

Meeting:	Cabinet member commissioning, procurement and assets
Decision date:	Tuesday, 15 December 2020
Title of report:	Herefordshire Council Social value
Report by:	Head of Corporate Services, Assistant Director Corporate Support

Classification

Open

Decision type

Key

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose

This report seeks approval to progress with a new social value approach for Herefordshire Council, encompassing a social value definition, pledges, key value indicators and measurement framework. It is intended that this approach will assist the council in maximising social value contributions from the supply chain as it will provide a focus of priority areas and enable the council to measure the impact of social value contributed by the supply chain. The councils definition of social value is included in the report.

Recommendation(s)

That:

- (a) The social value definition at paragraph 21 and pledges outlined in paragraph 22 are approved;
- (b) The revised Herefordshire Council social value statement included in the appendix 1 is approved; and
- (c) Delegated authority is given to the assistant director corporate support to agree the final key value indicators and measurement framework in appendix 1 with consultation with the cabinet member for commissioning, procurement and assets.

Alternative options

1. Do nothing using the social value statement already in place. This is not recommended as there is opportunity to build on what is currently in place. Work to date suggests there is a need to support officers and suppliers in having greater clarity and visibility of the council's social value objectives. In addition there is an opportunity to collectively measure social value delivered through the supply chain to demonstrate the value for money gained from the inclusion of social value in response to the obligations of the Social Value Act (2012).
2. Sign up to the national social value themes outcomes and measures (TOMs) framework through the Social Value Portal: this option was considered however retaining membership to the Social Value Portal presented a cost of £15k pa to use their measurement framework which has national as opposed to localised indicators and measures, limiting the extent to which Herefordshire Council focused key value indicators could be evolved and focussed to priorities.

Key considerations

3. The Social Value Act came into force on 31 January 2013. It requires those who commission public services to consider how they can also secure wider social, economic and environmental benefits through their contracting arrangements.
4. Since that time the council has built into their contract procedure rules the need for social value to be considered through the contracting process and in 2015 agreed a [Social Value Statement](#) which sought to:
 - establish a clear understanding of what was meant by social value for Herefordshire, and
 - establish the key principles for how social value would be embedded by the council through commissioning and procurement activity.
5. In 2020 a review of the council's approach to social value has been undertaken working with the Social Value Business Ltd who were commissioned to support the research into best practice. This has been with the main aim of maturing the approach to assist in creating and retaining local prosperity in the widest sense through improving quality of life, supporting local employment, improving skills and job prospects, and developing income.

6. In addition, the council sought to increase its understanding about how its approach to procurement and social value can strengthen future local resilience.
7. To inform the approach and priority areas to focus on, the review involved an assessment of the council's county plan, procurement and commissioning strategy and joint needs assessment.
8. Internal and external stakeholders were consulted, including local third sector organisations, a selection of suppliers via a survey and targeted discussions with five of the council's high value suppliers to understand their approach and commitment to social value.
9. The research reviewed best practice from ten other local authorities and insight from a recently published central government [action policy on taking account of social value](#), who are introducing mechanisms for social value to be explicitly evaluated in tenders, applying weightings that enabled it to be a differentiator for tender evaluations. Research showed an average of 10% weighting, with leading authorities applying weightings of up to 30% where relevant.
10. The review identified the following improvement opportunities:
11. Define what social value means for the council: Whilst there was evident commitment to considering social value, the review identified that the meaning of social value varied within the council and as a result could limit the identification of cross departmental priorities which would have a relevance to other contracts awarded across the council, and would maintain a consistent message of what social value means to the council.
12. Improve internal knowledge and awareness of how social value could be applied, and recording its impact: Although the council's 2015 social value statement identifies service areas that could be contacted for ideas of social value outcomes to include in contracts - and whilst social value indicators included in contracts are reported at contract level - more could be done to identify and make available specific social value priorities. These would be based on the county plan, joint needs assessment and procurement and commissioning strategy. Also to measure corporately to improve visibility, promote awareness and knowledge of performance against these priorities.
13. Improve supplier knowledge of the council's social value priorities and how they could contribute: Whilst suppliers are encouraged to demonstrate ways in which they could contribute to social value in tenders, feedback showed that the council could be more specific in terms of its priorities and challenges that the supply chain could be engaged to support. The research undertaken also highlighted disproportionate levels of social value awareness and application within the potential supply chain, 74.4% consulted do not have a Social Value Strategy.
14. Consequently this report recommends that a social value approach for the council is adopted to encompass a clear social value definition, a clear set of social value pledges aligned to the county plan, a set of key value indicators (to be reviewed biannually) are developed offering a menu of indicators to be included and evaluated in tenders were relevant, reported and monitored through a measurement framework which can be used to demonstrate the collective value and social impact of contributions from council suppliers.
15. This is reflective of best practice from the local authorities consulted and insight from a recently published central government [action policy on taking account of social value](#).

