


Cabinet 25 July 2018	 TOWER HAMLETS
Report of: Zena Cooke, Corporate Director, Resources; Sharon Godman, Divisional Director, Strategy, Policy and Performance	Classification: Unrestricted
Supporting the Local Economy – Social Value Framework	

Lead Member	Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Keiko Okawa, Senior Strategy, Policy and Performance Officer, Governance Zamil Ahmed, Head of Procurement
Wards affected	All
Key Decision?	No
Forward Plan Notice Published	25 June 2018
Reason for Key Decision	N/A
Community Plan Theme	All

Executive Summary

This report sets out a proposal for the introduction of a Social Value Framework for the Council (Appendix A). Evidence shows that social value can help the Council continue delivering the economic, social and environmental benefits for the community and support the voluntary and community sector in the Borough. Social value can also help tackle the cost pressures that the Council is facing. The Framework sets out how the Council's existing social value practices will be enhanced to maximise the benefits for local voluntary and community sector groups, residents and businesses.

The Council is committed to supporting the local economy, voluntary and community sector organisations, residents and businesses and already undertakes a number of activities in relation to social value to support the local community. The proposed framework will build upon the Council's existing social value practice and with the implementation of planned further work. The Framework will help the Council approach social value more consistently and enable the Council to achieve the priorities identified in the Strategic Plan 2018-21.

The development of a social value policy is also part of the actions agreed following the Social Value Act Scrutiny Challenge Session published in April 2017 (Appendix

B: Scrutiny Review recommendations). The draft social value framework is informed by research that the Council commissioned from Social Enterprise UK (SEUK).

The Council's social value work so far has highlighted that social value practices cannot be improved solely by the adoption of a policy, rather it will be achieved through a 'social value journey', i.e. long-term and constant commitment and effort. The report also sets out a number of proposed actions, including the development of a Social Value toolkit for the Council services and potential suppliers, and working with the Tower Hamlets Partnership and its constituent members.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Approve the attached draft Social Value Framework (Appendix A)
2. Approve the further development of the Council's social value work as set out at 3.16.

1. REASONS FOR THE DECISIONS

- 1.1 The benefits of social value practice have been widely recognised and the Council already undertakes a number of activities in relation to social value. The Overview and Scrutiny Challenge report on the Social Value Act published in April 2017 also recommended that the Council develop a Social Value Policy. The implementation of the social value framework and proposed actions will ensure the council delivers the greatest benefits from social value for residents, businesses and voluntary and community sector organisations.

2. ALTERNATIVE OPTIONS

- 2.1 The Council could choose not to develop a policy framework. However, the lack of policy will limit the Council's ability to enhance and embed effective social value practice across the Council.

3. DETAILS OF THE REPORT

- 3.1 The Public Services (Social Value) Act 2012 (the Act) requires certain public bodies, including local authorities, to give consideration to improving "the economic, social and environmental well-being of the area" (social value) when commissioning services whose value is above specified procurement thresholds at the pre-procurement stage.
- 3.2 Local authorities are encouraged to apply the concept of social value to their practices wider than the requirement set out by the Act (Cabinet Office 2015; DCLG 2015), where it is relevant to the contract and deemed to be beneficial. As a result of the guidance, public bodies may:

- Apply social value to cover contracts for goods or works, or other types of contracts such as asset disposal or planning
- Apply social value below the threshold set out in legislation
- Consider social value at later stages of the procurement process.

3.3 Benefits of the Social Value practices are widely acknowledged. For example, “Social Value Act Review” (Cabinet Office, 2015) states that the Review found a range of benefits being delivered by the Act. The most notable benefits of the Act was commissioners use the social value to tackle the cost pressures they are facing, which has a potential to secure value for money, if implemented well. Social Value UK also identifies some benefits of social value based on case studies. They include:

1. Manage our businesses to deliver the maximum social impact
2. Enhance stakeholders and clients engagement
3. Motivate staff as well as stakeholders through visualising the difference they are making
4. Bring value for money as well as additional social and environmental benefits from contracts.

3.4 The Council’s Social Value Policy Delivery Group, which developed the Social Value Framework, are also clear that commissioning and procurement activity within the Council can be used as a lever to achieve our strategic objectives and deliver positive outcomes for the residents. The Group also expects the following benefits to accrue from social value practices:

- A thriving voluntary and community sector
- More effective co-design and co-production of services
- Increased social capital and community empowerment
- Delivery of sustainable preventative outcomes.

