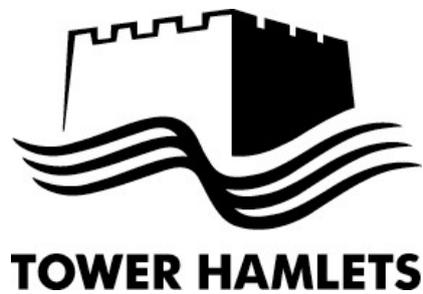


APPENDIX ONE

Social Value Act

Scrutiny Challenge Session Report



London Borough of Tower Hamlets
April 2017

Chair's Foreword

This challenge session provided us with the opportunity to review the opportunities that the Social Value Act offers for the communities of Tower Hamlets.

The review builds on the excellent work carried out by the Council as an early adopter in introducing social value clauses into major contracts which has delivered significant economic and community benefits to date.

The Council now needs to further develop its approach to social value and work on a more joined up approach to the management , measurement and monitoring of the social value element of contracts .

In addition the challenge session has identified the need to clearly evaluate the impact of the social value requirements for the communities of Tower Hamlets through some form of social impact assessment tool. We also need to ensure that we communicate effectively with potential providers and our communities demonstrating the benefits and impact of social value.

Councillor Abdul Mukit
Weavers ward
Scrutiny Lead Member for Resources
Chair of the Grants Scrutiny Sub Committee

1. Summary of recommendations

RECOMMENDATION 1: That the Council develops a Social Value Policy including associated social value priorities and carries out a review of synergies and linkages with other complementary Council policies and strategies.

RECOMMENDATION 2: Develop an approach to monitoring and measuring the social value outputs and deliverables; this could be through a standard framework, flexible to needs and nature of each contract.

RECOMMENDATION 3: Examine the options to develop a social value impact and outcomes assessment tool, to determine the impact of social value activity and gauge its contribution to the Mayoral priorities.

RECOMMENDATION 4: Determine an approach to cross organisation working to ensure that there is collective ownership of social value throughout the commissioning and procurement cycle.

RECOMMENDATION 5: Develop a Social Value Communication and Engagement Plan to ensure that providers and communities are aware of the opportunities and impact of social value delivery in Tower Hamlets.

1. INTRODUCTION

- 1.1. The Public Services (Social Value) Act 2012 placed a duty on local authorities, the NHS and some other public bodies to give consideration to improving the economic, social and environmental wellbeing of an area when commissioning services.
- 1.2. A Scrutiny Challenge Session was held on 9th March 2017 which focused on the importance of the Council obtaining community benefits and tangible outcomes in relation to all relevant procurement and commissioning activity.
- 1.3. The challenge session provided the opportunity to examine the Council's corporate approach to social value, as an early adopter in developing and implementing Social Value Act requirements into the Procurement and Commissioning environment (which has been nationally recognised with a number of national awards¹).
- 1.4. The session considered the whole commissioning cycle with a particular focus on the monitoring and measurement of social value initiatives and determining the impact and contribution made to council and community objectives and priorities. The challenge session was structured around the elements of social value in the commissioning and procurement cycle.
 - Procurement
 - Measurement and the impact
- 1.5. This piece of work cannot however be taken in isolation of the significant financial challenges faced by the Council in the coming years. Particularly changes in the funding environment and the need to drive greater value for money through commissioning activity and more efficient service delivery .Alongside a move to outcomes based budgeting and community based strategic priorities. The development of recommendations needs to carefully consider and quantify the impact of embedding social value culture in commissioning & procurement and all aspects of service re- design and transformation.
- 1.6. There was also an opportunity to review the wider corporate impact of both the social value legislation and the potential contribution that it can make to deliver the Executive Mayors' key priorities for 2017-20.
- 1.7. The aim is to provide a direction for the Council in maximising the impact of the commissioning and procurement activity to drive economic growth in the Tower Hamlets local economy and support the

¹ **National Go Awards:** Excellence in Public Procurement – March 2014

▪ **London Boroughs Award:** Best work with supply chain/local businesses to create new Apprentices – September 2014

▪ **SOPO Awards:** Excellence in delivering Social Value – Finalist – April 2015

delivery of the Executive Mayors key strategic priorities. The session also provided the opportunity to quantify the value of this work and communicate this work and its value to our communities.

