

Report of the Strategic Director Corporate Services to the meeting of The Executive to be held on the 5th of December 2017.

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Subject:

**City of Bradford Metropolitan District Council
Social Value and Inclusive Growth Rationale and Policy Document**

Summary statement:

This report sets out a rationale and policy for Commissioners, Procurers and Suppliers for the Social Value the City of Bradford Metropolitan District Council is seeking to achieve for the residents and businesses of the Bradford District and the wider Leeds City Region economy. The Policy is designed to provide a reasonable, scalable and proportionate approach to realise Inclusive Growth benefits from the contracts the Council procures, awards and manages.

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1. SUMMARY

- 1.1 This report sets out a rationale and policy for Commissioners, Procurers and Suppliers for the Social Value that the City of Bradford Metropolitan District Council is seeking to achieve for the residents and businesses of the Bradford District and the wider Leeds City Region economy. The Policy is designed to provide a reasonable, scalable and proportionate approach to realise Inclusive Growth benefits from the contracts the Council procures, awards and manages.

2. BACKGROUND

- 2.1 At its meeting of Tuesday, 21 March 2017 the Council considered and resolved the following in relation to Inclusive Growth:

BRADFORD COUNCIL IS TAKING A LEAD ON INCLUSIVE GROWTH

Resolved-

This Council notes:

- *Bradford Council is playing a lead role in inclusive growth for our region, as demonstrated when we hosted the Inclusive Growth Commission's regional launch event on 6 March 2017*
- *It is crucial that everyone in the district gets the opportunity to contribute to and share in any economic growth*
- *We are committed to making inclusive growth principles integral to our own practices and in our influence with partners and third party organisations*

We resolve to:

- *Consider inclusive growth as part of the Council's Procurement Review*
- *Continue supporting employment and skills programmes such as SkillsHouse and encourage partners to get involved*
- *Work with private and third sector partners on a Business Covenant to promote strong corporate social responsibility throughout the Bradford District.*

- 2.2 Following this decision development of the Council's Social Value Policy has been led by a Steering Group providing direction, input and support, and a Reference Group that has delivered outputs against five primary objectives, to:

- Identify the current external position and review three examples of good practice.
- Undertake a review of historical annual spend over a three year period and establish a baseline for Bradford.
- Produce input to and recommendations on strategy and policy that reflect Bradford's ambition and intent.

- Formulate an implementation plan that will enable the required changes to strategy, policy and practice from April 2018.
- Identify two Bradford based organisations willing to develop a baseline and to look, in principle, to adopt the findings of the review.

The proposed Policy (set out at Appendix 1) is the summary of activity centred on these objectives by members of the Steering and Reference Groups including Elected Members and Council Officers, representatives from partner public sector organisations in the District, and the Voluntary and Private sectors of the local economy.

3. OTHER CONSIDERATIONS

- 3.1 Inclusive Growth is an increasingly used term, and the Council’s development of this Policy has taken account of, and acknowledges the good work produced by organisations including the Centre for Local Economic Strategies, The Good Economy, the Royal Society of Arts, and the Joseph Rowntree Foundation.

Promoting Inclusive Growth through Social Value in public procurement means buying goods, works and services in a way that helps:

- Create jobs; tackles unemployment, under employment, or inactivity,
- Creates better jobs; a living wage, and secure employment contracts,
- Strengthens skills and employability,
- Builds cohesive and confident local communities,
- Contributes to wider economic and institutional transformation, and
- Lowers barriers to social mobility and inequality.

- 3.2 Research into the application of Social Value by other local authorities evidences meaningful benefits. For example Manchester City Council has increased its local spend from 52% to 74% (+22%), with supplier re-spend in the Manchester economy growing from 25p in the £ to 47p in the £. Manchester’s top 300 suppliers also provided additional economic benefits of 1,481 new jobs, 262 apprenticeships, 20,638 hours of volunteering activity, 47,875 hours of support for the local VCS sector and 334 employment opportunities for ‘hard to reach’ individuals.

Although a hypothesis, similar results for Bradford would increase spend with local suppliers from £191m to £244m (+£45m) with nearly half of this amount (£21m) then being re-spent by suppliers in the Bradford economy (additional net effect of £66m), with the potential for similar pro-rata economic benefits.

