

Appendix 1 – Social Value Policy Briefing Note

Briefing note for the Proposed Creation of a WMCA Social Value Policy

1. Purpose of briefing note

That the Board approve the adoption and communication of a West Midland Combined Authority (WMCA) Social Value Policy as set out within Appendix 2 (Social Value Policy).

2. Background

This note has been created in consultation with the constituent and non-constituent members of the WMCA; WMCA Mayoral Office; the West Midlands Social Value Taskforce Group; WMCA Public Service Reform Officers and West Midlands Fire Service (see Section 5 for more detail). It has been drafted for the purpose of establishing a consistent and collaborative procurement approach to commissioning and procurement activities with the vision to create, deliver and sustain greater community benefits through the use of social value.

This will primarily be achieved by creating social value through the objectives of the WMCA Procurement Strategy 2017-2020 and sustaining social value outcomes through alignment and delivery of funding and capacity, with Combined Authority priorities focused on service delivery to communities. These priorities would for instance, include those outlined within the Strategic Economic Plan, such as WMCA Public Service Reform (PSR) – Transforming Lives within the West Midlands Programme, which has prioritised key areas of needs within the communities of West Midlands alongside other programmes

3. Social Value Definition

The Public Services (Social Value) Act 2012 (the Act) requires all public bodies in England and Wales to consider how the services they commission, procure and deliver might improve the economic, social and environmental well-being of the area. It asks public bodies to consider the ways that they could benefit society as part of each decision made.

The Act requires commissioners to think about how they achieve outcomes in a more integrated way at the pre-procurement stage. Rather than thinking about services in isolation or in the short term, this approach requires commissioners to consider long term costs, sustainability and how inclusion of additional social value outcomes can potentially reduce pressures in other areas and provide capacity and funding for improved community benefits.

There are many ways in which an organisation can benefit from adopting social value within the procurement and commissioning process:

- Creation of jobs
- Reduction in homelessness
- Improved health and wellbeing
- Improving skills for local people
- More opportunities for Small and Medium-sized Enterprises (SMEs) and Voluntary, Community and Social Enterprises (VCSEs)

- Collaborative working with voluntary sector, people who use these services and the wider Community
- Support for the most vulnerable in society
- Reduced air pollution

4. Why is Social Value Important to WMCA?

By establishing a WMCA Social Value Policy, we are providing a means to embed a consistent and collaborative approach to social value that engages commercial organisations into local and regional community outcome based services.

This aligns with the WMCA ambitions and Funding for Growth Programme which outlines three key areas to make the most of the West Midlands Pound:

- Ensuring maximum impact and efficiency of public sector spend across the region – making the best use of Taxpayers' money;
- Generating and capturing as much value as possible from the public sector assets, services and investments.
- Attracting more private investment that can create jobs, deliver growth and provide a return to investors

A WMCA approach to effective procurement enables social value outcomes for communities locally and across the region. This can be identified at the commissioning stage to be expressed to tenderers. In this way, a funding value of the bid is secured for this purpose from the successful bid(s) and delivered through the release of resources or capacity through a contract. By establishing a WMCA Social Value Policy we are providing a means to embed a consistent and collaborative approach to social value within the region.

Benefits of a WMCA Social Value Policy include:

- Demonstrating a collaborative approach within the West Midlands Benefiting businesses within the West Midlands footprint by creating skills and employment
- Sending a clear message to suppliers that we consider social value as significant in the commissioning of our regional contracts
- Understanding the opportunity that it presents in addressing local needs of citizens.
- Building long term community resilience
- Reducing demand on public sector services by providing more employment opportunities to those furthest from the job market
- Promoting long term investment into our communities by suppliers
- Promotion to citizens as an exemplar of best practice
- Celebrating successes with our Suppliers
- Easier engagement of supply market through a consistent approach to the tendering process (including procurement questions, evaluation guidance and methods for ongoing performance management)

- Being able to demonstrate measurable and evidence based social value delivered through the use of social value.
- Improving life chances for all and specifically those from marginalised communities
- Improving health and wellbeing for all particularly those that are vulnerable
- Reduce offending

Although Constituent and Non-Constituent members of the WMCA have been consulted in the drafting of this paper, application of the policy will only be mandatory for the WMCA Procurement Team. Other commissioning authorities are requested to have regard to this policy.

