

CABINET

19 May 2020

Title: Delivering Social Value in Barking and Dagenham	
Report of the Cabinet Member for Employment, Skills and Aspiration and the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Tess Lanning, Head of Enterprise and Employment Strategy, Inclusive Growth Hilary Morris, Commercial Director, Customer, Commercial and Service Delivery	Contact Details: tess.lanning@lbbd.gov.uk hilary.morris@lbbd.gov.uk
Accountable Strategic Leadership Director: Graeme Cooke, Director of Inclusive Growth	
Summary <p>This report seeks to establish a consistent policy framework, guidance and process to support the Council's procurement, commissioning teams and potential contractors to develop and assess effective Social Value proposals that are in line with the Council's priorities and goals.</p> <p>The policy will be tested and developed over the first year of implementation but initially it is recommended that:</p> <ul style="list-style-type: none">• Social Value proposals are evaluated as part of the assessment process from all bidders on all contracts over £100,000, with commissioners able to apply it to lower value contracts on a discretionary basis.• Social Value commitments are 'weighted' at a minimum of 10% when evaluating bids from potential contractors, and up to a maximum of 20% on a discretionary basis – alongside cost and quality weightings.• Potential contractors are asked to set out convincing Social Value proposals that support delivery of the Borough Manifesto goals under the Council's core strategies – with priority given to proposals that improve the quality and quantity of local jobs available, either directly (via payment of the London Living Wage and the creation of local job and training opportunities for disadvantaged groups) or by buying goods and services from local businesses, defined as those with premises/operations based in the borough. <p>Subject to approval, the policy will be launched alongside an online public consultation in Summer 2020. Commissioning teams will be responsible for implementing and monitoring Social Value in line with their wider contract management responsibilities, supported by a new Social Value Coordinator and the Council's Inclusive Growth Team.</p>	

In line with common practice elsewhere, we have specified that Social Value should be delivered in a way that is cost-neutral to the Council. The direct costs of the new Social Value Coordinator will be covered by the Commercial Services team.

Recommendation(s)

Cabinet is recommended to:

- (i) Agree the policy and approach to Social Value as set out in the report;
- (ii) Note the proposed monitoring, compliance and implementation process and plans; and
- (iii) Authorise the Director of Inclusive Growth, in consultation with the Cabinet Members for Employment, Skills and Aspiration and Finance, Performance and Core Services, to make any appropriate amendments to the documents and approach arising from best practice initiatives or valid representations from the general public and/or civil society partners.

Reason(s)

The use of Social Value requirements on major Council contractors provides a key lever to support 'inclusive growth' and meet Borough Manifesto targets to improve job density, income and employment rates in the borough. The new policy also seeks to generate resources to support delivery of the Council's wider Corporate Plan and strategic goals to improve participation and engagement; independence and resilience; and environmental sustainability.

It fulfils the Council's legal obligation under the Public Services (Social Value) Act 2012 for all public bodies to consider how they can deliver additional economic, social and environmental benefits for the community when procuring goods and services, and how they may act to secure that improvement.

1. Introduction and Background

- 1.1. Since 2012, all public bodies have been legally required to consider how they can deliver additional economic, social and environmental benefits for the community when procuring goods and services, and how they may act to secure that improvement.
- 1.2. Requiring contractors to produce Social Value while they deliver the main element of their contract can also enable Barking and Dagenham to deliver more for residents. The Council currently spends approximately £400m/year procuring goods and services, providing a significant lever to influence the practices of wider organisations operating in the borough and deliver improved outcomes for residents in the context of limited resources.
- 1.3. An effective Social Value policy enables Councils and other public authorities to ask whether, if they are spending £1 on the delivery of goods and services, that same £1 can be used to produce a wider benefit to the community.

- 1.4. Within the Council's contract rules it is already mandated that Social Value must be considered at pre-procurement and strategy development stage in order to comply with the legal requirements to secure additional community benefits. This paper and the attached toolkit seek to provide guidance to ensure that Social Value is implemented consistently across different commissioning teams; secures more community benefits in line with Council priorities; and that impact is effectively monitored and improved over time.
- 1.5. CSG first approved a work plan to develop the Council's policy and approach to Social Value in June 2018. A paper on the proposed process to achieve this also went to and was approved by Overview and Scrutiny Committee in December 2018.

