

To: Cabinet

Date: 15 September 2021

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

Title of Report: Social Value in Procurement

Summary and recommendations	
Purpose of report:	To present Finance and Performance Panel recommendations concerning the Scrutiny-commissioned report on Social Value 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:	All
Policy Framework:	Council Strategy 2020 - 24
Recommendation: That Cabinet states whether it agrees or disagrees with the recommendations made in the body of this report.	

Appendices
None

Introduction and overview

1. At its meeting on 02 August 2021, the Finance and Performance Panel considered a Scrutiny-commissioned progress report on Social Value in Procurement.
2. The Panel would like to thank Annette Osborne, Procurement Manager, for authoring and presenting the report, and for answering questions.

Summary

3. The presentation updated on progress against Scrutiny's previous recommendations around social value – the holding of a meeting amongst stakeholders and benchmarking the Council's activities around social value against other councils. The meeting had not taken place owing to Covid, but a lot of work had been done to improve access to the Council's procurement. It had proven more difficult than expected to compare between councils because of the way in which the information was recorded. However, against the four councils who were suitable and whose data enabled comparison Oxford outperformed or equalled those comparators, with 62.5% being spent locally, well above central government's target of 33%.¹
4. In addition to these areas, significant progress had been made elsewhere to develop social value through the Council's procurement. The Constitution had been amended, making it easier for the voluntary sector and cooperatives to deliver goods and services. A 'one quote' mechanism for work up to £10,000 had been implemented, and organisations which had tended not to engage with the procurement portal – SMEs and the voluntary sector – had been given greater opportunity to bid for work outside it. Within the Council's procurement templates the weighting of social value issues had been increased from 5% to 10%.
5. The Panel was also introduced to possible upcoming legislative changes arising from central government's Transforming Public Procurement and its Procurement Policy Statement and their impacts on the Council.
6. In response the Panel explored the responsibility and opportunity within procurement to develop jobs and supply chains in new industries, accountability in procurement decision-making, and the mechanics of choosing between different desirable criteria in different scenarios.
7. The Panel makes two recommendations, the first seeking that the Council works with other local councils and institutions to develop a common approach to social value in procurement, and the second to seek information to enable the Council to benchmark its performance against a wider pool of comparators.

A common local approach to social value in procurement

8. One of the key tenets of social value in procurement is the local 'money-multiplier' effect when money is spent with local small and medium-sized enterprises (SMEs). Local SMEs are likely to employ local workers, who spend their money in local shops and on local entertainment. Company owners are more likely to live locally also, meaning dividends are more likely to be re-spent in the local economy. And by virtue of being smaller companies, those dividends are likely to be spent rather than reinvested elsewhere. All are positive impacts which multiply the benefit to the local economy of locally-focused spending far beyond its original cash value. The changes made by the Council referenced

¹ The comparator councils were Southampton, Stoke, Birmingham and Croydon.

above to support and enable SMEs to get greater access to projects procured by the Council are therefore welcomed by the Panel.

9. One characteristic of SMEs, however, is that they have lower capacity to navigate multiple systems and procurement regimes. Lowering barriers to entry may enable some new entrants, but for others the time-investment relative to the expected returns may not be favourable meaning that the bar remains too high. Put in terms of risk and reward, an SME may not risk investing the time to become acquainted with procurement requirements for Council contracts as there may be too few contracts, and therefore too little chance of generating a return from the investment, to do so. Rather than lowering the risk (by making the cost of engaging with the Council's procurement process easier), an alternative and possibly more effective way of encouraging SMEs to become interested is to increase the potential reward. If multiple institutions shared the same approach, the potential pool of possible contracts for the same amount of time invested would be increased.
10. The Panel considers that brokering a shared approach locally to social value should be a strategic aim on the way to realising the Council's plans for an Inclusive Economy. It was heartened, therefore, to hear that work was being commenced locally to explore modifying central government's TOMs (Themes, Outcomes and Measures) calculator, which estimates the monetary value of different social value interventions, in order to create a locally-focused one, an 'OxTOMs'. This work to date has included a meeting with two external organisations (Raw and Owned by Oxford) to discuss social value in procurement, and an agreement to set up a meeting with the neighbouring councils, including the County Council, to develop an OxTOMs calculator. The Panel wishes to commend this as a good starting point and is keen that this work is completed, but would wish to see it as an important step in developing a shared approach across other local authorities and institutions, such as the universities and NHS Trusts, in the area.

Recommendation 1: That the Council works with other local authorities and institutions to develop a shared OxTOMs framework in the short term and a shared approach to social value in procurement locally in the longer term.

Comparing performance more broadly

11. The Panel was pleased to see the results of the comparisons between the Council and other similar councils. Although almost doubling central government's target is a sign that the Council's own performance is good, there is the potential that the government's own aspirations are low. It was more pleasing to the Panel to see Oxford comparing favourably amongst other councils who have committed to increasing social value through procurement. The Panel is of the view, however, that there is potential benefit in broadening the field of comparators in order to get a sense of how other organisations – be they private companies, central government or the NHS – compare, and using that knowledge further to improve the Council's own performance. It was suggested at the Panel

that the internal audit be used to look in depth at procurement. This is a good idea but the Panel understands that the internal auditor did undertake a deep-dive into procurement fairly recently and it may not be sensible to revisit this so soon. Nevertheless, it would be expected that they would hold useful information which could be shared to inform the Council of what is possible by different organisations.

Recommendation 2: That the Council requests from its internal auditor data to allow it to benchmark the social value generated through its procurement against a wider pool of comparators.

Further consideration

12. The Scrutiny Committee has requested to consider a report on Procurement more widely, which would likely touch on these issues. It is not expected, however, that a further dedicated report will be sought before the start of the next civic year.

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

Cabinet response to recommendations of the Finance and Performance Panel made on 02/08/2021 concerning the Scrutiny-commissioned Social Value in Procurement report

A verbal response will be provided by Cabinet Member for Finance and Asset Management, Councillor Ed Turner

<i>Recommendation</i>	<i>Agree?</i>	<i>Comment</i>
1) That the Council works with other local authorities and institutions to develop a shared OxTOMs framework in the short term and a shared approach to social value in procurement locally in the longer term.		
2) That the Council requests from its internal auditor data to allow it to benchmark the social value generated through its procurement against a wider pool of comparators		

This page is intentionally left blank