For more information on policy implementation, please see section 9 of this document.

5. WMCA Stakeholders who have contributed to this Paper

- **WMCA Mayoral Office:** The Mayor of West Midlands endorses the concept of creating social value in a wider and more contemporary approach linking the creation of opportunities with Combined Authority community outcomes in a strategic and considered way.
- **The Social Value Taskforce Group (SVTG)** was established in 2016 and includes procurement and social value representatives from across the Combined Authority. Please see Appendix 3 (Taskforce Group Terms of Reference) for details of the membership to the group.

Many Local Authorities in the West Midlands have their own Social Value Policies and the SVTG seeks to build on these practices with an overarching WMCA Social Value Policy that could be applied to projects that are West Midlands wide. Within the context of commissioning and procurement, some group members have supported in the development of common measurement solution (based on Themes, Outcomes and Measures – the TOMs Matrix) that are being promoted nationally as a useful tool to establish a common language, help in the development of local policies and practices and to build capacity within the supplier base.

- **WMCA Public Service Reform (PSR):** The Strategic Economic Plan (SEP) articulates a clear vision for Public Service Reform that outlines objectives in four priority areas to deliver better outcomes for our communities. These include: Criminal Justice, Employment and Skills; Multiple Complex Needs (formerly troubled individuals) and Mental Health. PSR officers value the clear alignment of the TOM's matrix with these priority areas and to other Combined Authority objectives. PSR have clearly stated their 'ambition' for creating social investment and social value.
- **West Midlands Fire Service (WMFS):** WMFS have been working on the Social Value agenda for the last three years and first presented the idea of social value to the Combined Authority from which the Social Value Task Force was created. WMFS approach to social value is tangible, measurable, innovative and contemporary that goes beyond just commissioning and procurement but looks at social value in the wider context of delivering services to the communities via commercial partnerships that demonstrate social return on investment. WMFS have shared their demonstrable outcomes with local authorities and the SVTG to enable sharing and learning.

6. Policy Drivers

During the short time the SVTG has been established, a significant amount of research has been undertaken with the Support of the Social Value Portal in order to define the key drivers for a WMCA Social Value Policy. The following section of this note sets out the research that has been completed and how this contributes to the importance of the policy

6a. Spend Analysis

Historical spend analysis has been completed in order to understand what we can give back to the community from conducting social value procurement. In order to maximise social value results in relation to the effort of achieving them, there is a need to initially focus on the larger contracts to realise the benefits. The following spend analysis provides an indication of the size of the target supplier base.

This analysis combines the supplier spend data for the period of 01/04/2015 to 31/03/2016 for the following authorities:

- Birmingham City Council
- Dudley Metropolitan Borough Council
- Sandwell Metropolitan Borough Council
- Solihull Metropolitan Borough Council
- Walsall Metropolitan Borough Council
- Wolverhampton City Council
- West Midland Combined Authority

Overall spend for the period was £3.3bn. The % additional social value (above and beyond business as usual) will vary according to sector but as a weighted average could amount to as much as £532m/year (16%) across the region:

MARKET	SPEND	% SPEND	Target SVA (%)	Target SVA (£)
Buildings	1,014,575,984	31%	20%	£202,915,197
Health & Social Care	773,668,129	23%	5%	£38,683,406
Highways & Transport	382,170,651	12%	30%	£114,651,195
Pending Categorisation	294,669,173	9%	20%	£58,933,835
Corporate	221,838,599	7%	5%	£11,091,930
Legal & Financial	197,688,967	6%	20%	£39,537,793
Waste & Environment	158,202,974	5%	20%	£31,640,595
ICT & BPO	147,051,658	4%	20%	£29,410,332
Civil Defence	68,590,599	2%	5%	£3,429,530
Culture & Leisure	34,225,198	1%	5%	£1,711,260
Total WMCA	3,292,681,932			£532,005,073

Insights:

- 80% of the work by value is delivered by 18% of the supplier base (800 suppliers)
- Almost all (11) of the Top 15 suppliers are from the construction sector

6b. Deprivation

In improving the wellbeing of citizens, we must recognise the differences and commonalities between the Authorities in the West Midlands. It will be the case that projects will benefit a variety of communities and we should ensure that over time such social value benefits are spread as widely across the region as possible. The governance for implementing the policy should include

for monitoring and reporting back the commitments achieved so that these can be celebrated and the location of future requirements adjusted accordingly.

