

## social value

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## **Social value policy**

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# Social Value Policy

## 1.0 Background

- 1.1 The Social Value (Public Services) Act 2012 came into effect on 31<sup>st</sup> January 2013. It requires Incommunities to have regard to economic, social and environmental well-being when tendering for contracts. The scope of the Act is restricted to 'services contracts' above the OJEU (Official Journal Of The European Community) contract value threshold (set at £164,176 from 1 January 2016 to 31 December 2017) although the principles can equally be applied to 'supply' contracts, 'works' contracts and below threshold 'services contracts'.
- 1.2 The 2012 Act has the aim of encouraging all public bodies to consider 'social value' prior to commencing a tender process. It is to work alongside the Public Contracts Regulations 2015 – they have the same financial threshold for applicability. Please note that Incommunities has adopted a lower threshold, of contracts over £50,000, for the Social Value provisions to apply.

## 2.0 What is social value?

- 2.1 There are a number of definitions of social value. The definition used by Incommunities is that **'Social value is about seeking to maximise the additional benefit that can be created by procuring or commissioning goods and services, above and beyond the benefit of merely the goods and services themselves.'** (Best Value Statutory Guidance (2011), DCLG).

## 3.0 Examples of social value

- 3.1 The types of social value that can be derived from procurement can be quite widespread but should be influenced by:
  - Incommunities' Strategic Priorities of Building Financial Strength, Improving Lives, Growing the Business Through Development and Merger, Diversifying Opportunities and Developing Our People;
  - Incommunities' Values of Fairness and Social Justice, Ownership, Engagement, Emotional Intelligence, Respect and Nurture;
  - The conditions and circumstances within the locality, although not necessarily restricted by this e.g. requirements relating to fair trade may affect global trade.
- 3.2 The following are examples of some areas of potential social value that could be considered when contracting:
  - Promoting social inclusion by targeting contract opportunities at local voluntary groups, social enterprises and other civil society organisation and encouraging community involvement and social inclusion.
  - Encouraging corporate social responsibility amongst our suppliers and contractors

- Fulfilling equality duties and improving market diversity
- Promoting skills and training opportunities for under-represented or protected groups
- Creating employment opportunities locally, or for particular community groups
- Creating career enhancement opportunities such as work placements and internships.
- Encouraging innovative approaches to design that may help particular groups
- Encouraging compliance with national and international social and labour law
- Promoting decent working conditions and environment
- Supporting fair and ethical trading
- Contributing to health improvement campaigns
- Increasing the availability of environmentally beneficial goods and services
- Consider the impact and potential of capital projects in increasing social value
- Protecting the environment through participating in campaigns such as improving your carbon footprint, recycling or energy efficiency
- Improving payment terms in supply chains

## 4.0 The requirements of the Social Value Act 2012

- 4.1 The 2012 Act requires Incommunities to have regard to economic, social and environmental well-being in connection with public service contracts valued over the OJEU contract value threshold (currently £164,176). In line with our ethos and Strategic Priorities, Incommunities will apply this Policy and Procedure to all contracts with a value of more than £50,000.

This will help us to gain greater social value while incurring a justifiable investment of time and resources complying with the Policy and Procedure.

- 4.2 Incommunities must:

- Consider how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area.
- How in conducting the process of procurement, it might act with a view to securing that improvement. In trying to secure that improvement it does so by only considering matters that are relevant to what is proposed in a proportionate manner.
- Consider whether to undertake market consultation with regard to the improvements to be considered.

- 4.3 Incommunities will keep a written record of how we complied with paragraph 4.2 for each procurement with a value of more than £50,000.
- 4.4 **It is important that at the outset of any procurement or contracting where the total cost is, or likely to be greater than £50,000 over the lifetime of the contract, that a social value form is completed (see appendix)**

## 5.0 Further action

- 5.1 Tenders subject to the full rules of the Public Contract Regulations 2015 will require a specific clause inserting into the OJEU contract notice to ensure social value can be considered during pre-qualification and tender evaluation. An example is provided below:

*'It is intended that this contract helps act as a catalyst for [broadly define the goal of the social benefits]. Accordingly, the contractor will be required to participate actively in achieving these objectives and contract performance conditions may relate to economic, social and environmental well-being. The contractor's technical capability to meet these requirements may also be assessed at the pre-qualification stage and criteria which assess the manner in which the contractor will meet these requirements may also be included within the contract award criteria. Further details will be provided in the tender documents'.*

**The person responsible for producing an OJEU contract notice (usually the procurement manager) will insert a suitable clause into the contract notice to allow social value to be considered during the process. The need for this to be done will be flagged up by the social value form completed at the outset of the process.**

- 5.2 Contracts worth more than £50,000 but less than the OJEU threshold tenders for these contracts will need a similar clause to the one outlined in paragraph 5.1, adapted to reflect that it is not an OJEU contract notice.

**The person responsible for producing a contract notice (usually the Procurement Manager) will insert a suitable clause into the contract notice to allow social value to be considered during the process. The need for this to be done will be flagged up by the social value form completed at the outset of the process.**

- 5.3 For tenders where social value is relevant to the subject matter of the contract and assuming the contract notice includes the above clause (where applicable), specific questions can be included at both pre-qualification and tender evaluation.

