

Forward Plan reference number: FP/040/02/23

Report title: Update to the Social Value Policy – Amendments to the ECC Themes and Outcomes (TOMs)	
Report to: Cabinet	
Report author: Councillor Christopher Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs	
Date: 21 March 2023	For: Decision
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County Divisions affected: All Essex	

1. Everyone's Essex

- 1.1. Essex County Council spends approximately £1.2 billion per annum via its suppliers. This report relates to the Social Value Policy which harnesses the power of this spend to help deliver the aims of Everyone's Essex.
- 1.2. The delivery of the amended Social Value Policy and ECC TOMs will help achieve Everyone's Essex outcomes by including social value in the quality assessment of a tender evaluation, thereby allowing ECC to take into account the way an organisation will deliver a contract to contribute to the outcomes and to residents.
- 1.3. In 2020 we changed our approach to including social value through tenders, introducing a quantitative and qualitative evaluation. Since then, £72m of social value has been committed by 117 suppliers across 34 contracts. This includes:
 - 4,886 hours dedicated to support young people and 7,583 hours to support people over 24 years old into work
 - 704 jobs for people who are not in long term employment, education or training and long-term unemployed people
 - 182 jobs for people with disabilities
 - 6,355 weeks of apprenticeships (based on an average level 2 apprentice of 52 weeks, this would be 122 apprenticeships)
 - 3,099 weeks of meaningful work placements or pre-employment courses
 - 11,860 tonnes of Co2 emissions saved including renewable energy measures
 - £2.1m equipment and resources donated to local VCSEs
- 1.4. Everyone's Essex, our organisation strategy, sets out four strategic aims and 20 commitments. On 21 December 2021, the Cabinet approved a new set of social value themes and outcomes (TOMs), to better align the social value work with Everyone's Essex (FP/183/10/21). Eighteen months after the implementation of this, we commenced a review of the results achieved, lessons learned and a review of changes to the TOMs. We undertook this review with input from services responsible for the delivery of the Everyone's Essex commitments. As

a result of this work, changes to the Social Value Policy and the ECC TOMs are recommended.

2. Recommendations

- 2.1. Agree to amend the Social Value Policy and ECC Themes and Outcomes (TOMs) to:
 - a. Remove the multipliers from the social value scoring process.
 - b. Include the new social value measures set out in Table A of Appendix 3 to this report.
 - c. Include the specific measures set out in Table B of Appendix 3 to this report for use in construction contracts.
 - d. Amend the existing social value measures and financial proxies set out in Table C of Appendix 3 to this report.

3. Background and Proposal

- 3.1. The term 'Social Value' is defined in the Public Services (Social Value) Act 2012 which came into force in January 2013. It requires all public sector organisations and their suppliers to look beyond the financial cost of a contract and consider how the services they commission and procure might improve the economic, social, and environmental well-being of an area.
- 3.2. Public authorities should consider the wider financial and non-financial value created by the way an organisation delivers the contracts they let and express the contribution to its commercial outcomes in terms of the wellbeing generated for individuals, communities, the economy, and the environment. This must be achieved in accordance with the Public Contracts Regulations 2015 and the Local Government Act 1988.
- 3.3. Social Value through procurement is where an authority uses its purchasing power to achieve added value to the community. This can be achieved in the way that we specify what goods or services we are buying, but most commonly it is done by scoring tenders to give weight to added commercial value that a provider contributes to the authority and community through the way it performs the contract. Examples of social value include creating employment or training opportunities for our residents, providing careers advice and employment support for the long term unemployed, or reducing the use of single-use plastic.
- 3.4. The ECC procurement policy permits a flexible weighting of up to 20% of total scores available on a tender to be assigned to social value, with social value forming part of the quality assessment of bids received.
- 3.5. The National Social Value Measurement Framework 'Themes, Outcomes and Measures' (National TOMs) are a method of reporting and measuring social value to a consistent standard across the UK. This framework provides the golden thread between an organisation's overarching strategy and objectives, to

the delivery of specific social value outcomes achieved through procurement. The National TOMs are reviewed and endorsed by the National Social Value Taskforce ('NSVTF').

- 3.6. The NSVTF is a subgroup of the Local Government Association's national advisory group for procurement which was set up in 2016 to establish a best practice framework for the integration of the Public Services (Social Value) Act 2012 into commissioning and procurement. The NSVTF updates the National TOMs annually to ensure that data is up to date and that the National TOMs continue to reflect organisations' needs. This can include changes due to inflation, improvements to the definitions (based on feedback from local authorities across the country) and the inclusion of new measures, to harness opportunities in particular sectors. For example, in recent years, the NSVTF added measures for construction and facilities management procurements.
- 3.7. The National TOMs include a list of 'financial proxy values' to help organisations measure the social value delivered and quantify the wider value created for society. This is calculated using the Unit Cost Database (UCD) that was developed for Government and follows the principles laid out by HM Treasury for monetising economic, environmental, and social impact, with specific regard to potential savings for the public sector. Where the UCD does not provide a proxy value for a certain measure, then one has been developed on behalf of the NSVTF following relevant government guidance.
- 3.8. The Council has adapted the National TOMs to focus on ECC's objectives and policy outcomes set out in Everyone's Essex. These measures are called the ECC TOMs. The ECC TOMs Calculator is a list of all the ECC TOMs measures and their associated financial proxies. Suppliers enter the commitments they are willing to make in the ECC TOMs Calculator and this enables a total amount of social value to be calculated with respect to the tender which is then evaluated as part of the procurement process.
- 3.9. Any changes to the ECC TOMs must be agreed as per the delegations in the Social Value Policy. This report sets out the reasons for, and proposed changes, to the ECC TOMs.