2. Proposal and Issues

Where Social Value will apply

- 2.1. Social Value proposals will be required and evaluated as part of the assessment process from all bidders on all contracts worth over £100,000, with commissioners able to apply Social Value to lower value contracts on a discretionary basis. This fits with the Council's current sign off processes, whereby commissioners report to Procurement Board for any procurements over £100K– enabling a check on whether and how Social Value is being applied.

How Social Value will be assessed relative to cost and quality considerations

- 2.2. Under the new policy, Social Value commitments will be 'weighted' at a minimum of 10% when evaluating potential contractors, with commissioning teams able to apply higher weightings on a discretionary basis up to a maximum of 20% – alongside cost and quality considerations.
- 2.3. The government recommends a minimum weighting of 10% in order to ensure contractors deliver meaningful Social Value proposals.¹ Some Councils have gone further to weight Social Value at 20% or above in order to encourage their contractors to adopt more ethical business models. The Social Value Portal, which runs a platform to support public bodies to monitor and evaluate Social Value proposals, have advised that there is no evidence from the Councils they work with that weighting Social Value up to 20% impacts on costs. Their work does, however, suggest that setting it above that level may start to increase procurement costs.
- 2.4. To strike a balance between cost, quality and social considerations, guidance will be issued to commissioners that they should accommodate the additional criteria by taking half (minimum 5%) from the usual cost weighting and half (minimum 5%) from the quality weighting.

What commitments contractors will be asked to make as part of their Social Value proposals

- 2.5. Under the new policy, potential contractors will be asked to set out convincing Social Value proposals that support delivery of the Borough Manifesto goals and Corporate Plan priorities. Relevant strategic goals have been grouped into five

¹ HM Government: *Social Value in Government Procurement* (2019)

themes, with examples of the sorts of activities and outputs the policy seeks to secure under each theme:

- **Investment in local people:** tackling unemployment and low pay by promoting payment of the London Living Wage, securing quality employment, work experience and apprenticeship opportunities – with additional consideration for opportunities created for those facing disadvantage in the labour market (including NEETs, care leavers, young offenders and those with learning disabilities or physical and mental health conditions);
- **Investment in the local economy:** supporting local job creation by sourcing goods and services from organisations with premises/operations based in the borough and supporting initiatives to build the capacity of local suppliers;
- **Environmental sustainability:** reducing waste and single-use plastics, promoting recycling and sustainable energy, supporting local growing initiatives and other activities to improve the local environment and air quality;
- **Community participation and engagement:** procuring from organisations with a social purpose, involving citizens in service design and decisions, and helping to build the capacity of local civil society organisations such as through volunteering, mentoring and provision of facilities;
- **People, resilience and independence:** supporting local initiatives to improve health and wellbeing by tackling key local issues such as high levels of obesity, anti-social behaviour and domestic abuse.

- 2.6. Potential contractors will be required to set out a delivery plan and method statement setting out their commitments and how these will be delivered, including how they will work with local partners and (where relevant) ensure compliance in their wider supply chain.
- 2.7. The scoring methodology will seek to encourage potential contractors to make commitments in relation to at least two (and up to five) themes, with higher scores available for bids that make commitments under the themes of 'investment in local people' and 'investment in the local economy'. This seeks to support delivery of the Borough Manifesto goals to increase job density and improve local incomes and employment rates by creating new job and training opportunities for residents (either directly, or indirectly by supporting businesses based in the borough to grow). These outcomes are worth a significantly higher equivalent financial value than initiatives in other areas, particularly where sustainable employment opportunities are created for disadvantaged groups. Commissioners will be able to adapt the scoring methodology where these themes are not relevant to the contract.
- 2.8. Alongside this work we have developed and agreed an approach to Social Value in construction with Be First. This reflects the priorities above but includes more specific benchmarks based on good practice in the construction sector and the Unite Construction Charter, which the Council and Be First signed in June 2019. The Inclusive Growth team is also working with Be First to establish a wider strategy to support contractors to deliver, including a programme of events and support for local suppliers to access procurement opportunities, and a collaborative framework of local education and training providers. Be First's policy and approach to Social Value was agreed at Corporate Strategy Group in October 2019, and is also being used to inform the approach to Section 106 Employment, Skills and Supply Chain Agreements on other major developments in the borough.

