bidders are due to be announced soon.
25. The Federation of Small Businesses is complementary of the work undertaken by the Council and across the region suggesting that the North East is an exemplar in terms of its approach. Of the £3bn spent by local authorities on goods and services, £2bn is being spent within North-East supply chain.

Action Taken – Market Development VCSE

26. The Council continues to actively support the third sector not only through funding to Catalyst but also the secondment of key staff into the sector and the provision of a market development fund. The relationship is robust, effective, strategic and at the same time hands-on. It has helped build social value enhancing wellbeing of individuals and communities creating both social capital and environmental benefits locally. Active participation between the Council and the sector has increased involving much earlier engagement, service design and piloting. Key examples include:
 - A market sounding and engagement exercise was undertaken when developing the revised 0-19 service (health visiting, school nursing and family weight management services).
 - Similarly, Youth United Stockton was developed through a market engagement exercise with the VCSE.

- Development of the Five Lamps pilot for the delivery of home care
- The Fairer Start programme which delivered health and social care in Stockton Town Centre to improve outcomes for children aged 0 – 3 and their families.
- The VCSE Health Initiatives programme aimed at people who are less likely to access primary care services.

The actions to date have resulted in more than £40m being spent with the third sector, £14m of which is spent within the sector in Stockton.

27. Finally, in terms of procurement we continue to investigate the expenditure which is spent out of the area, described by the Preston Model as influenceable spend. The top three areas are adults social care, children's social care and works construction; we spend £40m out of the area, much of which is with the third sector. We have undertaken some analysis of this and due to the nature of the contracts we issue, as described earlier, more than £29m of the expenditure is returned to the Borough through wages and salaries as a significant proportion of the suppliers employ local people thereby enhancing the multiplier effect.

Wider Aspects of Community Wealth Buildings

28. The Preston Model itself focussed on procurement and commissioning, however there are wider aspects to Community Wealth Building as outlined earlier in the report. These too are being progressed by the Council. The commitment to the Living Wage for example, has already been referred to. The Council has continued to actively support and develop staff through initiatives such as Better Health at Work and the Shaping a Brighter Future Programme. The Council have also supported the local Credit Union and encourages staff to save via direct salary deductions. The Council has a Community Asset Transfer Strategy approved in 2011 and Members will be aware that a number of assets have been transferred to the community sector. We were heavily involved in the development of the Onsite Building Trust for example which operates 7 buildings in a number of local communities. We have also supported the development of charitable organisations which are similar to co-operatives as the workforce were instrumental in their development. The establishment of Achieving Real Change for Communities (ARCC) to deliver probation services is an example, the Council providing a guarantee to allow the organisation to bid for the national contract. A further example is the development of OneIT, established by the Council's own employees to deliver IT services to schools across the Borough and beyond.
29. More generally in terms of the wider aspect Community Wealth Building we have supported volunteering initiatives across the Borough. A report from Durham University identifies that across the North East in 2016, 150,000 volunteers delivered 10.8m hours of work; children and young people and older people receive the most comprehensive support from the VCSE across the North East; 9 in 10 VCSE organisations feel valued by the public sector in their area; and, 7 in 10 feel that local public sector organisations inform them about issues that will affect them.

ANCHOR INSTITUTIONS

30. One of the first things Preston working with CLES did was to understand the procurement spend in the area. In considering the approach across the Borough, Officers have contacted a number of Anchor organisations, all of whom suggested an awareness of the approach and a keenness to consider further development. Colleagues from Health could clearly see the wider health benefits from such an initiative and capacity allowing, would be willing to explore further.
31. Cleveland Police spends £136m of which more than 63% is spent on staffing. Purchasing of many goods and services is governed via strategic purchasing or national contracts. They have already however, adopted the principles of the Preston Model. The recently built Community Safety Hub for example, was undertaken by a North East contractor who agreed that 85% of sub-contracting work would be within a 25 mile radius. In addition the Cleveland Police and

Crime Commissioner invests £2.5m into locally commissioned community safety services every year delivered by local services and people.

