

## Progressive Procurement Policy

### Context

#### Using procurement policy as a tool to achieve greater 'social value'

The MCA's spending power is growing sharply, and with it, the potential to flex our procurement muscle to achieve organisational objectives has never been stronger.

Procurement processes oversee the crucial process of allocating our 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 our strategic objectives overall.

By developing a more progressive procurement policy, which aims to go beyond value for money in a traditional sense, we can achieve greater social, ethical and environmental outcomes, and in so doing realise greater added value for the economy and for society.

MCA outlay can be seen as 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.

**This paper looks exclusively at our procurement activities.**

### SYMCA baseline

The MCA does already include 'social value' considerations within its tendering opportunities. This is weighted (%) as part of the wider quality score and the current approach is to ask a series of questions to which bidders respond. Different approaches have been used to social value: for example, the Adult Education Budget procurement process scored bids against providing 'social value' whereas other tendering exercises have simply sought a statement on social value without factoring the response into the scoring criteria.

Whilst both above approaches satisfy the requirements of the Social Value Act (2012), they provide limited opportunity to quantify the financial added value and show progress objectively. Responses to the 'social value' elements of a tender vary widely in quality: some organisations provide detailed and relevant answers, but others simply rehearse their existing CSR policies and as a result offer minimal or no additional social value. As a result, the MCA currently cannot easily report on, evidence, or effectively benchmark the added social value generated due to its spending.

### Opportunity

#### Policy drivers

## Central gov't

Public Services (Social Value) Act 2012 came into force on 31st January 2013. It is a legal obligation for local authorities and other public bodies to consider the social good that could come from their procurement. The aim of the Act is not to alter the commissioning and procurement processes but to ensure that, as part of these processes, authorities consider the wider impact of service delivery. For example, it allows authorities to choose a supplier, through a tendering process, who not only provides the most economically advantageous service, but goes beyond the basic contract terms and secures wider benefits for the community.

More recently the Cabinet Office published a Policy Statement, June 2021, advising the following are national priorities for public procurement.

- creating new businesses, new jobs and new skills;
- tackling climate change and reducing waste, and
- improving supplier diversity, innovation and resilience

## Strategic Economic Plan

The broad policy objectives articulated in the SEP are growth, inclusion, and sustainability. This makes a break from the past where the size of economic growth held the greatest emphasis, rather than the quality of that growth. It is a recognition that economic growth per se, does not automatically lead to the outcomes we seek, such as vibrant centres, reduction in poverty, or more resilient and innovative business. As part of this, the strategy ascribes to a version of 'inclusive growth' in which as many people as possible contribute to and benefit from economic prosperity.

From this perspective, the ambition for procurement is to achieve more than simply the greatest value for money in purely economic terms. Rather, our procurement ought to contribute to all objectives of growth, inclusion, and sustainability.

## Renewal Action Plan

The Renewal Action Plan (RAP) provides the MCA's strategic response to the Covid-19 pandemic, articulating the need for targeted investment to recover and to tackle the most acute problems that have arisen from the corresponding economic shock. For example, there is an important emphasis on reaching young people who have been disproportionately affected by the pandemic in terms of employment and skills attainment.

The RAP emphasises the importance of designing policy that targets specific groups of people in the City Region with the greatest need. A progressive procurement policy ought to reflect the "Fairer" priorities of the MCA, remaining live to the changing economic environment and needs of the local population.

## What is being done elsewhere?

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 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.