The Council’s social value practices in place – Economic and Community Benefits Schedule

3.5 The Council’s established approach to social value is to secure additional economic and community initiatives, including employment, training and local enterprise opportunities through the commissioning process. Social Value is embedded into the Council’s procurement procedures - the Local Economic and Community Benefits clauses should be included in tender documents of all relevant contracts valued at and/or above £100k and some of the contracts below £100k. Currently, the Economic and Community Benefits has a 5% weighting in the tender evaluation. The Growth and Economic Development service supports suppliers to deliver local benefits through social value. This Council’s innovative approach was recognised by 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).

Social Value Exchange pilot project

- 3.6 In March 2018, the Council piloted the Social Value Exchange as part of the commitment to social value to maximise the community benefits from the procurement. This was also in response to an action identified in the Council's approved Voluntary and Community Sector Strategy (2016-19), i.e. to identify potential external funding sources to expand and diversify the resource base of local Voluntary Community Sector organisations.
- 3.7 The Social Value Exchange matches the resources of suppliers with local community based organisations during procurement exercises. The premise is that while suppliers are required to create Community Benefits, they are not ideally positioned to do this. They often lack local insight and do not necessarily have plugged into local networks. However, suppliers do have resources. Local community based organisations *do* have insight and are plugged into local networks, but their resources are strained. The Social Value Exchange matches these organisations during the procurement process to achieve a win-win: suppliers discharge their Social Value responsibilities by offering resources - for example, bid writing expertise, laptops and access to office space - and community organisations can use these resources to continue delivering their local projects.
- 3.8 As part of the pilot, three local organisations, Toynbee Hall, Spitalfields City Farm and Providence Row worked with the Council and Social Value Exchange team to identify the resources they would find most valuable. These resources were then set out in the procurement exercise.
- 3.9 The Social Value Exchange has been used by a number of councils and G15 housing associations. To date, approximately £23m of procurement spend has been put through the platform and around £500k of resources have been ring-fenced for local community organisations. The platform has been designed to deal with high volumes of procurement and can be integrated with existing contract management systems to ensure data can be shared and processing time reduced. The Social Value Exchange also includes a performance dashboard that tracks how much supplier resource has been ring-fenced, where it has been allocated and what community organisations do with the resource.
- 3.10 The pilot aimed to demonstrate two things:
1. The procurement exercise could meet its Social Value target of achieving £28k of community benefits. Early feedback shows that individual suppliers offered between £29,115 and £81,524, therefore meaning that the target has been met.
 2. The Council wanted to ensure that the technology worked. There were no issues with the use of the Social Value Exchange and it supported a well-run procurement exercise.

3.11 Once contract award has been announced, the Council and the Social Value Exchange team will ensure the resources ring-fenced in the procurement exercise are used effectively by local community organisations.

Social Value Framework

3.12 The Social Value Framework (Appendix A) sets out the Council’s intention to build on our existing social value approach, broadening the scope of how we interpret social value to include a wider range of key priorities for the Council.

3.13 Alongside this framework, documents which support the delivery of social value (e.g. toolkit) will be developed. Other key points that the Framework states include:

- The social value objectives will be aligned with the Tower Hamlets strategic plan priorities
- Risks arising from the social value practices will be identified and managed.
- Training on social value practices will be given to relevant officers.
- A social value officer post, potentially funded through the social value benefit elements of commissioning, will be created. This will sit at the corporate level.
- A time-limited social value working group will be set up. The group will develop an action plan based on the recommendations of the research and oversee the rollout of social value, including the development of a toolkit.

3.14 The consultancy Social Enterprise UK was engaged and tasked to develop a set of social value recommendations. These recommendations are attached in Appendix C. Some of the recommendations relate to the framework, and have been considered in its drafting; some relate to actions to be taken outside of the framework by the Council and potentially the wider partnership.

Relation to other council strategies and policies

3.15 The social value framework has interconnections with some other council policies. These are summarised in the table below.

Council strategies/policies	How do they relate to the draft Social Value Framework?
Strategic Plan	The draft framework shows the alignment with the Strategic Plan priorities. The output schedules will be aligned with the priorities
Procurement Strategy	The introduction to the Strategy stresses the need to deliver social value alongside the duties of value for money and cost control. Economic regeneration and apprenticeships are given as examples; the Social Value Framework can help broaden the scope of how the council understands social value.

