LOCAL PARTNERSHIPS

Government Commercial Function | Crown Commercial Service | Ministry of Housing, Communities & Local Government | Local Government Association

CONTRACT MANAGEMENT PIONEER PROGRAMME

Social Value Monitoring Guidance and Toolkit

PART OF CONTRACT MANAGEMENT SUITE OF TOOLS



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1 INTRODUCTION

The Social Value Monitoring Guidance and Toolkit have been developed to support the Local Government Contract Management Pioneer Programme (CMPP).

The purpose of the toolkit is to support local authorities to address social value in their contract management practice based on the CMPP framework which includes the requirement to *"have a framework to measure whether social value commitments are met".*

Red	Amber	Green
No. Social value commitments may have been incorporated in the contract but it is assumed that they will automatically be delivered. Difficult to monitor whether contracts contribute to the delivery of the corporate plan.	Social value commitments are understood. They are considered secondary to other contract outputs – considered as nice to have rather than essential. Monitoring is inconsistent.	Yes. Social value is monitored in a similar way to other contract KPIs. The cumulative impact of social value outputs is understood across the organisation. The broad cost/ opportunity cost of delivering social value elements is understood.

Exemplar

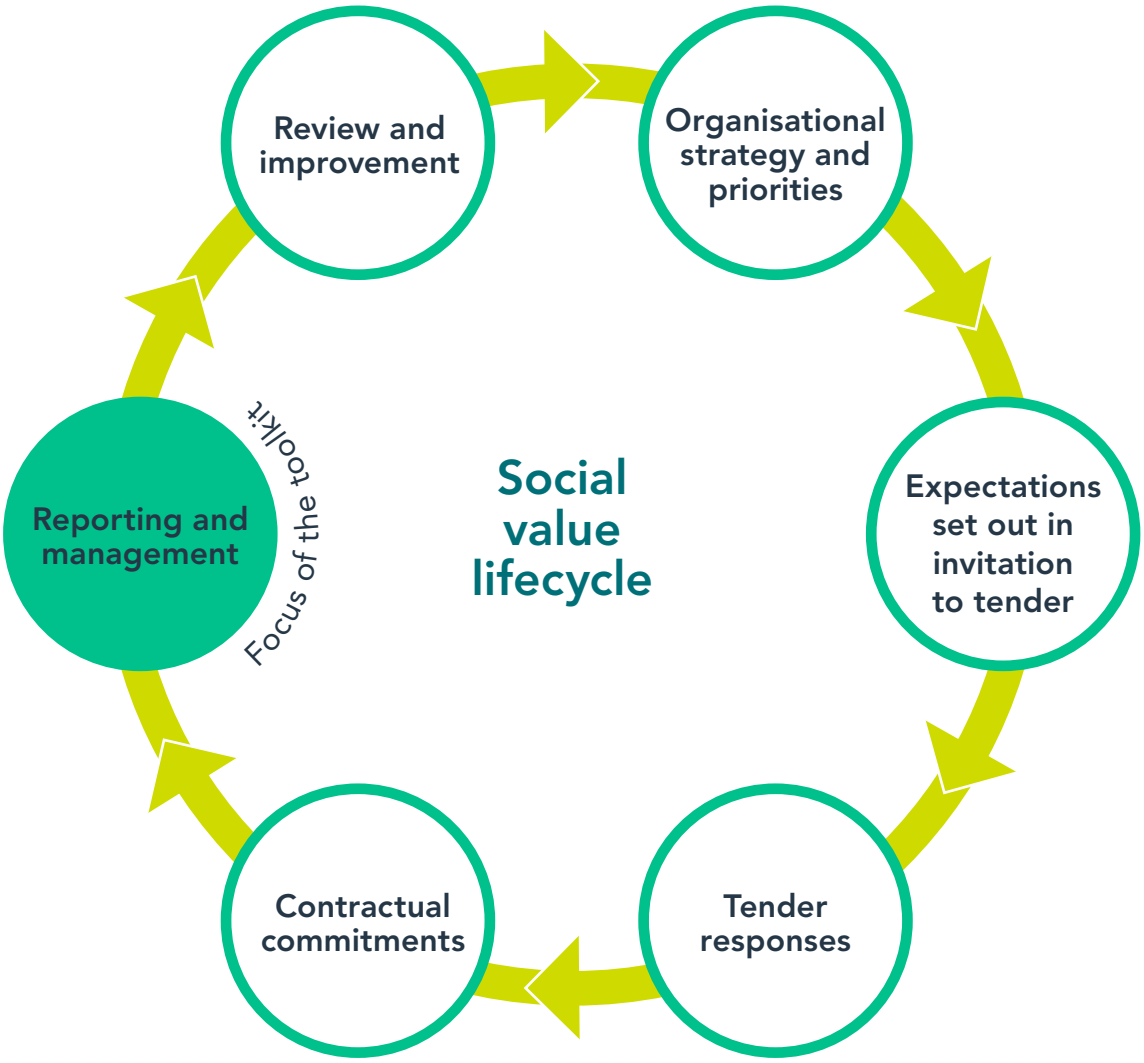
Social value is fully integrated within the authority's approach to delivering its corporate objectives and in the process demonstrating that it is delivering value for money.

The monitoring process for social value is fully integrated within the CM process and considered as a core element of CM (rather than an add on).

Social value benefits are showcased to promote the benefits of the contract/service.

Suppliers are working in partnership with the authority in delivering social value as a core element of the contract.

This toolkit therefore focusses on delivering social value once you are in contract with a supplier. However, to maximise the social value you achieve, you will need to consider social value throughout the contract lifecycle, and as part of your wider organisational strategy – as reflected in the RAG and exemplar rating in the CMPP scoring.



If you need more support addressing social value in the wider procurement lifecycle we have provided links to helpful resources in section 5.

2 PRINCIPLES OF SOCIAL VALUE

2.1 What is social value?

Social value is about the benefit that can be brought to society through procurement activity. This may be benefits in the environment, economy or in meeting local social needs. It is not about paying more for goods or services, but about maximising the way in which procurements can bring added value and benefits. If there is any additional cost it should generate value in excess of that cost.

Social value is often referred to using different titles like sustainability, responsible procurement, and wellbeing, which are all key areas when looking at overall social value.

The principles are underpinned by the Social Value Act. This exists to put a challenge onto public procurement functions, stating:

> **If a relevant authority proposes to procure or make arrangements for procuring the provision of services… the authority must consider –**
>
> (a) How what is proposed to be procured might improve the economic, social and environmental wellbeing of the relevant area, and
>
> (b) How, in conducting the process of procurement, it might act with a view to securing that improvement."
>
> Public Services (Social Value) Act 2012

2.2 What are the benefits of social value?

Social value benefits include a wide range of outcomes and areas.

Some examples include:

- Creation of local jobs
- Opportunities for disadvantaged people
- Apprenticeships
- Skills for local people
- Employability of young people
- Opportunities for small and medium enterprises (SMEs) and voluntary, community and social enterprise organisations (VCSEs)
- Staff well-being
- Ethical procurement
- Reduced crime
- Working in the community
- Diverse workforce culture
- Creating a healthier community
- Support for vulnerable people
- Reducing CO_2e emissions
- Supporting communities to adapt to a changed climate
- Reduced air pollution
- Creating better places to live

2.3 Why is it important to track social value commitments?

Social value is an important way for local authorities to deliver greater benefits than the procured product or service may achieve on its own. Social value can help achieve corporate objectives and produce economic, social, and environmental benefits for our local areas. Through tracking and actively managing social value commitments in contracts you can ensure that these benefits are maximised.

For social and economic commitments, this should support the achievement of your economic development policies and placemaking activity. For sustainability commitments this will address areas such as your scope 3 and supply chain carbon emissions, as well as supporting community adaptation and resilience.

Social value commitments are not the main focus of the contracts that local authorities enter into and can sometimes be seen as an "add-on" or "nice to have". This can lead to them being forgotten on poorly managed. This does not take into account the cost of inaction, or the lost benefit to communities that failure to achieve contracted social value can cause.

It is also likely to be the case that the outcomes delivered under social value are essential to delivering other local or national policy targets. This is the case for many of the examples listed in 2.2 above. By having a robust approach to social vale during procurement and contract management, local authorities can illustrate how all their activities are contributing to delivering these targets.

