

To: City Executive Board
Date: 22 January 2019
Report of: Finance Scrutiny Panel
Title of Report: Securing Social Value Through Procurement

Summary and recommendations	
Purpose of report:	To present Finance Panel recommendations concerning Social Value.
Key decision:	No
Scrutiny Lead Member:	Councillor James Fry, Chair of the Finance Scrutiny Panel
Executive Board Member:	Councillor Ed Turner. Board Member for Finance and Asset Management
Corporate Priority:	Vibrant and Sustainable Economy
Policy Framework:	None
Recommendation: That the City Executive Board states whether it agrees or disagrees with the recommendations in the body of this report.	

Introduction and overview

1. At its meeting on 6 December 2018, the Scrutiny Committee's Finance Panel considered a report it requested earlier in the year concerning securing social value within contracts. The Public Services (Social Value) Act 2012 requires all public services to factor in economic, social and environmental well-being in connection with their contracts. Broadly speaking, social value is considered as the wider benefit gained by the local community, businesses and the environment through the better spending of public money. For example, some contractors can demonstrate social value through hosting community events, work placements, and reducing their energy and carbon emissions.
2. The Panel would like to thank Amanda Durnan, Strategic Procurement and Payments Manager, and Nigel Kennedy, Head of Financial Services, for producing the report and attending the meeting to answer questions.

Summary and recommendations

3. The Panel supported the principle of providing a weighting to tender bids which could demonstrate social value. It was noted that Oxford City Council has one of the highest rates of spend with local suppliers in comparison to other local authorities, having achieved a record spend with local suppliers in July 2018 of 75%. This in itself generates social value through supporting local businesses and residents. The Panel was also pleased to note a steady increase in recent years in the proportion of spend with small and medium size enterprises.
4. One of the challenges highlighted by the Panel was the difficulty in verifying or monitoring a contractor's progress in delivering social value; measures which are often qualitative and subjective. One example of social value that the Panel wished to see in the awarding of contracts related to whether contractors paid their employees the Oxford Living Wage. However, it was recognised that as private companies, the Council had no role or right in knowing the salaries paid by an external contractor, beyond assurances that they are legally compliant.
5. Whilst there are specific European Union Contract Regulations (OJEU) which set out how social value must be taken into account for contracts of more than £181,000, there is more autonomy for local authorities to give a greater social value weighing to contracts below this level of spend. Manchester City Council for example had a target of 10% of the quality scoring in awarding contracts (as opposed to the cost / value score) being based on social value when evaluating non OJEU tenders, and this was increased in November 2018 to 15% of the overall weighting. Bristol City Councils similarly retains a target at 10%.
6. The Panel were of the view that where contractors can reliably demonstrate that they can meet the tender specification, account should also be taken of what role the contract can have in delivering the Council's wider objectives. For example, where it is demonstrated that one contractor can reduce its impact on the environment over the life of the contract, this should be given reasonable weighting in the decision to award a contract. Based on examples at other Councils, and officer advice, the Panel wishes to recommend that a reasonable social value weighting be given in all non OJEU contracts. This should start at a 5% weighting, and once it has been established as a useful mechanism for scoring tenders, it should be reviewed and increased annually.

Recommendation 1: That CEB considers introducing a 5% social values weighting for all non OJEU procurement requirements within the Council, which should be reviewed annually (and reported to Finance Panel) to consider whether subsequent increases are appropriate. This change should be subsequently recommended to Council for incorporation in the next Constitution review.

7. The Panel noted that the Council currently has a standard of paying local companies within 14 days upon request. The Panel agreed that this standard should also be extended to payments for small and medium size enterprises and voluntary community sector organisations within 14 days. It is widely recognised that employing local contractors is a means of generating social value in terms of

local employment, and quick payments by the Council would no doubt be a welcome benefit for local contractors.

Recommendation 2: That the Council sets a target of paying contracted small and medium size enterprises and voluntary community sector organisations within 14 days of the contract being agreed, where it is requested.

8. The Panel noted that Green Public Procurement (GPP), which is championed by the European Commission, is a means of delivering social and environmental value through the awarding of public contracts. Compliance with the GPP, which is voluntary, requires the inclusion of clear and verifiable environmental criteria for products and services in the procurement process.
9. The Panel recognised value in the procurement of goods, services and works with a reduced environmental impact throughout their life-cycle, compared to contracts of equal quality, which did not offer the same social value. Examples of where these standards may be applied include the use of indoor cleaning services, and refurbishment contracts. It was noted that many of the Council's contractors and services already have regard to these standards, but they were not applied universally throughout the organisation.

Recommendation 3: That the Council should seek to apply the Green Public Procurement Policy on all of its future contracts, and that these requirements are highlighted to all prospective tenders seeking to bid for a Council contact.

Further Consideration

10. The Panel noted that the Council's Environmental, Sustainability and Ethical Policies do not contain details about the Council's duties under the Social Value Act 2012. It was suggested that the Council may wish to update these policies to reflect this. However, the Panel first wanted to understand more detail about how these policies would be updated, before such a change could be recommended. In relation to the other recommendations made within the body of this report, it is likely the Panel will want to review their implementation at annual intervals, if they are to be taken forward.

Report author	Stefan Robinson
Job title	Scrutiny Officer
Service area or department	Law and Governance
Telephone	01865 252191
e-mail	srobinson@oxford.gov.uk

This page is intentionally left blank