How the new Social Value policy will be implemented

- 2.9. Commissioners will be responsible for securing and monitoring Social Value as a the Key Performance Indicator on all major contracts, as part of their existing contract management responsibilities – with Procurement Board providing a point of challenge and reflection on their approach for contracts worth over £100K/year.
- 2.10. In addition, a new Social Value Coordinator is being recruited to the Commercial Services team to support procurement and commissioning teams to implement and enforce Social Value and to monitor progress across the Council. The post-holder's role will include:
- Development of guidance for commissioners on how to secure effective Social Value outcomes;
 - Engaging with teams across the Council to identify contracts up for renewal and support them to implement the new policy and test approaches to maximise Social Value;
 - Analysing data from across procurement/commissioning teams to monitor overall progress;
 - Improving tender documents and providing advice relating to Social Value, as required;
 - Exploring how improved procurement processes could enable stronger Social Value outcomes – such as how to provide upcoming tender information for local businesses and engage with the voluntary and community sector – as part of a wider end-to-end review of Council procurements that will be conducted by Commercial Services.
- 2.11. The Coordinator will work closely with the Inclusive Growth team, which will oversee policy development and lead on strategies to support commissioners, contractors and wider borough partners to deliver strong Social Value outcomes in priority areas, including strategies to:
- **Promote the London Living Wage** – setting this as a minimum requirement on contracts for services as they are due for renewal, and working with relevant teams to develop a plan to move towards it in high cost areas such as adult homecare;
 - **Increase local spend** – supporting commissioners to meet the Council's target to procure 25% of the value of all goods and services with local suppliers by 2022, where this will support local job creation (i.e. where the business has premises/operations based in the borough – as opposed to businesses whose owners are resident in the borough but have premises elsewhere). This will include identifying contracts where the Council could directly procure with local organisations - many of which may be worth less than £100K - as well as increasing local spend through major contractors.
 - **Improve employment opportunities for disadvantaged groups** – exploring how to improve the support available to individuals and employers to ensure more of the opportunities secured through the new policy (and other means) are accessible for disadvantaged groups currently in receipt of Council support (including social housing tenants and those with learning disabilities and mental and physical health conditions who have a care package and want to work); and how this support could be funded and delivered.

- **Develop sector-specific approaches** – directly brokering relationships between major contractors/investors in priority growth sectors and relevant local partners including the borough’s main education, training and business support providers, as part of a coordinated approach to ensuring local people and businesses benefit from major new opportunities in the borough – with a particular focus on the food, film and construction sectors.

2.12. Inclusive Growth will also continue to develop a wider network of local partners to promote and support effective delivery of Social Value in the borough, including other local anchor institutions, the Council’s wholly-owned companies, schools and colleges, and civil society organisations. This will include directing potential contractors to work with key local partners and existing initiatives when delivering on their commitments, and exploring how else the Council can promote Social Value, such as through our approach to rent subsidies, business support and the potential for a ‘good employer’ accreditation scheme.

3. Options Appraisal

3.1. The proposals above have been informed by a review of good practice elsewhere, government/sector advice, and consultation with commissioners, civil society, relevant partners, officers and Members.

3.2. We explored different options for the size of contracts where Social Value would apply, such as using the (higher) OJEU thresholds. However, as well as being in line with the Council’s sign off processes, £100k is a common threshold used by other councils. The Social Value Portal advised that thresholds set at a lower level can become resource intensive, while those set too high reduce the potential social impact. Based on data from the Council’s central contract database, Social Value would apply to 39% of all contracts if set at a threshold of £100k. Of these, 35 contracts for services and 10 contracts for goods totalling £190m are up for renewal before mid-2021 and provide an opportunity to apply and test the new approach. This excludes contracts procured and managed directly by commissioning teams.