Supply chain ethical code of conduct	The code of conduct outlines what we expect of suppliers' in terms of their own ethical practices within their firm and their supply chain (e.g. antidiscrimination and compliance with all labour laws). The Social value Framework builds on these minimum standards in areas such as environmental protection and challenges suppliers to go further than compliance.
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Next steps

3.16 The internal stakeholders have been engaged through the Delivery Group and DLTs and CLT. Key comment was to ensure that bidders, including small organisations, are well supported to participate in the procurement process and social value practice. This will be considered when a toolkit is developed and a support plan for bidders is developed. Other key actions to embed social value in the Council practices include:

- A corporate-level, time-limited Social Value working group will be set up (June 2018). This group will develop an action plan to drive social value practices in the Council, oversee the rollout of social value and be involved in developing the toolkit for the Council officers and bidders.
- A programme of social value training and capacity-building will take place within a core set of staff involved in procurement and commissioning (by March 2019).
- Recruit a fixed-term Social Value Officer post, which will be funded by the Social Value Benefit accrued from commissioning to accelerate the project progress.

3.17 The Council's Communications service will help the initiative be well communicated and the Council engage key stakeholders. Below are key planned communication actions:

- Promote the work with media and across the Council's Communications outlets including Our East End, website and social media.
- Demonstrate that Social Value works are closely aligned with wider Council priorities, including support for Community Voluntary Sector, and local businesses.
- Inform the Council staff of the benefits of social value to achieve the strategic priorities.

4. **EQUALITIES IMPLICATIONS**

4.1 Adopting the Social Value Framework has no implications on equalities. However, the implementation of the social value practice can be used to address inequalities in the borough. The development of toolkits will further clarify the impact of the use of social value to tackle inequalities in the Borough.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 Adopting the Social Value Framework has no further statutory implications. The implementation of the social value practice can help address issues in the borough and further improve the quality of life of the community.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 There are no direct implications arising from the development of the social value policy framework however funding for the creation of a dedicated post and the implementation of recommendations will need to be identified. This will need to be included as a growth bid with the associated business case as part of the Council's medium term financial strategy process.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Public Services (Social Value) Act imparts the duty on the Council to consider how the subject matter of the proposed procurement might improve the economic, social and environmental well-being of the relevant area and how in conducting the process of procurement, the Council might act with a view to securing that improvement.
- 7.2 In order to comply with this duty, the Council must consider the subject matter of the procurement (including where necessary undertaking consultation if reasonably necessary to apply appropriate consideration) and then take action which is proportionate to further that duty.
- 7.3 To this extent the proposed policy is compliant with the law.
- 7.4 The Council is also obliged to comply with its Best Value Duty under Section 3 of the Local Government Act 1999. In effect, the Council must implement continuous improvement in the provision of its goods works and services having regard to the economy efficiency and effectiveness.
- 7.5 Therefore, in order for these two acts to harmonise, it is permissible for the Council to take into account the Social Values element of the procurement when considering the overall effectiveness of the scheme for the purposes of Best Value.
- 7.6 This means that it also is permissible for the Council take into account social values factors as part of the evaluation. However, these factors must form part of the pre-advertised evaluation criteria.
- 7.7 However, for the purposes of the procurement law the Council is restricted from favouring any bidder in a tender process. This includes by reason of the geographical location of the bidder. Therefore, the geographical location of the bidder cannot in itself be a evaluable factor. The focus of the Social Values element is to be on the effect of the procurement on that area rather than the normal location of the provider.

7.8 Having said this, it may be likely that a locally based provider may have an advantage for the purposes of Social Values. However, this is permissible provided that:

- The tender does not restrict the ability of another provider setting up locally to provide the contract and
- Social Values as an evaluation criteria is restricted to not more than 10% of the total score available for quality under a particular tender

7.9 Under Section 149 of the Equality Act 2010 the Council must:

- 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.

These activities constitute the improvement of the well being of people in the relevant area and therefore, the Social Values Act supports the Council's Equality Duty and allows for the furtherance of equality related objectives within the tender process.

7.10 As regards the policy itself and equalities, the Council has planned to undertake appropriate Equality Assessments from time to time as the tool kit is developed and each aspect of the policy implemented.

Linked Reports, Appendices and Background Documents

Linked Report

- Report of the Overview and Scrutiny Committee: Social Value Act (Cabinet, 27 February 2018)

Appendices

- Appendix A – Draft Social Value Framework
- Appendix B – Recommendations from the Overview and Scrutiny Challenge report on the Social Value Act
- Appendix C – Recommendations from commissioned research
- Appendix D – Equality Checklist

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- None.

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