



Mayor and Cabinet

Report title: Social Value Policy for Procurement 2022-2026.

Date: 4 October 2022

Key decision: Yes.

Class: Part 1.

Ward(s) affected: All.

Contributors: Strategic Procurement and Commercial Services Manager, Head of Economy, Jobs and Partnerships, Social Value Officer

Outline and recommendations

To provide Mayor and Cabinet an updated Social Value Policy for Procurement following the adoption of the Council's first Social Value Policy for Procurement in 2019. This updated policy has been provided to Public Accounts Select Committee in advance of consideration by Mayor and Cabinet. Mayor and Cabinet are recommended to approve the updated Social Value Policy for Procurement, noting the required amendment to the standard procurement evaluation weighting to support this.

Timeline of engagement and decision-making

The London Borough of Lewisham's first Social Value Policy for Procurement was approved by Mayor and Cabinet on the 6 February 2019 and immediately implemented.

1. Summary

- 1.1. The London Borough of Lewisham includes social value into all contracts over £50k, although legally is only required to include this for above threshold tenders of £213k for supplies and services, £664k under the Light Touch Regime and £5.3m for works

(inclusive of VAT). This supports the Council to deliver on its strategic corporate priorities and helps deliver added value for the borough as a whole.

- 1.2. The existing Social Value Policy for Procurement was written to compliment the Council's corporate strategy 2018-2022.
- 1.3. The policy has been revised to support the Council's Sustainable Procurement Strategy 2021-2025 to ensure that key performance indicators remain relevant and covers most of the 2022-2026 administration.
- 1.4. The proposed changes increase the minimum weighting assigned to Social Value (where relevant) and as such emphasise the increased importance of Social Value through procurement to drive improved benefits via increased awareness, knowledge and understanding among suppliers. This increased weighting has meant a reduction in the weighting assigned to price and therefore it is hoped that the increased Social Value benefits will offset the potential increase in direct contract costs.
- 1.5. This delivery will be underpinned by ensuring robust implementation and measurement to influence the changing culture of public sector procurement through the adoption of the policy to continue embedding social value in our suppliers markets as well.

2. Recommendations

- 2.1. Mayor and Cabinet are recommended to approve the updated Social Value Policy for Procurement, noting the required amendment to the standard procurement evaluation weighting to support this.

3. Policy Context

- 3.1. The Council's 2018 to 2022 Corporate Strategy identified seven corporate priorities and four core values which are the driving force behind what we do as an organisation. It set out a vision for Lewisham and the priority outcomes that organisations, communities and individuals can work towards to make this vision a reality.
- 3.2. In developing and adopting a single Contract Management Framework we will seek to ensure the continued delivery of value for money and best value. In developing and adopting this framework we will be driven by the Council's four core values:
 - We put service to the public first.
 - We respect all people and all communities.
 - We invest in employees.
 - We are open, honest and fair in all we do.
- 3.3. These core values aligned with the Council's seven corporate priorities namely:
 - *Open Lewisham - Lewisham is a welcoming place of safety for all where we celebrate the diversity that strengthens us.*
 - *Tackling the housing crisis - Everyone has a decent home that is secure and affordable.*
 - *Giving children and young people the best start in life - Every child has access to an outstanding and inspiring education and is given the support they need to keep them safe, well and able to achieve their full potential.*
 - *Building an inclusive local economy - Everyone can access high quality job opportunities, with decent pay and security in our thriving and inclusive local economy.*
 - *Delivering & defending: Health, Social Care and Support - Ensuring everyone receives*

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the health, mental health, social care and support services they need.

