

Committee: Cabinet

Date: 16th January 2022

Wards: All

Subject: Social Value

Lead officer: Louise Round, Interim Executive Director Innovation and Change

Lead member: Cllr Billy Christie, Cabinet Member Finance and Corporate Services

Contact officer: Dawn Jolley / Nathan Brennan

Exempt or confidential report

The following paragraph of Part 4b Section 10 of the constitution applies in respect of information within appendix C and it is therefore exempt from publication:

Information relating to the financial or business affairs of any particular person (including the Authority holding that information).

Members and officers are advised not to disclose the contents of the appendix.

Recommendations:

- A. That Cabinet notes the progress made with the opportunities available to London Borough of Merton through the Public Services (Social Value) Act 2012.
 - B. Any relevant observations or actions following discussion of this report be recognised or undertaken by Commercial Services with further updates given to CMT/LSG quarterly or as requested.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. To update Cabinet on the council's compliance with the Public Services (Social Value) Act 2012, and the benefits gained through the creation and introduction of a bespoke Social Value Measurement Charter (SVMC).
- 1.2. To provide a snapshot of the current Social Value landscape around the country and how the council compares to other local authorities.
- 1.3. To outline the further improvements and value-adding opportunities that Commercial Services' Social Value strategy can achieve, and in particular, its links with improved contract management in LBM.

2 DETAILS

- 2.1. The Public Services (Social Value) Act 2012 requires all public sector organisations (and their suppliers) to look beyond the financial cost of a contract and consider how the services they commission and procure might improve the economic, social and environmental well-being of an area.
- 2.2. As a centre-led procurement function, Commercial Services is best placed to take responsibility for the council's Social Value strategy and implementation. A toolkit and guidance documents have been available to all staff since 2015. Following

the Commercial Services redesign, Social Value policy, toolkits, resources and bidder guidance were updated and further improved in 2018.

Social Value Measurement Charter (SVMC)

- 2.3. Although compliant with the Social Value Act 2012 and achieving initial aims, this approach was not conducive to maximising the opportunities available through procurement projects. As such, further improvements were made in 2020 through the creation, piloting and introduction of a bespoke Social Value Measurement Charter (SVMC).
- 2.4. The SVMC uses recognised National Themes, Outcomes and Measurements (TOMs). Please see **Appendix A** below for background information on the TOMs.
- 2.5. The Social Value Portal is the company which produces and updates the National TOMs. This is done by continually asking for ideas and feedback on the National TOMs from hundreds of industry stakeholders, such as Local Authorities, via the [National Social Value Taskforce](#) and engagement surveys.
- 2.6. A blank copy of the latest SVMC can be found at **Appendix B**.
- 2.7. Following a successful pilot and consequent approval at Procurement Board in August 2021, the SVMC is now issued to all bidders (potential suppliers to LBM) in procurements where spend is over £100,000. For projects below this spend level the Social Value Toolkit suggests alternative, proportionate ways where Social Value can be obtained through procurements.
- 2.8. Alongside the introduction of the SVMC, Commercial Services updated the Social Value training offering which is available to all LBM officers. This training takes place roughly six times a year and has been attended by around 40 employees to date. The next session is scheduled for 10th November 2022.
- 2.9. The publication of the latest (2022) National Themes, Outcomes and Measurements (TOMs) gave Commercial Services the opportunity to renew the LBM bespoke SVMC, and a Version 2 was introduced this month (October 2022).
- 2.10. Refreshing the SVMC has allowed Commercial Services to better align it with overall corporate and the Administration's objectives, and to stay on top of any new legislation. Future updates will be particularly vigilant with any new public procurement regulations being enshrined in law (probably during 2023).
- 2.11. An example of closer Cabinet alignment is the strengthening of the 'Environmental' themes within the new SVMC, reflecting the Climate Emergency declaration. There are now eight themes in this area as opposed to five from the 2021 version, and a plastics reduction measurement is now included for the first time.
- 2.12. There is also a measurement specifically for suppliers offering T-Levels as a result of the contract (the new vocational alternative to A-Levels), as well as a measurement to incentivise the narrowing of gender pay gaps.
- 2.13. Departmental objectives have also been considered in the build of the new SVMC. In August the Category Manager (Place) met with Public Health colleagues to discuss where more specific objectives could be included and

following discussions, Child Healthy Weight objectives have now been expressly named in suggested wellbeing initiatives within the charter.

- 2.14. Commercial Services remain open to discussions with all departments to find ways in which the SVMC can assist in a similar way to the point above, to help achieve corporate or departmental objectives.
- 2.15. Bidder guidance and staff training has also been improved following the launch of Version 2 of the SVMC.

