

Cabinet

13 January 2021

**Social Value and Local Wealth Building
("The County Durham Pound")**

Ordinary Decision



Report of Corporate Management Team

Amy Harhoff, Corporate Director of Regeneration, Economy and Growth

Paul Darby, Corporate Director of Resources

Councillor Carl Marshall, Cabinet Portfolio Holder for Economic Regeneration

Councillor Alan Napier, Deputy Leader and Cabinet Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Cabinet with an update about a programme of targeted interventions that will continue to build on Durham County Councils strong track record of using its buying power and policy functions to drive local value. Social value and local wealth building outcomes for the community are a central objective of the council and underpin the outcomes of the Council Plan in the response to the economic challenge caused by COVID-19.
- 2 The focus of the Council is to drive and support a stronger "County Durham Pound".

Executive summary

- 3 The Council recognises the impact that COVID-19 has had on its communities and local economy and has responded well with a series of measures to offer short-term support to both people and businesses.

- 4 The Council is now driving forward additional restoration and recovery measures to unlock growth in our economy and this will necessitate a rethinking of how to develop a more sustainable local economy in the future, and to maximise the value of the County Durham Pound by local spending.
- 5 In consideration of its strong asset base, future development opportunities and an annual £500 million procurement spend, it will be imperative that new initiatives are developed to maximise the value of every pound spent, to work with developers, suppliers and our partners to create and develop opportunities for local economic opportunities, local wealth building and retention as well as deliver social value outcomes.
- 6 Durham County Council is already a national leader in this policy arena, demonstrating high levels of spending for County Durham and the North East, which provides a significant impact on local GVA (Gross Value Added). This success has been part of a conscious and concerted effort to support local businesses.
- 7 The background to social value and current spend performance is set out in Sections 19-21 and Table 1 and demonstrate that DCC delivers almost 70% of our spend for the North East. Nationally, the focus on local spending can be termed as local or community wealth building, this is a targeted policy agenda where anchor institutions, such as councils, national health services or other large community organisations make a conscious and concerted effort to spend locally, this approach is set out in further detail is set out in Sections 22-25 and Appendix 2.
- 8 This targeted project aims to facilitate the Council and its local partners to increase collective local spending, support SMEs and local businesses, improve outcomes with social enterprises, resulting in money remaining in the local economy and recirculating creating employment opportunities and stronger more sustainable communities.
- 9 The County Durham Economic Partnership Board Meeting on 6 November also agreed to the project and the applicable collaborative initiatives, particularly initiative no.8 a local “County Durham Family” procurement network with local anchor institutions.
- 10 Collaborative working with partners via this project will also support the Council to make progress on its Climate Change Emergency Response Plan as environmental factors are one of the three pillars of social value work and as part of this work the County Council will use its scale and convening power to work with other large institutions to further increase local spending and buying power.

Recommendations

- 11 Cabinet is recommended to:
- a) note the commencement of the project regarding social value and local wealth building and the intentions to try to and to maximise the value of the County Durham Pound by local spending.
 - b) note the ten project initiatives to be progressed during Council Plan period of 2020-2023;
 - c) note the progress made to date on some of the ten initiatives;
 - d) note the intention to develop some external communications about the “County Durham Pound” project early in 2021 to ensure the community and local partners are made aware of the project as part of the Council’s overall plans for post COVID-19 recovery.

Background

- 12 The Council is committed to support our communities to revive and recover from the impact that COVID-19 has had on the community and the local economy and has responded well with a series of measures to offer support to both people and businesses.
- 13 The Council is driving forward recovery measures to support business and community organisations and this work will necessitate an acceleration of our ongoing work to develop a more sustainable local economy in the future.
- 14 In October 2019, the public, private and voluntary sector bodies that make up the County Durham Partnership jointly agreed a new vision for the county up to 2035, and a new Council Plan has since been developed for 2020-23 around four ambitions:
 - to create more and better jobs;
 - to help people live long and independent lives;
 - to ensure our communities are well connected and supportive of each other;
 - to be an excellent council.
- 15 In consideration of these ambitions, the Council's strong asset base, the future development opportunities and an annual £500 million procurement spend, a new project titled as Social Value and Local Wealth Building was agreed by Corporate Management Team on 30 September.
- 16 The project will assist the Council and its partners to maximise value of every County Durham pound spent, to work with developers, suppliers, and our partners to create and develop opportunities for local economic opportunities, local wealth building and retention as well as social value outcomes.
- 17 Collaborative working with partners via this project will also support the Council to make progress on its Climate Change Emergency Response Plan as environmental factors are one of the three pillars of social value work.
- 18 This report sets out the details of the project and the ten of initiatives that were agreed by Corporate Management Team and provides an update on progress.