Firstly, at pre-qualification, questions can be asked to determine a bidders past experience in delivering social benefits

**The person leading the procurement, in combination with anyone assisting them will decide what social value is hoped to be achieved and design pre-**

**qualification and/or tender evaluation questions when completing the Social Value Form at the outset.**

Secondly, tender evaluation criteria can be constructed to test how bidders will deliver social value during the contract, but care is needed to ensure the criteria have some relationship to the subject matter of the contract. It is important that criteria can demonstrate that some economic advantage which relates to the contract has accrued. Some examples of evaluation may be that bidders are *'required to demonstrate how they would construct and operate their supply chain in order to maximise opportunities to local enterprises'* or being *'required to produce a waste minimisation plan including details of how they will work with supply chains and their suppliers to reduce waste'*.

These are just a few typical high level evaluation criteria. Further work is necessary to develop them into a coherent evaluation model that can be adapted depending on the particular contract

- 5.4 Contract clauses are not tender evaluation criteria so cannot influence who is chosen as the successful bidder. While bidders must accept the contractual conditions in order to submit a valid bid they are only required to implement the terms when performing the contract, not before or during the tender process.

Contractual clauses can be used to achieve social value. These could include placing an obligation on the contractor to provide Incommunities annually with information on the contractor's reduction of carbon emissions, or placing an obligation on the contractor to pay sub-contractors within 30 days.

The list of potential clauses is lengthy, but care is required to not create obligations that are too onerous and result in additional cost.

**The person drafting and/or negotiating the contract will draft suitable social value contract clauses when completing the Social Value Form at the outset, and then incorporate them at the time of contracting. These clauses will be published to potential bidders so that they can be taken into account when bidding.**

- 5.5 The implementation of social value can only be as successful as the monitoring and review mechanisms contained in the final contract. Effective contract management is vital. To ensure that social value is delivered, it must be possible to measure and quantify the outcome being pursued. Robust monitoring against defined key performance indicators must be developed for each contract, usually being designed in at the earliest stage before launching a procurement exercise.

**The person leading the procurement, assisted by others, will design KPIs that measure the social value achievement required, in line with the social value priorities that will have already been decided and the social value contract clauses drafted. The KPIs will be designed at the outset of the procurement procedure and recorded on the Social Value Form when it is completed.**

- 5.6 In order to deliver social value, all Incommunities employees who undertake procurement activities are expected to familiarise themselves with this policy and procedure document, and comply with it on all procurement tasks undertaken.

**The person completing the Social Value Form will confirm on the form that they have familiarised themselves with this policy and procedure document.**

- 5.7 Improving the economic, social and environmental wellbeing of the area by considering social value in the procurement process and subsequent contracts is a very positive move. However, Incommunities is still under the duty of best value and must be able to demonstrate value for money in the contracts entered into. In addition, the Public Contract Regulation 2015 place obligations on us to undertake procurement in such a way as to prevent discrimination in the single market. These requirements can sometimes be contradictory in nature and are often difficult to balance when contracting.

A sensible approach is to endeavour to achieve additional social value where it outweighs the cost of doing so, but to accept that after consideration sometimes additional social value should not be sought because it is outweighed by cost.

**The person completing the Social Value Form will explain in writing how the requirements of the Social Value Act 2012 have been met. This may include confirmation that social value is not being sought due to overriding justifications such as the duty to achieve best value or the obligation to open up bidding to all EU suppliers rather than just local businesses.**

## 6.0 Reporting on social value

- 6.1 Incommunities will report on the social value outcome achieved through its procurement activities annually to the Audit Committee. Suitable KPIs (key performance indicators) will be developed and tested (e.g. the proportion of contracts that have social value outcomes included)

- 6.2 **The procurement manager will produce an annual report for the Audit Committee. The Social Value Report will detail the following KPIs:**

- **Percentage of procurements with a value of more than £50,000 where a social value form has been completed. The target is 100%**
- **Percentage of contract notices for procurements of more than £50,000 where a social value clause has been included. The target is 100%**
- **Percentage of contracts with a value of more than £50,000 which include social value contract clauses. No numerical target is set but it is an expectation that social value gain will be made unless it is unjustifiable not to do so.**
- **Percentage of contracts with a social value contract clause where the supplier provides the required KPI information on time. The target is 100%**
- **A narrative detailing the successes and potential for improvement for social value achievement.**

7.0 Appendix

# Social Value Form



What is being procured? :

What is the financial value (i.e. price) over the lifetime of the contract? :

What social value is to be achieved as part of this procurement? :

If social value is not to be sought, what is the reason for not seeking social value? :

How is the social value going to be achieved? :

What wording will be used for the contract notice (OJEU and/or Contract Finder), to cover the social value which will be achieved? :

What pre-qualification and/or tender evaluation questions will be asked to assess the capability of bidders to deliver the social value sought? :

What wording will be used in contract clauses to achieve the social value we are aiming for? :

What KPIs will be used to assess whether the successful bidder is delivering the social value to be achieved (in line with the contract clauses detailed above)? :

I can confirm that I have familiarised myself with the 'Social Value Act 2010 Policy and Procedure':

Signed \_\_\_\_\_

Name:

Job title:

Date Signed: