

## Local Enterprise Partnership

04 November 2021

### Social Value Contract for South Yorkshire

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<b>Is the paper exempt from the press and public?</b>	No
<b>Purpose of this report:</b>	Discussion
<b>Funding Stream:</b>	Not applicable
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan?</b>	No

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**Director Approving Submission of the Report:**

Ruth Adams, Deputy Chief Executive

**Report Author(s):**

Jonathan Guest  
Felix Kumi-Ampofo

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**Executive Summary:**

Update on the development of the Social Value Contract (“Employer Contract”) element of the Inclusion Plan.

**What does this mean for businesses, people and places in South Yorkshire?**

Unlocking opportunities for excluded groups is integral to achieving a transition towards a sustainable economy and society. Inclusion is an intrinsic element of building a stronger, greener and fairer economy in South Yorkshire.

**Recommendations:**

1. The Board considers the progress made to date to define the content of the Social Value Contract, noting the detail in Appendix A.
2. The Board notes the dilemmas in specifying content and debate how these are reconciled, to inform and support the MCA in their decision making on the final options for consideration.
3. The Board notes the intended timescales for the presentation of the final option and recommends, for the MCA to consider, any additional work required in development of the content or the engagement on this.

## **Consideration by any other Board, Committee, Assurance or Advisory Panel**

None

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### **1. Background**

- 1.1 An approach and agreed parameters for the Inclusion Plan were endorsed at the May 2021 LEP board. The Inclusion Plan has a number of 'modules' to outline how economic development activities can be more inclusive. The modules are at different levels of development with the development of a Social Value Contract being most advance.
- 1.2 Subject to debate and agreement at the MCA, the Social Value Contract will be an agreement between the Mayoral Combined Authority and any organisation seeking funds. It will link funding and support to a commitment to a series of social value outcome commitments. The aim is for the Social Value Contract to help deliver upon the inclusive growth aspirations outlined in the Strategic Economic Plan. This is different from an employer charter which are usually voluntary aspirations or commitments that are not tied explicitly to funding and can be broader in their remit.
- 1.3 In developing the proposed Social Value Contract, this paper updates LEP Board Members on progress to date. The recommendations of the LEP Board and endorsement of the work, if forthcoming, will progress for debate and decision making at the MCA Board.

### **2. Key Issues**

- 2.1 The ambition of the Social Value Contract is well supported but the detailed development activity has highlighted a number of issues requiring resolution. Issues include:

- the potential that organisations may not be incentivised to seek a growth deal in South Yorkshire or
- for the commitments to be weak and not influence corporate social responsibility and social value.

This highlights the need for the Social Value Contract to be balanced. Discussion on the draft proposal contained in Appendix A, will highlight the differing elements under consideration.

- 2.2 In addition to the content of the Social Value Contract, other points of consideration in the development of this work are:
  - The model of implementation and how to resource this.
  - The approach to obtain funding and how this is accessible and straightforward, supported with clear language and communications.
  - The relationship between the commitments and availability of support programmes and initiatives (within South Yorkshire but also nationally). So, organisations seeking to adopt the commitments made can find providers or further support to help them meet their aim.

### 3. Options

- 3.1 A range of scoping activities have identified an outline structure, broad content and potential model for the Social Value Contract. This scoping work is now being discussed, refined and shaped further through engagement. The engagement is seeking to co-develop the content of the Social Value document, receive input and constructive feedback from a range of stakeholders including businesses, business groups (e.g. FSB, CBI), voluntary and community sector, education sector, local authorities and other anchor institutions.

A draft document outlining the content of the Social Value Contract is attached as Appendix A to this paper.

The Appendix represents an 'in development' document with options still being refined but it provides Board members with a solid understanding of the direction of travel and the commitments that are emerging.

As Members will appreciate there are a range of differing perspectives on the content of such a Social Contract and the veracity with which this should be enforced. Whilst a solution could be to build in flexibility to negotiation and adapt the commitments to be more flexible (each taken on a case by case basis) to take onboard the advantages and disadvantages, this could create ambiguity which will have impact upon resourcing (e.g. negotiation, applications and assurance) and the monitoring of outcomes.

Section 3.2 below – highlights, by way of a case study, one of the issues where resolution of the differing perspectives will be required

#### 3.2 The Real Living Wage

One example of an issue of content, where engagement to date has pointed to differing opinions, is the potential commitment for organisations to pay *all* of their workers the Real Living Wage. The 'National Living Wage' for over 23-year olds is £8.91 (and the 'Minimum Wage' for under 23-year olds is £8.36). The 'Real Living Wage' (based upon what individuals need to be paid based upon what people need to live) is £9.50.

A commitment around the Real Living Wage has advantages and disadvantages:

- **Disadvantages:** A commitment around paying the Real Living Wage could ultimately affect business finances (e.g. profit) and depending on how many people are paid the national living wage or below; the viability of their business. This could be particularly onerous upon certain sectors of the economy which have many low pay roles or have tight profit or operational margins. There is no legal requirement for employers to pay the Real Living Wage.
- **Advantages:** This commitment responds directly to one of the biggest inclusion issues; low pay in South Yorkshire. The difference between paying living wage could be a modest financial commitment. For each employer on the National Living Wage; it would be around £1,100 per annum to increase their pay to the Real Living Wage (dependent on other pay and conditions). This commitment may also dissuade the type of business the MCA and LEP may not want to fund or finance.

## **4. Consultation on Proposal**

### **4.1 The scoping and engagement work has included:**

- Engagement with LEP Board members through workshops and individual meetings.
- Consultation and workshops with Local Authority officers.
- Consultation with recipients of past funding.
- Questions within a survey of local businesses has explored what areas are most important for the business base.
- Workshops with third sector partners and other anchor institutions.
- Working with Inclusive Growth Network (IGN) to drive the engagement process.
- Commissioned consultants to support the evidence base and engagement.
- Proposed to hold a full and rigorous engagement exercise with groups that are often excluded from policy development (e.g. community groups, residents and small businesses).
- Further work with academics at both Sheffield Hallam University and University of Sheffield to ensure rigour and sound methodological thinking.
- One to one meetings and workshops have been organised or conducted with Chambers, employer groups and individual businesses.
- Engagement with relevant MCA Executive teams (finance, legal and contracts) to ascertain how this could be implemented.

## **5. Timetable**

5.1 Subject to debates, and feedback on the draft content of the Social Value contract, the Contract will be subject of further engagement with LEP Board members and wider stakeholders ahead of bringing a revised draft paper to the January 2022 Board.

## **6. Financial and Procurement Implications and Advice**

6.1 There are potential resource implications of the Social Value Contract. These will depend on the recommendations and actions agreed by the LEP and MCA and will be set out in the final policy papers.

## **7. Legal Implications and Advice**

7.1 The Social Value Contract content will be subject to detailed discussion to understand all potential finance, legal and procurement implications and reported to the relevant Board, as part of a detailed assessment of options.

## **8. Human Resources Implications and Advice**

8.1 Monitoring and delivery will have a human resource implication. This will be considered as part of the final paper on options.

## **9. Equality and Diversity Implications and Advice**

9.1 The Inclusion Plan will enhance equality, diversity and social inclusion through activities funded by the MCA and interventions that are funded and delivered by

partner organisations. The benefits of each aspect of the Social Contract will be considered in detail to support Members in their decision making on content of the plan and the willingness to be flexible in adopting individual elements.

## **10. Climate Change Implications and Advice**

- 10.1 Social outcomes often include environmental and wider sustainability benefits. These will be explored further as part of this work to ensure the link between and inclusion and sustainability is reinforced.

## **11. Information and Communication Technology Implications and Advice**

- 11.1 N/A

## **12. Communications and Marketing Implications and Advice.**

- 12.1 The LEP and MCA will need to communicate the Social Value Contract's intentions and ambitions to partners and stakeholders. This will include expectations, changes to processes and new requirements. Proactive engagement is needed for this to be successful although how that develops will depend on the model agreed.

### **List of Appendices Included\***

- A Draft Social Value Contract

### **Background Papers:**

None