Within an effective social value framework, that considers the whole contract lifecycle, managing social value commitments can support local authorities to achieve their wider community and social objectives. Monitoring social value will allow you to demonstrate the benefits being driven from third party spend, as well as creating the evidence base for continuous improvement. Monitoring and managing social value allows you to:

Ensure delivery of social value

Allow you to effectively manage suppliers to ensure you are getting what you have agreed

Showcase success

Highlight the social value that local authority spend has delivered in areas that are important to your communities

Reflect and improve

Use the evidence of where you are now to grow and develop your approach to social value to make it more effective

2.4 Effective management of social value commitments

To ensure the effective management of social value commitments there are three key elements that need to be understood:

Understand the social value commitment and how it has been made:

- What is the social value commitment?
- Is it contractual or non-contractual?

Generally, you will be focused on contractual commitments: what needs to be delivered, by when, how it will be measured and evidenced, etc.? However, there may also be non-contractual commitments or measures that you want to track. (These could be commitment that a supplier endeavours to carry out if a particular circumstance arises or if the commitment is dependent upon the action of a party that they do not directly control.)

Understand if there are any dependencies on the local authority with regards to these commitments:

- Do you have obligations to support the supplier?
- Do you need to facilitate joint working with another team or supplier?

Understand what should happen if the supplier fails to meet their commitments:

- What contractual remedies are set out?
- Has a cost been attached to the social value commitment?

Generally, there will be less power to address non-contractual commitments, and the approach to addressing failure to meet commitments will need to take account of the wider contract performance and relationship.

Building your understanding of the social value commitments will enable effective social value performance management and reporting, which should happen at two levels:

- **Contract social value monitoring:** contract managers monitoring performance against contractual and non-contractual commitments. The focus is on active management to enable informed action can be taken to address issues and/or support opportunities for additional social value to be delivered.
- **Authority wide social value monitoring:** reporting that covers the whole organisation, bringing together the social value delivered across multiple contracts. This can be used to showcase the benefits the local authority is delivering, demonstrate achievement of organisational objectives and enable holistic thinking about how improvements can be delivered.

3 HOW TO IMPLEMENT A SOCIAL VALUE MONITORING FRAMEWORK

3.1 Assess your current position

Before beginning to implement a new approach to monitoring social value approach it is important to understand your current approach. This will enable you to ensure that your new approach will work and help you to develop a manageable delivery plan for social value monitoring.

In the decision tree on the next page we set out for some key elements of social value how the way you work now might influence what you choose to do next. However, you are best placed to assess what will work for your organisation and to determine your implementation approach.

Alongside considering the decision tree, you may find it helpful to create two lists reflecting on your social value approach:



What works well now

Set out what works well about your current approach to social value.

Do you have good measures that you are including in contracts?

Have you built strong relationships with suppliers which are generating innovative social value opportunities?

Understanding what works well now will help you to ensure you preserve it and build on it as you develop your social value monitoring framework.



What are we trying to achieve

Understand your objectives and priorities for implementing a social value framework.

