1  Decision required

This report makes the following recommendations to the Cabinet:

1.1 To agree to a shift in procurement goals and practices in line with the vision and broad objectives set out in this report, as part of enabling an inclusive economy.

1.2 To agree the Procurement Strategy included in the report (Section 8 / Appendix A).

1.3 To agree the Social Value Policy included in the report (Section 8 / Appendix B).

1.4 To agree the principles of the Social Value Framework as outlined in this report (Section 8 / Appendix C) and to delegate authority to the Director of Finance in consultation with the Cabinet Member for Finance and Resources to finalise the detailed wording of the Social Value Framework and make any future changes to the Framework which are consistent with the agreed principles in this report.

2.  Links to the Royal Greenwich high level objectives

2.1 An effective procurement function helps to facilitate the smooth running of council services and the realisation of policy objectives. It defines what we spend and where we spend it. Further, it provides the authority with leverage to deliver greater value for money, and achieve other policy ambitions based on appropriate approaches or practices being adopted. For instance, it has effects on Council’s policies relating to growing local businesses and improving community and environment wellbeing of its residents.
2.2 Consequently, this report relates to the Council’s agreed high level objectives as follows:

- Promote economic prosperity
- Promote social mobility/social value
- Continue to achieve excellence and good governance in the management of public finances.
- Promotes environmental benefits

3. **Purpose of Report and Executive Summary**

3.1 This report sets out a vision and road map for changing the Council’s procurement activities towards practices, which seek social value outcomes and value for money within a procurement regulatory environment. It lays out a general approach to the implementation of social value and the changes required to the Council’s procurement processes to support this change. A cornerstone of this is the Procurement Strategy and Social Value Policy. There is also a new role for the corporate Strategic Procurement Services team in helping the Council realise its ambitions for delivering value for money, social value, social mobility and other policy objectives from procurement activities.

3.2 Councils are dealing with significant financial pressures resulting from reductions in government funding and rising demand.

3.3 To rise to these challenges, requires a shift from the traditional approach which focusses on seeking to deliver only the core requirements from our procurement activities to a social value-based approach where social value outcomes are sought as additional benefits (above and beyond the core requirement) from our procurement spend. Crucially, it calls for using spending power wisely and strategically to achieve more with less.

3.4 This report addresses the strategic intent to shift procurement activities towards placing social value and value for money outcomes at the heart of procurement decisions and practices across the various departments of the Council; albeit within the regulatory framework. To enable this change, it is necessary for a new framework to be set including a new Procurement Strategy and Social Value Policy. Also that the corporate Strategic Procurement Service team takes on a strategic role in which it challenges existing practices to demonstrate value for money and also helps to embed a practice of seeking social value outcomes and other key corporate policies in our procurement process, in particular, during the pre-procurement phase.
4. **Introduction and Background**

4.1 Greenwich Public procurement goals are very much driven by policies enacted by the EU, National government and the local organisation. These policies tend to also shape the practices adopted by the contracting authority. Given the continuous rise in demand for public services with less money to fully meet those demands, there is a growing awareness to use the organisation’s purchasing power to deliver value for money and wider policy objectives e.g. to address the economic, social and environmental needs of the residents served by the organisation.

4.2 In January 2013, the UK government adopted the Public Services (Social Value) Act 2012 as law; making it a legal requirement for public agencies to use procurement and commissioning to seek social, economic and environmental value as additional benefits delivered through contracts. This means that the people who commission public services are required to think about how they can also secure wider social, economic and environmental benefits.

4.3 Before they start the procurement process, procurers or commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders. As such, they are to consult with relevant stakeholders to identify outcomes, which are to be sought as ‘social value’ so that these outcomes can be targeted in the procurement exercise.

4.4 Although this duty relates to service contract above the EU financial procurement thresholds, many local authorities realising the benefit of a social value approach, have incorporated the social value principle beyond the restriction imposed by the Act.

