

Report of the Director of Finance & IT to the meeting of Corporate Overview & Scrutiny Committee to be held on 10 November 2022

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Subject:

Social Value & Inclusive Growth Rationale and Policy Procurement Policy

Summary statement:

This report provides Members with an update on the application of the Social Value and Inclusive Growth Rationale & Policy implemented in 2018.

The report identifies key successes and proposes actions to be included in the review of the policy and subsequent update to ensure continuous improvement is evidenced.

EQUALITY & DIVERSITY:

The Councils procurement activities can play a significant part in addressing inequality, improving well-being and widening access to opportunities. As a major spender within District and within West Yorkshire the Council can strongly support the equality and diversity agenda. Procurement processes go beyond assessing price and quality and assess organisations wider ethics, including equality and diversity issues.

Additionally, the delivery of Social Value can support equality and diversity agendas and these considerations should be embedded in any future development of the Social Value and Inclusive Growth policy.

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Portfolio:

Corporate

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Overview & Scrutiny Area:

Corporate

1. SUMMARY

The report provides a review of the existing Social Value and Inclusive Growth Rationale and Policy which was implemented in April 2018.

The report focuses upon key areas of success and lessons learnt from its implementation to identify options for improvement and updating the existing policy and/or operational working practices.

2. BACKGROUND

2.1 The Council's Social Value and Inclusive Growth Rationale and Policy

The Council's Social Value and Inclusive Growth Rationale and Policy Document was approved by the Executive on 5 December 2017, and was applied to all procurements for contracts larger than £25,000 from 3 April 2018.

The Policy set out our approach for doing more than sourcing the Council's supplies at a price that it is competitive and good value for money, it set out our ambition for meaningful Social Value from our suppliers.

It proposed a Social Value focus to foster an inclusive growth ethos in the district in which every resident has the opportunity to contribute to and share in economic growth. The aspiration was to make sure that every penny we spend supports our wider economic goals and that everyone in the Bradford District feels the benefits of success.

The policy was designed to be flexible in its application so that it is reasonable, scalable and proportionate to the contract opportunities we apply it to. It includes a set of 31 Social Value, Inclusive Growth orientated measures that Commissioners and Procurers can pick from when preparing tenders.

The policy set out an ambition to increase our spend with our local suppliers. Over the next five years our plans are to:

- Increase our current level of local spend from 47% to 60%, which in today's terms would put an additional £45m into the local economy.
- Think about how local suppliers also spend locally - £21m would be re-spent in the Bradford economy.
- An ambition for an additional net effect of £66m.

2.2 A review of the Rationale and Policy

The policy has been effective in assisting the achievement of Social Value and Inclusive Growth, and although clearly both aspects have been impacted by Covid and the cost of living crisis there is much to be celebrated from the implementation of the rationale and policy.

The annual report 'Amendments to the Constitution – Contract Standing Order and

Financial Regulations' was presented to Governance and Audit Committee on 21 April 2022 with recommendations approved and subsequently approved by Full Council.

A referral from Governance and Audit Committee, requested the Corporate Overview & Scrutiny Committee considers the Social Value Procurement Policy, when the policy is reviewed.

An extract from the minutes of Governance and Audit Committee is included below.

AMENDMENTS TO THE CONSTITUTION - CONTRACT STANDING ORDERS AND FINANCIAL REGULATIONS

The Director of Finance and IT submitted Document "AF" which provided details of the annual review of the Contract Standing Orders and Financial Regulations sections of the Council's Constitution and made recommendation for their amendment.

Members were informed that fundamental changes to Contract Standing Orders would come into force next year.

In response to a Members question it was reported that the Social Value and Inclusive Growth Policy would be reviewed which looks at different elements of social value of a contract such as living wage.

It was suggested that Members needed to have input into the Social Value and Inclusive Growth Policy when it was reviewed.

That the Social Value Procurement Policy be referred to the Corporate Overview and Scrutiny Committee for consideration when the policy is reviewed.

3. PROGRESS IN IMPLEMENTING THE RATIONALE & POLICY

3.1 Introduction

A number of national events have impacted the policy, particularly in relation to local spend metrics. These include impact of Covid and the recent cost of living crisis. In addition, national procurement legislation and Council Contract Standing Orders must be complied with, tendering processes not allowing contracts to be issued to local suppliers unless they submitted the highest scoring tender, and the Council is not able to award contracts locally if bids are not received from local suppliers.

Procurement Team resources have by necessity been focused on supporting major Council projects, Bradford Live, Darley St, CAZ etc., the successful push for City of Culture 2025, implementation of the Children's Trust, most recently Levelling Up Fund projects, and throughout this the service has experienced prolonged recruitment and retention challenges.

However, despite those challenges there has been significant success in progressing the rationale and policy as outlined below.

3.2 Local Spend

Performance in the past 2 years and this year to date are outlined in the table below.