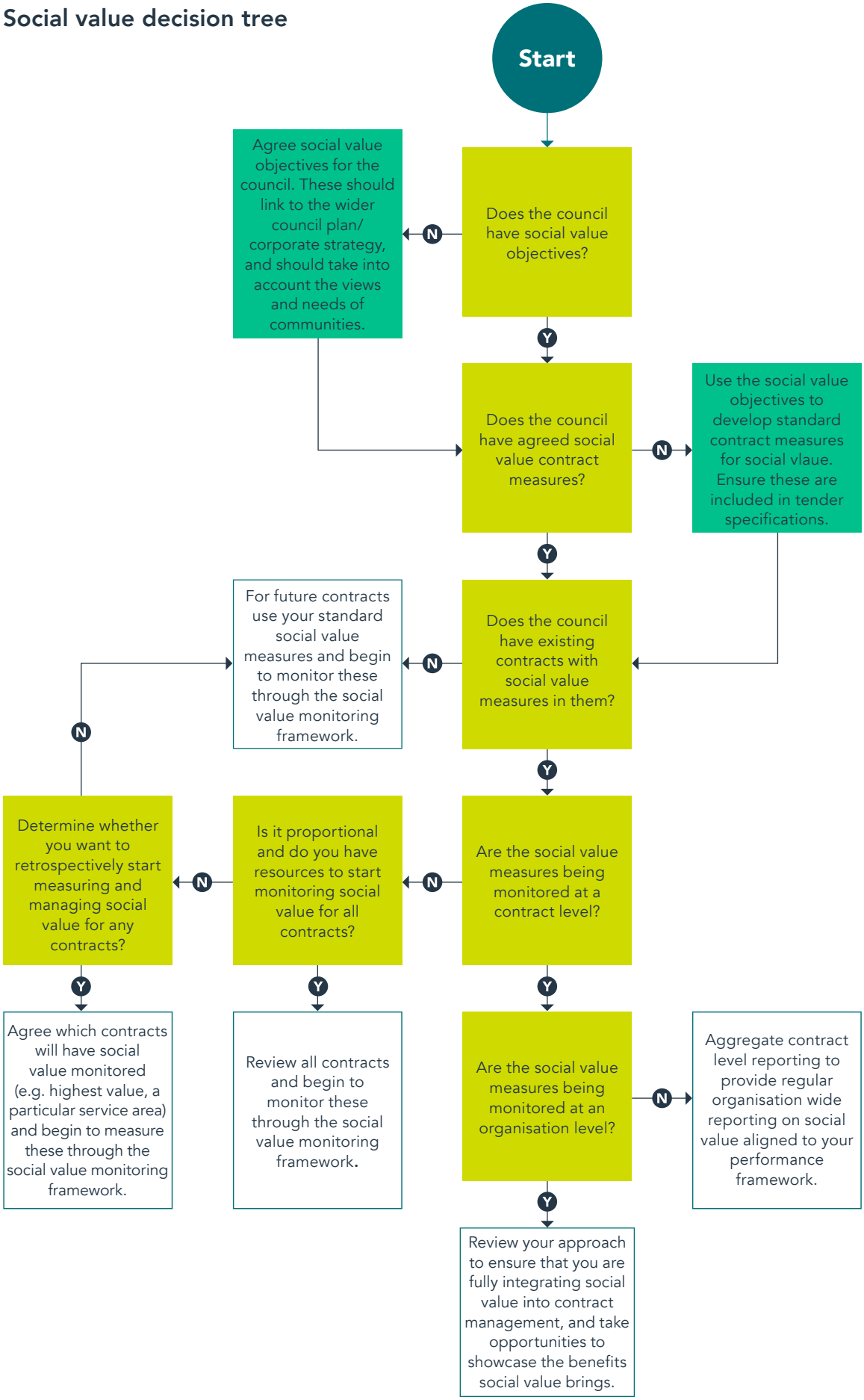
Do you want to be able to report to residents on carbon reduction?

Do you want to make sure suppliers spend as much money as possible locally?

You may want to do this step collaboratively by talking to key stakeholders such as members, community groups and services.

Through understanding your objectives and priorities you can develop a social value monitoring framework which will address these.

Social value decision tree



Once you have determined where you are now, and where you want to be you can create an action plan to help you get there. Your plan will be individual to you, but we have set out how you could address three key stages:

Agree measurement levels

Gather data

Determine reporting frequency

3.2 Agree measurement levels

Depending on your current approach to social value it may not be proportionate or even possible to start actively monitoring and managing social value on all contracts across the organisation. Instead, you will need to identify the contracts which will be measured initially and how this approach will be expanded over time. Example approaches that you could take are:

- **All new contracts/all new contracts over an agreed value will be monitored:** Focussing on new contracts will enable you to ensure that social value is included from the procurement stage and that your relationship with the supplier has consistent expectations of social value delivery and reporting.
- **The highest value contracts will be monitored (e.g. the top 20)/with the next highest value contracts added each year:** The highest value contracts are more likely to have contract managers and have a requirement to report performance, which will make collecting the data easier.

3.3 Gather data

Once you have determined which contracts will be the focus of the social value framework you will need to gather data about the commitments that exist to deliver social value. The focus should be on:

- How commitments are described.
- What is set out about how commitments should be measured and the evidence to be provided.