	Total Spend	Local Spend (Bradford District)	SME Spend	Local SME Spend
2016/17	£406m	47% £191m	72% £294m	39% £160m
5 year goal (est. £)	-	>60% (£244m)	75% (£305m)	>50% (£203m)

3.3 Approaches to Social Value adopted by other local authorities has informed the development of the Council's Policy; Findings from visits to Manchester City Council, Nottingham City Council and Hull City Council have identified:

- Social Value has a strong focus on securing economic benefits (e.g. local employment, apprenticeships and employment opportunities). However there is evidence that tackling worklessness through Social Value brings benefits in terms of healthier lifestyles and reduced problems of anti-social behaviour and re-offending.
- Local Authority contractual spend within their municipal area appears to be increasing (Bradford currently spends approximately 50% locally, and Manchester City Council reports a shift from 52% to 74% over 7 years).
- Approaches are diverse;
 - Some Social Value policies give suppliers the option to offer up to 2.5% of contract value as an alternative to submitting Social Value proposals. The monies collected are then used by the Local Authority to further corporate objectives typically around creating employment.
 - Other policies take a 'work book' approach analysing the potential of each contract to create employment against which bidders offer proposals to either partially or fully create such opportunities.
- Social Value is worth between 10% and 20% of the evaluation criteria, and the application of a policy does not appear to have increased contract values.
- In implementing a Social Value policy local authorities have invested in staff development and training, and systems to track the benefits realised.

3.4 Development of the Council's Policy has been informed by current thinking around Inclusive Growth. The Good Economy set out in their position paper '*The Good Economy: A Better Future for Everyone*' a four pillar model for Inclusive Growth that aligns well to the Council's Corporate Priorities, as set out in the District and Council Plan. This linkage will be further strengthened through the Council's work with partners to develop an Economic Growth Strategy for the District based on building a more productive and inclusive economy. This work has provided a basis for a set of procurement objectives that are orientated to the principles of Inclusive Growth:

Corporate Priority	Inclusive Growth / Good Economy Pillars	Procurement Objectives
Better skills, more good jobs and a growing economy	Business Dynamism; <i>Inclusive investment in sustainable growth and social impact</i>	<ul style="list-style-type: none"> Establish a supplier base which has knowledge of local issues and priorities Increased economic benefits for the Bradford District Build a base of suppliers that are responsive and flexible to needs Increased local spend
Decent homes that people can afford to live in	Good Jobs; <i>Decent living standards achieved through employment, jobs that pay decent wages and fulfil carer aspirations</i>	<ul style="list-style-type: none"> Increase opportunities for good jobs and sustainable employment Promotion of employment, training and skills opportunities
A great start and good schools for all our children	Human Development; <i>access to high quality public services</i>	<ul style="list-style-type: none"> Procurement of quality and cost effective services that are safe and best meet need Support the balance of innovation with evidence based approaches to identify solutions at an early stage Support demand reduction for specialist services
Better health, better lives		<ul style="list-style-type: none"> Reduction of the District's carbon footprint through reduced consumption of natural resources
Safe, clean and active communities		<ul style="list-style-type: none"> Support the delivery of budget savings and maximising of efficiencies A supplier base that invests in Bradford's communities
A well-run council, using all our resources to deliver our priorities		

3.5 Against these procurement objectives a suite of Social Value requirements have been set out in the Policy (see Appendix 1) that are clustered around the 4 pillars set out by the Good Economy, of; Business Dynamism (recognising the value of investing in the local economy), Good Jobs (through raising both skills and employment opportunities), Human Development (including support for social care) and Social Cohesion (placing value on the contribution of the voluntary sector and the importance of environmental issues).

The Council's Social Value Policy then provides commissioners and procurers with the choice to apply a number of these requirements to each of the Council's procurements depending on the value and duration of the contract:

- For contracts with an estimated value of less than £25k the application of the Council's Social Value Policy will be discretionary.
- For contracts with an estimated value between £25k and £100k at least two Social Value requirements must be applied to the tender; with at least one from either the Business Dynamism or Good Jobs requirements sets.
- For contracts with an estimated value of more than £100k at least one of the Social Value requirements from each of the sets must be applied, and
- For contracts with an estimated value greater than the applicable 'EU threshold' (£164k for the supply of goods, and services, £4.1m for works, and £589k for specific Light Touch Regime contracts), with a duration of more

than 2 years then the specific requirements to create jobs, apprenticeship, training or skills enhancement opportunities must be considered.

- 3.6 To ensure that Social Value requirements are proportionate and scalable to the nature of a particular contract each requirement contains a set of square brackets [] to allow for the amount of Social Value to be adjusted. For example;

Improve the skills levels of existing staff by training of []% of the workforce to Level [2 / 3 / 4].

