



WEST LONDON ALLIANCE

Social Value Handbook

COUNCIL OF EUROPE



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This Handbook contains good practices highlighted at the Conference on *Social Value in Procurement and Supporting our Local Businesses in West London*, hosted by the West London Alliance of Councils (WLA)¹. The Conference and Handbook are part of the DELI (Diversity in the Economy and Local Integration) project, run by the Council of Europe and the Migration Policy Group (MPG) and financed by the European Commission.²

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The UK's Social Value Act enables local councils to pursue their social value agenda through their procurement. For the purposes of this Handbook, we will focus on the promotion of SMEs, including BAME and immigrant-owned businesses, where it is the local council's priority issue of their social value activities.

The Handbook is structured as follows:

Section One addresses local policy-making on social value in procurement and how local councils set their strategies for delivering social value.

Section Two explores how procurement teams embed social values in their procurement processes and supplier engagement activities.

Section Three focuses on how the impact of social value in procurement is measured.

Case studies are presented to highlight good practice in those areas.

Local policy-making on social value in procurement

The Public Services (Social Value) Act of 2012 requires public authorities to have regard to economic, social and environmental well-being in connection with public services contracts; and for connected purposes.³ Local councils set priorities according to what they think is needed in their area. They use their procurement policies, processes and activities to drive these priorities which may include:

- local SMEs
- environment
- employment
- apprenticeships
- homelessness
- children at risk
- child poverty

A number of councils prioritise support for local SMEs. In this area, the Social Value Act is strengthened by other UK legislation, such as Section 106 planning agreements which promotes the use of local SMEs in public procurement.⁴

The UK Central Government has also prioritised the promotion of SMEs through its pledge to have 25% of its contracts supplied by SMEs by 2015.⁵ Procurement is also regulated by European law, but allows a considerable amount of freedom for local authorities to set the rules for local procurement for those contracts which fall below or above the EU procurement threshold. Below the threshold, local procurement is freer to establish its own rules than it is above the threshold. It is increasingly accepted across Europe to include social and environmental considerations in public procurement. See the EU's *Buying Social: A Guide to Taking Account of Social Considerations in Public Procurement* for further details.⁶

The West London Alliance (WLA) Councils of Barnet, Brent, Ealing, Hammersmith & Fulham, Harrow and Hounslow are committed to work together to use procurement as a strategic tool to improve community benefits for the West London region. The WLA has collective aspirations with regard to SME engagement, economic development and social value.

Case Study West London Alliance: A collaborative approach to Social Value

The WLA procurement strategy aim is for Procurement to contribute to the WLA Councils' socio-economic agendas. A key objective is to support a successful local West London economy and voluntary sector, promote best practice in order to deliver social, economic and environmental objectives. The aim is to ensure that the WLA Councils' objectives in relation to social, economic and environmental aims are delivered and to disseminate best practice for delivery of Social Value across West London.

To begin to develop a policy on social value in procurement, local councils also need to link their social value priorities with their overall economic strategy.

Case Study: London Borough of Barnet - Access to markets and supply chain

What we've done:

- Spent £1.3m more in the local supply chain than in 2014
- Engaged with a large number of local businesses
- Developed a 'Doing business with the London Borough of Barnet' training module has been developed to support local businesses
- Increased role of local businesses in local supply chain, particularly for <£10k procurements
- Roll out of 'Doing business with the London Borough of Barnet' training module for local SMEs
- Access to procurement information more accessible to SMEs through the procurement portal

For a council-wide social value strategy to be successful, early political support and strong leadership are crucially important. This will steer what outcomes realistically can be achieved and set priorities when there are competing policy objectives.

Case Study: The Importance of Political Leadership to Drive Social Value – Hammersmith and Fulham Council (H&F)

Whilst the Public Services (Social Value) Act 2012 has for some time required councils to consider how social value might be pursued through its procurement activity, and be delivered through the contracts it awards as a result of this activity, it requires clear political leadership locally for the legislation to gain traction. Hemmed-in by individual service “thought-silos” and decreasing budgets, officers responsible for commissioning and procuring services have tended to focus their attention on operational priorities: what are the immediate service imperatives and can these be delivered within shrinking budgets? Within this mind-set, Social Value has often been perceived by officers as, whilst well-intentioned, nebulous, difficult to specify and measure, and something that potentially adds cost.

