

Equality, Local Government & Communities Committee

Scrutiny session on Poverty in Wales, 21 September 2017

1. Background

- 1.1 Welsh public sector procurement policy sits within the portfolio of the Cabinet Secretary for Local Government and Finance.
- 1.2 The Welsh public sector spends around £6bn annually on goods, services and works. Estimated expenditure by each part of the public sector is:
 - Local Government - £3.3bn;
 - NHS Wales - £1.3bn;
 - Welsh Government - £0.67bn;
 - Higher Education - £0.33bn;
 - Police - £0.14bn;
 - Welsh Government Sponsored Bodies - £0.08bn
 - Further Education - £0.05bn; and
 - Fire and Rescue - £0.05bn.
- 1.3 The approach to committing this expenditure can have a profound impact in creating and sustaining employment, helping tackle poverty in Wales.
- 1.4 The principles by which the Welsh public sector is expected to undertake procurement are set out in the Wales Procurement Policy Statement (WPPS). The WPPS outlines how the community benefits approach and procurement policies can help tackle poverty and promote ethical employment practices in business.

2. Delivery of the Code of Practice on Ethical Employment in Supply Chains

- 2.1 The Code of Practice on Ethical Employment in Supply Chains ('the Code') is a product of social partnership, having been agreed in collaboration with members of the Workforce Partnership Council.
- 2.2 The Code was launched in March 2017 by the Cabinet Secretary for Finance and Local Government at the Workforce Partnership Council.
- 2.3 It is Wales' response to;
 - the supply chain provision in the Modern Slavery Act (2015);
 - concerns around on-going problems with unfair employment practices, including false self-employment, blacklisting of unionised workers, unfair use of umbrella employment schemes and unfair zero hours contracts; and
 - the Welsh Government's commitment to promoting the Living Wage Foundation's Living Wage.
- 2.4 The Code's 12 commitments include putting policies in place; asking questions in procurements; adding contract conditions where

necessary; and carrying out regular risk assessments on categories of spend, with focussed action where problems are identified.

2.5 Delivery against the Code is supported by guidance and model procurement questions and contract conditions, available via the [Welsh Government website](#).

2.6 The Welsh Government has signed up to the Code, as has Cardiff Council and the whole of the Higher Education sector. The Police forces plan to confirm sign up soon and it has been agreed with the Welsh Local Government Association that the remaining 21 councils should sign up to the Code by the end of 2017.

2.7 Buyers in all sectors should include specific questions and contract conditions where relevant.

3. Delivery of Community Benefits Procurement Policy to benefit people on low incomes

3.1 Community Benefits policy encourages a focus on helping people with complex barriers to work into employment, by incorporating clauses into contracts to provide employment and training opportunities.

3.2 The WPPS sets out that the Welsh public sector should apply Community Benefits policy to all relevant contracts which provide opportunity for delivering wider social and economic value.

3.3 Delivery of the policy across the Welsh public sector is supported by guidance and model contract clauses. Welsh Government also coordinates networking events to enable sharing of best practice.

3.4 The Welsh Government promotes application of the policy in delivery of contracts where there is an element of grant funding involved, for example, the 21st Century Schools programme

3.5 The impact of the Community Benefits policy is captured through completed measurement tools from across the Welsh public sector.

3.6 Measurement of 339 projects with an overall value £1.4bn in which community benefits clauses have been incorporated illustrates that almost £300m of this expenditure has been paid as income to Welsh residents. Within this, 2,117 disadvantaged persons have been helped into employment and almost 46,000 weeks of training have been provided, enabling people to gain new skills for career progression.

3.7 Analysis of these overall benefits shows that application of the policy is consistent with the aims of the Valleys Taskforce work. Measurement of 79 projects which have been delivered in the Valleys region with a value of £366m shows that £88m of this expenditure has been paid as income to Welsh residents. As part of this impact, 566 disadvantaged persons have been helped into employment.

3.8 Community Benefits policy encourages public bodies to work with contracted suppliers to promote credit unions to help in addressing issues of saving and providing cheaper loans to employees.

4. Monitoring and Enforcement of the Welsh Government's Ethical Procurement Policies

4.1 Sign up to the Code is not mandatory, nor will it be a condition of contract or grant funding. However, all organisations in receipt of Welsh Government funding, directly or through grants or contracts, are *expected* to sign up.

4.2 Welsh Government encourages organisations who sign up to the Code to publish their Anti-Slavery statements, upload key documents and complete a short questionnaire on the [TISC register](#).

4.3 Sign up to the Code involves production of regular updates which enables Welsh Government to work with public bodies to progress their plans to fully embed its commitments.

4.4 Close working with the Unions in key sectors such as construction provides a means for identifying examples of good and poor practice and the coordination of support to apply the Code effectively. In addition, the Welsh Government's [Supplier Feedback Service](#) acts as a conduit to seek feedback regarding application of the Code.

5. The Procurement element of Better Jobs, Closer to Home

5.1 The Better Jobs Closer to Home initiative was introduced by the Wales TUC through the Council for Economic Renewal. It proposed exploring delivery of a programme that could help tackle poverty; develop skilled workers; deploy innovative procurement policy; and support businesses to grow.

5.2 A cross government team has worked with Wales TUC to identify pilot opportunities within the Welsh public sector's overall procurement expenditure where targeted approaches could help tackle poverty; develop skilled workers; deploy innovative procurement policy; and support businesses to grow by creating employment and training opportunities in areas of high economic deprivation expenditure.