- *Making Lewisham greener - Everyone enjoys our green spaces and benefits from a healthy environment as we work to protect and improve our local environment.*
- *Building safer communities - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.*

4. Background

- 4.1. The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires those who commission public services to think about how they can also secure wider social, economic and environmental benefits.
- 4.2. The Act is a tool to help commissioners get wider value for money from procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.
- 4.3. During 2018 the Procurement service developed its first Social Value Procurement Policy, which provided for a weighting for social value within all tenders in excess of £50k, ranging from 5% - 10% (where relevant) but also clearly identified a range of Key Performance Indicators (KPIs) which we would expect providers to meet as part of the service delivery.
- 4.4. In recognising the importance of social value, the previous standard evaluation weighting of 60:40 for price:quality was amended to 50:50, with social value given a weighting of 5% - 10% of the quality weighting.
- 4.5. This placed both greater emphasis on social value but also consistently and collectively focuses wider societal benefit on those areas which the Council has identified as being of the greatest strategic need as defined in our core strategies and objectives.
- 4.6. The Social Value Policy was formally agreed by Mayor and Cabinet on the 6 February 2019 and immediately implemented.
- 4.7. The Council procures a significant level of goods, works and services annually. The Council spent over £451m with third parties in 2021/22. In procuring these works, goods and services the Council has the duty to obtain best value, which it delivers through the award of contracts to the Most Economically Advantageous Tender (MEAT).
- 4.8. It is important to note that when discussing social value in any procurement this is defined only as the additional social value which the contract can deliver, i.e. on top of the direct societal benefit which the recipients or users of the service will receive as this value is measured directly through the quality and performance of the contracted service itself. Officers need to ensure that (on a case by case basis) they clearly identify only those social value objectives which are relevant to the subject matter of a contract.
- 4.9. To support the implementation of the Social Value Policy, the Council's Social Value Officer developed a social value monitoring toolkit, which is included in every relevant above threshold tender pack and then forms part of the contract schedules once awarded and operational. This enables the Council to record and monitor the delivery of social value via its supply chain.
- 4.10. The inclusion of social value into Lewisham contracts significantly helps the Council to deliver on its strategic corporate priorities and deliver added value for the borough as a whole.

5. Current Position on Social Value

- 5.1. The Council published its first Social Value policy in 2019 with an agreed evaluation

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weighting of between 5% - 10% of a tender's quality score applied to all tenders in excess of £50k (where relevant).

- 5.2. This weighting was supported by a set of clearly identified Key Performance Indicators (KPIs) for providers to meet as part of the service delivery.
- 5.3. In July 2021 the Sustainable Procurement Strategy 2021 – 2025 was approved and adopted which commits to ensuring that for those tenders below threshold or where quotes are sought that this includes Lewisham-based organisations, as a first point of market engagement, where possible. The Lewisham Deal also published its third Annual Social Value Report.
- 5.4. These KPIs are grouped under 4 key objectives that are used in the procurement process as part of the evaluation and then to be measured and tracked through the lifetime of the contract.
- 5.5. The 4 key objectives were:
 - Employment, skills & economy;
 - Creating a greener Lewisham;
 - Training Lewisham's future; and
 - Making Lewisham healthier.
- 5.6. The clear identification and measurement of individual KPIs enabled the achievement of these and the broader corporate strategies and Mayoral commitments.
- 5.7. An assessment of the Social Value delivered from contracts for the year 2020/21 was undertaken and the summary findings across the four current KPIs is as below:

KPI1: Jobs Skills and the Economy

- 920 total full time jobs had been taken up by Lewisham residents, with a further 35 occupying temporary positions;
- 40 apprenticeships stated for Lewisham residents;
- 7 work experience placements;
- more than 19 businesses were reported to have directly benefited from accessing sub-contracting opportunities;
- modern slavery statements were in place for 19 of the suppliers;
- other community volunteering opportunities were stated as being offered local but specific numbers of outcomes were not provided and so have not been included. Combined, there were 15 noted 'instances' of volunteering ranging from staff members from the housing services contract, to gardening and music workshops;
- digital Inclusion workshops were offered to residents with over 550 digital devices (phones, laptops and tablets) distributed partly in partnership with sustainable digital provider Hubbub;