16. The approach is intended to:

- Inform council priorities where the application of social value could reinforce.
- Evaluate rather than only consider social value where it is deemed relevant and proportionate to the subject matter of a tender.
- Have visibility of the collective supply chain contribution to social value.
- Encourage the adoption and development of social value to support social, environmental and economic progress.

17. The approach is intended to assist officers undertaking procurement activity to:

- Maximise social impact by considering specific priority issues by including them in tenders where they are related and proportionate to the subject matter of the contract.
- Ask unambiguous and relevant questions relating to desired council outcomes in tenders.
- Apply a reasonable and meaningful weighting to social value contributions, as a determinant of best value and thus the most economically advantageous tender.
- Maintain consistency between the specification, tender requirements, evaluation criteria and the contract.
- measure the impact of social value in both financial and non-financial terms as appropriate, through contract monitoring and the social value measurement framework.
- Develop the supply chain and their commitment to social value through focussed engagement and support.

18. The approach is intended to assist suppliers to:

- Have a clear understanding of what social value means to the council.
- Be aware of issues the council is tackling and commit to contributing through social value in the tendering process.
- Understand how social value is measured and the impact of their contributions.

19. It is intended that the social value definition and social value pledges outlined below and agreed by way of this decision, will be the underlying ethos from which more dynamic key value indicators (KVI) and measurement aims will develop, particularly as the approach is embedded and as council priorities change.

20. The impact and subsequent value to society will be measured through a bespoke framework.

Social Value Definition and Pledges

21. For Herefordshire Council social value is defined as: 'The positive impact on local people and communities, the local economy and the environment that we can create by the way we spend public money to buy goods and services.'

22. The pledges, which underpin the county plan are based on community, economic, and environmental themes. They are contributed to through specific key value indicators which will be used to measure the social impact and value contributed by the council' suppliers, taking into consideration the county plan, joint needs assessments and priorities identified through council services. A fourth pledge on leadership reflects the councils commitment to embedding social value:

Leadership:

- Herefordshire Council will lead and encourage others to adopt forward-thinking strategies that develop, deliver and measure social and local value. For example through, increasing awareness of social value through supply chain training, developing a social value supply chain charter for organisations to sign up to.

Community:

- Social and Community - Strengthen communities to ensure that everyone lives well and safely together. For example by working with the voluntary, community and social enterprise sector (VCSE) to support localised needs, supporting those who are at risk of becoming homeless or roofless
- Health and Wellbeing - Sustain resilient people and communities, increasing both physical and mental wellbeing. For example through increasing mental health first aiders across Herefordshire, providing access regulated money management coaching
- Crime and Justice - Support our local people, communities and businesses to feel safe and in their homes, communities and places of work. For example through the contribution to and promotion of meaningful activity for young people aged 11 - 18 in rural areas

Economy:

- Economy - develop a strong local economy which builds on our rural county's strengths and resources. For example promoting contract opportunities to new businesses, SME's and VCSE
- Education and Skills - develop and increase high quality education and training that enable local people to fulfil their potential. For example by actively encouraging suppliers to create new apprenticeships and shaping development opportunities for underrepresented groups such as care leavers, and increasing digital inclusion through digital training, awareness and increased access to technology
- Jobs - support local businesses to grow jobs and keep unemployment rates low to help our rural county prosper. For example through the creation of new employment opportunities in high growth sectors or sectors with skills gaps

Environment: Protect and enhance our environment and keep Herefordshire a great place to live and work. For example through contributing towards the reduction in carbon emissions, actively promoting and reducing waste to landfill and promoting and contributing to gains in biodiversity in Herefordshire

23. More examples of key value indicators being considered for inclusion in the council's measurement framework are included in appendix A.

Community impact

24. The recommendation to approve a new social value approach including, definition, and council pledges, pays due regard to the community, by strengthening the council's response to the social value Act (2012), and providing a mechanism through which key community priorities can be supported through the councils contracting practices.
25. The key value indicators are being developed in consideration of the county plan, joint needs assessment and commissioning and procurement strategy. These will also raise

awareness to specific groups of the community where social value contributions could be focussed.