In Hammersmith & Fulham, the political leadership has been clear on what it expects. It has challenged procurement officers to:

- increase the number of local SMEs directly and indirectly participating in the Council supply chain;
- seek apprenticeships and training schemes for economically disadvantaged local people from Council procurements, where these are possible;
- seek wider community benefits when procuring.

Case Study: Constructing a Policy on Social Value in Procurement –

Harrow Council has recently updated its commitment to the Social Value Act 2012 by replacing its Sustainable Procurement Policy with a new Social Value policy. The policy provides a vital link between the council’s strategic vision through to individual procurements by ensuring that the commitments achieved from contractors contribute directly to the outcomes that are mentioned in Harrow’s Corporate Plan.

Once the social value priorities are defined and set at the strategic level by the political leadership of the Council, the procurement team can implement the policy, embedding social value considerations in its processes and supplier engagement activities.

Implementation in procurement - how procurement teams include social values in their procurement processes and supplier engagement activities

In pursuit of their social value agenda, councils may have to review procurement processes and amend them accordingly. This can bring about cooperation between various departments and produce synergies, which can be cost-saving. In this way, procurement teams, working with other departments such as the local economic development department can find out more about how much the council spends with local SMEs and in which procurement areas these micro and small businesses operate.

Procurement processes to be reviewed may include:

- Nature and Size of the Contract
- Pre Qualification Questions (PQQs)
- Tender requirements
- Contract award evaluation criteria
- Contract management

With reference to the nature and size of the contract, procurement may decide to work alongside the local economic development department to investigate whether the substance of the contract is suitable for SMEs, e.g. are there local SMEs which can provide the services needed? Procurement teams can also assess whether they are able to break down a big contract into smaller pieces or 'lots' so that SMEs have an opportunity to bid for parts of the bigger contract.

Tender requirements are often very time-consuming, laborious and complicated which put SMEs at a disadvantage. Tender requirements can be time-consuming and complicated which may put SMEs at a disadvantage. The WLA is now using the Crown Commercial Service standard Pre-Qualification Questionnaire and only require self-certification in terms of evidence. Any evidence is relevant and proportionate to the contract being let and only requires the actual documentary evidence if the bidder wins the contract. Financial requirements such as indemnity insurance are matched with the value and risk of the contract.

For big contracts, when evaluating a tender, social value is given a weighted value (usually 5 – 20%) of the total evaluation criteria along with other criteria including price and quality. This weighting system encourages primary contractors to provide social value with little or no added cost. Pre-procurement meetings, held with potential prime contractors to discuss the council's social value agenda and delivery can be helpful. At these meetings, they may wish discuss how to include SMEs as possible sub-contractors to fulfil social value requirements.

Case Study: Social Value at Hounslow

Social Value at Hounslow has been embedded in the pre-procurement phase of projects. Prior to seeking authority to commence procurement a member of the procurement team carries out a 'fact-finding' exercise to determine the requirements of the client and learn more about the drivers for the project.

Part of this exercise is to work with the client to determine any suitable areas of Social Value that can be specifically targeted for a particular contract. To assist with this the client is provided with a checklist of potential social value benefits and a guide to Social Value with case studies of where benefits have been gained elsewhere in the sector.

This pre-procurement exercise also includes a MoSCoW analysis of the client's needs. By splitting the Needs and Wants of a project we can reduce unnecessarily complicated specifications and open the potential market to more economic operators.

Case Study: Contract Monitoring – Harrow Council

Depending on the value of the contract being offered, in Harrow Council, procurement officers can choose from an open approach or specified requirements. One approach is to allow bidders to be creative and can lead to the council's expectations being exceeded. However, for lower value contracts, a specified approach can sometimes yield better results. In either case, a social value action plan is recommended to be completed by the supplier with detail on what is being committed and by when it will be delivered if the contract is won.

Commitments made by bidders become binding at the point of award and are included in the final service contracts. Contract managers then ensure that as part of continuous monitoring, these commitments are being delivered in the way and in the time frames that were originally proposed. For contracts with a value of over £250k, quarterly reporting is also submitted to a central Economic Development team who monitor social value delivery across the council.

Case Study: Including Social Value in the Council's Procurement Processes

The London Borough of Hammersmith and Fulham (H&F) has an elected Member-led Taskforce looking into how the Council procures and what could be done to get more "social value." As a result of its recommendations:

- The Council has changed the part of its Constitution that governs how procurement is undertaken.
- For low value work below £25k, two of the three required quotes must be sought from locally-based companies where these exist.
- All procurements above £100,000 have a procurement strategy approved by the full H&F Cabinet before the procurement can proceed. This report must include:
 - the contract award evaluation criteria, including all important relative weightings;
 - the packaging of the contract, and consideration of whether it should be divided into smaller "lots" to enable bids from small businesses and third sector organisations;
 - how any social value, local economic and community benefits have been considered, and whether these are being sought through the procurement;
 - feedback from any pre-procurement market soundings taken;
 - arrangements for monitoring and managing the contract once it has been awarded, and ensuring contractors commitments are fully delivered.
 - full Cabinet approval of £100,000+ procurements is being introduced.

To ensure success in pursuing a social value priority to support local SMEs, procurement officers must also review and perhaps modify their supplier engagement activities, putting greater emphasis on meeting with the SME community, matchmaking and SME training organisations and engaging prime contractors in their strategy. Supplier engagement activities include:

- Pre-procurement dialogue on social value priorities with potential prime contractors and SMEs (as first tier or subcontractors)
- Reaching out to local SMEs
- Developing portals for potential suppliers
- Working with matchmaking organisations and supporting their initiatives
- Hosting 'Meet the Buyer' events and training sessions on the council's procurement procedures

Case Study: Market Engagement Hounslow

- Where the pre-procurement phase of a project determines the potential market may have difficulty in bidding for contracts, a market engagement event is carried out
- As well as this Hounslow Procurement and Commercial Services team have worked with the local Chamber of Commerce on events as speakers on public procurement and how to access opportunities.

Councils can play a role in facilitating (rather than prescribing) ideas of what can be done to fulfil the social value part of the contract. Procurement officers can let local voluntary and community organisations know which contracts will be tendered in future and ask them to indicate which of these they would like to talk about with bidders and contractors. Councils can also facilitate an exchange of contact details between short-listed bidders and interested local community organisations and then let them have their own conversations on what community benefits could be delivered in partnership with one other.

In terms of reaching out to local SMEs, it is suggested that council procurement teams should make the most of what already exists. Reaching out to SMEs and local Third Sector groups, and trying to build their capacity, can be resource intensive. Councils could use whichever local forums and communication channels already exist, and proactively engage with strategic umbrella organisations.

Working with an intermediary organisation can make all the difference. Organisations such as *Building for Growth*, offers a free business support programme, and exemplifies how a matchmaking organisation can help the SMEs, the councils and the primary contractors. Prime Contractors find that working with an intermediary organisation may be very helpful, as it is often difficult for them to know the local SMEs the council would like to target.

Case Study: Pre-procurement Dialogue with Prime Contractors and SMEs

Hammersmith and Fulham Council advises that for large contracts, council procurement officers should engage with the market in pre-procurement dialogue. The Council warns that the officers should not operate on assumptions. They are encouraged to ask potential providers what sort of social value they think they might be able to deliver; how they think the procurement and contract(s) should be structured to optimise these; and how much they are likely to cost. Some local economic and community benefits will come at no extra cost, whereas others will have them. There is no point in asking the market to provide certain things if these end up being beyond what is affordable.

There could also be pre-procurement dialogue with potential SME suppliers. The Council suggests that for medium-sized contracts, ask SMEs whether they would prefer to bid directly for the work (which might involve process costs) or be part of a prime contractor's supply chain.

Case Study: Results from Building for Growth's Work

- To date, companies on the programme have won nearly £10m of contracts through introductions made by Building for Growth
- They have received over 150 invitations to tender.
- Contracts have been won so far for scaffolding, façade restoration, site logistics; brickwork, roofing, dry lining, tiling & landscaping.