3.3. We also explored different options for how to ‘weight’ Social Value within a contract, including the option of evaluating it as part of the existing quality weighting. However, Social Value must be additional to core contract requirements, and therefore should be assessed separately. Many commissioners consulted were also concerned that Social Value requirements should not reduce their ability to consider the quality offered by contractors.

3.4. The goal is to secure maximum social benefits without impacting on either the cost or quality of goods and services provided by potential contractors. The requirement for commissioners to weight Social Value at a minimum of 10% follows central government advice, while allowing discretion up to 20% will allow the Council to test whether a more ambitious approach is possible. This will be done by identifying a number of comparable contracts/service areas to test weightings of 10% and 20%, as well as monitoring any differences in financial and social impact. We will also explore whether to enable commissioners to reduce/waive the Social Value weighting in cases where Social Value is embedded in the minimum contract requirements.

- 3.5. These and all elements of the new policy and approach will be tested and developed over the first year, in order to enable the Council to continuously improve.

4. Consultation

- 4.1. Members of the Council's Procurement Board and designated representatives from commissioning teams across the Council have been consulted. The process has been overseen by a steering group made up of the Councils' procurement, commercial services, inclusive growth and participation and engagement teams – recently expanded to include 'Social Value Champions' from major commissioning teams across the Council.
- 4.2. Local community stakeholders including members of the Barking and Dagenham Delivery Partnership have been consulted on the Council's priorities and approach. A workshop was also held with local civil society organisations including members of the Collective on both the policy and how the Council can work with the voluntary and community sector to maximise impact and ensure contractors build on and support existing initiatives in the borough.
- 4.3. The proposals in this report were considered and endorsed by the Corporate Strategy Group at its meeting on 19th March 2020 and by the Leadership Advisory Group at its meeting on 7th April 2020.
- 4.4. The new policy will be launched in Summer 2020 alongside an online public consultation, with a view to refining, testing and developing the approach over the next year. Local community stakeholders including the Collective, the Barking and Dagenham Delivery Partnership, schools, colleges and other relevant partners will also be consulted on an ongoing basis. The Inclusive Growth team will also work with Barking and Dagenham Giving to support contractors and others to target and deliver effective interventions in the community in a way that builds the capacity of existing initiatives in the borough, in collaboration with the voluntary, community and social enterprise sector.
- 4.5. The Inclusive Growth team will also work with BDTP and Reside to ensure an aligned approach. As with Be First, they would have their own Social Value policies, but these would be in line with the Council's priorities and approach. Social Value is already embedded in the mandates for the Council's wholly-owned companies, who will be required to report on what they are doing in this regard.

5. Financial Implications

Implications completed by: Sandra Pillinger, Group Accountant, My Place and Core

- 5.1. The new Commercial Services structure includes the Social Value Co-ordinator role which is graded at PO4. This role will be funded from future procurement savings at a cost of £57,410.
- 5.2. In line with common practice elsewhere, we have specified that Social Value should be delivered in a way that is cost-neutral to the council. There is no evidence that weighting Social Value at anything up to 20% adds additional costs to procurement.

- 5.3. The impact of the new policy will be monitored year-on-year, including any impact on costs (as well as quality and social impact), allowing the Council to adjust the policy and approach as necessary. In adult homecare, where requirements to pay the London Living Wage could significantly increase costs, the Inclusive Growth team will work with Care City and Adult Care and Support to develop an action plan with local providers to improve pay, job quality and standards, and to identify and secure any potential savings through improvements in staff retention and productivity. The current adult homecare framework lasts until 2024.

6. Legal Implications

Implications completed by: Graham Marlow, Locum Contracts Lawyer, Law and Governance

- 6.1. The Public Services (Social Value) Act 2012 requires all public bodies to consider how they can deliver additional economic, social and environmental benefits for the community when procuring goods and services, and how they may act to secure that improvement.
- 6.2. The outcomes should be related to the services being procured but must be in addition to any benefits derived from the goods and services themselves. They cannot include 'developer gain' (contracts or other relationships with large corporations that result in additional benefits such as sponsorship and promotion). Beyond that, the legal definition of the Social Value concept allows flexibility for how public authorities choose to interpret and implement it.