Remove multipliers from the social value scoring process

- 3.10. Early adopters of the National TOMs were presented with the multiplier methodology as an option for authorities to apply to their priority measures, including to correct any imbalances caused by low proxy values for those measures. Currently, ECC applies a multiplier (of 3) to 19 of its ECC TOMs, to boost the proxy value in the four ECC priority areas: Employment, Skills, Young People, Environment. The multiplier is not used during contract management or in the reporting of results but during the procurement process itself.
- 3.11. Social value practices have matured across central and local government in recent years and the NSVTF has advised that the use of multipliers is not the dominant approach or widespread across Local Authorities and as such, it has not developed any prescriptive guidance on including multipliers. Also, the

measures related to a common priority theme – employment - already have high proxy values.

3.12. For example, NT1 (ECC1 in the ECC TOMs Calculator) for local employment has a proxy value of £32,240, already significantly higher than the value for other measures. With its multiplier of 3, each employee bid is then elevated to £96,720 (for evaluation purposes only). Furthermore, some proxy values issued as part of the regular update of the National TOMs Framework in June 2022 have increased significantly, meaning that some imbalances that might otherwise have been addressed with a multiplier, have been rectified with the altered proxy value (please see the List of ECC TOMs 2022 in Appendix 3 for details).

3.13. As part of the ‘2 Years On’ review process designed to identify opportunities to simplify and improve processes (for both bidders and officers), we reviewed the option to remove multipliers from the evaluation process. Based on this analysis (set out in Appendix 2), and to simplify the buying and bidding processes, we recommend that ECC removes multipliers from the ECC TOMs from its tender evaluation process.

Include new social value measures as set out in Table A of Appendix 3 to this report

3.14. The ECC TOMs Calculator has been widely reviewed considering four main sources of inputs: (i) National TOMs 2021 and 2022 sets of measures; (ii) teams across several ECC’s Service Areas who are experts on economic growth, environmental/climate, and social issues; (iii) ECC procurement practitioners; (iv) Procurement’s Sustainability and Social Value teams. Based on this review we identified measures from the 2022 National TOMs set that were significant to ECC’s Everyone’s Essex strategic outcomes that hadn’t been available previously. There were also new measures which offered a better approach to increase efforts towards suppliers’ practices that ECC would like to promote.

3.15. Based on this analysis we recommend the inclusion of new social value measures covering the following topics as set out in more detail in Table A of Appendix 3:

- ECC41 – ethnic minority groups;
- ECC45 – environmental protection and improvement;
- ECC46 – circular economy;
- ECC47 – hard to recycle waste;
- ECC48 – modern slavery;
- ECC49 – reuse of materials to reduce waste;
- ECC50 - climate change and climate reduction training;
- ECC51 – fleet emissions.

Include the specific measures set out in Table B of Appendix 3 to this report for use in construction contracts

3.16. Our review as the opportunity to add social value measures from the National TOMs Real State (RE) and Facility Management (FM) Plug-Ins since the

Construction market presents enough maturity to offer bespoke social value commitments. In line with ECC's Social Value priorities, we propose measures which are relevant to the nature of ECC's contracts. We recommend the inclusion of new social value measures covering the following topics for construction contracts – please note that 'local' is typically defined as those residing within the administrative area of the Council:

- ECC1c – local employment as procurement requirement through the supply chain;
- ECC42 – site visits for school children or local residents;
- ECC43 – employers fairs to encourage local employment;
- ECC44 – mental health support for employees;
- ECC52 – carbon emission reductions through reduced energy use and energy efficiency measures;
- ECC53 – diversion of waste;
- ECC54 – local supply chain opportunities.

Amend existing social value measures and financial proxies as set out in Table C of Appendix 3 to this report

3.17. As a result of our review, we identified existing ECC social value measures that required revision to reflect the National TOMs 2022 wording. Based on this analysis we recommend the amendment, replacement, or removal of specific social value measures. The revised ECC existing measures proposed are:

Measures to be removed

ECC2 –measure for local employment - covered by other measures

ECC35 –social value through procurement - covered by other measures

ECC36 – ethical procurement - covered by other measures

ECC37 – sustainable procurement - covered by other measures

Updated Measures that now focus on those residing within the administrative area of the Council as per the National TOMs

ECC5 –employment for rehabilitating young offenders;

ECC6 –employment for people with disability

ECC7 – employment for care leavers

Updated Units of Measurement

ECC9 – training opportunities – number of weeks

ECC10 – apprenticeships – number of weeks

ECC12 –local SMEs spend – inclusion of micro-enterprises and expansion of definition of SMEs