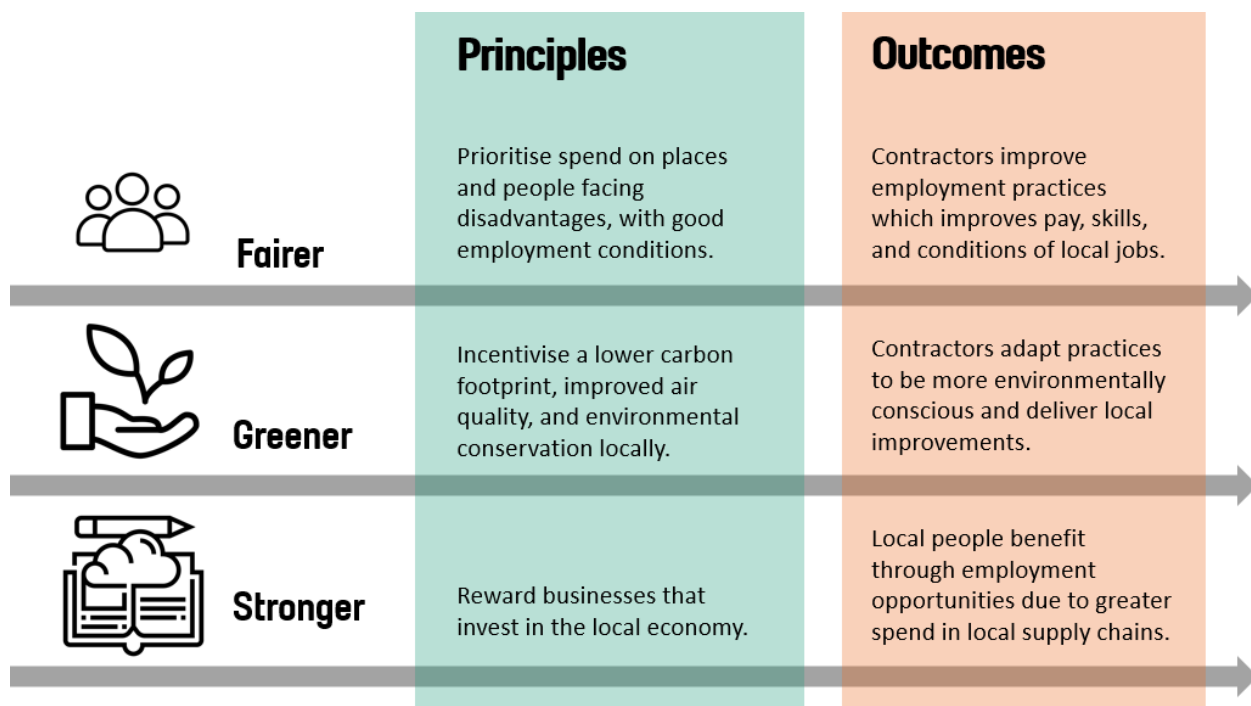
- Doncaster has exercised social value requirements in commissioning major services such as waste collection.
- Rotherham has developed a ‘social value charter’ which contains core principles around use of the ‘real’ living wage, local spend and employment for disadvantaged residents. Within this sits 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.

## Desired Outcomes

A first step would be to agree a new procurement policy statement which better reflects the ambitions for social value in the SEP. The following is proposed:

*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 is able to 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.

## Options

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 its peers in this policy space. The MCA could be regarded as not taking social value seriously as an organisation.
2. Develop a stronger social value policy to be embedded in our procurement process. This could emulate approaches such as the national Themes Outcomes and Measures (TOMs) described above. Embedding this will have implications both from a resource perspective for the MCA as it will require a sufficient level of knowledge and awareness to evaluate social value.
3. Appoint a 3rd party to support in incorporating and evaluating the TOM's measures in our procurement processes. This will include ensuring that suppliers of goods and services, such as consultancy providers and AEB service deliverers, have social value outcomes in their contracts, evaluating the delivery of these outcomes and providing data in the form of a dashboard for reporting purposes. This option may only be required temporarily to allow the MCA the time to build the required expertise in-house
4. Develop a strategy to influence organisations outside of the MCA on the benefits of social value driven procurement, particularly the private sector. This will involve working with anchor partners to agree a shared progressive procurement policy and principles.

## Example: Social Value Portal and the TOMs – [Options (3) and (4)]

A toolkit called TOMs (**T**hemes **O**utcomes **M**easures) has been developed by a company called Social Value Portal. It is linked to the UN's Sustainable Development Goals and provides a clear framework with metrics for each initiative a bidding organisation may offer. It is used extensively across both public and private sector organisations. The TOMs are across 5 themes with a series of outcomes and measures associated.

A key benefit of a TOMs-based social value measurement system is that it comprises a series of objectively researched standalone measures that can be extended or reduced without compromising the integrity of the framework, provided a consistent methodological approach is taken. All social values are expressed in financial terms, allowing comparison with the overall scale or cost of an activity (constructing a new building, for example), as well as between projects and initiatives and between organisations and industry sectors.