Measuring Impact of Social Value

There are many ways to measure the impact of Social Value; measurement tools are often divided into qualitative and quantitative measures. Qualitative measurement may include: qualitative surveys, benchmarking, anecdotal evidence, case studies, participant observation etc. Quantitative measurement may include data collection and analysis, survey experiments, descriptive and causal analysis etc.

A number of organisations in the UK are using different methods to measure the impact of social value. Case Study examples provided are presented to demonstrate these different methodologies. They include:

- Local councils and other organisations provide a list of additional community benefits accrued from having social value objectives.
 - Results from Harrow Council
 - Results from the City of London Corporation's Local Procurement Charter
 - Results from Building for Growth
- The Social Value Portal quantitative measurement tool to measure the impact of social value.
- Wilmott Dixon Foundation's 'impact targets' and its 'holistic' way of measuring the long-term possible benefits of its community investment work.

Case Study: The Social Value Portal

The Social Value Portal (SVP) was engaged by Legal & General to assess the social value of a new office development in the London Borough of Hammersmith and Fulham with a particular focus on understanding the potential contribution of the local supply chain and SMEs. SVP developed an accounting tool to assess the total social value of a building through its three principle life stages.

- Materials and Manufacture - where are materials and products sourced and how may these be optimised to enhance value especially for the Local Planning Authority through local sourcing?
- Construction - how can local suppliers and labour be maximised and what additional community activities could contracting teams be engaged in that deliver community value?
- In-Use – how does the building through its occupation phase contribute to improving the local area and how can occupiers be encouraged to engage with local issues in order to improve their own CSR or Community Engagement programmes?

The tool assesses the benefits of a range of social actions and places a financial value on those opportunities that either make a financial saving or provide an economic boost to the local economy where:

$$\% \text{ Social Value} = \frac{\sum (\text{Measure} * \text{Value})}{\text{Investment}}$$

Theme	Outcomes
Economic Considerations Jobs, Growth and Financial Resilience	People have the skills to find work
	All young people have opportunities to achieve their ambitions
	Local Business and Charities are supported to be more resilient
	People achieve financial security
Social Considerations Safer and Stronger Communities	All LBHF communities feel they are valued and are part of their neighbourhoods
	Crime reduces
	People are healthier, for longer
	Vulnerable children and adults get support and protection
	Older, disabled and vulnerable people can live independently and have control over their lives
	LBHF residents have more opportunities for better quality homes
Environmental Considerations Cleaner Streets and Green Neighbourhoods	An effective and resilient 3rd sector
	People live in, work and visit our vibrant and creative town centres
	People take greater responsibility for their neighbourhood

Table: A range of Themes, Outcomes and Measures (TOMs) were assessed for their social value

Case Study: The Social Value Portal continued

The results showed that there were significant opportunities for SME engagement at every stage of the building lifecycle and that this amounted to over £6m per year (includes a local multiplier of 2.0). However, these benefits were not guaranteed through the planning process and were likely to be 'lost' unless specific action was taken by all parties:

- Planners need to include social value outcomes as a part of their planning (Section 106) negotiations. These should consider all lifecycle stages of a building
- Contractors need to develop programmes that first identify local SME and 3rd Sector providers and secondly ensure that they are given the opportunity to bid for appropriate work. This is likely to require packages that are subdivided. Also, main contractors should include social value as a procurement parameter during the tendering process
- Building owners need to engage with their tenant to ensure that local suppliers and SMEs are given appropriate opportunities.

A number of key benefits were identified:

- 1 A focus on benefits to the local area will improve social outcomes
- 2 Where SME can be found locally this can lead to reduced costs and environmental impacts
- 3 Increased economic flow through into the local area will improve asset value

Case Study: A Holistic Way of Measuring Community Investment Work using Impact Targets – the Willmott Dixon Foundation

Willmott Dixon has a holistic way of measuring community investment work. The value of time, money and gifts-in-kind donated by Willmott Dixon to local communities in 2015 was an impressive £2.6 million. But Willmott Dixon is clear that financial figures alone do not fully express the value of a company's contribution. It is more important that companies understand the impact of their community investment work on people's lives.

However, measuring impact is easier said than done. Many organisations operating in the social value space are grappling with how, exactly, they quantify the impact of, say, a work experience placement on a young person. But most follow-up studies are short-term – rarely do they track a young person over time, and even if they could, it would be impossible to know exactly what part the early work experience placement played in their life.