- 1.8. The Council’s Internal Audit function is currently carrying out an audit to provide assurance that the Council has effective systems and controls in place for timely identification, managing and monitoring various economic benefits, delivered through procurement, to the community designed in various agreements and contracts.
- 1.9. Recognising that there is some synergy between the audit “Terms of Reference” and the overall aims for the Challenge Session. There is however a clear distinction between the audits work which is system based and backward looking, and the scrutiny function which has a much wider remit. Scrutiny takes a more holistic approach and is focused on developing recommendations as to the approach and outcomes which can be achieved through social value work.
- 1.10 The session was attended the following Scrutiny Committee Members & Officers:

Cllr Abdul Mukit	Chair and Scrutiny Lead for Resources
David Burbidge	Chair of Health Watch Tower Hamlets , Co-opted member of the Health Scrutiny Sub Committee
Margherita De Cristofano	Co-opted member of the Grants Scrutiny Sub Committee
Shabbir Ahmed Chowdhury	Parent Governor representative , Overview and Scrutiny Committee
Neville Murton	Divisional Director Finance and Procurement
Zamil Ahmed	Head of Procurement
Andy Scott	Acting Divisional Director - Economic Development
Joyce Ogunade	Economic Benefits Manager
Ahmed Choudhury	Senior Strategy , Policy and Performance Officer

2. SOCIAL VALUE ACT CONTEXT

The legislative context

- 2.1. The Public Services (Social Value) Act originated from a private members bill in Parliament, and quickly gained cross party support enabling the Bill to pass smoothly through both houses of Parliament. The reason for the universal support was that the legislation demonstrated that calculating value for money in procurement was not purely focused on efficiency gains, but on the delivery of corporate and community outcomes.
- 2.2. The Act came fully into force on 31 January 2013, and required commissioners to consider securing economic, social, or environmental benefits when buying services above the OJEU threshold (£164,176).
- 2.3. Public sector organisations are required under the Act to consider how the services to be procured may improve the social, environmental and economic wellbeing of the area. The Act applies to public services contract and framework agreements to which Public Contracts Regulation apply.
- 2.4. The detail of the legislation applies to pre-procurement stage and identifies specific areas of focus including service user consultation, specification development and approaches concerning the period prior to formal publication of contract notice and or expression of interest
- 2.5. The Act seeks to shift commissioning and procurement practices to include the consideration of wider benefits (social, environmental and economic) delivered to communities. It also aims to open up the public sector contracting market to Voluntary, Community and Social Enterprise (VCSE) organisations who are considered to deliver added value to communities.
- 2.6. The Act is part of the overall suite of legislation and initiatives developed by the Government who see the Department for Communities and Local Government as custodians of a drive to a more encompassing approach to Value for Money.

2.7. Guidance and good practice demonstrates that a holistic approach to social value ensures that organisations consider the following in developing and embedding Social Value:

- Pre-Procurement
- Consultation with Residents
- Policy and Service Design
- Specification Development
- Tender
- Supplier Engagement
- Identification of Added Value
- Decision on what is proportionate and achievable
- Sustainability of the service delivery model

The National Picture

2.8. The Government commissioned Lord Young to carry out a review in 2015 of how the Act had been operating two years on from its inception. In general the review found that where the social value approach had been implemented it had delivered significant benefits for communities.

2.9. The review identified the following barriers to fully develop the Acts potential:

- a. Awareness and take up of the Act was very patchy across the country.
- b. There was varying understanding of how to apply the Act, leading to an inconsistent picture defining social value and determining when to include it in the commissioning cycle, applying social value within the statutory and constitutional framework and clarifying its use in procurement.
- c. Measurement of social value is not yet fully developed.

The Tower Hamlets Approach

Procurement and Commissioning

2.10. The Councils approach to the Social Value Act 2012 is to secure more community value e.g. employment and training through the commissioning process.

2.11. Currently Tower Hamlets has over 3,500 suppliers and aims to find the most effective solution and deliver improved social wellbeing for the area. Social Value is embedded into Councils Procurement Policies and Procedures seeking to add value through social and economic benefits.

- 2.12. Local Employment and Community Benefits clauses are included in all relevant contracts above £100,000, and considered on those below £100,000.
- 2.13. At Tower Hamlets social value is considered during pre-procurement stages and throughout the Commissioning cycles (i.e. during consultation, tendering, contract award etc.). A key factor in determining the social value element is consideration of how the specific requirement will help to support and deliver the Council's Mayoral priorities.
- 2.14. Social value is implemented by the inclusion of a 'Local Employment and Community Benefits' Schedule in Council tenders (max weighting of 5%) and through effective market and supplier engagement
- 2.15. The innovative approach taken by the Council have been recognised through three key national awards.
- National Go Awards: Excellence in Public Procurement – March 2014
 - London Boroughs Award: Best work with supply chain/local businesses to create new Apprentices – September 2014
 - SOPO Awards: Excellence in delivering Social Value – Finalist – April 2015

Monitoring and Measurement

- 2.16. Social value has been embedded in the Council's contracts and it has a duty to consider how procurement activities deliver added value to the local community.
- 2.17. The Council's main focus to date has been on monitoring and measuring economic benefits. Economic benefits are part of the community benefits requirements; they are related to specific targets in relation to economic growth indicators.
- 2.18. They are assessed throughout the procurement cycle, under the quality questionnaire and alongside other community benefits; they can also determine final decisions for awarding a contract; however, they only carry a maximum of 5% weighting on the overall contract.
- 2.19. The Economic Benefits team aims to maximise, secure and monitor the economic benefits derived from planning applications and procurement contracts. Some of the key Economic Benefits Areas included in current contracts look at aspects of : Employment, skills, and enterprise and work experience opportunities.
- 2.20. A good example of the Council achieving economic benefits can be found within specific planning applications, which may be assessed to have a range of Economic Benefits which then form part of S106 Agreements.

- 2.21. The Economic Benefits Team monitors all S106 Agreements related to employment and enterprise. These S106 Agreements involve financial and non-financial targets in relation to employment, skills and enterprise obligations.

3. KEY FINDINGS AND RECOMMENDATIONS

Social Value Policy

- 3.1. The challenge session identified that there is a need to carry out a longitudinal study of current and expected procurement activity, taking into account external drivers such as the impact of leaving the European Union and the financial and funding environment for the public sector.
- 3.2. This intelligence can then be used to inform and evidence the future approach to embedding and further implementing Social Value elements into the whole commissioning cycle.
- 3.3. The Council has a robust and transparent procurement and commissioning framework which is embedded within the Councils overall Governance environment. Social value elements and approaches are included within this framework, however the Council does not have an overarching Social Value Policy or specific social value priorities against which activity can be planned, measured and evaluated.
- 3.4. The development of a Social Value Policy would have the benefit of providing both contractors and residents with a clear definition of expectations and requirements in the commissioning, implementation and evaluation of social value elements.
- 3.5. The Council will need to engage and consult with both communities and potential suppliers to evidence and inform the format, scale and range of the Social Value Policy. A starting point will be to develop a clear unambiguous definition of social value and associated social value priorities for the Council and our communities.
- 3.6. The Overview and Scrutiny Committee could support the development of policy and associated priorities through a short review or Spotlight session at one of the committees' meetings.
- 3.7. The challenge session looked at the current governance arrangements for procurement and commissioning and suggested that the Council should review the role and remit of the existing Competition Board to have a revised focus and role in reviewing the social value elements in contract and commissioning activity.

- 3.8. Underpinning the policy the Council should develop a range of guidance tools and information for suppliers/providers and communities, these could include an agreed glossary of social value terms and a pick list of social value options related to specific types of commissioning activity.
- 3.9. Linked to the development of the policy the Council could also consider specific policy for the pre commissioning period and the inclusion of economic benefits within the procurement strategy. In addition to ensure that social value principles are mainstreamed across the work of the Council
- 3.10. It is also recommended that the Council carry out a review initially mapping social value elements into other associated policies/strategies (e.g. workforce development management), then re-writing and updating the specific policies.

RECOMMENDATION 1: That the Council develops a Social Value Policy including associated social value priorities and carries out a review of synergies and linkages with other complementary Council policies and strategies.

Commissioning and Procurement

- 3.11. The challenge session reviewed the current approach to commissioning and procurement and the range of social value achieved through a number of contract examples (see appendixes).
- 3.12. Officers suggested that some suppliers struggle with meeting social value contribution and for some (especially large ones) it's fairly straight forward. The council always takes contractors through the social value requirement and offers support and guidance
- 3.13. Looking at the local supply market, the challenge session received evidence which suggested that smaller voluntary groups are not set up adequately to bid for contracts. There are however opportunities to work with local voluntary and community sector organisations and smaller providers to develop the market in specific areas of Council procurement activity.
- 3.14. The Council has introduced e-tendering, which requires all procurement to go through the portal. This approach ensures that the Council uses technology to monitor contracts and achieve better contractor accountability, focusing on the delivery of the benefits and outcomes for communities. The electronic system generates reports on request and provides up to date progress on the delivery of social value actions.

- 3.15. The development of social value priorities will enable the Council to use these priorities to inform questions in tender/procurement documentation (through open or directional questioning).
- 3.16. The Council will need to be able to identify specific social benefits through tailor made schedules and through identifying different categories of contracts. It is also important that when producing specifications, services must be mindful of specifying specific benefits.
- 3.17. As part of the process for developing a Social Value Policy the council can revisit the weighting the social value clause in the tender assessment process and consider the application of SV clauses into contracts that fall below procurement thresholds (i.e. less than £100K). Whilst being mindful that the Economic /community benefit has to be proportionate e.g. the Council cannot expect a contract valued at £10k to deliver £10K worth of apprentice/training.
- 3.18. The development of social value priorities and associated tools and guidance material will ensure that the Council is able to focus social value initiatives on the delivery and support for the Councils strategic priorities.
- 3.19. The Challenge session also identified the need to quantify the benefits and expected outcomes for social value activity at an early stage the procurement process. And noted the opportunity with the new Medium Term Financial Plan being based on Outcome Based Budgeting principles to also apply this approach to future commissioning activity and Social Value requirements.
- 3.20. Finally the session noted the potential for significant social value impact in a number of large scale commissioning activities in the coming months (i.e. New Town Hall, Social Care Commissioning, Waste Contract) and the opportunities for using the recommendations from this session to inform the work on social value in these areas.