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KPI2: Greener Lewisham

- Over 10 companies either provided free bicycles to staff or took part in the 'Cycle to Work' scheme;
- 10 companies reported the adoption of accredited carbon emissions and other energy reduction measurements, with cutting emissions, reducing journeys, consolidating deliveries and sharing transport priorities for businesses;
- companies are cutting the use of single use plastics and reducing the amount of waste being sent to landfill;
- suppliers gave details of retrofitting works i.e. the removal of incandescent lighting and replacement with LED's and the switch to use of energy efficient devices;
- Supported Living contract service users were encouraged to use public transport instead of their own vehicles;
- A 14.4% reduction in landfill waste was recorded for the Glassmill Leisure Centre contract, with other contractors measuring and publicising carbon emissions and committing to a reduction in both energy use and CO2 consumption overall.

KPI3: Making Lewisham Healthier

- Suppliers showed commitments to healthier work practices by delivering wellbeing sessions to staff and service users;
- companies gave staff talks on stopping smoking, healthy eating and the take-up of 'healthy lifestyle' initiatives and online mediation and yoga. Staff have access to Life works which provides free counselling and health advice, free legal advice and health insurance;
- employee assistance programmes provided information to staff on healthy work/life balance, working flexible working hours, promoting wellbeing sessions to reduce stress and other workplace health issues was also offered at several organisations;
- one provider has organised an annual fun run for the past 5 years to engage local people and encourage healthy activity;
- Digital inclusion engagement sessions were provided to residents who were given assistance online wellness sessions.

KPI4: Training Lewisham's Future

- Several suppliers held Digital Inclusion training and workshops with IT training and support for young people.

6. Revised Social Value Policy

- 6.1. The understanding and transparency of the social value policy, both within the Council and across suppliers and the marketplace, has progressed and the Council is now confident that it can derive tangible wider community benefits from a revision of this policy.
- 6.2. This update is therefore proposing that the social value weighting for tenders above £50k now include a minimum weighting of 10% for social value (where relevant).
- 6.3. To accommodate this increase in the minimum evaluation weighting for social value, the current standard evaluation weighting of 50:50 for price:quality (with social value forming 5% - 10% of the 50% quality element) will now be amended to 45% price,

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45% quality and 10% Social Value. Effectively reducing the impact that price and potentially quality has on the evaluation and determination of the preferred provider for contracts.

- 6.4. Where officers feel that a social value weighting in excess of 10% is justified this will require approval by the Corporate Procurement Board and any increased weighting will mean a corresponding reduction in the quality weighting for that tender.
- 6.5. For all tenders the exact weighting will be determined during discussions with the Procurement team during the preparation of the tender documentation.
- 6.6. The key performance indicators have been reviewed to ensure that these remain relevant and clearly assist in the delivery of corporate objectives. They remain grouped under 4 key objectives that are used in the procurement process as part of the evaluation and then to be measured and tracked through the lifetime of the contract.
- 6.7. The revised 4 themes are:
 - **Core Commitments** – we will introduce minimum standards we expect from our suppliers in respect of how they conduct their business generally.
 - **Employment and Skills** – ensuring local residents have access to secure, fairly paid jobs is a priority for the Council.
 - **Economy and Growth** – by using social value as a lever, we can drive local prosperity and economic growth, particularly as we face the challenge of the cost of living crisis.
 - **Environment, Community and Place** – the Council will work with suppliers, the voluntary and community sector and other partners to preserve and improve our natural and built environments to strengthen communities and promote greater social inclusion.
- 6.8. The appended draft Social Value Procurement Policy provides more detail on each of these themes and the corresponding proposed specific key performance indicators which will be used to deliver these objectives.
- 6.9. If there are no social value objectives which are relevant to the subject matter of the contract, then the social value weightings will not apply: note that only the Corporate Procurement Board can decide that no social value weightings should be applied.
- 6.10. There is a monitoring tool for commissioners and contract managers to use to enable a complete picture of Social Value outputs to be recorded. The tool will also provide demographic and geographical data which will be used to create an impact assessment demonstrating who benefited and where those benefits were delivered and of social value in our communities.
- 6.11. Commissioners and contract managers are responsible for ensuring all outcomes be reported by contractors/providers on a quarterly basis using the Council's reporting tool, with data reported to all Departmental Management Teams.
- 6.12. As part of the implementation of this policy, procurement will work with legal to seek to ensure that all Council contracts have appropriate contractual mechanisms to enforce the delivery of the agreed social value KPIs. The monitoring of social value delivery forms part of the Council's contract management framework and enables non-delivery to be identified and rectified.