- 3.7 Bidders' responses will be evaluated by assessment of how close their proposal comes to meeting the Council's requirements; i.e. a proposal that fully meets requirements scores full marks with lesser proposals proportionally scoring fewer points. However, to ensure a transparent and fair evaluation process no additional marks would be available for offering to over-achieve against the Council's Social Value requirements.
- 3.8 In 2016/17 the Council published 389 contract opportunities on YORtender, of which 222 were worth more than £25k; with the total spend with its suppliers as follows. On this basis, once embedded the Council's Social Value Policy could have significant potential to seek Inclusive Growth benefits from the Council's contracts.

	Number of Suppliers	Total Aggregate Spend*
Suppliers paid <£25k	3,479	£18,943,678
Suppliers paid £25k to £100k	617	£30,342,979
Suppliers paid >£100k	590	£344,298,545
	4,666	£393,585,202

* Excluding direct Social Care payments

4. FINANCIAL & RESOURCE APPRAISAL

- 4.1 The Policy sets out that Social Value shall be worth 10% of the overall marks available in the evaluation of bids for Council contracts. Each Social Value objective set as part of the Council's contract award criteria shall be assessed using the standard evaluation criterion set out in the Council's template procurement documents. However, a minimum score for Social Value, applied on a pass / fail basis will not be set as part of the evaluation process.
- 4.2 The Social Value requirements set out in the proposed Policy have been specifically selected, so that they can be proportionally applied to capture Inclusive Growth benefits with no cost or minimal additional cost implications for suppliers.
- 4.3 The suppliers who have committed to the delivery of Social Value objectives through a Council contract will be required to submit a quarterly report to evidence the progress made against their objectives.
- 4.4 The Social Value and Inclusive Growth benefits secured through the Policy will then be reported in the Well Run Council part of the Council Plan. In addition to existing

indicators for % of expenditure spent locally, % of expenditure spent regionally, % of expenditure spent with SME suppliers, and % of expenditure spent with VCS suppliers, additional indicators will include:

- [] Number of contracts securing Social Value
- [] Jobs created in the Bradford District
- [] Apprenticeships and training opportunities created in the Bradford District
- [] Hours of community volunteering
- [] Hours of support for the voluntary and community sector
- [] Employment opportunities for 'hard to reach' individuals

4.5 Collation of data recording the Social Value achieved by the Council through the proposed Policy, and a training programme for both the Council's commissioners, procurers, buyers and suppliers will be managed using existing resources, including sampling and auditing of a number of supplier reports to test the accuracy of the information provided.

4.6 It is anticipated that the Council's Social Value and Inclusive Growth Policy will be implemented after the 1st of April 2018, with a subsequent review 12 months later.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

5.1 There are no significant risks arising out of the implementation of the proposed recommendations.

6. LEGAL APPRAISAL

6.1 The Public Services (Social Value) Act 2012, allows the Council like any other public body to consider the social, economic and environmental benefits of their approach to the procurement of a public contract before the process commences. Specifically the Act works in three limbs; firstly there should be consideration of how what is being procured may be of benefit to the economic, environmental or social wellbeing of an area, secondly how such benefits might be secured, and finally whether it is necessary to consult on such proposals.

6.2 Whilst the Act is specifically applicable to 'over EU threshold' services contracts the Council's policy proposes that it is good practice to consider the application of the principles of Social Value to any contract of any value.

6.3 There is likely to be a need for additional work on contractual terms where relevant to allow Social Value requirements to be defined and monitored in line with the tender responses received, with a view to enforcement of the Social Value benefits.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

7.1.1 There are no Equality and Diversity implications arising out of the recommendations of this report. However, the Council's Social Value Policy is designed to secure additional Inclusive Growth benefits from the contracts the Council awards that include opportunities for suppliers to support and invest in the District's communities supporting themes of Social Cohesion.

7.2 SUSTAINABILITY IMPLICATIONS

7.2.1 There are sustainability implications arising out of the recommendations of this report. However, the Council's Social Value Policy is designed to secure additional Inclusive Growth benefits from the contracts the Council awards that include opportunities for suppliers to support and invest in the sustainable use of natural resources.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

7.3.1 There are no greenhouse gas emissions impacts arising out of the recommendations of this report. However, the Council's Social Value Policy is designed to secure additional Inclusive Growth benefits from the contracts the Council awards that include opportunities for suppliers to support and invest in reducing the District's carbon footprint.