Updated Measures as per the National TOMs

ECC14 – health interventions

ECC15 – mental health

ECC17 – unpaid work placements and T-Levels

ECC19 – school/college visits

ECC21 – CO2 emissions savings: ECC22 – renewable energy

ECC23a – car miles saved

ECC24 – staff's vehicles emissions
ECC25 – voluntary time
ECC26a – plastic reduction
ECC27a – wellbeing programmes
ECC28 – diversity training;
ECC31a – digital awareness;
ECC32 – in-kind contributions;

4. Links to our Strategic Ambitions

4.1. This report links to the following aims in the Essex Vision:

- Enjoy life into old age
- Strengthen communities through participation
- Develop our County sustainably
- Connect us to each other and the world
- Share prosperity with everyone

4.2. A positive impact is anticipated on the Council's ambition to be net carbon neutral by 2030 because of the improvement in the climate measures resulting from tenders using the ECC TOMs.

4.3. This report links to the following strategic priorities in the emerging Organisational Strategy 'Everyone's Essex' (it proposes that the ECC TOMs are aligned to the 20 Commitments in Everyone's Essex): Social Value Measures are selected to encourage suppliers to contribute to the 20 Everyone's Essex Commitments covering:

- A strong, inclusive, and sustainable economy
- A high-quality environment
- Health wellbeing and independence for all ages
- A good place for children and families to grow

5. Options

OPTION 1: Update the ECC TOMs and Social Value Policy as set out in this report

5.1. Following the review of the 2022 edition of the National TOMs and Everyone's Essex Commitments with stakeholders and subject-matter experts across the Council, we have identified opportunities to improve the ECC TOMs.

5.2. We recommend the addition of new social value measures, amending some existing measures, the removal of some measures and the creation of a construction-specific list of ECC TOMs, comprising the standard set, with the addition of NSVTF measures that are suited to the construction market only.

- 5.3. The proposed recommended list of updated ECC TOMs is set out in Appendices 3 and 4.

OPTION 2: Do nothing – Not recommended

- 5.4. If we do not update the ECC TOMs and the Social Value Policy, we will not benefit from:
- Additional measures to meet net zero objectives
 - Additional measures to meet Everyone's Essex that are achievable in the construction sector
 - Best practice updates to the definitions and financial proxies set out in the National TOMs.

6. Issues for consideration

6.1. Financial implications

6.1.1 The recommendations presented in this report do not request funding or additional budget allocation.

6.1.2 There are no direct cost implications to Essex County Council that can be quantified through amendments to the Social Value Policy and ECC TOMs recommended in this report.

6.1.3 There should not be a price escalation in tenders from the amendments to the Social Value Policy and ECC TOMs in this report, when demonstrating social value for the quality evaluation of a tender. However, this must be considered when reviewing the increase in cost of products and services to Essex County Council on a periodic basis, to monitor if any associated costs of meeting social value requirements for some suppliers is absorbed, by submitting higher bid values.

6.1.4 **Financial Proxies** – our recommendations take into account inflation in the financial proxies used to calculate the commercial value of social value commitments to ECC. Proxy values will reflect the inflationary considerations but there is no financial impact on the bottom line.

6.1.5 **Multiplier** – By removing the multipliers, we will be aligning the evaluation process to the values used when calculating the social value delivered to ECC.

6.1.6 **Social Value target** – Our recommended target is based on evidence of commitments made to date using the ECC TOMs method. If the target is too high there is an impact on motivation for vendors – we need a realistic target and we need to be able to make it accessible to all sizes and types of bidders.

6.2. Legal implications

6.2.1 In September 2020, Central Government published a Procurement Policy Notice (PPN 06_20) which launched a new model to deliver Social Value through

Central Government Contracts. The model became mandatory for Central Government departments from 1 January 2021. The Cabinet Office recommends this approach is taken by Sub-Central Authorities and Social Value is a key theme in the Procurement Bill relating to the transformation of public procurement.

6.2.2 Local Authorities are also required to consider Social Value implications pre-procurement by virtue of the Public Services (Social Value) 2012.

6.2.3 The proposed changes to the ECC TOMs comply with the recommendations by central government's Procurement Practice Notes 06/20 and 06/21 and the Procurement Bill which is currently before Parliament..

7. Equality and Diversity Considerations

7.1. The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

7.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3. The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

8. Appendices

8.1. Appendix 1 - Equalities Comprehensive Impact Assessment

8.2. Appendix 2 - Analysis relating to multipliers in the ECC process

8.3. Updated Social Value Policy

8.4. Appendix 3 –List of proposed ECC TOMs 2022 and the rationale for each change (Tables A, B and C) - **published as a Meeting Document**

8.5. Appendix 4 – Proposed Construction ECC TOMs Social Value Calculator - **published as a Meeting Document**

8.6. Appendix 5 – Proposed Master ECCTOMs Social Value Calculator - **published as a Meeting Document**

9. List of Background papers

9.1. Social Value Policy Cabinet Decision FP/183/10/21