7. Financial implications

- 7.1. In revising the policy and increasing the minimum evaluation weighting for social value the current standard weighting for price has been reduced from 50% to 45%. Whilst we are unable to predict with any certainty, or quantify in advance, the impact of this, it is possible that this may result in marginally increased pricing in contracts. This may arise

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for two reasons, either because all bidders will interpret the reduced weighting as a signal that price competitiveness is not as important and therefore the average tender prices bid will increase, or because where there are two tenders with broadly similar prices, the reduced price weighting may make it less likely that the lowest cost tender will be evaluated as the most economically advantageous tender.

8. Legal implications

- 8.1. The Council's procurement is carried out in accordance with with both current procurement legislation and the Council's Contract Procedure Rules as set out in the Constitution (7.1).
- 8.2. Currently Regulation 70 of the Public Contracts Regulations 2015 (as amended by Brexit Regulations) allows economic, innovation-related, environmental, social or employment-related conditions to be specified in contract provided that they are linked to the procurement subject matter and indicated in particular tender documentation.
- 8.3. There is a statutory requirement to consider 'Social Value' for contracts valued over the FTE procurement threshold; that is, how a procurement might improve the economic, social and environmental well-being of the area, and how the procurement might be done so as to secure that improvement (Public Services (Social Value) Act 2012).
- 8.4. The Council has a duty to obtain best value in the procurement of works, services and supplies and to secure continuous improvement in the way functions are carried out, having regard to a combination of economy, efficiency and effectiveness (Local Government Act 1999). This means that when procuring contracts the Council must, on a case by case basis, weigh up the costs of the contract against the benefits of the particular relevant issue including social value issues.
- 8.5. The increase in the minimum evaluation weighting for social value is in line with the recent revised policy in relation to central government procurement, current procurement legislation and the expected reforms contained in the Procurement Bill. There may be limited cases where the increased weighting is not relevant and officers will carefully consider whether applying a lower weighting would be appropriate. The Council will still be able to meets its duty to obtain best value with a reduced price weighting from 50% to 45% and the quality weighting of 45%, and secure the most economically advantagegeous tender. Furthermore, the above paragraph 6.1 set out how officers are confident of the wider value in the community that the revised policy would deliver.

9. Equalities implications

- 9.1. The Social Value Policy is designed to support the Council in commissioning contracts which also secure wider social, economic and environmental benefits. It also encourages commissioners to talk to their local provider market or community to design better services. Both of these principles of the approach will be in support of better outcomes for residents of all characteristics, and will drive activity in education, employment, health and environment. It will be necessary to consider the specific impacts of the social value activities within their contracts on a case by case basis.

10. Further implications

- 10.1. None

11. Climate change and environmental implications

- 11.1. If adopted, this revised policy will contribute towards the Council's carbon net zero

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emissions targets, traffic reduction, noise pollution and improve air quality.

12. Crime and disorder implications

12.1. There are no further crime and disorder implications, arising from this report.

13. Health and wellbeing implications

13.1. If adopted, this revised policy will contribute towards improved Health and Wellbeing outcomes for employees of suppliers engaged through the Council's procurement activity.

14. Background papers

14.1. None

15. Report author(s) and contact

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16. Appendices

16.1. Please attach appendices as separate documents and list them below.

- *Social Value Policy for Procurement 2022-2026*
- *Appendix B – Social Value KPIs 2022*

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