

**LOCAL WEALTH BUILDING AND SOCIAL VALUE IN PROCUREMENT**

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**Responsible Cabinet Member - Councillor Charles Johnson,  
Efficiency and Resources Portfolio**

**Responsible Director - Paul Wildsmith, Managing Director**

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**SUMMARY REPORT**

**Purpose of the Report**

1. The report seeks Cabinet approval of an enhanced approach to local wealth building and social value within the Council's procurement process.

**Summary**

2. The Council has been working with Darlington Partnership colleagues to utilise public sector procurement to help grow the local economy and maximise the benefits of such procurement for the Borough.
3. The main aims of the proposals included in this report are to :-
  - (a) Increase spend within the local area(s) to assist in growing the local economy.
  - (b) Through the tender evaluation process, incentivise tenderers to deliver additional benefits for the residents and businesses of Darlington (known as social value), in areas such as :-
    - Employment of Local people
    - Employment of Care Leavers
    - A positive impact on local Environmental issues
    - Employment of Apprentices
4. It is important to note that cost and quality of the provision of services and products will always remain the major determining factors in public procurement, however, the additionality offered by tenderers in these areas can deliver additional benefits at no additional cost to the Council. Tenderers are well versed in such approaches to public procurement and many Councils adopt such an approach as do the North East Procurement Organisation (NEPO) with whom we join to procure much of our goods and services.

## Recommendations

5. It is recommended that Cabinet:-
- (a) Approve the Social Value Procurement Framework (Appendix 2)
  - (b) Approve the Social Value Charter (Appendix 3)

## Reasons

6. The recommendations are supported by the following reasons:-
- (a) Enable the Council to continue to meet its obligations under the Public Services (Social Value) Act 2012.
  - (b) Deliver a range of additional social, economic and environmental benefits to Darlington's residents, businesses and the local economy from Council spend without increasing cost to the Council.

**Paul Wildsmith**  
**Managing Director**

## Background Papers

6 November 2018 Cabinet Report – Darlington Borough Council Neighbourhood  
Renewal Strategy Seth Pearson: Extension 6090  
Sarah Hutchinson: Extension 5489

S17 Crime and Disorder	There are no crime and disorder implications
Health and Well Being	These proposals seek to deliver a significant element of the Fairer Richer Darlington programme. The intended long term aim of this programme is to improve Darlington residents' wellbeing, including health outcomes.
Carbon Impact and Climate Change	Some of the intended outcomes of this work are likely to be environmental activities and, generally, more local purchasing and procurement from the Council which is likely to translate into shorter supply chains and thus a smaller environmental impact due to the transport of goods.
Diversity	There are no foreseen negative impacts on diversity. However, the proposals may well create better opportunities for people with protected characteristics.
Wards Affected	There are no ward specific implications
Groups Affected	There are no implications for specific groups of this proposal
Budget and Policy Framework	This decision does not represent a change to the budget and policy framework
Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	This report outlines proposals which seek to make a significant contribution to the Fairer Richer Darlington programme adopted by the Council, which aims to deliver the vision of One Darlington: Perfectly Placed.

Efficiency	This proposal intends to deliver better value for residents of Darlington from Council spend, without increasing its costs.
Impact on Looked After Children and Care Leavers	This report does not impact directly on Looked After Children or Care Leavers

## MAIN REPORT

### Background

7. Cabinet in November 2018 agreed to join with partners in the Darlington Partnership Board in establishing a programme across the Borough with the aim of narrowing gaps in wellbeing outcomes.
8. The programme has three work-streams, which collectively seek to address these issues in the short, medium and long-term:
  - (a) Ensuring families have the BASICS
  - (b) Boosting families' RESILIENCE
  - (c) Addressing the CAUSES of low incomes
9. The 'Causes' work stream focusses on identifying and implementing interventions to help improve residents' access to well-paid and sustainable employment, in recognition that this remains the best way of increasing household incomes and so delivering wider wellbeing outcomes.
10. Local wealth building has been identified with partners as a key action under the 'Causes' work stream, in recognition that:
  - (a) The Council and its partner local anchor institutions (those organisations with significant levels of spend and jobs which are unlikely to leave the borough) collectively make a significant contribution to the local economy through money spent procuring goods and services, the number of local people employed and ownership of local assets.
  - (b) Working together to collectively harness this power to address the key priorities by, for example, spending more locally in order to support local businesses and local jobs and encouraging suppliers to commit to delivering apprenticeship opportunities or certain employment standards.
  - (c) A growing body of evidence from elsewhere that this approach can have a significant and demonstrable impact. Preston, in particular, widely regarded as the vanguard for local wealth building in the UK, has experienced a marked improvement in a range of wellbeing outcome indicators in the eight years since it adopted local wealth building, in contrast to its statistical and geographic neighbours. An additional £539 million spent within the Preston and Lancashire area, helping support local businesses and jobs, by local anchor institutions over just three years is considered to be a key reason as why there has been such significant improvements in wellbeing measures such as the average wages of part-time workers and the proportion of

