

	<p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">CABINET</p> <p align="center">6 JULY 2015</p>
<p>TASKFORCE ON SOCIAL VALUE PROCUREMENT</p>	
<p>Report of the Cabinet Member for Commercial Revenue & Resident Satisfaction : Councillor Ben Coleman</p>	
<p>Open Report</p>	
<p>Classification: For Key Decision: No</p>	
<p>Wards Affected: All</p>	
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1. EXECUTIVE SUMMARY

- 1.1 The Taskforce on Social Value Procurement was established jointly by the Policy and Accountability Committees on Economic Regeneration, Housing & the Arts and on Finance & Delivery. On 2nd June, the final report and recommendations were approved by the ERHA PAC, which agreed that the report should be submitted to Cabinet for consideration. The final report of the Taskforce is attached as Appendix A.

2. RECOMMENDATIONS

- 2.1 That Cabinet note the recommendations made by the Taskforce on Social Value Procurement and invite the Cabinet Member for Commercial Revenue and Resident Satisfaction to bring forward proposals to Cabinet and full Council for implementation.

3. REASONS FOR DECISION

- 3.1 The Taskforce's recommendations complement the Council's Corporate Strategy and commitment to supporting local business.

4. BACKGROUND

- 4.1 The new council administration elected in May 2014 made the following manifesto commitment: *"While still keeping costs down, council procurement will take a 'community benefit' approach that supports*

local jobs and businesses and develops young people's skills through apprenticeships. At a first step, we will identify and remove barriers that small firms face in trying to win council contracts."

- 4.2 The London Borough of Hammersmith & Fulham (LBHF) will receive 57 per cent less central government funding by 2017 than it did in 2010. This underscores the need for the council to take a fresh look at how it can make every pound it spends go further.
- 4.3 The Taskforce on Social Value Procurement was therefore established jointly by the Policy & Accountability Committees for Economic Regeneration, Housing & the Arts and for Finance & Delivery. The Taskforce agreed to have the following objectives:
- i) To understand the Council's current procurement strategy
 - ii) To understand how the tri-borough arrangement impacts upon procurement activity
 - iii) To understand the economic and legal constraints on procurement, with clarification on what the Council *must* do and what it *can* do
 - iv) To understand how much money the Council spends on procurement activity and with whom
 - v) To consider the experiences of local businesses and third sector organisations when participating in a Council procurement
 - vi) To look at what is undertaken successfully elsewhere
 - vii) To propose ways in which procurement can be used to produce social value and community benefit
 - viii) How the Council can identify and support local businesses, third sector and other public sector organisations to build and improve the local supply chain
 - ix) To keep all procurement matters under review.
- 4.4 The membership of the Taskforce was as follows:
- Cllr Ben Coleman (Chair)
 - Cllr Greg Smith
 - Cllr Guy Vincent
- 4.5 The Taskforce heard from a range of witnesses, including local businesses and third sector organisations which had delivered or wanted to deliver services for the Council, and from representatives from other councils across the country.
- 4.6 "Social value" is the generally recognised shorthand for achieving extra community benefit through procurement. It is best defined by Social Enterprise UK as follows:
- "Social value is a way of thinking about how scarce resources are allocated and used. It involves looking beyond the price of each individual contract and looking at what the collective benefit to a community is when a public body chooses to award a contract. 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?'"*

- 4.7 The Taskforce was particularly interested in how social value procurement could be used to produce greater benefit for small firms in Hammersmith & Fulham, whose survival and growth is a priority for the new administration. Besides the importance of supporting enterprise in and of itself, given that business rates now contribute more revenue than the council tax, helping local firms is essential in these austere times for maintaining local services and keeping council tax low.

5. RECOMMENDATIONS OF THE TASKFORCE

- 5.1 Having reviewed the evidence, the Taskforce makes the following recommendations to Cabinet:

Adopting a social value procurement policy

- i) The Taskforce recommends that a social value procurement policy be approved by Cabinet.
- ii) The council should use its expenditure more strategically by focusing not just on cost but on the wider economic multiplier benefits for the local community that can be realised when commissioning, procuring, assessing and delivering goods, works and services.
- iii) Specifically, procurement should aim to achieve the following in Hammersmith & Fulham:
 - More opportunities for local SMEs, micro-businesses and the third sector to become involved in the council supply chain through how the council commissions, procures and delivers goods, works and services
 - Market stimulation and capacity building for local SMEs, micro-businesses and the third sector to ensure they are better able to participate in the council's supply chain
 - More employment and training opportunities for local residents, especially young people
 - More specific opportunities for disabled and disadvantaged residents
 - Large contractors proposing and delivering clear community benefits.

