
REPORT FOR: CABINET

Date of Meeting:	14 September 2017
Subject:	Social Value in Procurement
Key Decision:	Yes, the decision affects more than one ward.
Responsible Officer:	Michael Lockwood, Chief Executive
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder Finance and Commercialisation; Councillor Keith Ferry, Deputy Leader and Portfolio Holder for Business, Planning and Regeneration
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix A - Background Information for Social Value Bidders

Section 1 – Summary and Recommendations

This report gives details of the Council's performance in 2016/17 resulting from the implementation of the Social Value Policy adopted in January 2016 in relation to procurement activity.

Recommendations:

Cabinet is requested to:

- A) Note the outcomes from the inclusion of social value requirement in procurements during 2016/17;
- B) Endorse work to maximise the benefits of social value by: exploring ways to embed the London Living Wage in our procurement process, evaluating track record in delivering social value as part of the procurement process; including appropriate financial provisions in contracts for non-delivery of social value targets; addressing poor performance in the delivery of social value targets as part of performance and contract management.

Reason: (For recommendations)

The implementation of the Social Value policy has been a key tool in delivering the ambition to support 500 young people into jobs and apprenticeships and to ensure residents and local businesses benefit from the Council's procurement of goods and services.

However, not all suppliers fully meet those targets and the introduction of measures to commission contractors with a good track record of delivering social value, and to incentivise contractual performance will maximise the economic and social impact of the council's spend.

Section 2 – Report

Introductory Paragraph

The Council's updated Social Value Policy and Toolkit (adopted in January 2016) details a set of principles to improve the sustainability of the council, its supply chains and the community, the questions that can be asked of potential contractors, the evaluation criteria, and the specific requirements that can be tested in evaluations. This report outlines progress made in implementing the policy and recommends measures to maximise performance.

Options Considered

Option (a) provides a performance update to enable Cabinet to note, monitor and manage performance against policy objectives, include recommendations to maximise performance.

Option (b) asks Cabinet to note performance.

Option (b) was rejected because if the council is to continuously improve and be more "business like" it needs to review and evaluate performance and adopt new performance tools when necessary. This will in turn maximise benefits for residents and suppliers.

Current Situation

The implementation of Social Value in the procurement process supports the sustainability of the borough. It provides skills and employment opportunities to residents, career paths for young people, and the use of local suppliers helps safeguard existing jobs and helps local businesses to grow and create new jobs.

The employment of Harrow residents and use of local suppliers has a multiplier effect on the local economy. Harrow residents and Harrow businesses have a greater propensity to spend locally in our district centres and town centre, which in turn will help strengthen Harrow's commercial centres. "Prosperous back streets make prosperous High Streets." The London Living Wage is a critical part of our conception of social value, and of boosting incomes and increasing local spend and prosperity.

In 2016/17 Harrow council created 121 apprenticeships through its supply chain. This compares with 16 apprenticeships in 2014/15 and 35 in 2015/16

The improved performance resulted from an enhanced procurement policy, combined with dedicated support to help contractors meet their contractual obligations to deliver social value outcomes.

In January 2016 Harrow council updated its Social Value Policy and Toolkit. This detailed a set of principles to improve the sustainability of the borough. Companies tendering for any work with a value over £100k are required to demonstrate in their submissions how they will meet the Council's Social Value Policy. Bidders are provided with "Background Information" that details how the delivery of a contract will assist in the achievement of social, economic and environmental sustainability objectives. Tenders are evaluated against a social value weighting, which is set at a minimum of 10% of the total weighting. The process enables suppliers to provide targets against specified commitments in its tender. These include apprentices employed, work placements and other social value KPI's. The higher the target provided in a tender, the higher the social value score a contractor will receive.

The Economic Development Team undertakes the following:

- evaluates social value in tenders submitted to the council
- monitors contractors' performance against targets
- supports businesses to recruit apprentices (promoting vacancies with colleges, schools, the youth service, careers service and local youth projects)
- prepares young people for apprenticeships through pre-apprenticeship programmes
- supports businesses to recruit Harrow residents
- prepares workless and low paid residents for work and career progression
- supports major contractors to use Harrow SME suppliers, through supplier events for local businesses

- collects quarterly management information and supports contract management

In 2016/17, apprentices were recruited by 38 businesses supplying to Harrow council suppliers. Economic Development (ED) supported a further 40 local businesses to recruit young people.

This support included helping businesses identify training frameworks and recruit apprentices.

One example is a small property services company employing 11 staff. The company had never employed an Apprentice, and wanted a young person who would work towards becoming a Chartered Surveyor.

ED researched potential training providers, The company chose The Chartered Surveyors Training Trust to provide a Level 3 Surveying Technician Diploma. ED then helped the company recruit an apprentice and they selected a “graduate” from a pre-apprenticeship programme (which provides young people the skills to apply for apprenticeships)

This approach has been extremely successful in providing positive outcomes for the Council as set out in the following table:-

Social Value Outcomes from Procurements in 2016/17

Summary of Spend	
TOTAL	250,765,074
Number of Apprentices employed	
TOTAL	121
Harrow residents employed	
TOTAL	851
Work Placements Provided	
TOTAL	153
Local Supply Chain Spend	
TOTAL	£29,695,897
Voluntary and Community benefit schemes	
TOTAL	86

The performance is impressive in comparison with past years, but 100% delivery against social value targets would have delivered another 60 apprenticeships and 20 work placements. The Voluntary and Community benefit schemes delivered have included the provision of school uniforms for school students, painting (Wiseworks, Vaughan Neighbourhood Resource

Centre), football tickets for fostered children, and provision of mentoring for new businesses, sponsorship of events.

In 201/17 Harrow Council was a pioneer in the introduction of the Social Value portal which was launched at Westminster in September 2016.

The Social Value Portal (SVP) (www.socialvalueportal.com) has been introduced recently to improve and streamline the process. The SVP is an online platform to support the procurement, measurement and management process in relation to social value and provides 3 main benefits:-

- i) The Social Value Portal provides £ values for all the measures that the Council asks contractors to potentially provide through social value (e.g. it provides a value for providing an apprentice, work experience, a green initiative etc). This has 2 benefits in that it enables social value bids from different contractors to be evaluated in an open, fair and transparent way and it will also enable the Council over time to build up information on the actual value of Social Value being provided back to residents through procurements;
- ii) It will assist with the contract management of Social Value deliverables from contractors; currently it is becoming increasingly difficult to ensure that Social Value offers are actually delivered because of the large number of different offers needing to be tracked. The Social Value Portal tracks when a contractor is due to deliver a particular item of social value and prompts the contract manager to chase if evidence is not provided that it has been provided;
- iii) The provision of dashboards. The Social Value portal will provide Councillors and officers detailed information in dashboard format on Social Value achieved by the Council – currently this is having to be done manually so will provide a more efficient way of presenting the information.

Why a change is needed

Not all contractors deliver the social value targets included in their tenders to the council, and this is represented in the additional apprenticeships and work placements that could have been delivered with full compliance.

The introduction of financial provisions in contracts for non-delivery will help incentivise suppliers to meet their targets and ensure the council is compensated if social value Key Performance Indicators are not met.

The introduction of measures to embed the London Living Wage as a key performance indicator in the implementation of Social Value in our procurement process will indicate to potential suppliers the importance of the LLW to the council.

The non-delivery of social value targets represents a community benefit cost to Harrow council's residents and businesses. The council will bear the ultimate cost where demand on council services increases as a result of reduced earnings and spend in the Harrow economy. The introduction of financial provisions in contracts for the non delivery of social value targets will help address this cost. This is especially appropriate where finance is reinvested into the delivery of economic development activities to enable contractors meet their social value targets.

Implications of the Recommendation

Resources, costs

The recommendation will make suppliers more responsive and ease the burden of monitoring performance.

The council's social value policy will need to be updated and there will be a requirement for HB Law to update Social Value clauses in contracts.

Staffing/workforce

There are no staffing implications.

Performance Issues

This recommendation will incentivise suppliers to meet the targets detailed in their contracts and maximise social value performance.

Environmental Implications

The social value policy requires suppliers to demonstrate how they will promote greater environmental sustainability. This relates to waste, carbon emissions, energy, water, pollution, and biodiversity.

Risk Management Implications

Risk included on Directorate risk register? No

Separate risk register in place? No

Legal Implications

In January 2012 The Public Services (Social Value) Act 2012 (the 'Social Value Act') became law. The Social Value Act requires the Council, to consider how we can improve the economic, social and environmental well-being of our area through the procurement processes for services contracts subject to public procurement regulations.

In line with public procurement regulations the Council has also adopted a Social Value and Sustainability Policy that builds upon the Social Value Act to

include a requirement for the Council to consider how we can improve the economic, social and environmental well-being of our area through all Council procurement and in turn to measure the benefits that this brings to the communities we serve.

