

To: Cabinet

Date: 15 July 2020

Report of: Finance and Performance Panel (Panel of the Scrutiny Committee)

Title of Report: The Social Value Act 2012 and Social Responsibility in Procurement

Summary and recommendations	
Purpose of report:	To present Finance and Performance Panel recommendations concerning The Social Value Act 2012 and Social Responsibility in Procurement
Key decision:	No
Scrutiny Lead Member:	Councillor James Fry, Chair of the Finance and Performance Panel
Cabinet Member:	Councillor Ed Turner, Cabinet Member for Finance and Asset Management
Corporate Priority:	Foster an Inclusive Economy
Policy Framework:	Corporate Strategy 2020-24
Recommendation: That Cabinet states whether it agrees or disagrees with the recommendations in the body of this report.	

Appendices
None

Introduction and overview

1. At its meeting on 25 February 2020, the Finance Panel (now Finance and Performance Panel) considered a report on Social Value in Procurement. Covid-related disruption has led to the delay in the production of this report.
2. The Panel would like to thank Nigel Kennedy, Head of Financial Services, Annette Osborne, Procurement Manager (ODS), and Kay Alsopp, Contracts and Procurement Specialist, for attending the meeting, presenting the report and answering questions.

Summary

3. The Panel was informed that Council agreed to implement a 5% weighting on social value considerations within contracts above £25,000 in May 2019. The requirements of the Social Value Act for local authorities is simply that service contracts above c. £185k are required to include consideration of social value; the Council was shown therefore to be committed to embedding the principle far more deeply.
4. Having implemented the concept less than a year previously the Council was still having to learn and manage a number of issues. In particular, one of the aims of considering Social Value was to provide support for Small and Medium Enterprises (SMEs). However, it was proving to be challenging to find a balance between a meaningful monitoring of social value outcomes and one which did not overburden SMEs with bureaucracy, thereby precluding them from contracts through the very measures which were brought in to support them. The Council was working hard to bring SMEs alongside and ensure a level playing field, but work with SMEs is often best at a personal level, which is very resource intensive.
5. Owing to the need not to be overly-bureaucratic the Council also faced challenges relating to issues which rely on a level of bureaucracy: measuring the impact of various social value interventions, being able to evaluate the relative value of different interventions, and tracking that promised undertakings were indeed acted upon. Whilst the Council had some measure of the first, it was subjective and certainly would not allow for a comparison between the benefit of two different types of intervention. Monitoring of the latter required embedding through training and systems in contract management relationships. The Council was currently looking to the leaders on implementing social value – Manchester, Croydon, Bristol and Portsmouth - for ways to manage these challenges.
6. Despite the challenges recognised, it was also recognised that the Council is a long way ahead of many, many Councils both nationally and locally in terms of its grappling with the challenges and implementation of the requirement.
7. In its consideration of the report the Panel considered a number of issues: the challenges of recording social value information centrally, following through on ensuring promised social value benefits were realised, the potential for setting minimum standards for particular criteria (particularly whether a company pays the Oxford Living Wage), incorporating green issues into procurement and how greater weight may be accorded to social value in procurement, especially whether its rating could be raised to 10% in the procurement process.
8. Further to these discussions, the Panel considered issues around how it might monitor its own success in enabling access to potential projects for small and medium enterprises, and how it might share information and good practice amongst different stakeholders. The Panel makes one recommendation in relation to each of these two issues.

Monitoring Success

9. As referenced above, the Panel notes that one of the main vehicles for delivering social value is through providing support to local small and medium sized enterprises. This provides a challenge, however, in that small and medium sized enterprises by definition have fewer resources than their larger competitors, making it more difficult to justify devoting capacity to developing a response to social value criteria in procurement contracts. Meaningfully monitoring the impact of social value criteria in procurement whilst not crowding out smaller businesses is difficult.

10. Due to the tension between the two objectives, it is recognised that monitoring of the impact of social value will always be difficult. One suggested measure is benchmarking spend with small and medium sized enterprises against other local authorities. It is recognised that there are challenges and deficiencies around using this as a measure on its own: it is necessary to find similar councils (urban district Councils) as comparators. The Council will also need to be careful in how it manages the distorting impacts of having its own local trading companies. A further limitation of the measure is that simply because two councils may have similar proportions of spending with small and medium sized enterprises does not necessarily mean that the same amount of social value is generated in doing so. Nevertheless, despite these limitations, targeted benchmarking does provide an indication of the Council's success in not crowding out smaller firms with bureaucracy, which is a significant prerequisite to delivering social value, and it will show how well the Council is managing that challenge compared to other Councils who also face it. The Panel, therefore, recommends that the Council begins to benchmark its spending against a group of similar councils around the country.

Recommendation 1: That the Council benchmarks its spending with SMEs against other similar councils nationally.

Sharing Information and Good Practice

11. The Panel recognised that the Council is not alone in trying to manage the complexities of balancing the promotion of social value outcomes within its procurement process. Other Councils nationally face the same challenges, but companies too are faced with a new element to the procurement process which they must seek to navigate. As a market develops, it is expected that support services will also develop. It is the view of the Panel that bringing stakeholders together to learn from one another and collaborate is vital in achieving the outcomes the Social Value Act and the Council's additional implementations seek to achieve. The Panel's view is that the Council hosts a similar event around fraud prevention, which should act as a template. Should in-person events be deemed to be unsuitable, the Council is encouraged to develop a virtual alternative instead; this idea would potentially make it easier for representatives from leading Councils such as Manchester, Croydon, Bristol and Portsmouth to attend. Though there are resource implications of hosting such an event, ensuring social benefits through the Council's procurement is more vital than ever in the current climate.

12. In addition, the Panel considers it valuable to include within any such conversation, opportunities for those SMEs who do find engaging with social value procurement practices difficult in order to mitigate those challenges as far as possible.

Recommendation 2: That the Council underwrites an event for social value similar to that run by Fraud Prevention, which brings neighbouring Councils, support service providers and experts together to improve overall standards. The Council should also seek to understand better from SMEs the barriers faced and seek to reduce them

Further Consideration

13. The Panel remains very interested in monitoring the embedding of the principles of social value effectively within its procurement processes and has requested that an update be provided in September.

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Cabinet response to recommendations of the Finance Panel (Panel of the Scrutiny Committee) made on 25/02/2020 concerning The Social Value Act 2012 and Social Responsibility in Procurement

Provided by the Deputy Leader and Cabinet Member for Finance and Asset Management

<i>Recommendation</i>	<i>Agree?</i>	<i>Comment</i>
1) That the Council benchmarks its spending with SMEs against other similar councils nationally	Yes	We have already done some of this work informally and we would like to take this forward as far as data permits.
2) That the Council underwrites an event for social value similar to that run by Fraud Prevention, which brings neighbouring Councils, support service providers and experts together to improve overall standards. The Council should also seek to understand better from SMEs the barriers faced and seek to reduce them.	Yes	We will try to take forward an appropriate event (whether in person or virtual) as part of our new procurement strategy.

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Date of Cabinet meeting: 15.07.20

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