5.3 The Better Jobs Closer to Home programme sits within the Valleys Task force and the All Age Employability Programme.

5.4 The agreed pilots, all of which are located in the Valleys Taskforce region, are:

- Pilot 1 – Uniforms and Clothing which will be based in Ebbw Vale. This pilot seeks to establish a manufacturing unit to operate as an Intermediate Labour Market (ILM), providing workers with skills to be matched with opportunities in the wider labour market;

- Pilot 2 – Signage which will be based in Ebbw Vale. This pilot is focussed on job retention and job creation through increasing demand for signage produced by a social enterprise. This approach has been successful as orders are being placed through the existing social enterprise;
- Pilot 3 – Re-engineered paint which is planned to be sited at Bryn Pica in Abercynon, Rhondda Cynon Taf. This involves securing a licence for a social enterprise in Wales to re-engineer paint; and
- Pilot 4 – Re-cycled paper involving an existing social enterprise, based in Pentrebach, Merthyr Tydfil. This work has led to increased demand for pulp waste paper product made by the social enterprise to enable the organisation to be self-sustaining.

5.5 Pilots 1 and 3 are still in development phase and are subject to state aid and procurement advice. It is planned for these pilots to be active from April 2018 after which they will be evaluated. If successful, it is the intention to replicate all of the pilot approaches across other areas of expenditure and parts of Wales.

6. Gender equality initiatives and Ethical Procurement

- 6.1 As part of the Equality Act 2010, a new public sector equality duty (PSED) came into force. The duty requires public authorities to tackle discrimination and promote equal opportunities.
- 6.2 The public procurement rules allow for equality-related issues to be taken into account in the procurement process where they are relevant to the subject matter, or relate to the performance, of the contract.
- 6.3 In the context of a contracted out public service or function, providers need to confirm that they meet the requirements of the PSED. Public bodies who are subject to the PSED remain liable for compliance with the duty.
- 6.4 Guidance to support the Welsh public sector to comply with the Equalities Act and PSED is available via the on-line [Procurement Route Planner](#).
- 6.5 Public bodies are also encouraged to consider gender equality in procurement through application of the Sustainability Risk Assessment (SRA) and Community Benefits policy.
- 6.6 The SRA prompts public bodies to consider whether there are any gender equality supply chain risks associated with individual procurements and if so, encourages development of approaches to mitigate against those risks.
- 6.7 The Welsh Government is recognised in the Stonewall Top 100 Employers 2016 report. The report takes account of ten areas of employment policy and practice, including deployment through procurement.

6.8 Community Benefits encourages focus on delivering employment or training opportunities where it is identified that the contract in question could support a 'disadvantaged' person who works in a sector where the gender imbalance is at least 25% higher than the average gender imbalance across that sector.

7. The impact of ethical procurement policies on businesses, particularly SMEs

- 7.1 Ethical procurement is not a new concept. Many businesses and charities across different sectors already have a great deal of experience with the systems and processes to identify and deal with labour abuses in supply chains. Some sectors are more advanced in this respect than others.
- 7.2 Public, private and third sector organisations were consulted in the development of the Code. Key to its success will be a willingness for all organisations to learn from each other through sharing intelligence, data and experience.
- 7.3 The Code has been designed to be applied flexibly. Its accompanying guides provide useful examples of policies, procurement questions and contract terms which can be tailored to the needs of individual organisations and sectors. The Code includes guidance on implementation, which stresses that SMEs and other small organisations will not be expected to put measures in place as quickly as larger ones. The Code is also designed to be applied proportionately and over time. Signing up represents a commitment to take action to address the issues covered, not an indication that everything is already in place.
- 7.4 Whilst the benefits of signing up to the Code have not yet been measured as it was launched recently, there is plenty of evidence to suggest that responsible and ethical employment can deliver business benefits. Staff employed fairly are more engaged, and evidence suggests that productivity can increase, staff absence and turnover can be reduced and service quality improves when employment terms and conditions are improved, reducing stress for workers.
- 7.5 The National Procurement Service and Welsh Government will track supplier sign up to the Code through contracting activity and make this information available to the wider Welsh public sector.
- 7.6 Whilst there may be some upfront costs incurred by businesses in putting new processes in place, most of the issues covered relate to illegal, unlawful and unethical practices which should not be occurring. The Code is about putting systems in place to ensure that these practices are not present within supply chains.
- 7.7 The Welsh public sector is not alone in requiring its suppliers, regardless of size, to observe ethical procurement policies. Adoption of

these Wales ethical procurement approaches can help improve SMEs capability of winning private contracts and business further afield.

8. Ethical procurement in the social care sector

- 8.1 Much of the social care sector is characterised by low pay and insecure work and the Welsh Government has been working for some time to address these challenges.
- 8.2 Welsh Government has issued principles and guidance on the fair use of zero hours contracts arrangements in devolved public services following consideration of the issue by the Public Services Staff Commission. The Code of Practice on Ethical Employment in Supply Chains is consistent with this guidance.
- 8.3 The Welsh Government is currently analysing the responses to a consultation on proposals around the use of zero-hours contracts and protecting care time in the social care sector. A report will be published on this analysis. These proposals aim to increase certainty for staff, ensuring that employees will be able to choose to move onto a regularised contact after three months of employment. The proposals are also designed to improve the quality and continuity of care that people receive in their homes, through requiring providers to distinguish between travel time and service time when arranging services, ensuring that “call-clipping” is not taking place.
- 8.4 Although there is very little research evidence available on the impact of paying the Living Wage in social care, anecdotal evidence suggests that there are improvements in service standards and productivity and lower staff turnover where social care providers pay the Living Wage Foundation’s Living Wage. Welsh Government research commissioned through the Manchester Metropolitan University concluded that a well-trained, well-paid and secure workforce with appropriate working patterns has a direct relationship with our ability to recruit and retain care workers and to deliver high quality domiciliary care.

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