Social Value Offered-up Through Tendering

- 2.16. The SVMC allows for a monetised, quantitative measurement of Social Value which in turn gives an objective evaluation on each bidder's tender submissions.
- 2.17. The way in which Commercial Services records the value gained from procurement exercises was updated, to reflect the recommendations of H.M. Treasury's Green Book. With the approval of LBM's Head of Accountancy, any Social Value contractually promised from a winning bidder can now be recorded as quantifiable value gained.
- 2.18. The table below outlines all Social Value commitments captured from winning bids during the first year of operation of the SVMC, with the total being £1,488,657 worth of community value.

Procurement Project	Total Contract Value	Contract Term	Winning Bidder	Winning bidder SV monetary submission
School Meals Catering	£18,000,000	3+1+1	Caterlink Limited	£641,445
Educational Occupational Therapy	£1,989,500	2+2	The London Children's Practice	£42,898
Investment Strategy & Deep Dives	£286,418	12m	Grant Thornton UK LLP	£7,524
Building Services: Lot 1 (Fabric)	£2,468,838	4+2+1	Close Brothers	£55,868
Building Services: Lot 2 (M&E)	£2,858,128	4+2+1	BTU I&M	£3,859
Building Services: Lot 3 (Air Conditioning)	£451,389	4+2+1	BTU I&M	£616.40
Building Services: Lot 4 (Legionella)	£985,016	4+2+1	H2O Nationwide	£21,582
Building Services: Lot 5 (Fire services)	£442,690	4+2+1	Amalgamated	£2,851
Building Services: Lot 6 (Data Centre)	£307,529	4+2+1	Corrigenda Ltd	£2,007
Supported Living	£5,987,351	3+2	Three Cs	£589,614
Schools Cleaning	£10m	3+2	Julius Rutherford & Co Ltd	£109,510

- 2.19. **Appendix C - CONFIDENTIAL** contains a case study (Merton's school meals contract) giving examples of the type and value of Social Value commitments given by a winning bidder. *[This appendix contains commercially sensitive information].*

- 2.20. Whereas traditionally the weighting element for Social Value within a tender was part of the 'quality' element (where 'quality' and 'price' were the two scoring factors), following the SVMC introduction Social Value has had a standalone weighting (*in addition to* quality and price factors).
- 2.21. The current recommended weighting to officers for Social Value in tender submissions in LBM is 5%. However, it is likely that in the next financial year (22/23) Commercial Services will recommend that this is raised.
- 2.22. Following benchmarking, it was found that most London boroughs weight their Social Value element in tenders at either 5% or 10%, but there is a trend towards the upper figure. Barnet and Islington councils use a 15-20% weighting guidance and Hammersmith & Fulham have indicated that during 2023 they will raise their SV weighting to 20% of tenders.
- 2.23. Furthermore, the Supply Management journal suggests that there is a strong business case for setting a weighting for at least 10% of tenders, as is currently the mandated case for central government in the UK. A copy of the article can be found at **Appendix D**.
- 2.24. Appendix D also explains the importance of embedding Social Value principles and practices across an organisation, as well as highlighting some of the potential pitfalls and ways we can work better with suppliers. Each of these issues are areas of continuous improvement that Commercial Services remain focused on.

Ensuring Social Value Offered Is Obtained During the Life of The Contract

- 2.25. An area of discussion which procuring officers and Procurement Board have taken particular interest in, is the way in which the winning bidders' promised measurements within the charter can be measured, tracked and reported on.
- 2.26. Social Value which is offered in bidders' Charters become a part of their contractual obligations should they go on to be the successful (winning) bidder.
- 2.27. Therefore, ongoing contract management is extremely important to ensure that the Council receives the benefits of Social Value it agreed when it accepted the offer from the supplier.
- 2.28. It is important that bidders are requested to identify how and when elements of their Social Value offers will be delivered and using their 'comments' section on the SVMC they should clarify how (and at what stage during the lifetime of the contract) they are going to meet their commitments.
- 2.29. The contractor should also be asked by the LBM contract manager to provide evidence during contract delivery that the SV offer has been delivered. This helps the LBM contract manager to keep on track on an annual (or more frequent basis) whether offers have been delivered.
- 2.30. To complement the introduction of the SVMC, Commercial Services created a new approach to Contract Management which aims to strengthen the contract and supplier relationship management skills of all LBM officers. A new handbook, tools and templates are available and training, available to all officers, is regularly offered.
- 2.31. Further to this, Commercial Services are investigating further solutions to enable more robust approaches to realising contract management aims (with Social Value capture very much in mind). A demonstration of the tool developed by

Social Value Portal was given to the team in September 2022 and cost/benefit discussions are ongoing.

- 2.32. Also, it is likely that following recent CMT approval for funding, Commercial Services will be creating and recruiting into new roles which will add further resource to the continued evolution of both our Social Value and contract management offerings.
- 2.33. Commercial Services are confident that the SVMC remains the best way to capture additional value and opportunities in contracts. A solicitor-level bidder challenge was successfully overcome (July 2022) as we were able to demonstrate that the charter is fair to all bidders, transparent in its approach and fully compliant with public contract regulations.