4.5 Social value asks the question: ‘If £1 is spent on the delivery of services, can that same £1 be used, to also produce a wider benefit to the community?’ (SEUK Public Services (Social Value) Act 2012: A brief guide). In addition, social value has to be local; in other words, the outcomes, which constitute social value, have to be based on local community needs. Therefore, each authority has to identify its own social value and prioritise them in a way, which reflects the needs of the community it serves.
4.6 A review of how the Act has been performing in its first 2 years by Lord Young, the Adviser on Enterprise to the former Prime Minister makes clear that the Act

“… where it has been taken up, it has had a positive effect, encouraging a more holistic approach to commissioning which seeks to achieve an optimal combination of quality and best value. In the two years that it has been in force, the Act has made a good start in this respect, encouraging commissioners to think about securing value through procurement in highly innovative ways which have generated significant cost savings and demonstrated a much more responsive way of delivering better services”. (Social Value Act review report 150212)

4.7 Since the review, more Local Authorities have adopted a social value approach by drawing a new social value policy, which acts as the policy basis for procurers or commissioners to seek social value in contracts. Some have also developed a Social Value Framework (a dynamic document that identified the outcomes that constitute ‘social value’) for procurers and commissioners to incorporate those in procurement exercises.

4.8 It is worth noting that, in addition to the Social Value Act, other policies such as the General Powers of Competence, contained in the Localism Act 2011, and the revised Best Value Regime provide for Councils to “consider overall value, including economic, environmental and social value, when reviewing service provision”. (Revised Best Value Statutory Guidance (2015)). Therefore, Councils can draw from the Public Services (Social Value) Act, the Localism Act 2011, revised Best Value Regime (2015) and other policies to formulate procurement policies and adopt practices which targets wider economic, social and environmental benefits for their residents from their procurement activities.

5. Current Practices

5.1 The authority procures around £400m on contracted goods, work and services, i.e. more than it does on directly delivering services.

5.2 Like other authorities, the Royal Borough’s procurement goals, prior to adopting a social value approach, focus on achieving the core requirement from a procurement exercise. Although in some procurement exercises, social value benefits e.g. apprenticeships were delivered, the realisation of those outcomes were beneficial but not embedded across the Council.
5.3 Given the squeeze in Council’s finances and, a wholesale rethink of how to achieve savings (both in the medium and longer term), a change in the role of the centralised procurement services, which will challenge practices and drive the delivery of corporate policies is needed. The strategic procurement function will help departments harness resources as well as purchasing spend from their business area towards the realisation of medium and longer term saving strategy.

6. **Available Options**

6.1 The options that exist are

a) Do nothing

b) Develop a Corporate Procurement Strategy and Social Value Policy that meets the Council’s priority of “Making the most out of every penny we spend and as such embed a social value approach to our commissioning and procurement activities. The Social value approach will intrinsically link our social value objectives to the priorities of the council.”

7. **Flipping the Curve**

7.1 To make social value a key driver in our procurement activities requires changing the current approach to how we conduct our procurement exercises.

7.2 This change is captured in Figure 1 below, which mapped out the “as is” and “to be” of the procurement process to be adopted. The dotted line shows where the council need to channel its effort going forward. It suggests moving the organisational energy from focusing on ‘stage B’ (the procurement process) to placing higher emphasis and focus on ‘stage A’ (pre-procurement activities such as market analysis and stakeholder engagement) and ‘stage C’ (contract and supplier management activities).
7.3 Moving resources and effort to ‘stage A’ in the process, not only reduces the risk of a failed procurement due to there being a poor market of the goods and services that we require, it also helps the Council ensure that there is a good pool of suppliers for the items we require, before launching the formal process. Furthermore, in ‘stage A’, procuring or commissioning officers would be required, to think about how scarce resources can be used to deliver not only value for money objective but also how they can achieve, from the award of that contract, wider benefits which contributes to the economic, social and environmental wellbeing of our residents (Social Value).

7.4 ‘Stage C’, requires dedicated resources to be identified especially for major contracts to carry out contract performance management as a key activity of the procurement cycle. This will ensure that the social value and other outcomes promised by the contractor during the tendering stage are delivered and measured. Further, such review can inform the pre-planning of a future procurement.