These commitments should be recorded in your social value framework. This information should be held in the supplier contracts, but you may also need to refer to tender returns.

Gathering data can also provide the chance to identify opportunities for the delivery of additional social value, even where there are no contractual commitments. To prompt contract managers and suppliers a checklist of social value opportunities, focussing on corporate priorities, can be useful. Examples of low/no cost opportunities that could be included on the checklist are:

- Advertising jobs locally.
- Linking with local schools/colleges.
- Encouraging any supplier corporate social responsibility actions to be focused in your area.

3.3.1 What if the social value commitments are different for every contract?

When setting up a social value approach it is best practice to have a number of standard measures for social value, linked to organisational priorities. This has a number of benefits:

- Consistency can help suppliers who are bidding for/delivering multiple contracts to develop a single approach which is likely to be more cost effective.
- It is easier for the local authority to manage and monitor social value performance across the organisation.
- Learning from delivery can be incorporated into the standard metrics to allow them to be improved over time.

However, particularly if you are beginning to monitor and manage social value for the first time, it may be the case that there are not standard contractual terms addressing social value. Where this is the case, you may be tempted to squeeze differently described contractual commitments into standardised definitions. However, this approach risks measuring something that is not a contractual commitment and could create difficulties with the supplier. Instead, at a contract level the focus should be on the commitments that have been made, rather than changing that commitment into something that fits a template.

For overall council reporting purposes, it may be fine to roll-up different definitions into a single reporting line. For example if you have three different definitions of apprenticeships, for council wide reporting you should report these together as an overall apprenticeship number.

3.4 Reporting frequency

You will also need to determine the frequency with which you will report on social value. At a contract level this may be set out in the contact, or it can be aligned to your wider contract management approach.

For organisational social value you will need to consider what is proportionate to achieving your objectives for social value, what is achievable based on the reporting frequency set out in your contracts, and what aligns to your wider performance framework. As a guide we suggest reporting on organisational social value annually.

3.5 Social value monitoring framework

Once you have made a plan for social value monitoring it is likely that you will want to create a framework for monitoring social value. This should link into the local authority's wider performance framework.

By a framework we mean the approach to capture and manage your social value commitments. Whatever approach, it is critical to capture commitments from contracts and understand who needs to do what in relation to monitoring and managing them. It may be that some areas of social value are monitored and supported centrally (e.g. those relating to local training or job opportunities) or they are all managed by the relevant contract manager.

Local Partnerships have developed a template containing a social value monitoring framework. You may find this a useful starting point. You can download the **toolkit** from our website.

3.6 Qualitative reporting

While social value performance frameworks will focus on quantitative social value delivery, it important to not lose sight of the reason for requiring social value – to benefit the community and the environment. This may be better demonstrated through qualitative information such as case studies, testimonials and photographs.

It is therefore important to work with suppliers to capture qualitative as well as quantitative information. For larger and/or longer contracts it may be appropriate to request an annual report on social value, which can include qualitative feedback for example case studies of projects undertaken and the benefits realised. When using case studies it is helpful if the communities involved can feed in directly to describe their experiences and the impact that has happened as a result.

4 WORKING WITH SUPPLIERS TO DELIVER SOCIAL VALUE

4.1 Setting expectations with suppliers

When starting the contract management relationship with the appointed supplier it is important to review the tender documents to understand the social value commitments and key performance indicators that were proposed by the supplier, and the method statement (if there was one). If you were not responsible for initiating the project or service design, you should discuss with the responsible service any additional or revised ambitions or expectations.

Once you understand the commitments made, you can work with the supplier to agree their:

- Delivery plan
- Targets
- Indicators
- Measurement frequency and reporting type (e.g. qualitative or quantitative)

The length and value of the contract will likely shape the nature and depth of the planning phase. For longer and larger contracts examples of initial targets/milestones could include:



4.2 Managing change and working collaboratively

There is a risk that the committed social value will be underdelivered. To help manage this risk it is helpful to put in place clear change procedures and governance from the start of the contract management period. For example, including social value as a standard agenda item during meetings between the contract manager and supplier, and requiring regular reporting from the supplier on progress to achieving their social value commitments.