Measurement and monitoring

- 3.21. The challenge session reviewed the current approach to social value monitoring and measurement through the commissioning and delivery cycle. The findings were that whilst the initial procurement activity was robust in determining the level and nature of the social value deliverables, there was a mixed and somewhat ad hoc approach to contract monitoring and measurement of the delivery of the benefits associated with individual contracts.
- 3.22. The Council should consider the development of a corporate approach to measuring benefits and outputs and examine developing a standard framework, flexible to needs and nature of each contract. This could take the form of an audit approach to determine whether providers are

delivering their SV commitments. The Council should also have some means of measuring the impact of procurement activity.

- 3.23. It is crucial that the Council is able to quantify the social value benefits realised across the range of contracts; an approach which may be considered is to develop a corporate approach to monitoring and reporting social value elements of contracts.

RECOMMENDATION 2: Develop an approach to monitoring and measuring the social value outputs and deliverables; this could be through a standard framework, flexible to needs and nature of each contract.

Impact and Outcomes

- 3.24. The Challenge session questioned the approach to assessing the impact and outcomes delivered through the Social Value regime at the Council.
- 3.25. The challenge session recommends that the Council should review best practice nationally in relation to approaches to measuring the impact of social value for the Council and our communities.
- 3.26. The Council should review the range of social return on investment models available to determine which is best fitted to the contract environment, in providing robust information yet not being overly bureaucratic and resource intensive.
- 3.27. There also needs to be a clear process for linking the contract deliverables through the social value clauses to the achievement of the Councils mayoral priorities. This could take the form of an economic benefits procurement calculator.
- 3.28. The current electronic procurement system could provide the basis for collecting the information required to inform the assessment of the community impact of the contract. As part of contract monitoring framework the Council agree and review KPIs and always reserve the right to terminate contracts where there is a clear failure from the contractor's side. The Council also holds regular supplier briefings to be absolutely clear about expected levels of contract deliverables etc.

RECOMMENDATION 3: Examine the options to develop a social value impact and outcomes assessment tool, to determine the impact of social value activity and gauge its contribution to the Mayoral priorities.

Cross organisational working

- 3.29. The challenge session noted that the responsibilities for the various parts of the commissioning and contracting cycle sit within different teams and departments in the Council.
- 3.30. This spreading of the various elements of the process has led to some disconnect between the development of the contract format and the monitoring and delivery of the social value elements.
- 3.31. The challenge session recommends that the Council reviews the approach taken to social value and examines options to deliver a more consistent and joined up approach in future. This could include: improved notification of contracts being awarded and communication between the Economic Development and Procurement sections. Along with training for contract managers and relevant procurement officers in the approaches and processes appertaining to social value. The Council could also consider initially developing a project team approach to social value procurement and commissioning with the inclusion of the economic benefits team members and service leads in the procurement panels.
- 3.32. The Council also needs to clearly define who is responsible for tracking and monitoring of economic and community benefits through contracts. This could be by reviewing the interface between procurement processes and economic benefits realisation for better co-ordination.
- 3.33. The challenge session also considered the establishment of working groups with key commissioning/contract managers from each division to understand contract needs and an approach to simplifying monitoring of economic outputs and providing training/ workshops.

RECOMMENDATION 4: Determine an approach to cross organisation working to ensure that there is collective ownership of social value throughout the commissioning and procurement cycle.

Communication and information

- 3.34. The challenge session considered and reviewed the current approach to sharing information on social value and communicating its impact to providers and Tower Hamlets communities.
- 3.35. This should include accessible information geared to specific supply markets on the nature of the contracting and commissioning environment and the social value processes and procedures.
- 3.36. All our contracts are advertised on the Council website and in contract finder's websites. It is always useful to have feedback from service users and a social value impact board may provide further insight into how contactors have carried out their Social Value Act duty

- 3.37. The council currently produces an annual procurement report and the future reports will include a section on social value, this will be more meaningful. There needs to be more scrutiny and better residents' feedback and involvement in the whole social value environment. The council could consider setting up a community reference group as a conduit to our communities to help determine the most effective means of communicating social value activity and impact /outcomes.

RECOMMENDATION 5: Develop a Social Value Communication and Engagement Plan to ensure that providers and communities are aware of the opportunities and impact of social value delivery in Tower Hamlets.