7.5 ‘Stage B’, (i.e. the procurement process) will be enabled by our e-tendering portal which has workflows build in (set up) to ensure compliance and governance requirements are satisfied.

7.6 Essentially, achieving social value, social mobility, sustainability and other policy outcomes from procurement processes requires the identification of the outcomes during the pre-procurement phase and incorporating them in the tender documentation, and then, at post award (i.e. contact management

ITEM NO: 8
phase) monitoring and measuring. A social value based approach can deliver these goals. It enables the pooling of resources to ensure focus on wider value and the team for a procurement project comprise relevant skills set and knowledge to run an effective procurement exercise. The Strategic Procurement Services team, where necessary, will facilitate such pooling of resources and also ensure individual procurement exercises, particularly the high value contracts, are aligned with the broader policy objectives.

8. **Developing a Corporate approach to procurement to leverage Social Value, best value and other policies**

8.1 The Council has a commitment to making the most out of every penny it spends and as such, will embed a social value approach to the commissioning and procurement activities. To achieve the benefits we need to have a clearProcurement Strategy and Social Value Policy.

8.2 The Procurement Strategy is aimed at re-setting the direction and the objectives of our procurement activities. In addition to the strategy, the Social Value policy defines the outcomes to be prioritised as well as the approach we should adopt to delivering social value.

8.3 The Social Value Policy contains the Council’s definition of social value. The social value approach intrinsically links our social value objectives to the priorities of the council contained within the Corporate Plan. The link between the Corporate Plan Objectives and Social Value will be developed and maintained through a Social Value Framework.

8.4 Copies of the Procurement Strategy is attached as appendix A and the Social Value Policy as Appendix B.

**Procurement Strategy**

8.5 The Royal Borough of Greenwich (RBG) spends around £400 million a year on contracted goods, works and services. This means that we spend more on external contracts than we do on directly delivering services. Therefore, the procurement and subsequent management of these contracts is singularly the largest and most critical activity that the Council undertakes to deliver value for money across its services. In view of this, whereas previous procurement policies and practices have tended to focus on delivering value for money that is measured through financial cost and quality of the service, goods or works delivered, the aim of this Strategy is to extract more value (or wider value) by asking for the right price, quality and social value (as added
value) to be delivered for our residents through effective procurement and contract management activities.

8.6 This Strategy firstly outlines the processes and principles that underpin the Council’s procurement and contract management activities, explaining how each works towards ensuring that we continue to deliver value for money. It then moves on to explain how our procurement activity enables us to support our local community, improve the local economy and enhance the local environment. Finally, the document touches on some of the future areas of innovation in procurement and contract management that will look to secure the Council’s ability to continue to deliver value for money in the future and enhance the offer from our procurement service.

8.7 This Strategy sets out the key procurement and contract management principles that underpin all of the Council’s guidance and subsequent activity in this area. The comprehensive procurement and contract management guidance arising from this Strategy ensures that the Council’s procedures remain robust, efficient and effective and thus ensure we continue to procure contracts that have the potential to deliver value for money and then manage them in the way that realises that value for money.

8.8 In addition, it has laid out the Royal Borough’s commitment to supporting community/ voluntary groups, social enterprise and SMEs in the borough as well as outlining its forward thinking and comprehensive approach to delivering social value through its procurement activities.

8.9 Finally, it has discussed some of the key areas in which the Council will look to innovate to continue to ensure that its procurement activity remains future proofed and offers more to residents than just value for money services. These include looking at in the future

- The creation of public markets to utilise residents economies of scale
- London wide leverage and contract register
- Outcome based contracting
  - Payment by results
  - Social Impact Bonds
Social Value Policy

8.10 This policy sets out the Royal Borough of Greenwich’s approach to Social Value and the implementation of the Public Services (Social Value) Act 2012 (the Act). The Act applies to contracts for public services, which are over the EU threshold. The legislation requires public authorities to have regard to economic, social and environmental well-being in connection with public services contracts. The policy also outlines how the Royal Borough of Greenwich will look to implement the legislation beyond its immediate requirements in order to deliver best possible value for our residents.