neighbourhoods identified as being in the top 10% most deprived nationally, and why Preston topped the Good Growth for Cities Index in 2018.

11. An analysis of the Council's current supply chain and the local provider market is attached at **Appendix 3**.

## **Social Value**

12. The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires those who commission public services to think about how they can also secure wider social, economic and environmental benefits.
13. The Act is a tool to help commissioners get wider value for money from procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.
14. The Council procures a significant level of goods, works and services annually. Expenditure with the top 300 suppliers for 2017/18 accounted for more than £100m. In procuring these works, goods and services the Council has the duty to obtain best value, which it delivers through the award of contracts to the most economically advantageous tender.
15. The Social Value Act has been adopted into procurement practice and the requirement to consider social value has been incorporated into all relevant procurement documentation.
16. The social value component of tendering processes does not detract from the overriding requirement to obtain best value but rather give extra credit to those tenderers which bring benefits to local economic conditions and wellbeing. Price will continue to be a significant evaluation criterion in tender processes in accordance with the Contract Procedure Rules. It is expected that Social Value measures (as outlined in Appendix 1) will only be applied for tenders over £100,000 and the evaluation weighting be in the region of 10% in accordance with the existing requirement under the Contract Procedure Rules.
17. The Council already incorporates Social Value into the procurement process but, in light of greater knowledge and awareness, it is appropriate to review our approach and Cabinet are asked to approve a revised approach as set out at Appendix 1.
18. This framework has been developed to measure social value in relevant procurement processes and is based around a series of agreed areas, reflecting the Council's priorities. As can be seen, each of the areas have a number of indicators aligned to them, illustrating the types of activities tenderers might be invited to deliver, depending on the contract in question. Tenderers are not contractually required to deliver against the indicators but asked to confirm which they are able to deliver – which in many cases will be matters they already supply, and so that the Social Value aspect of their tender offer is recognised.
19. To assist businesses and as good practice the it is anticipated that the evaluation of the social value component will align appropriately with NEPO and neighbouring authorities and will be based around the terms of measurement published by the Local Government Association by which social value can be measured in quantitative financial terms

20. For example in the case of two bids which are otherwise similar in terms of cost and quality a bid from a provider delivering local employment through the contract could be given preference within a lawful procurement process.
21. In accordance with the Contract Procedure Rules tenderers will be asked to articulate what additional social value to the community they would deliver should they win the contract. Not all measures will be appropriate for all tenders and the Procurement Board, Chaired by the Managing Director, will be responsible for determining which, if any, measures are included in the tender process.

### **Social Value Charter**

22. The Charter will be used to help suppliers to understand what social value is, why it is important and how they can help to deliver it, as well as encourage them to sign up to the Council's approach. It is not the intention for signatories to have to adopt all the examples of how social value can be delivered as outlined in the Charter, but rather to commit to aim to develop greater social value across at least some areas of their business. Businesses will not be excluded from tender processes if they choose not to sign up to the Charter.

### **Summary and Next Steps**

23. The Council is keen to maximise additional benefits from its procurement to improve outcomes for the Borough and surrounding areas and this report seeks approval for a process to achieve that. Moving forward through the Darlington Partnership, the Council will work with partners to achieve similar outcomes from other public sector procurement to further increase the benefits for the Borough, by working closely possibly via a Joint Board of public sector partners.
24. Monitoring of the impact of the new approach will be undertaken and reported to Members as appropriate.

### **Financial Implications**

25. The proposal will not add cost to procured services or goods. There are not intended to be resource implications for promoting, embedding and monitoring social value and the measures applied have regard to available resources.