3 ALTERNATIVE OPTIONS

- 3.1. Following extensive benchmarking and research, the current LBM approach to Social Value can be considered accepted, compliant and developed.
- 3.2. An alternative approach to capturing Social Value would be to revert back to the capture of Social Value within the 'quality' questions in tender responses. This would be a retrograde step. Furthermore, bidders across the UK have become familiar with the importance of Social Value elements within their bids and are now well used to using tools such as our SVMC. As such this option is not recommended.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. The development of Social Value policy as well as the introduction and evolution of the SVMC has been undertaken by consulting with board members of all four Operational Procurement Groups (OPGs) as well as Procurement Board.

5 TIMETABLE

- 5.1. This paper was presented to CMT on 18 October 2022.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Commercial Services continue to hold full responsibility for the Social Value policy in LBM and the application of the SVMC. By definition (CSOs) the threshold for Commercial Services personnel involvement with procurements is on all spend above £100,000, which is the same level at which the SVMC should be used.
- 6.2. Therefore despite extensive training available to all officers, Commercial Services team members will ensure that the SVMC is properly implemented on each procurement project, so there are currently no resource implications on purchasing colleagues in other departments.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. Other than the continued compliance with the aforementioned Social Value Act, there are no legal implications arising from the content of this report.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. Suggested measures within the SVMC serve to improve each of these, for example the gender pay gap (See Appendix B).

9 CRIME AND DISORDER IMPLICATIONS

9.1. Suggested measures within the SVMC serve to improve each of these, for example the rehabilitation of ex-offenders (See Appendix B).

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. Risks are mitigated by the continued scrutiny of the policy and SVMC by departmental OPGs and Procurement Board, each of which contain SLLP representation as well as colleagues from Finance.

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

APPENDIX A – BACKGROUND TO SV NATIONAL TOMS (*please see below*)

APPENDIX B – SOCIAL VALUE MEASUREMENT CHARTER V2.1

APPENDIX C – CASE STUDY OF SV COMMITMENTS FROM A WINNING BIDDER

APPENDIX D – ARTICLE FROM SUPPLY MANAGEMENT JOURNAL

12 BACKGROUND PAPERS

None

Appendix A – Background to National TOMs

The National Social Value Task Force sponsored by the Local Government Association (LGA) and supported by Social Value Portal developed and published the National Social Value Measurement Framework (National Themes Outcomes and Measurements, or TOMs) in 2017.

The National TOMs were the culmination of over 18 months consultation with over 40 separate public and private sector stakeholders designed help organisations to identify and measure the Social Value being delivered through a contract.

The aim of the National TOMs Framework is to provide a minimum reporting standard for measuring Social Value. For Councils such as LBM, it provides an easy-to-use solution that has been approved by the LGA's National Advisory Group for Procurement, is immediately available, has been tested successfully by other LAs, is free to use and may be applied to any project.

The TOMs are structured so that a supplier can provide value in addition to the delivery of the core service that they are being engaged for. Typically, this might mean jobs for those furthest from the job market, spend with local SMEs, opportunities for voluntary organisations, environmental improvements (particularly important following the 2020 Climate Emergency declaration) and volunteering in the community. Each opportunity is given a value that reflects the fiscal and economic benefits for the community, and this allows organisations to report their total contribution to society through the contract they are delivering.

The principal benefits of using the National TOMs as a reporting standard are that it:

- **Provides a consistent approach to measuring and reporting Social Value**
- **Allows for continuous improvement**
- **Provides a robust and transparent solution for assessing and awarding tenders**
- **Allows LBM to compare our own performance by sector and provides industry benchmarks to understand 'what good looks like'**
- **Reduces the uncertainty surrounding Social Value measurement, allowing us to make informed decisions based on robust quantitative assessments**

The National TOMs Framework has been designed to help organisations in four principal business activities:

- **Measurement and valuation of social value**
- **Procurement and bid evaluation**
- **Bid submissions**
- **Contract Management**

The National TOMs are a free resource.

The National TOMs are supported by a set of 'Proxy Values' that allow users to assess the financial impact that the measures will have on society in terms of fiscal savings and local economic benefits. It is of course recognised that social value is not all about 'money' but nonetheless this is an important metric to help understand the scale and breadth of impact that a measure can make. Importantly, it allows procuring bodies to compare tenders in a way that is proportional and relevant to the bid, and to better justify a procurement decision.

The National TOMs Framework is not a static tool and has to evolve to reflect changing needs and pressures in society. They are therefore updated on an annual basis. Work on the National TOMs each year starts immediately following release of that year's edition, ready for consultation over the summer and publication in the winter of each year. Any organisation can make representations for additional Outcomes and Measures to be included and these will be debated and analysed by a research advisory board before final approval by the LGA's Social Value Taskforce.

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