	2020/21	2021/22	2022/23 to Q1
Target	46%	48%	48%
Actual	36.8%	36.5%	36.5%
	£172.2m	£229.8m	£62.3m

This shows that actual physical spend locally increased from £172.2m in 2020/21 to £229.8m in 2021/22, an increase of £57.6m (33%). This is a significant increase and data for 2022/23 suggests local spend will be retained at this level. However the target percentage has not been achieved and may be unrealistic against local circumstances.

The Council spend pattern and inclusion of some multi-million pound contracts can impact local spend as in some cases there is an absence of suitable local providers to deliver some Council projects. Some examples include:

- the recent large spend on Covid related PPE which was all with non-local suppliers
- Recent and current large construction schemes (+£10m) won by out of area contractors, Silsden (Galliford Try), Darley St (Kier), Heaton Crematorium (Robertson Group), TCF programme (Balfour Beatty). Bradford does not have a national level contractor in its boundary and the Council programme includes some large multi-million pound schemes.
- Rising energy costs are disproportionate to previous years, again Bradford doesn't have an in-district energy supplier

Supplier spend analysis has identified that many of the large suppliers do sub-contract and engage the local supply chain. At present spend analysis only picks up payments to the prime contractor, and therefore does not pick up this aspect of local spend. Consideration will be taken into assessing this, but without seeking to place large burdens upon suppliers.

Reviewing the Social Value and Inclusive Growth Rationale and Policy, assessing realistic target local spend levels and engaging local supply chain will be a key deliverable of the Head of Procurement when appointed

3.3 Procurement Processes

Procurement processes have been refined and improved to enable SMEs and VCS to be in a better position to bid and also to ensure that appropriate checks are made not only on the bidder's price and proposition against the tender but also on their wider 'ethics', these checks include checks for evidence of / conviction for:

- Participation in a criminal organisation
- Corruption / fraud

- Terrorism, activities linked to terrorism, or funding terrorism
- Money laundering
- Child labour / human trafficking
- Non-payment of tax or social security contributions
- Environmental, labour and social law offences

Further checks are undertaken regarding:

- Misconduct
- Conflicts of interest / distortion of competition
- Prior poor performance of a similar contract
- Modern slavery compliance

To ensure the successful integration of Social Value into the Council's procurement activity processes, the Social Value and Inclusive Growth Rationale and Policy set out some key deliverables, progress against these are summarised below.

- a) Designing tender processes that are accessible and encourage a variety of potential suppliers to bid for the Council's contracts.
 - The Council held a staff working group that re-designed the Council's suite of documents, based on feedback from suppliers. The working group remit was to make the Council's procurement processes and documentation easier to understand and navigate. Feedback from suppliers suggested changes made accessing and responding to Council procurements were improved.

- b) Building on the detailed understanding of the local supply market established at the commissioning stage and actively seeking to engage local businesses in tender competitions through 'meet the buyer events', raising awareness of the Council's procurement processes and supporting non-tender specific bid writing training.
 - An initiative that is bringing some dividends has come through the Council committing its support to the Go4Growth programme with a focus to understand the barriers and then provide support, particularly to SME businesses to help them improve their bid writing capability and capacity, some key facts
 - Go4Growth has run 25 engagement events to some 1,300 businesses
 - This includes over 65 businesses from the Bradford District, of which 60% are micro SME, and ¾ of this cohort want to improve bid writing skills, ¼ have not previously won public sector business; 50% are BAME led businesses and 25% are female led businesses
 - The top issues for Bradford businesses engaged in the programme are
 - How to develop bid writing skills
 - How to demonstrate value to public sector procurers
 - How to decide what value of contract to bid for

- How to respond to and report against KPIs
 - How to improve their networks to win more business
 - Actions were implemented to seek to address and improve these issues.
- c) Continuous evaluation of its tender documents and online processes to ensure that preparing and submitting a bid is as simple and efficient a process as possible for bidders (whilst maintaining a quality, core standard of legal compliance),
 - The Go4Growth programme and specific engagement sessions with SMEs and VCS sector informed changes to processes. The new Head of Procurement, when appointed, will wish to review procurement processes and one of their objectives will be to review processes, including engaging the supply chain to inform of any potential changes.
- d) Publishing and maintaining a forward plan of planned procurements on the Council's website, and making use of Prior Information Notices (PIN) as an 'open call' to encourage market interest and bidder participation.
 - The Forward Procurement plan is published in line with the National Procurement Policy Statement. This gives prospective suppliers a forward view of future planned procurements to aid their planning.
- e) Through only asking the minimum, proportionate number of quality (award) questions to establish a bidder's ability and proposals to deliver a contract (good practice would be no more than five questions, other than in exceptional circumstances)
 - This was implemented and is referenced in staff training material / sessions.
- f) Application of the positive obligation set out in Regulation 46 of the Public Contracts Regulations 2015 to divide contracts into lots (so that there is more opportunity for SME organisations to bid), and in accordance with Regulation 58(9) ensure the minimum financial turnover required does not exceed twice the estimated contract value.
 - The Council fully complies with all procurement regulations. The Council has gone beyond implementing the requirements on paper, but has considered changes alongside the Social Value and Inclusive Growth Policy to ensure implementation of regulation, where flexibility enables, is not contrary to the intent of the policy.