Social Value and National Leadership

- 19 Social value is about improving the economic, social, and environmental outcomes in our locality for the betterment of the people and businesses of County Durham.
- 20 The Council's Chief Procurement Officer is Chair of the LGA National Advisory Group for Procurement and in this capacity leads on social value for Local Government as Chair of the National Social Value Task

Force and is also working closely with the Cabinet Office to develop new procurement policy, ways of working, and the development procurement rules for post EU Exit.

Current Spend Profile

- 21 Progressive and collaborative procurement has resulted in many social value outcomes being delivered in our projects, as well as a very healthy local and SME spend profile at tier one (See Table 1). However, there are opportunities to improve the social value impact (social, economic, environmental) wider across the Council as well as within the supply chain, and with our local partners.

Annual Spend	£530 million
North East Spend	68%
County Durham Spend	46%
SME Spend	57%
Third Sector Spend	13%

Table 1. Current Procurement Spend Profile FY 2019/2020

Local Wealth Building

- 22 Local wealth building is a place-based approach to economic regeneration which empowers local government and enables communities to create and retain wealth locally, it is a relatively new approach to regeneration and embraces co-operative values of self-help, participation, social responsibility and democratic accountability.
- 23 Some councils have engaged with CLES (the national organisation for local economies - <https://cles.org.uk>) adopted the five main strands of local wealth building (See Appendix 2.) and achieved notable success, with Preston and Manchester cited often as positive examples of this type of approach.
- 24 At this stage, the Council does not intend to adopt all the five strands of the above model, but given the progress made to date in several of these areas, it would be appropriate for the Council to engage locally with other so called anchor institutions to encourage an improved local social value procurement approach, particularly with regard to working together to maximise the value of the County Durham Pound by local spending.
- 25 The initiatives set out below will enable the Council and its local partners to increase collective local spending, support SMEs and local businesses, improve outcomes with social enterprises, resulting in money remaining in the local economy and recirculating creating employment opportunities and stronger more sustainable communities.

Potential Initiatives

- 26 Ten initiatives are proposed at this stage to support the achievement of improved social value outcomes and local wealth building.
- 27 The initiatives will need to be phased to take account of the Council's overall objectives and extremely busy work programme but should be delivered within the timeframe of the new Council Plan 2020-2023.
- 28 A cross-service project team-based approach is being taken with a lead officer assigned to each initiative, and an initiative scoping document will be agreed with the project sponsors for each initiative to ensure scope, any targets and project timescales are established, and progress can be monitored.
- 29 Outcomes and any specific targets will be developed within the scope of each initiative, but the overall programme has an aspiration of improving SME spend and County Durham spend by two percentage points by the end of financial year 2023.
- 30 As this is predominantly a Regeneration, Economy and Growth and Resources based project the project sponsors are the Corporate Directors of both service groupings.
- 31 Regular updates will be provided to the project sponsors and a 6-monthly update will be provided to Corporate Management Team with consultation occurring with the appropriate Member Portfolio Holders.
- 32 A summary of the initiatives is set out in Table 3 below.

Initiative	Explanation	Work already underway	Priority/Timescale
1. Government Policy	<p>Use CPO lead role at LGA National Advisory Group to influence government policy in the following areas to assist in local sourcing:</p> <ul style="list-style-type: none"> • Post Brexit Transition rules • Reservations of contract awards to SMEs, VCSEs • Reserve sub-threshold opportunities to UK Suppliers • Advertise quotations to UK Suppliers - Only advertise wider if no suitable bids • Flexible use of Light Touch Regime procedure wider than just social care • Develop new UK Public Contract Regulations 2022 to replace PCRs 2015 	<p>Meetings with Cabinet Office have occurred to feed in the LGA policy “asks” for Below Threshold Procurements and the Green Paper.</p> <p>CPO is part of Cabinet Office policy group to co-develop a future national policy statement.</p> <p>Green Paper was issued 16 December for consultation on new rules for 2022-23.</p> <p>Procurement Policy Note 11/20 Reserving Below Threshold Procurements was issued 16 December</p>	<p>Priority A 2020/21 onwards for post-December changes.</p> <p>Priority A 2020/21 onwards</p> <p>Priority B 2021/22 onwards</p>
2. Local Contract Procedure Rules	<p>Modify current thresholds to provide a more flexible approach to below OJEU Threshold projects:</p> <ul style="list-style-type: none"> • Increase Tender threshold from £50K to OJEU level of £189K for goods, supplies and services • Increase in 3 Quotation exercises – (Faster, Lighter Touch process, Selection of candidates limited to County Durham companies) • Legislation permitting – Reservation of opportunities and direct awards to County Durham companies, where initiated by a qualified Procurement Officer and supported by an objective justification 	<p>Planning for Tender threshold has commenced and will be implemented in line with Procurement Policy Note 11/20 for post-Transition changes on 1 January 2021</p>	<p>Priority A 2020/21 onwards</p>

3.Social Value Impact	<p>Improve social value impact in Council projects:</p> <ul style="list-style-type: none"> • Include Social Value in all contract award decision-making at a minimum level of 10% covering social, economic and environmental factors • Mandatory use of National TOMS (Themes, Outcomes, Measures) for all projects above the current OJEU threshold • Optional use of National TOMS for all projects above the current OJEU threshold but social value considered in all projects • Develop an Ethical Business Charter for the Council • Develop regional North East based TOMS (proxy values) via NEPO • Develop and Implement a new “Light Touch” TOMS approach for Quotation based projects using a few key indicators (local spend, local jobs, Green jobs, SME, VCSE spend) • Study use of Social Value TOMs in the Planning process • Study use of Social Value in all new development schemes 	<p>Some local and regional (NEPO) projects have included 10% weighting.</p> <p>Staff refresher training implemented Q4 2020 / Q1 2021 for all Procurement Officers</p> <p>North East TOMS being developed via NEPO Social Value Delivery Group</p> <p>Social Value in Planning kick-off meeting scheduled January 2021 with LGA and Councils</p>	<p>Priority A 2020/21 onwards</p> <p>Priority B 2021/22 onwards</p>
4.Social Value “DNA” assessment	<p>Review major contracts during Contract Management activities to determine supply chain sourcing patterns and encourage local sourcing where appropriate:</p> <ul style="list-style-type: none"> • Check “D Rate, N Rate, A Rate in supply chain at tier 2 • Check % of supply chain spending in: <ul style="list-style-type: none"> - Durham - North East - Abroad (or out of region) • Proactively work with key suppliers to encourage an improvement in D and N and a reduction in A – in line with community wealth building principles 	Not Started yet	Priority B 2021/22 onwards
5.County Durham	Maximise take-up of Business Durham’s current funding schemes to support business growth, including County	County Durham Growth Fund:	Priority A 2020/21 onwards

Business Growth Funding	<p>Durham Growth Fund, Digital Drive County Durham and Finance Durham.</p> <p>Establish additional grant funding scheme(s) to meet gaps in support to establish and grow County Durham businesses, e.g. business recovery, start-ups, rates support, inward investment.</p>	<p>£4.7M grants available to June 2023 for businesses to expand</p> <p>Digital Drive County Durham: £1.04M grants available to June 2023 for businesses to implement digital technology</p> <p>Finance Durham Fund: £15M available for loans and equity investments to support business growth</p>	
6.County Durham “Make Strategy”	<p>Investigate opportunities for companies to manufacture or supply locally:</p> <ul style="list-style-type: none"> • Reduce the dependency on offshoring or out of County supply routes • Explore opportunities for local companies linked to green economy agenda 	<p>As part of the Covid recovery plan work, a group has been set up through CDEP to consider medium-term economic opportunities that can be developed through the ‘building back greener’ agenda.</p>	Priority C 2022/23 onwards
7.County Durham “Sell Strategy”	<p>Review Business Durham data where County Durham has some key companies, unique offers, innovative technologies</p> <ul style="list-style-type: none"> • Identify any “sell” opportunities down the current and future supply chain via new contracts or existing contract management work • Provide testbed opportunities for companies to develop innovative solutions that could form part of DCC contract specifications 	<p>Builds upon and extends the work done through the Govtech innovation pilot. As part of the Covid recovery plan work, a group has been set up through CDEP to consider medium-term supply chain opportunities that can be developed and assess feasibility</p>	Priority B 2021/22 onwards
8. County Durham Anchor Procurement	<p>Use County Durham Partnership to establish a local “County Durham Family” network to improve placed based procurement and to maximise local spending, collaborative sourcing, social value impact:</p>	<p>County Durham Economic Partnership (CDEP) is very keen to support this work</p>	Priority A 2020/21 onwards

	<p>Family members to include;</p> <ul style="list-style-type: none"> • Council • Health • University • Police • Fire & Rescue • Housing Registered Providers • Northumbria Water • Church Commissioners • Academies, Schools, Colleges • Prison 	<p>CDEP approved this initiative on 6 November</p> <p>Meeting Scheduled to commence initiative with all partners</p>	
9.County Durham Inward Investment	<p>Review all current and future major development schemes and enhance capacity to proactively attract more inward investment to County Durham:</p> <ul style="list-style-type: none"> • Aykley Heads S.E.S (Review basis of 6,000 jobs) • Major Local Developers • Review all current “firm leads” • Investigate any early procurement local sourcing or Inward Investment opportunities • Incentivise or provide soft landings 	<p>This work is already underway – Business Durham lead on generating and responding to inward investment enquiries.</p>	<p>Priority B 2021/22 onwards</p>
10.County Durham Supplier Capability	<p>In addition to current schemes provide funding for NEPO developed supplier training and engagement programmes specifically for County Durham companies:</p> <ul style="list-style-type: none"> • Navigating the NEPO Portal • NEPO Business Club Procurement Surgery • Successful Tendering: a winning approach to the new ‘open’ process • Bid Writing Masterclass • Developing and Using Social Value in Your Business • Wider use of Training Videos or Webinars 	<p>The Durham Business Opportunities Programme (ERDF funded) has just commissioned ‘DBOP Construction Routes to Contract Success Programme’ to help County Durham SME’s and those in their supply chain win more public and private sector contracts.</p>	<p>Priority A 2020/21 onwards</p>

Table 3. Summary of Initiatives

Progress to date

- 33 An internal project manager has been appointed from the Council's project management office, and an initial Project Initiation Document has been developed.
- 34 **Initiative 1** – On 16 December Government Cabinet Office issued Procurement Policy Note 11/20 (Reserving Below Threshold Procurements) and a Green Paper (Transforming Public Procurement) for consultation until 10 March 2021. The National Procurement Policy Statement is due to be issued before the end of January 2021.
- 35 **Initiative 2** – The Council has increased its tender threshold from £50,000 to £189,330 from 1 January 2021 which will make it easier for suppliers to bid for contracts.
- 36 **Initiative 3** – The Council now applies 10% minimum social value weighting and uses National TOMs (Themes, Outcomes and Measures tool) to all projects above the £189,330 threshold and an Ethical Business Charter is under development.
- 37 **Initiative 3** – An LGA National Social Value Task Force meeting has been arranged for January together with other progressive Councils to review the opportunities for social value to be applied within the planning process.
- 38 **Initiative 5** – Business Support Brochure highlighting all the grant funding and support currently available for County Durham businesses was produced and there is an ongoing promotional campaign in place, to maximise take-up.
- 38 **Initiative 5** – £3 million Business Recovery Grant scheme developed, will be launched in January, subject to approval from DCC Cabinet on 13 January 2021.
- 39 **Initiative 8** – County Durham Economic Partnership Board have endorsed the project and a meeting has been established for January 2021 with all local anchor organisations.
- 40 **Initiative 10** – Twenty-one businesses have been engaged in the Routes to Construction Contract Success strand of work, and two online workshops are now scheduled with suppliers to encourage opportunities with a registered provider (Believe Housing).
- 41 A communications plan and virtual launch event to underpin the County Durham Pound project is being developed to ensure the community and local partners are made aware of the project and progress as part of the Council's overall plans for post COVID-19 recovery.