7.4 COMMUNITY SAFETY IMPLICATIONS

7.4.1 There are no community safety implications arising out of the recommendations of this report. However, the Council's Social Value Policy is designed to secure additional Inclusive Growth benefits from the contracts the Council awards that include opportunities for suppliers to support and invest in the District's communities supporting themes of Social Cohesion.

7.5 HUMAN RIGHTS ACT

7.5.1 There are no Human Rights Act implications arising out of the recommendations of this report. However, the Council's Social Value Policy is designed to secure additional Inclusive Growth benefits from the contracts the Council awards that include opportunities for suppliers to support and invest in the District's communities supporting themes of Social Cohesion.

7.6 TRADE UNION

7.6.1 There are no Trade Union implications arising out of the recommendations of this report. However, the Council's Social Value Policy encourages and welcomes the Council's suppliers to adopt the following standards and to also encourage the same in their supply chain:

- That the Council's suppliers commit to upholding high standards of moral and ethical employment across their workforce, and expect the same from their supply chains.
- That there will be rigorous implementation and adherence to Health and Safety standards and legislation, and provision of '21st Century' welfare facilities for all workers.
- Apprenticeships are actively promoted especially where this will provide opportunity for the most disadvantaged people in our society.
- That all staff will be paid and treated fairly with, as appropriate, provisions to include paid holidays, a sickness benefit scheme, pension, accident compensation and a death in service scheme.
- That temporary workers are employed through agencies upholding the highest standards of ethical behaviour, compliance and quality of service.
- That collaboratively Employers, Trade Unions and industry specialists play a vital role in creating safe and productive work places.
- There shall be equality and opportunity for all and that there will be no place for 'blacklisting'.
- That the environmental impacts of a suppliers business activities shall be minimised.
- That the District's business premises and sites will be clean, well managed 'good neighbours'.

7.7 WARD IMPLICATIONS

7.7.1 There are no Ward implications arising out of the recommendations of this report.

8. NOT FOR PUBLICATION DOCUMENTS

None.

9. OPTIONS

9.1 In acknowledgment of Members' resolution that the Council should take a lead on Inclusive Growth the option of 'do nothing' and not developing a Council Social Value Policy has not been considered.

9.2 Options for how Social Value might be secured from the Council's contracts have though been considered. Section 3.2 of this report notes that there are diverse approaches to Social Value by local authorities, these approaches have been summarised as either being:

- **Contractual;** Social Value requirements are set out in tender documents and request bidders to respond with proposals in the form of a method statement. The successful bidder is then contractually obliged to deliver their proposals for Social Value as part of delivery of the contract.

- **Levy;** Social Value requirements are set out in tender documents and request that bidders respond in one of the following two ways; either with proposals in the form of a method statement, or alternatively the offer of a percentage of the contract sum (up to a specified maximum) that is payable as levy by the successful bidder. Sums secured under this model are then used by the Council to fund Social Value projects.
- **Hybrid;** both options are utilised; selecting one on the merits of each particular tender exercise.

9.3 As part of the Policy development activity an options appraisal exercise was undertaken to compare levy, contractual and hybrid models for securing Social Value. Whilst it should be acknowledged that the exercise only represents a small sample of potential stakeholders, comprising Commissioners, Procurers, Suppliers and Support functions; the results high light a general consensus of support for the contractual model. The contractual model was felt to have particular benefit as it has the potential to make lasting, beneficial Inclusive Growth changes to a suppliers business practices over the one off payment of a Social Value levy.

10. RECOMMENDATIONS

10.1 It is recommended that:

- The content of this report is noted, and
- The Council's Social Value and Inclusive Growth Rationale and Policy Document (as set out at Appendix 1) is accepted and implemented by the Council after the 1st of April 2018.
- There is an annual review and evaluation of the Social Value benefits secured through the application of the Policy.

11. APPENDICES

11.1 The following documents are included as appendices:

- Appendix 1; The Council's Social Value and Inclusive Growth Rationale and Policy Document

12. BACKGROUND DOCUMENTS

12.1 The following are acknowledged in development of the Council's Council's Social Value and Inclusive Growth Rationale and Policy Document:

- The Centre for Local Economic Strategies 'The Power of Procurement II'
- The Good Economy 'The Good Economy: A Better Future for Everyone'
- The Joseph Rowntree Foundation 'Inclusive Growth Monitor 2017'
- The Social Value Hub (www.socialvaluehub.org.uk)
- Manchester City Council 'Social Value Toolkit for Suppliers 2017'
- Nottingham City Council 'Procurement Strategy 2014 – 17'