3.4 Social Value

The Council, along with many other Councils, accessed the national Social Value Portal and their national Social Value TOMs (Themes, Outcomes, Measures). This model provided engagement and support to businesses in their social value propositions.

The national approach initially proved successful in developing Social Value

principles and brought some increased flexibility for suppliers to scope the Social Value they could offer.

Unfortunately, the introduction of charges to suppliers to access the portal introduced additional costs to suppliers that they either had to absorb or pass through as increased tender prices. These costs were of particular issues for SMEs and therefore contrary to the inclusive growth aspirations.

Additionally, failings in the national portal at documenting and reporting upon Social Value proposed and delivered meant there was not an effective audit trail in evidencing Social Value delivered. The Council has subsequently withdrawn from the national portal, but have taken forward lessons learnt in evolving the local approach, including ensuring the policy evolves and becomes less mechanistic, thereby allowing more flexibility in its application.

We are now working collaboratively with other Yorkshire and Humber local authorities to develop a Social Value reporting tool to record, compile and present the data around the benefits and outcomes secured from our suppliers' Social Value. The tool will carry forward TOMs, link these with the United Nations Sustainable Development Goals, and will have the ability for Bradford to include its own local TOMs. It is proposed engagement across key stakeholders will take place to ensure the revised model works for the Council and the District.

The Social Value reporting tool will be trialled on an upcoming procurement exercise for the provision of skips and the associated waste disposal, admittedly not a glamorous contract, but it is a contract with opportunities around recycling and minimising environmental impact, and local spend and employment. The intention is to also trial the tool across several categories of other spend to collate information to make sure the model fully reflects the range of contracts and social value considerations across Council contracts. The data coming from the tool will then support the Council's future Procurement Strategy (2025 onwards) and the next generation of Social Value policy, and in early 2024 a future committee report.

4. FINANCIAL & RESOURCE APPRAISAL

There are no direct financial implications to the Council from this report. Effective procurement processes will however secure best value to the Council and the District.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

There are no specific risk management issues. Activity is being undertaken to ensure revised Social Value models do not adversely impact or limit the ability or willingness for suppliers to respond to council procurement opportunities.

6. LEGAL APPRAISAL

The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires people who commission public services to think about how they can also

secure wider social, economic, and environmental benefits – together known as ‘social value’. These wider benefits are in addition to any core requirement that might be procured by the council. For instance, in procuring an Energy from Waste Facility, the benefits of diversion of waste from landfill and the production of electricity are core benefits, however the creation of apprenticeships and employment opportunities are a wider benefit. Before any procurement process is started it is important to consider whether the services they are going to procure, or the way they are going to procure them, could secure these wider benefits for their area or stakeholders.

The Act does not prescribe what form this consideration might take or how the procurement process should be adapted to incorporate social value. The key question with respect to social value in a procurement process (or in performance management, for that matter) is the same as it is for any other element, namely on what basis does the procuring or contracting party determine the most advantageous of the options presented and/or whether the option(s) available are better or worse than any given benchmark, or the outcomes originally promised or forecast? In general terms, comparability – and therefore some form of measurement system – are key to incorporating social value in procurement.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

There are no direct implications from this report.

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

There are no direct implications from this report.

7.3 COMMUNITY SAFETY IMPLICATIONS

There are no direct implications from this report.

7.4 HUMAN RIGHTS ACT

There are no direct implications from this report.

7.5 TRADE UNION

There are no direct implications from this report.

7.6 WARD IMPLICATIONS

There are no direct implications from this report.

7.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

Not applicable

7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

There are no direct implications from this report.

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

There are no direct implications from this report.

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

There are two base options.

- To continue with the existing policy. The policy and rationale has in the main proved effective and in the main is still relevant. However, there are options for continuous improvement and further iteration and therefore this option is not recommended
- To update the policy to build upon the successes; to provide for continuous improvement; and to reflect lessons learnt.

10. RECOMMENDATIONS

Members are asked to note:

- The content and intent of the rationale and policy remain relevant to today
- The positive actions taken to progress the Social Value and Inclusive Growth Rationale and Policy.
- The intent for the Head of Procurement to lead a review of the Social Value and Inclusive Growth Rationale and Policy with the intent to engage stakeholders including VCSE; supply chain; and officers from across the Council including Economic Development; Employment and Skills; Anti-Poverty leads; Equality leads; and services who main procurers in the Council on revisions. Members may wish to contribute to that process.
- The review will specifically asses:
 - Options to increase local spend, including capturing sub-contracted spend where possible. The review will also establish appropriate targets and consider the one-off impact of large scale projects.
 - What metrics should be included in Bradford specific TOMs (Themes; Outcomes; Measures).

- Ensuring proposed Social Value proposals are captured and their delivery can be evidenced in outcomes to benefit the District.
- Options to enhance Social Value from the Council's supply chain.

11. APPENDICES

Appendix 1: The Council's Social Value and Inclusive Growth Rationale and Policy

12. BACKGROUND DOCUMENTS

The Council's Social Value and Inclusive Growth Rationale and Policy; as approved by the Executive December 2017.