26. That programme facilitates local companies to win contracts – this could include being “business ready”, communication in how to bid, designing our procurements to support smaller to compete, and indicators that show the value of being local.

Environmental Impact

27. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire’s outstanding natural environment.
28. Whilst this decision relates broadly to social value contributions which can be contributed to through the council’s supply chain, key value indicators include those relating to air quality, water, and carbon emissions.

Equality duty

29. Under section 149 of the Equality Act 2010, the ‘general duty’ on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
30. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying ‘due regard’ in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation.
 31. The inclusion of value indicators that support the representation of protected characteristics and underrepresented groups are examples of where the approach contributes towards the council’s equality duty.

Resource implications

32. The recommendation proposed will introduce a more robust approach to managing social value, with particular need to maintain the social value measurement framework and to manage the reporting and monitoring of supplier contributions in liaison with contract managers. Whilst there can be a reliance on commissioners within services to deliver on social value, there may be a need for additional resources centrally to support the framework, maintain the financial metrics within it, along with managing and challenging data contributions – this can be identified as a budget pressure for one post at HC scale 9

which will be addressed through budget setting at financial year as part of the councils decision making on allocation of resources

33. Future work could focus on a co-ordinated approach with other public sector bodies to have a greater benefit. Considering the spend of sectors in health and education this could have a major impact of local communities and businesses.
34. The council also has the option to sign up to receive the social value quality mark, awarded to Level 1, once the pledges are approved. This quality mark is valid for 12 months, although it can be renewed annually subject to demonstrating the council's commitment to social value. This is a cost of £2k

Revenue budget implications	2019/20	2020/21	2021/22	Future Years	Total
	£000	£000	£000	£000	£000
<i>Level 1- Quality Mark renewal</i>	0	0	2	2	
<i>HC9</i>			44	44	
TOTAL			46	46	

Legal implications

35. The Social Value Act 2012 requires contracting authorities to consider at the pre-procurement stage of any services contract:
 - How what is proposed to be procured may improve the economic, social and environmental well-being of their areas; and
 - How the contracting authority may act with a view to securing that improvement in conducting the process of procurement.
 -
36. The Act applies to all services contracts and services framework agreements including goods and works contracts procured in combination with services where the value of the goods is less than the services, and where the works are incidental to the services.
37. However, it does not apply when a council proposes to enter into a contract made under an existing framework agreement.
38. A practical step to ensure compliance with the Act, decision reports on procurement exercises should cover any matters arising from the authority's obligations under the Act. The Cabinet Office in its Procurement Policy Note 10/12 suggests that authorities may wish to keep a formal record as a matter of good practice to evidence compliance and the rationale for any subsequent decisions.

Risk management

Risk / opportunity	Mitigation
Non delivery across the organisation.	Strong leadership and communication.
Not robustly outlined in procurement and consequently in contracts.	Early guidance, training and intervention if needed from the commercial team.
Limited monitoring and evaluation of impacts.	To be linked to the corporate key performance indicators and sharing of best practice.
Risk of challenge with a focus on local suppliers.	Accepted risk and design of procurements, retaining a focus on value for money.

Consultees

39. In developing the approach, both internal council stakeholders and consultation with external organisation has been undertaken:
- 100 organisations responded to an online survey issued to potential suppliers registered in the councils e-tendering portal of which 600+ were invited
 - Local authorities which were directly and indirectly on their approach included: Liverpool, Shropshire, Durham, Croydon, Manchester, Birmingham, Preston, and Calderdale, Bristol, Lancashire Cheshire East.
 - fifteen council officers and five cabinet members were consulted
40. This consultation informed the shape of the social value definition, pledges and initial KVIs which it is anticipated will change as new priority issues emerge.
41. Political group consultation conducted with two returns which:
- Support that Social Value should be a part of the toolbox and not an over rider and that options to gain best value should be inclusive of Social value
 - Resulted in updates to the KVI on apprenticeships for underrepresented groups-keeping free of highlighting specific groups in the Social Value Statement
 - Resulted in update to pledge on Environment to include air quality and water in the Social Value Statement.

Appendices

- **Appendix A - Herefordshire Council: Social Value Statement**

Background papers

None identified

Please include a glossary of terms, abbreviations and acronyms used in this report.

KVI	Key Value Indicator- activities which can be used to measure the impact and subsequent value to society
SME	Small Medium Enterprise
TOMs	Themes Outcomes Measures related to social value
VCSE	Voluntary Community and Social Enterprise sector