32. Thirteen Housing Group are also keen to spend locally spending almost £20m on supplies from organisations within the Borough.
33. Clearly there is a benefit to the Borough if all anchor institutions commit to a wealth building approach. Given the work the Council has undertaken so far, it would be well placed to co-ordinate and facilitate such an approach. Organisations would need to commit to the process and initial views are encouraging. The first stage would be the establishment of baseline procurement expenditure and practices. Following this, the development of a “Stockton Local” Charter for example could be considered. Capacity is limited currently so it is suggested that this form a priority for the Council Plan for next year..

TEES VALLEY COMBINED AUTHORITY

34. In addition the Tees Valley Combined Authority have started investigatory work around the Local Economic Impact. This will look at how the TVCA and South Tees Development Corporation maximise the local economic impact of their work; directly, and through appropriate influence over private sector investors. It will involve analysing work that has taken place to date to support sustainable employment and develop regional supply chains, review the approach to promoting local economic impact, and bring forward further measures for discussion including proposals for subsequent monitoring of impact. The objectives of the TVCA are that their activities will, wherever possible:
- a. Support local people to access good quality jobs, by supporting them to develop the necessary skills, and use their influence to promote local recruitment;
 - b. Use their direct spending and investment power to provide procurement opportunities accessible to local employers, while ensuring good value for money in public funding.
 - c. Work with private sector investors to maximise the local economic impact of new investment, by supporting local businesses to secure supply chain opportunities.
35. Although this work is at an early stage, significant measures have already been proposed including the development of a ‘Local Implementation Plan’. This will be requested as a pre-requisite to funding agreements where appropriate. This will identify how the organisation seeking funding from the TVCA will deliver additional economic, environmental and social benefits as a result of the funding received.

DEVELOPMENTS

36. The Council has taken a very proactive approach to procurement, commissioning, market engagement and market support both with the private sector and the VCSE. It has also undertaken a number of initiatives and programmes with the workforce and the wider community all of which directly relate to all of the aspects of Community Wealth Building, without necessarily describing it in that way.
37. The Council’s performance is very strong as outlined at paragraph 10 of the report and directly supports the policy principles of:
- Promote equality of opportunity
 - Protect the vulnerable
 - Develop strong and healthy communities
 - Create economic prosperity.

There are opportunities for further expansion and development, some representing a natural evolution of previous activity. Others, however, represent more of a step change and require prioritisation of capacity in the coming year.

38. A detailed action plan will need to be developed but key actions will include:

- An expansion of the successful Meet the Buyer approach across all large contracting activity.
- Continue to support the NEPO Business Club approach providing support to the supplier training/engagement programme and actively communicate opportunities with SMEs and the VCSE.
- Continue to liaise with the Federation of Small Businesses to ensure a good understanding of any issues faced by the businesses within our area.
- Where appropriate redesign contracts to alleviate issues caused for the SMEs and VCSE around insurance, finance and risk clauses, as well as contract length.
- Continue the dialogue with the VCSE to ensure early involvement with the sector when services are being redesigned.
- Support the SMEs and the VCSE to build consortia where this approach is applicable.
- Introduce the Themes Outcome Measures Framework to assist the contract evaluation process.
- Raise awareness of the Council's achievements to date and work with other anchor organisations to encourage a similar approach.
- Consider the establishment of a "Stockton Local" Charter, working with key anchor organisations across the Borough.
- Use the information gathered to identify gaps in the supply market to highlight new business opportunities and help the economy grow.

COMMUNITY IMPACT IMPLICATIONS

39. Community Wealth Building seeks to generate and spread wealth within communities and therefore all residents will benefit from the approach.

FINANCIAL IMPLICATIONS

40. The approach to date has been carried out within existing resources and it is envisaged that the key actions described at paragraph 38 will also be delivered within the current Medium Term Financial Plan.

LEGAL IMPLICATIONS

41. None directly as a result of this report.

RISK ASSESSMENT

42. Existing systems are sufficient to control and minimise risk.

COUNCIL PLAN POLICY PRINCIPLES AND PRIORITIES

43. The approach outlined in the report supports all of the Council's policy platforms.

CORPORATE PARENTING IMPLICATIONS

44. The report does not contain corporate parenting implications.

CONSULTATION INCLUDING WARD/COUNCILLORS

45. None directly at this stage.

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