The English Index of Multiple Deprivation (IMD) 2015 is the official measure of relative deprivation. Constructed by independent researchers and analysts on behalf of UKG; 2015 is the 5th issue since 2000.

Divided into 32,844 small areas called “Lower-layer Super Output Areas” (LSOAs) in England with an average of 1,500 residents each, the 1st ranking is the most deprived area nationally and the 32,844th is the least deprived.

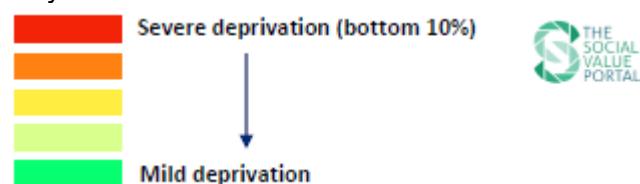
IMD is a relative, not an absolute measure. By comparing LSOAs within a local authority boundary we can get a sense of the distribution of deprivation within the authority and by comparing local authorities with regional averages or “near neighbours”, we can get a sense of relative over-or under performance. Using the domains of deprivation that make up the IMD, we can then drill down into the specific issues facing communities. Below is a brief summary of the IMD research completed for the West Midlands. A full copy of the Deprivation Analysis Report is available on request.

West Midlands Combined Authorities

IMD Domains

	% neighbourhoods in bottom 10%							
	Birmingham	Solihull	Coventry	Dudley	Sandwell	Walsall	Wolverhampton	WMCA
Income	36%	13%	17%	13%	27%	31%	32%	28%
Employment	33%	15%	13%	11%	23%	21%	31%	24%
Education	21%	13%	13%	14%	24%	28%	20%	20%
Health and Disability	16%	1%	18%	3%	13%	8%	9%	12%
Crime	13%	13%	11%	1%	5%	8%	10%	10%
Barriers to Housing & Services	41%	5%	7%	0%	2%	0%	1%	17%
Living Environment	31%	0%	18%	3%	7%	1%	4%	15%

Key:



Summary analysis:

- **Income** is the most common theme, with 28% of neighbourhoods (LSOAs) across the scoring in the bottom 10% nationally. This is the top issue in Sandwell, Walsall and Wolverhampton.
- The next highest scoring themes across the WMCA are **Employment** and **Education**.
- There is a particular issue with **Barriers to Housing and Services** in Birmingham –no other authorities scored highly on this issue.
- While scoring lower than other areas, Dudley and Solihull uniquely score highest in **Education** and **Employment** respectively.

6c. Planning and Development

Through the implementation of this policy, it is the intention that WMCA will support and enable Constituent and Non-Constituent Authorities where they require assistance in the consideration of social value within the early stages of project planning and development.

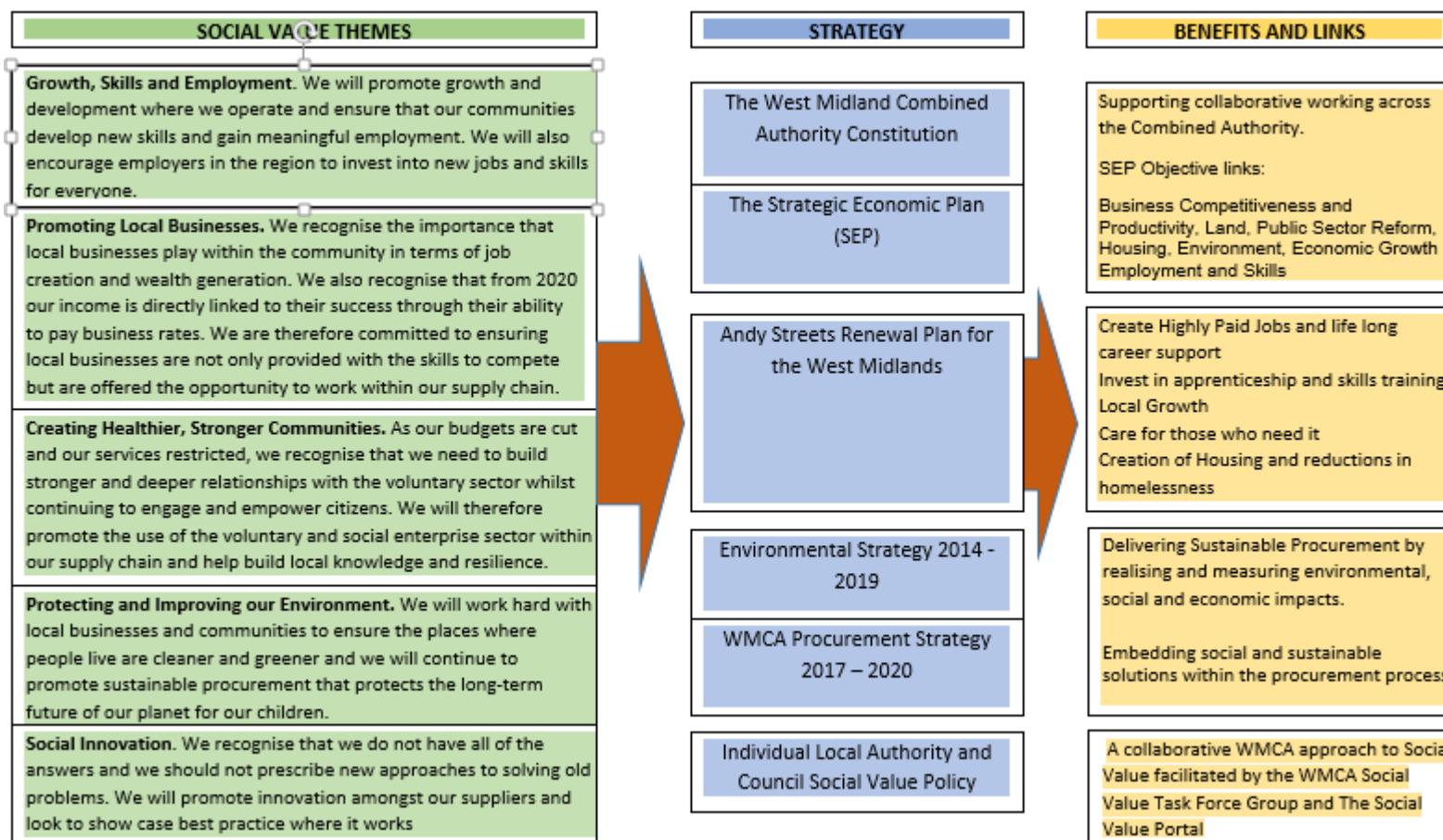
The Social Value Act is not always addressed within the planning process as planners are unsure how the Act could be applied and whether developers and occupiers would be prepared to engage in a meaningful way beyond the minimum requirements to gain planning approval. As a result, communities are missing out on the broader opportunities that could arise.

It is intended that the Social Value Policy includes consideration and guidance on how social value could be integrated into the planning process and WMCA will work with Authorities in order to develop suitable guidance and assistance on this matter. Please see Appendix 4 (Social Value in Planning and Development) for further information on how social value may be implemented into the planning stage of a project.

7. Proposed Policy Themes and Strategy Fit

The SVTG have identified 5 key themes that reflect our collective responsibilities to all of our communities. These themes promote a collaborative approach to embedding and maximising social value creation. Themes and measures substantially reflect Authorities existing Social Value Policies, and have been fine tuned to respond to the analysis of data from the IMD as noted above. Whilst the scale and priority of each might vary from place to place, the measures should in themselves not be politically contentious.

The below diagram sets out how the proposed policy themes align with key WMCA strategy documents and demonstrates how social value is integral to WMCA strategic direction:





Building on the 5 identified themes, a common set out outcomes and measures have been developed and these will be used as a consistent template for monitoring and measuring social value within WMCA procurement processes. Below are a few examples of themes, outcomes and measures (TOMs) that could be used within a tendering process:

Proposed Theme	Proposed Outcomes	Measures the could be Addressed via the Tendering Process
Jobs: Promote Local Skills and Employment	More Local People in Employment	% of people employed on contract (i.e. in local authority area)
	Improved skills for local people	No. of training opportunities created or sustained
	More opportunities for disadvantaged people	No. of jobs (FTE) created for people with disabilities
Growth: Supporting Growth of Responsible Regional Business	More opportunities for SME's and VCSEs local business	Total % of contract spend with local SME's
	Improving staff wellbeing	Demonstrate commitment to work practices that improve staff wellbeing, recognise mental health as an issue and reduce absenteeism due to ill health. Identify time dedicated for wellbeing courses
Social: Healthier, safer and more Resilient Communities	Working with the community to help themselves and each other	No of hours volunteering time provided to local community
	Vulnerable people to live independently	Support initiative aimed at changing fair cost of housing compared to income levels

It is understood that every procurement activity is different and therefore the TOM's matrix is flexible enough to allow commissioners to select the most appropriate and suitable measures from a wide ranging list, while also ensuring that key themes are consistently measured.

8. Implementation of the Social Value by WMCA

In parallel with the launch of the policy, it is envisaged that the SVTG work to implement the following:

1. Further discussion around how to most effectively match service delivery to Combined Authority priorities spread across local and the wider WM footprint in an inclusive and equitable way that delivers sustainable outcomes.
2. Following on from engagement with key suppliers and Local Authorities, we recognise there is a clear need for consistently measuring, recording and celebrating regional success against social value targets delivered through contracts. Bearing this feedback in mind, it is also proposed that a regional



portal or dashboard is created in order to bring the community together and to coordinate social value requirements and achievements

3. Monitoring and reporting systems to inform and engage all Combined Authority members
- 4 Case studies and publicity to promote the work and impact of the social value policy in partnership with commercial providers.
5. To share best practice and continuous learning.

Statutory requirements of the Social Value Act 2012 only apply to Public Service Contracts above EU thresholds (currently set at £164,000 for goods and services and £4,100,000 for works), however in order to incorporate the good practice associated with social value into mainstream commissioning and procurement practice, it is the intention that the WMCA will embed this policy within all commissioning and procurement activity wherever proportionate and practicable and a suggested approach is set out within the table below:

Value	Process
Under £50,000	A light touch social value toolkit will be included within the WMCA Procurement Manual and staff members are encouraged to consider social value in the process of obtaining quotations.
£50,000 – EU Thresholds	Procurement Lead Officers will guide specifications and tender documents to ensure that TOMs are considered within the procurement process and are applied where practical
EU Thresholds and above	Procurement Lead Officers will guide specifications and tender documents to ensure that considerations are made at commissioning stage and that TOMs are included within the tender process, ensuring that evaluation scores and weightings are clearly set out, and that an action plan is implemented during the contract period.

In regard to the application of weighting within the tendering process, it is understood that the procurement of services can be wide ranging and therefore WMCA do not intend to apply a fixed weighting to the evaluation of social value. It is proposed that individual weightings are applied on a case by case basis and at the discretion of the Procurement Lead Officer, with weightings allocated between the ranges of 5% - 30%. Where elements of Social Value are essential to the delivery of the project then

a PASS/FAIL weighting could be applied to demonstrate key deliverables within the project specification.

9. Policy Application

The WMCA Social Value Policy is not designed to replace or overtake any existing policies already set up within individual Constituent and Non-Constituent Authorities, however WMCA would be happy to support Authorities in enabling this policy if required. Any guidance documents and toolkits created will be available for wider circulation as necessary.

If approved by WMCA Boards, this policy will be used by the WMCA Procurement Team and should also be used for any procurement activity over EU Threshold being undertaken on behalf of the WMCA. The policy reflects the procurement policies, processes and thresholds as set out within the West Midland Combined Authority Constitution.

Individual Authorities should have regard to the WMCA Policy and may choose to use this policy as an exemplar or to replace any currently policies but this should be at the discretion of the Local Authority and its own necessary approval processes. Some worked examples are set out below around when the WMCA Policy should apply:

Scenario	Use WMCA Social Value Policy	Use Individual Local Authority Policy (if Available)
WMCA lead procurement activity over EU threshold	✓	✗
Local authority procurement activity, over EU thresholds and conducted for and behalf of WMCA	✓	✗
Local authority procurement activity over EU threshold	✗	✓

10. Next Steps and timelines

Task	Timeline

To develop the draft policy and obtain feedback from portfolio holders and key stakeholders	By 14 th August 2017
Policy Paper to be submitted to WMCA Management Board	17 th August 2017
Policy Paper to be submitted to WMCA Programme Board	25 th August 2017
Policy Paper to be submitted to WMCA Board	8 th September 2017
Official Launch of the WMCA Social Value Policy at the National Social Value Conference	14 th November 2017