

Mayoral Combined Authority Board

21 March 2022

Progressive Procurement Policy

Is the paper exempt from the press and public?	No
Purpose of this report:	Discussion
Is this a Key Decision?	No
Has it been included on the Forward Plan?	Not a Key Decision

Director Approving Submission of the Report:

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Executive Summary

This paper sets out the new draft 'Progressive Procurement Policy' for the MCA that aims to use the MCA's spending power to achieve greater 'social value'.

What does this mean for businesses, people and places in South Yorkshire?

Providers of services procured by the MCA will be encouraged and incentivised to maximise the 'social value' delivered alongside their contract, which in essence will positively impact people and places throughout the region. Local businesses will be supported to develop bids which meet expectations for delivering greater 'social value', and strategically important employers in the region will be encouraged to develop equivalent policies as part of their procurement.

Recommendation

That Board members:

- Consider the draft progressive procurement policy and approve Option 2, which was endorsed by the LEP Board on 10th March.

Consideration by any other Board, Committee, Assurance or Advisory Panel

N/A

1. Background

- 1.1 The MCA's spending power is growing sharply, and with it, the potential to flex its procurement muscle to achieve organisational objectives has never been stronger. Procurement processes oversee the crucial process of allocating funding to external organisations, and traditionally this is tied to achieving the 'most economically advantageous' outcome. Whilst this is a critical criterion to apply, there is an opportunity to push contractors further in terms of how well they are meeting the MCA's strategic objectives.
- 1.2 By developing a more progressive procurement policy, which aims to go beyond value for money in a traditional sense, the MCA can achieve greater social, ethical and environmental outcomes, and in so doing realise greater added value for the economy and for society.

Activities that contribute 'social value' include the following:

- Employing people who were previously long-term unemployed
- Having work placements that pay the Real Living Wage
- Carbon savings from energy-efficiency improvements such as reducing car miles
- Supporting supply chain to adopt 'circular economy' principles

- 1.3 MCA outlay is a mix between what is spent on internal procurement and what is spent through investment funding. In 2021/22 MCA spend on procurement (which includes finance, people, premises, professional services, supplies/services, and communications) was £49m. The MCA's spend on investment was significantly higher, at £390m. What is in scope in this paper is the **procurement spend** (£49m).
- 1.4 A research report is currently being developed by the Centre for Local Economic Strategies (CLES) on 'building community wealth in South Yorkshire'. Within scope of the report is procurement, and its contribution here is in helping to consider how to operationalise a progressive procurement policy.

2. Key Issues

- 2.1 Whilst the MCA does already include 'social value' considerations within its tendering process, there is the opportunity to go further. This can be a combination of changes made within the MCA and also how it can influence this agenda more widely.

Frameworks have been developed to quantify and cost such activities so that they can be assessed on common terms. A common approach is to then weight the social value element of a bid.

In some instances, the MCA already has social value elements embedded in its procurement processes. For example, the Adult Education Budget procurement process scored bids against providing social value. However, other internal tendering exercises have simply sought a statement on social value without factoring the response into the scoring criteria. As a result, the MCA currently cannot easily report on, evidence, or effectively benchmark the added social value generated due to most of its procurement spend.

In seeking to address this there is the risk that some potential providers could be discouraged from tendering due to lack of familiarity or inability to navigate social value

requirements. This is a common/known problem for procurement teams implementing a social value policy. In particular, larger organisations who are more familiar with social value in procurement may be at an advantage to smaller tenderers.

This could be counteracted in the following ways:

- Very clear communication/instruction of what the expectations and options are (i.e. what 'good' looks like)
- Dedicated effort to support (smaller) businesses on what social value options they could explore, i.e. discuss possible options for meeting requirements; this could include workshops, training sessions, and consultation advice if relevant
- Streamlined process and options to minimise burden of participation and compliance.

2.2 There are a number of public sector organisations such as Stockport, Trafford, Tameside and Rochdale, STAR Procurement, who have made significant progress on Social Value through their procurement policies. Over the last 6 years they have consistently achieved social value returns of 25% in addition to savings of £30.4m. Across Yorkshire and Humber there is a Progressive Procurement Group who discuss Social Value and share best practice and achievements. Both Sheffield universities, and public health providers are also active in this space.