While the contract should specify the social value commitments it may be necessary to take a flexible approach where external factors and/or operational changes make the social value commitment overburdensome for the supplier during the life of the contract. Building a collaborative relationship may mean that you are more able to negotiate alternative delivery where the original plans need to change. For example, requiring the same financial value proxy of social value to be delivered, but through different activities.

4.3 Incorporating social value into existing contracts

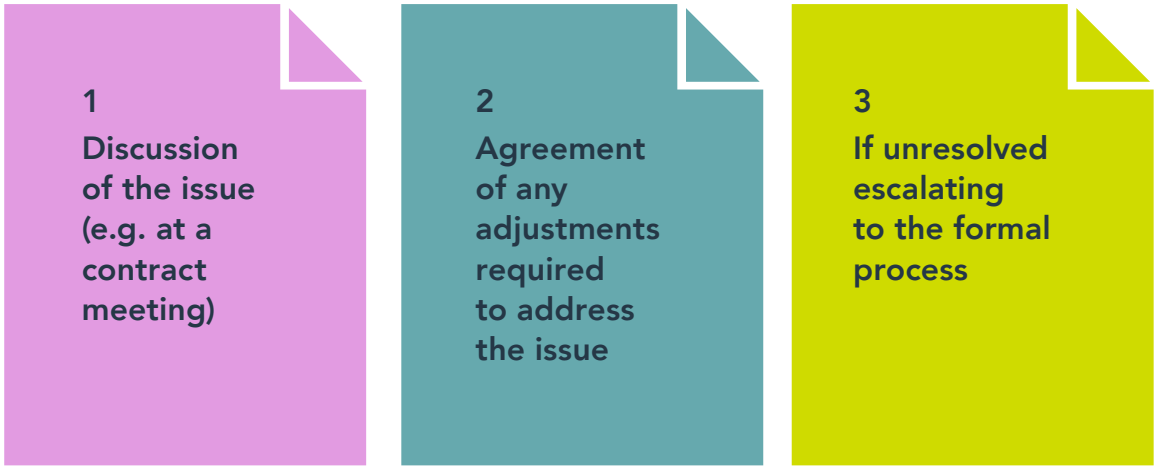
Where an existing contract is in place that does not currently incorporate social value, there may be an opportunity to work with the supplier to change this. At regular contract management meetings, it is important to discuss social value opportunities and understand if there is any social value already delivered through the contract that is not being captured, or if minor changes can be made to add value, such as promoting job or training opportunities locally.

4.4 Managing failure to deliver social value

While the goal is to build a collaborative relationship with suppliers to deliver social value commitments, there may be times when the supplier fails to deliver on social value commitments.

Through good social value monitoring, any risk of non-delivery should be identified at an early stage, allowing action to be taken to address issues. Contract remedies should be the last resort and be used only once all other routes to resolve the matter have been attempted.

The procedure to be taken to resolve a failure to deliver on social value should be included in the contract. This is likely to include:



During the first stage it is important to understand the cause of the non-delivery and how this could be addressed. Is it a recording error? Have attempts been made to meet the target but it has not been possible? Could an alternate commitment be substituted that the supplier is able to achieve?

5 FURTHER RESOURCES

Social Value Act – providing useful **guidance** on the legislation and the requirement for public sector procurements to consider social value.

Social Value Portal – National TOMs Framework – a **framework** based on themes, outcomes and measures for creating social value and measuring against proxy values.

LGA Social Value Toolkit – **examples of social value statements and toolkits** created by other local authorities.

Social Value UK – a **national network** for social value and Impact.

Crown Commercial Service – Social Value – **advice** on how to incorporate social value into your procurement activity.

Procurement Policy Note 06/20 – taking account of social value in the award of central government contracts. **This note** sets out how to take account of social value in the award of central government contracts by using the Social Value Model. Although it is focussed on central government, much of the note is relevant to Local Government.

Local Authority Sustainable Procurement Toolkit – WLGA – a **tool** to support (Welsh) local authorities in embedding decarbonisation and sustainability into procurement at all levels.

JOINTLY OWNED BY

Local Partnerships 18 Smith Square, London SW1P 3HZ
020 4526 8474 I LPenquiries@localpartnerships.gov.uk

𝕏 @LP_localgov I local-partnerships-llp I localpartnerships.gov.uk