### **Legal Implications**

26. The Council has a duty to obtain best value in the procurement of works, services and supplies and to secure continuous improvement in the way functions are carried out, having regard to a combination of economy, efficiency and effectiveness (Local Government Act 1999). This means that when procuring contracts the Council must, on a case by case basis, weigh up the costs of the contract against the benefits of the particular relevant issue (here, social value issues).
27. There is a statutory requirement to consider 'Social Value' for contracts over the EU procurement threshold; that is, how a procurement might improve the economic, social and environmental well-being of the area, and how the procurement might be done so as to secure that improvement (Public Services (Social Value) Act 2012).
28. The recommendations are consistent with the legal obligations above.

## **HR Implications**

29. There are no HR implications

## **Equalities considerations**

30. A key aim of a local strategic procurement approach is to support the Council in commissioning contracts which also secure wider social, economic and environmental benefits. It also encourages commissioners to talk to their local provider market or community to design better services. Both of these principles of the approach will be in support of better outcomes for residents of all characteristics, and will drive activity in education, employment, health and environment. It will be necessary to consider the specific impacts of the social value activities within contracts on a case by case basis.

## Draft Darlington Borough Council Social Value Procurement Framework

Domains	Outcomes	Indicators
Economy	Removing barriers to quality employment	Initiatives to support parents back into the workplace or into better work
		Type of flexible working initiatives implemented (i.e. childcare vouchers, bike to work scheme, complimentary transport, part time hours)
		Number of jobs created across hard to reach groups (persons with disabilities, the homeless, NEETs, asylum seekers, long term unemployed, over 55s with a pre-existing health condition, ex-offenders)
	Increasing supply of quality employment	Number of local people in sustainable employment (12 months or more or if not applicable for the duration of contract)
		Number of people employed on permanent basis
		Number of people (including as a %) in workforce and supply chain that are paid at least the Real Living Wage
		Amount spent with diverse supply chain organisations (local organisations, VCS, SMEs etc.)
	Childhood, Education and Skills	Supporting people to maximise their capabilities
Number of apprenticeships created		
Number of weeks spent on meaningful work placements or pre-employment course		
Health	More people healthy and independent	Initiatives to promote positive physical and mental health (i.e. gym membership, health insurance, number of people who have mental health first-aid, sign up to Time To Change pledge)
		Initiatives to promote healthy lifestyle
Crime	A safe and caring community	Initiatives to contribute to the reduction of crime activities
Environment	Reducing environmental impacts	Savings in greenhouse gas emissions
		Reduction in waste generated (reduction in the use of single-use plastics)
		Donation of used resources to charities and other industries
		Initiatives to promote active travel
Community	Strengthening families and communities	Volunteer time, expertise, equipment or money dedicated to supporting community groups
		Investment in community initiatives in deprived areas



## SOCIAL VALUE CHARTER

To: Darlington Borough Council

Date:

Dear Sir/Madam,

Darlington Borough Council supports a vision for a borough where everyone has the opportunity to live a good life and benefit from economic growth.

As a part of this agenda and in accordance with the Public Services (Social Value) Act 2012 Darlington Borough Council seeks to commission and procure goods and services efficiently while securing wider social, economic and environmental benefits for Darlington and the region.

A Social Value Charter has been developed by Darlington Borough Council. The purpose of the charter is to raise awareness about the importance of Social Value, to help suppliers to understand the aims the Council has regarding Social Value.

It must be stressed that the charter is voluntary. If a supplier does not sign-up to the charter this will not affect their tender applications. The suggestions on meeting the Outcomes in the charter are examples and not intended to be exhaustive and signing up to the charter alone should not be considered evidence that an organisation can meet local authority Social Value aspirations. However, by signing up to the charter a supplier is making a commitment to actively promote Social Value and to take action to improve their practice if necessary.

A copy of the Social Value Charter is set out below:

### **Social Value Charter Darlington Borough Council**

#### **The local authority will:**

Darlington will wherever appropriate measure the social value brought in its procurement processes carried out by full tender and seeks that Contractors commit to the following joint pledge.

#### **The Council and the Contractor will:**

The Council and its Supply Chain commit to seek to deliver the Outcomes set out under the following domains, 1. Economy 2. Childhood, Education and Skills, 3. Health, 4. Crime, 5. Environment and 6. Community.