The below diagram shows how desired outcomes can be quantified and monetised.

| Themes  | Outcomes                                    | Measures                    | Units      | Value                  |
|---|---|-----------------------------|------------|------------------------|
| Local Skills and Employment                     | More opportunities for disadvantaged people | No. ex-offenders employed   | No. people | £23,119/per            |
| Growth of Responsible and Local Business        | More opportunities for local SMEs and VCSEs | No. voluntary hours         | No. hrs    | £16.07/hr              |
| Healthier, Safer and more Resilient Communities | Reducing inequalities                       | Spend in local supply chain | £ spent    | Local Spend Multiplier |
| Decarbonising and Safeguarding our World        | Enable people help to live independently    | Tonnes CO2e reduced         | tCO2e      | £69.35/tCo2e           |
| Social Innovation                               | Safeguarding the natural environment        |                             |            |                        |

*Total Social Value = Sum(Measures\*Value)*

## Recommended policy option

Option 3 is recommended. This will make Option 4 a possibility further down the line, if that is deemed a desirable long-term ambition. The initial stage of exploring how to deliver higher social value through procurement ought to look within the MCA, to 'get our own house in order'. beyond this, there could be opportunities to influence other organisations, such as other public sector organisations, major employers, key stakeholder businesses within the region. However, our own social value policies surely ought to be advanced before we can credibly try to push the agenda more widely.

Pursuing Option 3 This would be the biggest step and would precipitate the fastest change in approach compared to present. Risks around internal resourcing and experience are mitigated through outsourcing expertise and capacity in social value appraisal and contract management.

## Developing the Preferred Option: A Proposal

Given the resource implications of the preferred option, market solutions have been explored. After extensive research and engagement with partners in South Yorkshire and beyond, it has become apparent that the solution offered by the national leader (Social Value Portal) most closely resembles what the MCA needs.

SVP provide an online solution that allows organisations to measure and manage contributions that they, and their supply chain makes to society. Their 'Portal' allows organisations to report both non-financial and financial data, and rewards organisations for doing 'good' in the community. This includes environmental, social and economic activities, and their service is designed to help to identify and measure the additional social value delivered through a project in terms that are meaningful to customers.

SVP are a trusted provider nationally, and are currently managing social value in procurement with several of related organisations:

- Barnsley Metropolitan Borough Council
- Doncaster Metropolitan Borough Council
- Rotherham Metropolitan Borough Council
- West Yorkshire Combined Authority
- West Midlands Combined Authority
- Manchester City Council
- Leeds City Council

The full proposal is embedded in a pdf (embedded below).



SCR - Social Value  
Portal Proposal\_ 2607

**Deliverables**

1. Develop bespoke social value criteria based on the MCA's strategic objectives
2. Set up online dashboard MCA to calculate overall Social Value created
3. Support MCA during our supply chain procurement, including bid set-up and evaluation
4. Contract manage social value deliver through MCA supply chain.
5. Data checks for sense, scale and consistency. Quarterly or annual reports and an annual SYMCA performance and benchmarking report.

| Base Costs   | Fees  |
|--|---|
| Annual Subscription Fee  | Option 1: £15,000/year<br>Option 2: £36,000 for 3 years |
| Project & Bid Assessment Fees  | See in Project Management & Reporting Fees below        |
| Annual SYMCA Report (Optional)   | £5000/year  |
| UN Sustainability Global Goals Dashboard and Annual Master Account report (Optional) | £3000/year  |

**Ongoing fees (for suppliers)**

In addition to the Membership fees, project and contract management fees will be due from the MCA's supply chain, from the winning bidders only. There are two principal evaluation and contract management fees which can be used together and are not exclusive (i.e. we can mix and match).

|   |   |
|---|---|
| <p><i>Option 1: Bid Management, Evaluation and Quarterly Reporting</i></p> <p>Annual Fee: 0.2% of contract value with a minimum payment of £750/year up to a maximum of £7,500/year paid by the winning bidder ONLY. This includes the assessment of bids and ongoing contract management of each project. Please note, bidding is free to all bidders.</p> | <p><i>Option 2: Project Management (Without Evaluation) Fees</i></p> <p>Annual Fee: 0.15% of contract value with a minimum payment of £500/year up to a maximum of £5,000/year paid by the winning bidder ONLY. This includes the ongoing contract management of each project. Please note, bidding is free to all bidders.</p> |
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## Risks

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