Conclusion and Recommendations

- 42 In conclusion, it is recommended the county's recovery from Covid 19 is supported through social value and local wealth building initiatives and Cabinet is asked to approve the recommendations set out in this report.

Background papers

Link to Local Wealth Building – CLES - <https://cles.org.uk/the-community-wealth-building-centre-of-excellence>

Link to Social Value Portal - <https://socialvalueportal.com>

Link to National Social Value Task Force - <https://www.nationalsocialvaluetaskforce.org/about-us-1>

Link to Green Paper

Authors

Darren Knowd darren.knowd@durham.gov.uk Tel: 07841 887016

Sarah Slaven sarah.slaven@gov.uk Tel: 07500 785618

Stuart Timmiss stuart.timmiss@durham.gov.uk Tel: 03000 267334

Appendix 1: Implications

Legal Implications

All decisions will be made in line with the Council's Constitution, the Contract Procedure Rules and the Public Contracts Regulations 2015 and where required additional legal guidance will be sought on specific issues.

Finance

Any requirements will be funded within existing service budgets.

Consultation

The report has been shared with Regeneration, Economy & Growth management team members and Corporate Director.

Equality and Diversity / Public Sector Equality Duty

None at this stage.

Climate Change

The initiatives should provide a contribution towards corporate carbon reduction targets of the Council's Climate Emergency Response Plan and will also provide opportunities to encourage local partners to support this Plan.

Human Rights

None at this stage.

Crime and Disorder

None at this stage.

Staffing

None at this stage as existing resources will be utilised.

Accommodation

None at this stage.

Risk

Any risks identified will be managed within each of the ten initiative projects.

Procurement

The Council will follow its own Contract Procedure Rules and the Public Contracts Regulations where applicable.

Appendix 2: Five strands of Local Wealth Building

Strands	Explanation
1.Plural ownership of the economy	<p>Locally owned and socially minded enterprises are more likely to employ, buy and invest locally.</p> <p>Community wealth building seeks to promote locally owned and socially minded enterprises by promoting various models of enterprise ownership that enable wealth created by users, workers, and local communities to be held by them, rather than flowing out as profits to shareholders.</p> <p><u>Examples:</u></p> <ul style="list-style-type: none"> • Public sector insourcing • Municipal enterprises • Worker ownership • Co-operatives • Community ownership • Local private ownership
2.Making financial power work for local places	<p>Rather than attempting to attract national or international capital, community wealth building seeks to increase flows of investment within local economies, by harnessing the wealth that exists locally.</p> <p>Measures that channel investment to local communities while still delivering a steady financial return for investors include:</p> <ul style="list-style-type: none"> • Encouraging local authority pension funds to redirect investment to local schemes • Supporting mutually owned banks • Challenging regional banks to enable local economic development
3.Fair employment and just labour markets	<p>Working with human resource departments within anchor institutions to stimulate the local economy through progressive employment and local labour market activities.</p> <p><u>Examples:</u></p> <ul style="list-style-type: none"> • Promoting recruitment from lower income areas • Inclusive employment practices • Committing employers to the paying living wage • Building progression routes for employees
4.Progressive procurement of goods and services	<p>Promote the progressive procurement of goods and services, as this spending power can be a means through which greater economic, social and environmental benefits can be achieved.</p> <p>Adapting procurement processes and decision making, anchor institutions can create local supply chains and ecosystems of businesses that are more likely to support local employment and have a greater tendency to recirculate wealth and surplus locally.</p>
5.Socially productive use of land and property	<p>Assets are owned and managed in ways which ensure that they generate wealth for local citizens, rather than enclosed by private interests.</p> <p>To achieve this, public land owners should develop governance and management structures where communities can take direct control of common assets, for example through transferring under-utilised assets to Community Land Trusts or working through Public-Commons Partnerships.</p>

Table 2. Community Wealth Building 5 pillars (Source <https://cles.org.uk>)