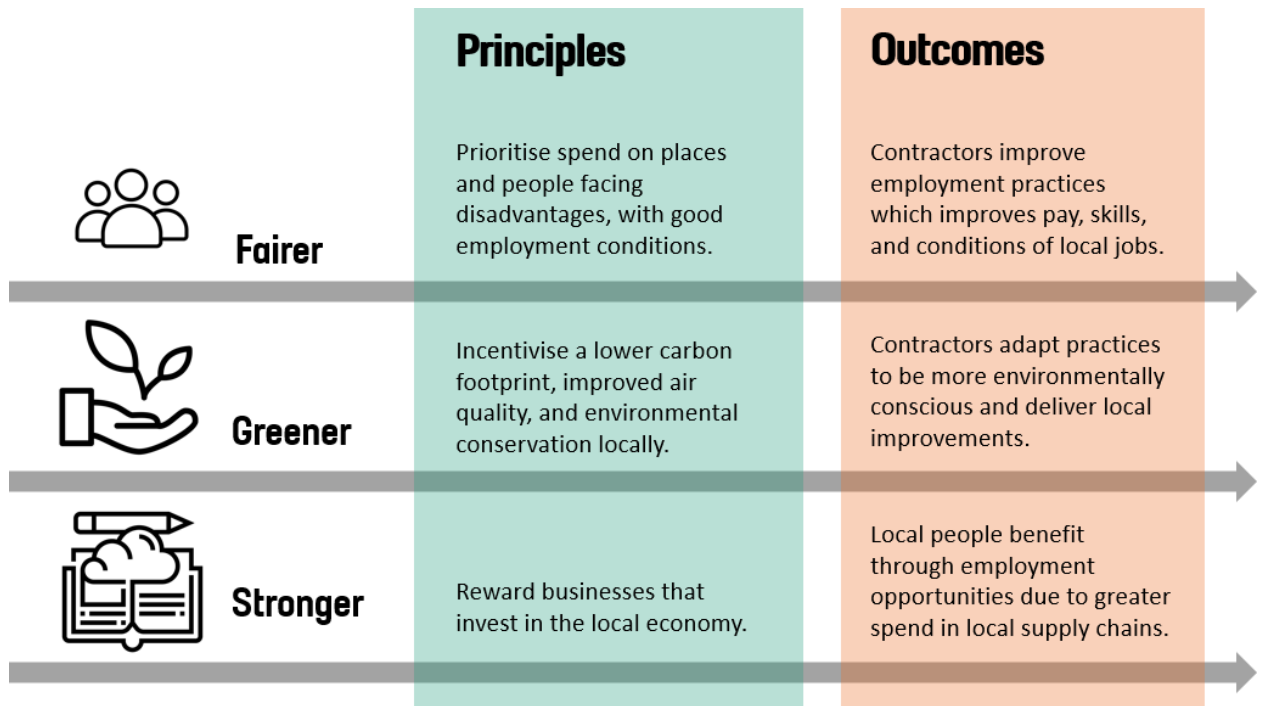
In terms of Local Authority activity closer to home:

- Barnsley has developed a social value policy for procurement, and uses a framework (mentioned below) called 'Tools, Outcomes, Measures' (mentioned below) to achieve its objectives, which include spending within local supply chains, minimising negative environmental impacts, and creating job opportunities.
- Doncaster has exercised social value requirements in commissioning major services such as waste collection.
- Rotherham has developed a 'social value charter' which contains core principles around use of the 'real' living wage, local spend and employment for disadvantaged residents. Within this sits a procurement strategy to help realise these goals, making use of the 'Tools, Outcomes, Measures' framework.
- Sheffield launched an award-winning Ethical Procurement Policy in 2019 (see outlined in Annex A) which included several measures including Social Value and significant progress has been made in delivering the commitments.

2.3 The proposed progressive procurement policy statement endorsed by the LEP is as follows:

SYMCA will, through all its procurement activities, deliver proportionate ethical, socially inclusive, and environmentally sustainable outcomes, in addition to the primary purpose for which such procurement is required, so that we can grow an economy that works for everyone and improve the quality of life of all residents.

This statement reflects how a progressive procurement policy aligns with our strategic objectives, as per the diagram below.



The essential outcomes sought through revising MCA's procurement policy are as follows:

- Harness policy around procurement rules to better fulfil our own strategic objectives, with a particular focus on 'Fairer and Greener outcomes.
- Lead by example so that the MCA can better influence other organisations in the region to develop their own approaches to improving social value through procurement.
- Enable the MCA's spending to stretch further. Maximise the MCA's investment through the delivery of broader social, environmental, and economic benefits, such as more local spend and awarding procurement contracts to suppliers who will deliver social value aims such as creating employment opportunities or offsetting carbon.

3. Options Considered and Recommended Proposal

3.1 Below are two options.

Option 1

Do nothing and continue our existing approach. This limits the reach of MCA spending and will impact on what can be reported. This is because it will not be possible to benchmark and measure the difference that the MCA can make/is making to local businesses and the wider community through its spending power. There is also the risk of significant reputation damage as the MCA is already lagging behind its peers in this policy space. The MCA could be regarded as not taking social value seriously as an organisation.

Option 2 – recommended

Agree a new progressive procurement policy which better reflects the ambitions for social value in the SEP. The draft policy statement set out in section 2.3 above is recommended for adoption.

Work is underway to explore how this policy, if approved, could be implemented, and how the MCA could work with anchor partners to agree and implement a consistent South Yorkshire-wide progressive procurement policy and approach. It is worth acknowledging that several partners are further along in this regard than the MCA in terms of policy and practice.

4. Consultation on Proposal

- 4.1 This policy has been developed through discussion with LA procurement officers. A review of procurement practice across several partners and wider engagement as part of the research currently underway via CLES. This policy is also in partial fulfilment of commitments made in the SEP. The LEP Board endorsed Option 2 at its meeting on 10th March.

5. Timetable and Accountability for Implementing this Decision

- 5.1 If approved the policy will be applied immediately. The implementation process is envisioned to be completed by Autumn 2022.

6. Financial and Procurement Implications and Advice

- 6.1 Approval of options presented above may have resource implications, for example through requiring greater internal resource and/or commissioning services. This is currently being explored in greater detail.

7. Legal Implications and Advice

- 7.1 Once/if the policy is adopted, the legal implications of its implementation will be fully considered. So far, no insurmountable barriers have been raised.

8. Human Resources Implications and Advice

- 8.1 The HR implications are being considered and will be informed by the commissioned research with CLES referred to above.

9. Equality and Diversity Implications and Advice

- 9.1 The policy options advanced in this paper intend to directly address equality and diversity issues in the region.

10. Climate Change Implications and Advice

- 10.1 The policy options advanced in this paper intend to directly address climate change implications issues in the region

11. Information and Communication Technology Implications and Advice

- 11.1 There may be IT implications depending on the outcomes of the commissioned research with CLES referred to above.

12. Communications and Marketing Implications and Advice

- 12.1 The policy statement will be communicated widely, and support will be available for SMEs to ensure they can engage effectively.

List of Appendices Included

Appendix A – Progressive Procurement Policy

Background Papers

N/A