

READING BOROUGH COUNCIL

REPORT BY THE DEPUTY CHIEF EXECUTIVE

<b>TO:</b>	POLICY COMMITTEE		
<b>DATE:</b>	17 JANUARY 2022		
<b>TITLE:</b>	SOCIAL VALUE POLICY - ANNUAL UPDATE REPORT		
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<b>SERVICE:</b>	PROCUREMENT & CONTRACTS	<b>WARDS:</b>	BOROUGHWIDE
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**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 The Council wants to ensure best value from all its procurement and contracts, including the attainment of social value which supports the Council's Corporate Plan priorities and adds value to Reading residents. To provide a framework for commissioners and contract managers across the Council setting out how to derive social value from procurement and contract management activity, as well as provide clarity for suppliers on how it will be measured, the Council adopted a Social Value Policy at Policy Committee on 14 December 2020.
- 1.2 The Policy was not intended to define priorities for social value in absolute terms or provide a fixed methodology for doing so, as social value needs to be relevant and proportionate to the contract being let. However, to assist commissioners in designing, evaluating and monitoring social value requirements and suppliers in responding to them, the use of the national Themes, Outcomes, Measures (TOMs) framework was adopted.
- 1.3 Also agreed at Policy Committee on 14 December 2020 (minute 68 refers), a commitment was made to provide an annual update report on the adoption of the Social Value Policy within the Council and progress on delivering measurable Social Value outcomes. This report provides the first annual update and a) outlines how it is intended social value that is obtained is measured and monitored to ensure that the desired outcomes are being delivered, and b) the level of achievement to date.

**2. RECOMMENDED ACTION**

It is recommended that Policy Committee:

- 2.1 Note the progress made to date on the implementation of the Social Value Policy, including the amount and type of social value obtained to date through procurement and contracts; and
- 2.2 Retain existing Social Value priorities as identified in Appendix 2.

### **3. BACKGROUND**

- 3.1 Following the adoption of the Council's Social Value Policy in December 2020, it is a requirement for the inclusion of social value to be considered as relevant and proportionate for all contracts in excess of £100,000 in value, with the intent that it should be considered for contracts below that value as far as possible. Where feasible, commissioners have also sought to adjust or otherwise vary existing contracts to include new Social Value offers.
- 3.2 The amount of Social Value is increasing across Council contracts. However, it is currently only included in a smaller proportion of contracts: of the 583 contracts recorded upon the Contract Register only 6 are recorded to include a social value deliverable (see Appendix 1). Due to how social value is currently recorded (in the corporate contracts register), it is only possible to note the inclusion of social value, not what it consists of or the level of performance.
- 3.3 These 6 contracts represent £34.56m of the Council's annual external spend, which equates to approx. 13.88%. Through strategic projects directly supported by the Procurement & Contracts team, this is expected to grow by 11 contracts and 7.03% over the next 12 months, taking the total to 17 contracts representing £52.06m (20.9%). The Procurement & Contracts team is also supporting commissioners in shaping social value within their own lower value contracts which will expand this further.
- 3.4 The majority of contracts currently containing social value outcomes are both generally high value or strategic in nature and relatively recently awarded - typically since 2020. Whilst actual delivery of social value has been limited, this is predominantly due to the contractors being focused upon mobilisation. With this in mind, the outcomes that have been delivered are what would be expected through the contracts at this stage, e.g. apprenticeships within construction firms carrying out the refurbishment of leisure centres for the Greenwich Leisure Limited Leisure DBOM Contract.
- 3.5 Social Value outcomes within contracts to date have been relevant to their specific contracts, but due to the similarity of the contracts themselves the outcomes have also been similar. The majority have delivered apprenticeships, education programmes and free technology / services for disadvantaged households. These outcomes will become more diverse as additional contracts obtain social value.
- 3.6 The social value obtained through procurement and contracts needs to be relevant and proportionate to the contract being let, so the Council is not always able to obtain social value against the current priority focus areas for Reading, as listed within the current Social Value Policy and in Appendix 2 of this report. However, contracts completed and implemented in the last year include:
- 20 Faster Futures programme places per annum: a 12-week career training programme for young people from a disadvantaged background;
  - Broadband connections to community properties to address digital inclusion where connectivity is an issue;
  - Local employment and workforce training commitments
- 3.7 Social Value is not yet consistently included within contracts across the Council. There is also inconsistent levels of engagement and awareness with commissioners, and the Procurement & Contracts team has focused upon addressing this. There was significant attendance at a Council wide Social Value briefing on the 6<sup>th</sup> of October, and the Procurement & Contracts team is keen to build on this positive interest to improve capability across services.

- 3.8 From the engagement, training and support the Procurement & Contracts team has provided over the last 12 months, key observations are:
- There is still work needed to develop wider understanding in the Council of Social Value as a concept and more specifically, how to apply it through commissioning contracts;
  - This means the Council needs a more detailed approach on to definition and measurement of social value KPIs. Whilst the TOMs framework provides a structure for this, there are a number of ways in which the framework can be implemented, and the outcomes translated into KPIs. Without a detailed consistent approach to designing social value requirements, Council-wide reporting will not be possible
- 3.9 To address the above and support the development, evaluation and monitoring of Social Value requirements, it is proposed to create more detailed guidance on the definition and measurement of social value KPIs for commissioners as well as work with the Data Intelligence team to create a means to better capture the details of the social value to be delivered through each contract and the progress against delivery. This will remain based on the previously agreed TOMs framework. Once the updated KPI capture and guidance is available, the Procurement & Contracts team will organise the relevant training and communications, aiming to deliver this no later than summer 2022.
- 3.10 It was previously proposed to carry out an annual review of the Council Social Value Priorities (attached at Appendix 2), in order to ensure they remain relevant and appropriate to the Reading community. However, in the current context of the Corporate Plan priorities and focus upon Covid recovery, it is proposed these remain the same.

#### **4. NEXT STEPS AND TIMELINES**

- 4.1 Procurement & Contracts Procurement & Contracts team to develop Social Value monitoring toolkit - Q1 2022  
Procurement & Contracts Procurement & Contracts team to develop Social Value training - Q2 2022

#### **5. CONTRIBUTION TO STRATEGIC AIMS**

- 5.1 In Spring 2021 the Council refreshed its Corporate Plan, incorporating a number of major change projects under 3 themes:
1. Healthy Environment
  2. Thriving Communities
  3. Inclusive Growth
- 5.2 This report insofar as it relates to procurement and contracts practice relates to the Foundations part of the Corporate Plan. The delivery of social value is intended to support delivery of all of the above themes.

#### **6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS**

- 6.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers). Reading Climate Change Partnership's Reading Climate Emergency Strategy 2020-25 and the new RBC corporate Carbon Plan 2020-25 was adopted in November 2020.

- 6.2 As outlined in Appendix 2, the Council's Social Value Objectives include commitments related to carbon reduction and improved environment. The proposed approach actively supports the Council's ability to respond to the Climate Emergency and achieve a carbon neutral Reading by 2030, as well as meeting other environmental policy commitments.

## **7. COMMUNITY ENGAGEMENT AND INFORMATION**

- 7.1 No community engagement has been carried out in the creation of or as a result of this report.

## **8. EQUALITY IMPACT ASSESSMENT**

- 8.1 An Equality Impact Assessment (EIA) is not relevant to the report or its recommendations. Any Equalities considerations that require addressing as part of any procurement or contract will be completed for each procurement or contract as required.

## **9. LEGAL IMPLICATIONS**

- 9.1 The Public Services (Social Value) Act 2012 introduced an obligation on public authorities to have regard to economic, social and environmental well-being in connection with public services contracts (i.e. contracts for services above the EU threshold limits). To discharge this duty, the authority must consider:
- a) how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area; and
  - b) how, in conducting the process of procurement, it might act with a view to securing that improvement.
- 9.2 The authority must consider under subsection (b), above, only matters that are relevant to what is proposed to be procured and, in doing so, must consider the extent to which it is proportionate in all the circumstances.
- 9.3 Whilst not an obligation for public authorities to consider social value for other contracts, such as capital works, there is equally no prohibition for authorities in including this for such contracts, provided the process used to procure is fair, equitable and transparent (i.e. in line with the EU Treaty Principles) and the principle of proportionality and relevance is applied. In fact, one objective of the Public Contract Regulations (2015) is to enable procurement to be used more strategically, offering new opportunities for social value to be considered throughout the procurement procedure.
- 9.4 Since the last report to Policy Committee on this matter, a new Procurement Policy Note (PPN 05/21) has been issued by the Cabinet Office, which states that the Government intends to bring forward legislation when Parliamentary time allows to ensure that all contracting authorities are required to have regard to the National Procurement Policy Statement when undertaking procurements.
- 9.5 Within the first section, the National Procurement Policy Statement (NPPS) states that contracting authorities should have regard to the following national priorities in exercising their functions relating to procurement:
- creating new businesses, new jobs and new skills, specifically:

- increasing opportunities for entrepreneurship and helping new and/or small businesses to grow, supporting higher economic growth and greater business creation;
  - increasing employment opportunities particularly for those who face high barriers to employment or who are located in disadvantaged areas; and
  - extending training opportunities, particularly for people in industries with known skills shortages or in high growth sectors.
  - tackling climate change and reducing waste, specifically:
    - contributing to the UK Government’s legally-binding target to reduce greenhouse gas emissions to net zero by 2050;
    - reducing waste, improving resource efficiency and contributing to the move towards a circular economy; and
    - identifying and prioritising opportunities in sustainable procurement to deliver additional environmental benefits, for example enhanced biodiversity, through the delivery of the contract.
  - improving supplier diversity, innovation and resilience, specifically:
    - creating a more diverse supply chain to deliver the contract, which will better support start-ups, small and medium-sized businesses and VCSEs in doing business on public sector contracts;
    - increasing innovation and the use of disruptive technologies and business models throughout the supply chain, to deliver lower cost and/or higher quality goods and services, and encourage the wider adoption of innovation; and
    - contributing to the development of scalable and future-proofed new methods to modernise delivery and increase productivity.
- 9.5 “Having regard to” the above priorities in a procurement means, where it is relevant to the subject matter of the contract and it is proportionate to do so, incorporating appropriate award criteria to encourage ways of working and operational delivery that achieves the above social, economic and environmental benefits. The PPN emphasises that contracting authorities should ensure that they do not ‘gold-plate’ contracts with additional requirements which could be met more easily and for better value outside of the contract compliance process. The national priorities are intended to sit alongside the specification and inclusion of any additional local priorities that might also be relevant.
- 9.6 Both the approach to including wider priorities in procurements and contracts and certainly the first 2 priority areas proposed by the National Procurement Policy Statement are in line with the Council priorities and Corporate Plan as well as being included in the Social Value Policy approved in December 2020. As such, incorporating the guidance to emphasise the ability for procurement and contract activity to contribute to aims and objectives wider than the core contract subject is seen as positive and having no adverse impact on the Council.
- 9.7 The PPN and accompanying further guidance annex provides no further clarity on the third main priority area of, “improving supplier diversity, innovation and resilience” in the same way as is referenced for other sections. Reviewing the components of the priority in turn, it is concluded that the objectives as stated are in line with Council priorities and the Corporate Plan in the following ways:
- Creating a more diverse supply chain:
    - The Council already records (via our corporate contracts register) the volume and value of contracts that are awarded to SMEs and the VCS sector. An improved understanding of the Council procurement pipeline would allow more targeted

communications to and events with the local business community and better enable them to be in a position to bid for future Council business, an approach which can be co-ordinated with Reading UK CIC and link (as appropriate) with the Economic Recovery and Renewal Group. This approach is recognised as being more effective and in line with best practice than general “Meet the Buyer” events;

- The Council is intending to carry out a review of how it engages with the VCS sector generally, this being part of the work that the Social Impact and Voluntary & Community Sector Board (SIVCS) is overseeing, and which can also inform possible approaches to allow more VCS organisations to bid for Council contracts;
- Increasing innovation aligns with overall procurement and contract aims linked to market management and better market engagement to seek continuous improvement; and
- Increasing innovation through disruptive technologies and future-proofed methods aligns with the intention of the Councils Digital Transformation Strategy, the approach to which was agreed at Policy Committee on 12 July.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 There are no direct financial implications arising from this report. However, successful implementation will improve the Council’s delivery of value for money to Reading residents.
- 10.2 As social value should be relevant and proportionate to the contract, proposals should not impact overall contract costs.

## **11. BACKGROUND PAPERS**

- 11.1 None

## APPENDIX 2

### Previously Agreed Social Value Priority Focus for Reading

As outlined above, any social value sought and obtained should be relevant and proportionate to the contract being tendered.

Hence, the intention of the Council's Social Value Policy is not to specifically identify the areas of social value that must be sought for all contracts. Instead the intention is to use the National TOMs framework to shape social value considerations within the Council's procurement and contract activity, specifically where the TOMs measures link to overall Council aims and priorities both in the Corporate Plan as well as overarching themes that have been outlined in response to the Covid-19 crisis.

Notwithstanding the above, initial key areas of focus for seeking social value delivery are:

- Initiatives that support local skills and employment, including (but not limited to) schemes and programmes that provide apprenticeships and training, support care leavers and those Not in Education, Employment or Training (NEETs), for example:
  - NT2: Percentage of local employees (FTE) on contract;
  - RE3: Employer's fairs held to encourage local employment in the area;
  - NT4/ NT4a: No. of employees (FTE) hired on the contract who are Not in Employment, Education, or Training (NEETs)/ aged 16-25 care leavers as a result of a recruitment programme;
  - NT8: No. of staff hours spent on local school and college visits e.g. delivering careers talks, curriculum support, literacy support, safety talks (including preparation time);
  - NT13: Meaningful work placements (paid);
- Initiatives that support the Borough's response to the Climate Emergency, for example:
  - NT31: Savings in CO2 emissions on contract achieved through de-carbonisation;
  - NT44: Policy and programme to achieve net zero carbon by 2030 including monitoring plan with specific milestones. This should not include offsetting (unless in line with stringent criteria);
  - NT46: Corporate travel schemes available to employees on the contract (subsidised public transport, subsidised cycling schemes and storage, sustainable corporate transport such as electric bus from public station to corporate facilities);
  - NT65: Percentage of fleet or construction vehicles on the contract that is at Least Euro 6 or LEV;
  - NT53: Innovative measures to safeguard the environment and respond to the climate emergency to be delivered on the contract - these could be e.g. co-designed with stakeholders or communities, or aiming at delivering benefits while minimising carbon footprint from initiatives, etc.;
- Initiatives that support digital inclusion (access to equipment, connectivity and building skills and confidence).