HB Public Law will work with Economic Development and Procurement to develop suitable procurement and contract documents to reflect the objectives set out in this Report

Financial Implications

The purpose of suitable financial provisions in contracts is to incentivise contractors to meet their social value targets. Should a contractor fail to meet the targets, the Council can exercise its rights on the financial provisions and the money will then be ring-fenced and invested in activities that will in turn deliver the social value specified in the contract. The Economic Development team will be responsible for managing and monitoring the spend against any financial provisions received from contractors. It is anticipated that the introduction of financial provisions will improve contractors' compliance in delivering social value, and therefore there should not be a significant sum levied to contractors.

Equalities implications / Public Sector Equality Duty

2.11.1 Was an Equality Impact Assessment carried out? Yes

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

Please identify how the report incorporates the administration's priorities.

- Making a difference for the vulnerable
- Making a difference for communities
- Making a difference for local businesses
- Making a difference for families

Protecting the Most Vulnerable and Supporting Families

- The council's Economic Development team and Adult Community Learning provide employability and learning for residents engaged on the Together with Families programme. Residents supported on this provision can then be prepared for jobs with the council's suppliers. Delivering learning programmes through providers such as Relate and HOPE to support targeted families and develop employability skills

Building a Better Harrow

The Regeneration Strategy has clear objectives to address skills needs and develop local supply chains. The recommendations in this report would help deliver both.

The Council's Regeneration Strategy (agreed in December 2014) has three core themes to regenerate Place, Communities and Business. It includes an objective that regeneration will:

- Maximise the local Economic benefits for Communities and Business by creating opportunities for local businesses, reinforcing our commercial centres, building local supply chains, tackling skills deficiencies, breaking down barriers to employment, and maximising local recruitment.
- The council has targets to support 500 young people into jobs and apprenticeships and that that 15% of its procurement should be spent locally

Section 3 - Statutory Officer Clearance

Name: Jessie Man	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 21 July 2017		
Name: Stephen Dorrian	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 3 August 2017		

Ward Councillors notified:	NO, as it impacts on all Wards
EqlA carried out:	YES
EqlA cleared by:	Dave Corby DETG Chair Community Directorate

Section 4 - Contact Details and Background Papers

Contact: Mark Billington, Head of Service,
Telephone 020 8736 6533 mark.billington@harrow.gov.uk

Background Papers: See enclosure “Background information for bidders”

Call-In Waived by the Chair
of Overview and Scrutiny
Committee

NOT APPLICABLE

[Call-in applies]

Appendix A: Background information for bidders

Harrow Council has a Social Value Policy that commits the council and its supply chains to deliver a set of principles that improve the sustainability of the council, our supply chains and the community that we serve.

Given its high priority, it is Harrow Council's intention that the delivery of this contract will assist in the achievement of objectives around social, economic and environmental sustainability described below.

Policy element	Principle(s) in procurement and supply chain management
Encouraging a diverse base of suppliers	<ul style="list-style-type: none"> • Promote supplier diversity; including the participation of SMEs, 3rd sector organisations (including voluntary and community sector organisations and social enterprises), including firms and 3rd sector organisations based in Harrow • Utilise procurement processes, procedures and paperwork that are open, transparent and appropriate to the risk of the contract
Promoting fair employment practices	<ul style="list-style-type: none"> • Ensure workforce equality and diversity within supply chains • Promote the benefits of fair employment practices • Explore potential for payment of the London Living Wage within supply chains
Promoting workforce welfare	<ul style="list-style-type: none"> • Ensure the health, safety and wider welfare of people working to deliver services on behalf of the council
Meeting targeted recruitment and training needs	<ul style="list-style-type: none"> • Offer a range of apprenticeship, training and skills development opportunities • Offer employment opportunities
Community benefits	<ul style="list-style-type: none"> • Maximise opportunities for Harrow businesses and voluntary and community organisations to compete to participate in our supply chains • Promote employment opportunities for Harrow residents • Promote training, skills development and learning opportunities for Harrow residents • Encourage a positive contribution from our suppliers to our local communities, including the provision of procurement, employment and training opportunities to local organisations and individuals • Encourage and, where possible, mandate use of the Harrow Business Guide and Directory by council officers and suppliers
Ethical sourcing practices	<ul style="list-style-type: none"> • Ensure compliance with European Union (EU), national and international standards of organisational governance • Eradicate corruption • Encourage meeting of minimum relevant industry benchmarks or national legal standards in workforce wages, benefits and welfare