8.11 The priorities and needs of the Council are the Royal Borough of Greenwich’s High Level Objectives and the Council’s Social Value Objectives are derived from these. The link between the Corporate Plan Objectives and Social Value will be developed and maintained through a Social Value Framework. This will be a dynamic document that provides examples of where a procurement may obtain social value. As such it will be subject to regular update. Agreement to the Social Value Framework should be delegated to the Director of Finance in consultation with the cabinet member for Finance and resources. A copy of the draft Framework is attached as Appendix C and shows how the high level objectives could be linked to procurements.

8.12 In order to maximise the benefits of this approach and demonstrate good practice, the Royal Borough of Greenwich will look to incorporate a Social Value element in all of its activities. At the lower cost purchases, this will be looking to spend more locally. At the higher cost procurements by using the Social Value Framework to assist in identifying what Social Value can be obtained.

8.13 When commissioning a service, the commissioner will, in the pre-procurement stage, engage with stakeholders and assess the market to establish the Social Value outcomes that are relevant and proportionate to the contract.

8.14 The policy demonstrates the Royal Borough of Greenwich commitment to providing the best possible outcomes for its communities through the services that it delivers directly; through services it contracts from external providers; and through its strong relationships with its partners and the voluntary, community and social enterprise (VCS) sector.
8.15 By agreeing the policy the Council recognises that integrating this policy into its procurement activities should not only deliver contributions to our Social Value Objectives but will also have additional benefits, including promotion of supplier diversity, increased stakeholder engagement, improved cooperation and building a stronger and more mutually beneficial relationship with the (VCS) sector.

**Governance**

8.16 To ensure that there is Governance around the compliance with the Procurement Strategy and Social Value Policy there needs to be appropriate mechanisms and reports. These include

- The establishment of a Procurement Board made up of the procurement lead AD’s from each directorate and chaired by the Assistant Chief Executive.
- A standard approach to Procurement Plans, the annual agreement to which will be become part of the annual budget setting process
- Consideration of Social Value within Procurement Business cases and Award Reports
- Annual Report to Cabinet
- Regular reporting to GMT and Directorate DMT’s

9. **Preferred Option**

9.1 The preferred option is to develop a Corporate Procurement Strategy and Social Value Policy that meets the Council’s priority of “Making the most out of every penny we spend and as such embed a social value approach to our commissioning and procurement activities. The social value approach will intrinsically link our social value objectives to the priorities of the council. “

10. **Reasons for Recommendation**

10.1 Councils are dealing with significant financial pressures resulting from reductions in government funding and rising demand. The council has also set out in its corporate plan to make the most out of every penny spent and as such embed a social value approach to our commissioning and procurement activities.
10.2 To rise to these challenges, requires a shift from the traditional approach which focusses on seeking to deliver only the core requirements from our procurement activities to a social value-based approach where social value outcomes are sought as additional benefits (above and beyond the core requirement) from our procurement spend. Crucially, it calls for using spending power wisely and strategically to achieve more with less.

10.3 The need to harness financial and social value benefits mean the implementation of a Procurement Strategy and Social Value Policy and the changed role of the Strategic Procurement Team is the preferred option.

11 Consultation Results

11.1 The Procurement Strategy and Social Value Policy were drafted by the Strategic Procurement Service in conjunction with the Council’s Corporate Services Team. There was then consultation with senior staff involved in procurement across the Council followed by the drafts being taken to meetings with all Directorate Departmental Management Teams as part of the change to put Social Value at the heart of procurement. The resulting documents were then considered by GMT.

11.2 The Social Value was a direct result of the consultation as it helps officers understand how Social Value can be included in large procurements.

11.3 As part of the process, a number of drop in sessions with members were undertaken early in the process and consideration was also given to the work of the Council’s Corporate Finance and Performance Scrutiny Panel who undertook a time limited review of procurement, which was reported to Overview and Scrutiny on 30th April 2019.

12 Communication and Implementation of the Decision

12.1 The draft Procurement Strategy and Social Value Policy have already been considered by GMT and there has been meetings with all Directorate Departmental Management Teams about the potential change to put Social Value at the heart of procurement.

12.2 The Procurement Strategy and Social Value Policy, if agreed, will require fundamental changes to the reporting mechanisms to ensure there is Governance around the compliance with them. Section 8.16 gives an outline of the changes that will be required.
12.3 Managers will need to be informed and supported through the change in the organisations culture and procurement practices. This will be achieved through improved procurement planning, documentation, training and support, which will be provided by the Central Procurement Service.

13. **Cross-Cutting Issues and Implications**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Implications</th>
<th>Sign-off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal including Human Rights Act</td>
<td>The report will be presented to Cabinet for approval of the proposed procurement strategy and social value policy. In approving this report, Members will be required to have regards to the following;</td>
<td>John Scarborough, Director of Legal Services, 28 June 2019</td>
</tr>
</tbody>
</table>

**Relevant Information**
Members will be required to consider all relevant information presented as part of the report in making its decision.

**Best Value**
In exercising the general power, Members will be required to consider the requirement for the Council to make arrangements to secure continuous improvement in the way in which its functions are exercised, especially in procuring services and having regard to a combination of economy, efficiency and effectiveness.

**Equalities**
In considering the recommendations, Members will be required to have regards to the general equality duties set out in Section 149 of the Equality Act 2010 (the Public Sector Equality Duty).

Under the Responsibility for Functions section of the Constitution, Cabinet is authorised to take the decisions in section 1 of the report.

There are no Human Rights Act
| Finance and other resources including procurement implications | This report provides a step change to the procurement activities of the authority, essential for the delivery of Value for Money arrangements.
The report also enables one of the pathways towards an inclusive economy, supporting and strengthening local businesses. | Damon Cook, Director of Finance October 2019 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equalities</td>
<td>Decision-makers are reminded of the requirement under the Public Sector Equality Duty (s149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups. Processes and guidance currently within the procurement process to ensure that the proper equalities assessment is undertaken when procurements are undertaken. These changes have no impact on these processes and guidance.</td>
<td>Ian Tasker Assistant Chief Executive 13 June 2019</td>
</tr>
<tr>
<td>Risk</td>
<td>The Council’s procurement, contract management and performance reporting processes each help to ensure that any risks are identified, monitored and acted upon. Processes, such as category classification, enable contracts that are of greater value and that pose a greater risk, to be easily identified, helping services to manage those contracts accordingly. The Council’s Corporate Performance Reporting structure, which encompasses Services Plans and Service Pressure Reports, also acts to capture service pressures and risks including those associated with contract or procurement activity. In addition, the Corporate Risk register enables all corporate</td>
<td>Ian Tasker Assistant Chief Executive 13 June 2019</td>
</tr>
</tbody>
</table>
risks to be logged and regularly reviewed. The Council looks to reduce the risk associated with contractors carrying out activities on behalf of the Council by ensuring that contractors are aware its policies and, where appropriate, contractors’ policies mirror those of the Council.

The Council looks to mitigate risk on both the Council and supplier side by ensuring that contract managers and the supplier map out any risks associated with the contract and review these risks at every contract management meeting. This ensures that any risks that are solely held by the contractor are understood by the Council to ensure that appropriate actions can be taken to reduce these risks. The processes through which risks are established and recorded is outlined within the procurement and contract management guidance.

14. **Report Appendices**

14.1 The following documents are to be published with and form part of the report:

Appendix A  Procurement Strategy
Appendix B  Social Value Policy
Appendix C  Social Value Framework

15. **Background Papers**

Corporate Finance and Performance Scrutiny Panel Procurement Review Overview and Scrutiny 30\textsuperscript{th} April 2019 Item 6.