7. Other Implications

- 7.1 **Risk Management** - The risk that the new policy and approach does not deliver the desired community benefits will be managed by the recruitment of a Social Value Coordinator to support commissioning teams to implement and enforce the policy. The Coordinator will also monitor overall progress, enabling the Council to understand where things are working well, and which areas need more support to meet expectations. They will work with commissioning teams to identify and monitor other risks including an increase in procurement costs and/or reduction in quality. This will allow the Council to review the policy and approach year-on-year to improve outcomes and address any challenges.
- 7.2 **Contractual Issues** – Social Value can be built into the Councils standard terms and conditions to warrant that the supplier must deliver against the tendered or agreed outputs, this should clearly set out the monitoring and reporting matrix, so the success of the Social Value can be tracked against the expectations.

In terms of the procurement process, Social Value will need to be considered at the point of the service specification being developed. The key criteria can then be transposed to parts of the procurement process and % ratios can be agreed ranging from 10% to a maximum of 20% of the total quality score. This will apply to procurements the Council conducts itself in a competitive process. Please note this excludes the use of another Authorities frameworks as the Council will be governed by the process already conducted by the framework owner or the Council may be limited in its requirements, each framework would need to be assessed prior to the procurement commencing to ensure it meets the needs of the Council.

To mitigate and challenge the ratios or risks, as the policy will be limited to procurements over £100k under definition in the Contract Rules if they are to be brought before the Procurement Board a full assessment can be conducted and challenge levied to the commissioners rationale for the procurement and to challenge the expected outcomes and the methods to monitor and record the success of the requirements.

- 7.3 **Staffing Issues** – A new Social Value Coordinator is being recruited into the Commercial Services Team to ensure there is staff capacity to implement the new policy. This has been approved by Workforce Board.
- 7.4 **Corporate Policy and Equality Impact** – The Council’s corporate vision, priorities and policies have been used to inform the issues that major contractors are being asked to address when setting out their Social Value proposals. This has been designed to secure resources and outputs that support delivery of Borough Manifesto goals, the Corporate Plan, and the Council’s three draft strategies to deliver Inclusive Growth; increase citizen participation and engagement; and improve the independence and wellbeing of the local population.

The new policy will allow the Council to more consistently generate additional social, economic and environmental benefits for residents, over and above the core services and programmes being delivered by the council. In doing so it seeks to improve the resources available to meet the social and economic needs of residents, deliver improved outcomes and support equality. This will benefit local communities general, but will also seek to generate resources for disadvantaged groups – for example by giving additional consideration to Social Value proposals that create new job and training opportunities for people facing disadvantage in the labour market (including young people and those with disabilities), and securing resources to support existing council/civil society initiatives relating to local issues and priorities, including those that disproportionately affect groups with protected characteristics, such as domestic violence.

An Equality Impact Assessment has been conducted and the impact of the policy will be monitored on an ongoing basis, including the number and types of outputs secured, how these are allocated and who the beneficiaries are, with a view to reviewing the policy and approach on an ongoing basis, in consultation with civil society partners including those representing groups with protected characteristics.

- 7.5 **Safeguarding Adults and Children** - The new policy has the potential to generate additional resources to improve the wellbeing of children and vulnerable adults in the borough and reduce inequalities. It will be important to monitor the impact and approach to ensure that the new policy maximises these positive social outcomes while managing any potential impact on costs and ensuring safeguarding remains a priority for providers.
- 7.6 **Health Issues** - The new policy has the potential to generate additional resources to improve the health and wellbeing of the local community – for example by securing volunteers and other resources to support initiatives named in the policy, such as tackling obesity or improving air quality. Quality employment opportunities created by contractors for people with learning disabilities or physical or mental health conditions can be beneficial for their health and wellbeing, which in turn can

create less demand on health services. Many aspects of the new policy have the potential to have a positive impact on the social determinants of health.

- 7.7 **Crime and Disorder Issues** - The new policy has the potential to generate additional resources to tackle anti-social behaviour and domestic violence in the borough. These are named in the policy as areas contractors may choose to support.

Public Background Papers Used in the Preparation of the Report: None.

List of appendices:

- Appendix 1. Draft Social Value Toolkit
- Appendix 2. Equality Impact Assessment – Social Value