DOMAIN Economy

Outcomes



A. Removing barriers to quality employment; by

- a. *Activities to support parents back into the workplace or into better work*
- b. *Type of flexible working initiatives implemented (i.e. childcare vouchers, bike to work scheme, complimentary transport, part time hours)*
- c. *Number of jobs created across hard to reach groups (persons with physical and learning disabilities, the homeless, NEETs, long term unemployed, over 55s with a pre-existing health condition, ex-offenders, veterans, care leavers)*

B. Increasing supply of quality employment; by

- a. *Number of local people in sustainable employment (12 months or more or if not applicable for the duration of contract)*
- b. *Number of people employed on permanent basis*
- c. *Number of people in workforce and supply chain that are paid at least the Real Living Wage*
- d. *Amount spent with diverse supply chain organisations (local organisations, VCS, SMEs etc.)*

DOMAIN Childhood, Education and Skills

Outcomes

A. People supported to maximise their capabilities; by

- a. *Number of weeks spent on training opportunities on contract (BTEC, City and Guilds, NVG, HNC)*
- b. *Number of apprenticeships created*
- c. *Number of weeks spent on meaningful work placements or pre-employment course*

DOMAIN Health

Outcomes

A. More people healthy and independent; by

- a. *Activities to promote positive physical and mental health (i.e. gym membership, health insurance, number of people who have mental health first-aid, sign up to Time To Change pledge)*
- b. *Activities to promote healthy lifestyle*

DOMAIN Crime

Outcomes

A. A safe and caring community; by

- a. *Activities to contribute to the reduction of crime activities*

DOMAIN Environment

Outcomes

A. Environmental impacts are reduced/ Maximising the environment; by

- a. Savings in greenhouse gas emissions*
  - b. Reduction in waste generated (reduction in the use of single-use plastics)*
  - c. Donation of used resources to charities and other industries*
- B. Sustainable travel is promoted; by
- a. Activities to promote active travel*

DOMAIN: Community

Outcomes

- A. Strengthening families and communities; by
- a. Volunteer time, expertise, equipment or money dedicated to supporting community groups*
  - b. Investment in community activities in deprived areas*

I/We the undersigned, hereby agree to the Social Value Charter.

Signed by \_\_\_\_\_

Name(s) \_\_\_\_\_

Position \_\_\_\_\_

for and on behalf of

\_\_\_\_\_ (Organisation Name)

**Headlines from DBC Supply Chain and Local Market Analyses**

- (a) During the 2017/18 financial year, Darlington Borough Council spent £101m upon procuring goods and services from its top 300 suppliers (by value).
- (b) The highest level of spend was with organisations classified adult social care at £21.3m, equivalent to 21% of spend with the top 300 suppliers;
- (c) Darlington Borough Council spent £46.5m with SMEs, equivalent to 46% of spend with the top 300 suppliers, and £8.9m (9%) within 'Microbusinesses'.
- (d) The Council spent £67.9m (67% of all spend by the council in 2017/18) with firms classified as 'private sector'. £13.8m (14%) was with firms classified as 'public sector', broadly similar to the £13.4m (14%) Third Sector companies received.
- (e) Of the £101m spent on its top 300 suppliers, £40m is spent with suppliers based in, or with a branch in, the Darlington Borough Council boundary; this equates to 118 suppliers and 40% of spend upon the top 300 suppliers;
- (f) £16.4m or 41% of spend with Darlington based suppliers was with organisations based in, or with a branch in, the 20% most deprived LSOAs nationally (there are 44 suppliers in these areas).
- (g) £51.5m was spent with suppliers based in, or with a branch in Tees Valley (including Darlington);
- (h) £49.6m was spent with suppliers not based in Tees Valley, equivalent to 49% of Darlington Borough Council spend with their top 300 suppliers
- (i) The majority of this non-Tees Valley based spend is with suppliers classified as 'Works', which accounted for £15.9m amongst 28 different organisations based outside of Tees Valley,
- (j) Whilst Darlington Borough Council spent £100m during 2017/18, total spend of the four anchors that we undertook analysis for equated to £457m, of which 32.6% is spent within Darlington-based firms, and 223 with the top 1,200 suppliers collectively.
- (k) The larger spend represents a greater opportunity for impact in terms of encouraging progressive procurement. For example, an anchor network could use the intelligence around non-Tees Valley based spend to look at key sectors for joint procurement activities, providing services which develop capacity of local firms to bid for the £257,982,903 of contracts that are currently procured to non- Tees Valley based firms.