Considering the local supply chain

- iv) Large procurements should be broken into smaller lots where possible to encourage local SME and third sector participation.
- v) The council should continue to review its own PQQ to make it simpler and less onerous for smaller firms and third sector organisations. The risk assurances sought by the council should

be proportionate and relevant to the value and nature of the contract.

- vi) For smaller contracts above £5,000 and below £25,000, the council should where possible invite three bids. While we recognise that some goods and services are not provided by businesses in LBHF, where possible two of the three bids should be invited from locally-based companies.
- vii) To stimulate the market, potential local suppliers should be proactively identified.
- viii) All contracts with a value of £500,000 or above should require bidders to demonstrate how they will use the local supply chain, as well as provide any other community benefit.
- ix) The council should introduce payment clauses into all contracts to ensure prime contractors pass on no less favourable payment terms to their sub-contractors than they receive from the council. To ensure this happens, tenderers should demonstrate how they will allow the council to monitor how they pay their sub-contractors.
- x) All local development documents and policies (not least Section 106 agreements) should explicitly require developers and their Tier 1 contractors to seek local suppliers and engage with the local supply chain and to abide by the council's Local Procurement Code.
- xi) Robust measures should be put in place to record the actual social value impact of individual procurements, including for lower value contracts that may not be monitored using current e-procurement systems.

Building the local supply chain

- xii) The council should commit resources to working with local SMEs and the third sector both directly and through umbrella organisations in order to involve them in strategic, long-term planning and provide any training required to develop local supplier markets capable of meeting future council needs.
- xiii) The creation of a board of local business and third sector representatives should be explored to facilitate ongoing dialogue between the local supply chain and the council.
- xiv) To ensure that the social value procurement policy is driven from the top, a Cabinet member should have lead responsibility for social value procurement.

- xv) The council should invest resources in building capacity in the local supply chain. This will include training in procurement processes and creating opportunities for local suppliers to sell to prime contractors.
- xvi) Prior to commencing a procurement, officers should conduct extensive market sounding to understand and develop the local market and build the capacity of potential suppliers. They should continually seek to update and extend their lists of local suppliers.

Implementing the policy

- xvii) To make the achievement of social value fundamental to how the council commissions and procures, a cross-departmental, ongoing training programme should be established for officers involved in procurement.
- xviii) Prior to receiving authorisation to begin procurements of £100,000 or more, officers should satisfy a member-level check that sufficient opportunities for delivering social value have been identified. This should be made part of the basic business case.
- xix) The council's Contract Standing orders should be revised to reflect the recommendations of this report.
- xx) In order to ensure the impact and effectiveness of the social value procurement policy over time, a monitoring and measurement methodology should be developed.
- xxi) The Taskforce should have a role in refining and implementing this policy.

6. LEGAL IMPLICATIONS

- 6.1 The Council's procurement policies are determined by Full Council. In order to reflect the recommendations of the Taskforce, the Contract Standing Orders will need to be revised by Full Council.
- 6.2 The 2015 Public Contracts Regulations contain a number of provisions aimed at assisting SMEs, e.g. breaking procurements down into lots, advertising requirements etc both for procurements that are subject to the full procurement regime and those that are not. Procurements should be considered on a case-by-case basis to ensure the relevant legislation is properly applied.
- 6.3 The State aid rules contain a number of measures which allow the State to assist SMEs in ways that would otherwise be unlawful, e.g. aid for start ups, consultancy etc. In view of this council could consider

whether an objective that may be prohibited in procurement law could be achieved using the State aid exemptions.

Implications verified/completed by: Keith Simkins, Head of Division
Contracts and Employment 020 7361 2194

7. FINANCIAL AND RESOURCES IMPLICATIONS

- 7.1 The financial impact of the proposed actions will need to be monitored and taken account of within the Council's future financial plans.

Implications verified/completed by: Andrew Lord, Head of Strategic
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LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None		

LIST OF APPENDICES:

Appendix A – Final Report of the Taskforce on Social Value Procurement