Policy element	Principle(s) in procurement and supply chain management
	<p>including child labour</p> <ul style="list-style-type: none"> • Encourage fair pricing of all goods, works and services that enables the achievement of both value for money continuity of business operations • Promote Fair Trade and similar standards • Do not support, encourage or facilitate the trade in drugs, arms, slavery or prostitution
<p>Promoting greater environmental sustainability</p>	<p>Waste</p> <ul style="list-style-type: none"> • Reduce the production of waste and by-products • Encourage reuse of products and materials • Maximise recycling of waste • Minimise the landfilling of waste <p>Carbon/energy</p> <ul style="list-style-type: none"> • Reduce the carbon footprint of council operations and services • Reduce embodied (fossil fuel) carbon within the new build and retrofit of council buildings • Ensure energy efficiency of council buildings and operations • Consider green energy options <p>Water</p> <ul style="list-style-type: none"> • Reduce potable water usage • Encourage the use of harvested water <p>Pollution</p> <ul style="list-style-type: none"> • Minimise untreated releases to water • Minimise releases to land • Improve air quality by reducing emissions of NO_x (nitric oxide and nitrogen dioxide) and PM₁₀s (particles measuring 10µm or less) to air from the vehicle fleet and other sources <p>Biodiversity</p> <ul style="list-style-type: none"> • Promote biodiversity <p>Responsibility</p> <ul style="list-style-type: none"> • Ensure that goods purchased (including timber) have no adverse effect on the environment and comply with European Union and international law. • Ensure all timber products are Forest Stewardship Council (FSC) certified • Ensure that sustainability issues are fully considered when disposing of assets • Examine the environmental management practices of our large suppliers so that negative impacts are minimized

Employment

The creation of employment and training opportunities is a priority for Harrow Council. Contractors are encouraged to communicate their job vacancies to local applicants by advertising them via Job Centre Plus and the council's Xcite team.

Employment, Apprenticeship, Training and Skills

Harrow Council's Xcite project team work with employers to source employees, trainees, apprentices and work placements.

College / School talks

Contractors are invited to provide schools and further education establishments in Harrow with visits and talks that expand the understanding and knowledge of young people about career options and opportunities.

Sub-Contracting and Supply Chains

Harrow Council recognises that any organisation delivering services to the council has to buy supplies in order to fulfil the terms of the contract and that some services may be sub-contracted. The way in which suppliers and sub-contractors are engaged and managed by the contractor has a direct bearing on quality of service to the council. We seek to ensure, therefore, that contractors undertake their procurement and supply chain management in a way that achieves value for money.

It is Harrow Council's expectation that first tier suppliers to the council will provide relevant, Harrow-based suppliers with the free and fair opportunity to compete for appropriate supply and sub-contracting opportunities within the council's supply chain. This will help the council to achieve its policy and strategy objectives around sustainability.

The council recognises that procurement must always be undertaken within the context of relevant legislation and with a view to achieving value for money. Harrow businesses and businesses based in any other location should expect to compete for contracts on this basis.

Harrow Council expects that our large, first suppliers will, when managing their own supply chain, utilise the same payment terms as the council itself offers.

Relevant, Harrow-based suppliers may be identified and contacted from:

- Harrow Business Directory.
This can be accessed here: <http://www.burrows.co.uk/harrow/desktop/index.html>
- Meet the Buyer events.
These are organised by Harrow Council and/or local partners and can also be organised by individual contractors.

Environmental Sustainability

Given that a significant proportion of the council's environmental footprint is created through its supply chains, we are seeking the support of our suppliers to manage or mitigate the impact of our activities on the environment.

We recognise that there are links between improving business performance, reducing cost and improving environmental performance. For example, the costs of energy, fuel, water,

carbon usage, waste disposal and environmental 'clean-up' are increasing, and so reducing the "inputs" that we use in service delivery and waste "outputs" that are produced, ultimately help our budgets.

The following sources of information and support are available to suppliers to help them minimise their environmental impact:

- Environment & Efficiency pages - <https://www.gov.uk/search?q=environmental+policy>
- WRAP – <http://www.wrap.org.uk>
- Government Buying Standards - <http://sd.defra.gov.uk/advice/public/buying/products>

These can be used to establish sustainable approaches to buying a range of products including food, paper, construction products, transport, office ICT etc.

Ethical Sourcing

- Harrow's Sustainable Procurement Policy aims to ensure that council supply chains are managed so that they;
- Ensure compliance with European Union (EU), national and international standards of organisational governance
- Eradicate corruption
- Encourage meeting of minimum relevant industry benchmarks or national legal standards in workforce wages, benefits and welfare including child labour
- Encourage fair pricing of all goods, works and services that enables the achievement of both value for money continuity of business operations
- Promote Fair Trade and similar standards
- Do not support, encourage or facilitate the trade in drugs, arms, slavery or prostitution
- The Policy also commits the council to ensure that all timber products are Forest Stewardship Council (FSC) certified.