Cognisant of this, in 2013 Willmott Dixon set one of the country's first 'impact' targets: it aimed to 'enhance the life chances of 3,000 young people by 2015'. In doing so the company acknowledged that different interventions impact people to different degrees. Some interventions – such as providing an apprenticeship to someone previously unemployed – will transform lives; others – for example, delivering mock interviews or providing work experience for a university student – may simply improve a young person's chances. So they introduced a crude methodology that counted an intervention which truly transformed a life as equivalent to three interventions which improved life chances or contributed towards a change.

By the end of 2015, using this methodology, Willmott Dixon had enhanced the life chances of 3,426 young people. Over the last three years, they have:

- Transformed the life chances of 1378 young people
- Improved the life chances of 6053 young people, included in this figure are:
 - 1293 young people for whom we gave a work experience opportunity (of which 317 were with us for over 6 weeks and 147 were from very disadvantaged backgrounds).
 - 1948 young people who attended in-depth interview skills and cv writing events which included mock interviews and detailed feedback.
 - 251 young people who were mentored by Willmott Dixon.
 - 75 young people who we helped to learn to read through long-term reading buddies schemes (6 of them at age 16 just before their GCSEs).
- They have now extended the target to helping 10,000 young people by 2020.

Willmott Dixon has also developed a 'holistic' way of reporting its community investment work. They combine qualitative indicators, such as mini-case studies and quotes from individuals whose lives have been changed through the company's activities, with quantitative data which necessarily focuses on inputs such as the number of work placement opportunities or number of young people mentored. This holistic reporting provides a truer picture of Willmott Dixon's social impact.⁷

- ✓ The UK Social Value Act, and other legislative requirements such as the Section 106 planning agreements have created a more positive environment for practising social value in procurement. It has allowed the local procurement functions to become more creative and to manage risk to reflect the size and scope of the contract.
- ✓ To begin to develop a policy on social value in procurement, local councils need to link their priorities within the social value agenda with their overall economic strategy.
- ✓ For a council-wide social value strategy to be successful, early political support and strong leadership are crucially important. This will steer what outcomes realistically can be achieved and set priorities when there are competing policy objectives.
- ✓ To ensure success in pursuing a social value priority to support local SMEs, procurement officers must also review their supplier procurement processes and supplier engagement activities and amend them accordingly.
 - This can bring about cooperation between various departments and produce synergies, which can be cost-saving.
 - They may wish to put greater emphasis on working with the SME community, matchmaking and SME training organisations and engaging prime contractors in their social value strategy.
- ✓ To measure the impact of social value both qualitative and quantitative measure are used:
 - Local councils and other organisations may provide lists of additional community benefits accrued from having social value objectives.
 - A number of organisations have developed quantitative measurement formulas to measure the impact of social value.
 - Organisations may also choose to measure the long-term possible impacts using both qualitative and quantitative methods.





- ¹ For more information about WLA please refer to the following website: www.westlondonalliance.org
- ² For more information on DELI please refer to the MPG website <http://www.migpolgroup.com/diversity-in-the-economy-and-local-integration>
- ³ This definition is taken from the "The Public Services (Social Value) Act; Impact and Implications for Business."
- ⁴ Many councils are seeking to secure social, economic and environmental benefits for their local area and economy from major investments in their area. One way of doing this, in the case of economic benefits, is to include local procurement requirements in section 106 development planning obligations for larger developments (>1,000m²). Such obligations can often include a financial contribution and can cover a wide range of measures to mitigate the impact of a development. "Soft" investments may include actions to ensure local procurement and supply. Local procurement takes the form of engaging with local suppliers and aiming for a target of local procurement/supply based on a percentage of the project cost.
- ⁵ The Central Government has pledged to use SMEs to fulfil 25% of its contracts either directly or indirectly through its supply chain. <https://www.gov.uk/government/publications/2010-to-2015-government-policy-government-buying/2010-to-2015-government-policy-government-buying>
- ⁶ *Buying social: a Guide to taking account of social considerations in public procurement*, European Commission, 2011.
- ⁷ Visit www.willmottdixon.co.uk for more stories and information.

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