

## Greater Manchester Combined Authority

Date: 25<sup>th</sup> March 2022

Subject: Driving Social Value in Greater Manchester Public Procurement

Report of: Eamonn Boylan

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### Purpose of Report

To agree a set of principles and supporting actions with the aim of driving further and faster around the good work already going on in Greater Manchester on leveraging Social Value from public sector spending.

### Recommendations:

The GMCA is requested to:

1. Designate a Greater Manchester Leader and Senior Responsible Officer to act as sponsors to work with each of the Greater Manchester Local Authorities to identify how working at a GM level can add value to our shared objectives and declared GMS priorities; and to garner wider participation across Greater Manchester anchor institutions including Transport for Greater Manchester, Greater Manchester Police and the Health system.
2. Acknowledge that successful progress in this policy area will require significant investment and accept a further paper setting out the resourcing challenge and quantified options.
3. Revise the GMCA Sustainability Decision Tool for use upstream as part of business case development (for potential adoption by others).
4. Approve exploration of options for developing a Greater Manchester 'Brokerage' platform that can provide a live environment matching supplier offers with 'system' asks.

5. Approve the adoption of the following principles and to commend this report for approval and adoption by all GM Councils in order to build on existing good work on social value and to significantly increase our collective GM approach to social value, with the potential to make a real step change in the role of public procurement in supporting the delivery of GMS priorities:

- Restate a strong presumption that social value forms part of the evaluation on all procurement over threshold.
- Building on the Greater Manchester Social Value Framework, develop an approach which can be aggregated at a GM level for capturing bid offers as contractual commitments, providing contract management performance data and common standards for city region scale reporting.
- Adopt definitions to allow development of plans for capturing consistent metrics (See Appendix 1) for a set of key Greater Manchester Priorities:
  1. Real Living Wage
  2. Principles of Greater Manchester Good Employment Charter
  3. Carbon Reduction – net zero by 2038 (Greater Manchester) / 2050 (UK)
  4. Tackling Inequality (protected characteristics)
  5. Economic Diversity (Small Medium Enterprise and Voluntary Community Social Enterprise)
  6. Local Spend (Greater Manchester based businesses)
- Adopt a policy for all procurements over the regulated threshold (unless evidenced as legally and commercially unviable):
  - a. By 2023 we will only contract with organisations who agree, themselves and for their 1st line sub-contractors, to pay Real Living Wage at date of contract or within 1 year of contracting.
  - b. By 2023 we will only contract with organisations who have signed up to be supporters of the Good Employment Charter (or equivalent indicators) at date of contract or within 1 year of contracting.
  - c. By 2023 we will only contract with organisations who have a credible plan to become carbon neutral by 2050 in place at date of contract or within 1 year of contracting.





- Agree that the policy goal should be to increase our supplier diversity by:
  - a. Reserving relevant 'below threshold' contracts for Voluntary Community Social Enterprise sector organisations or Greater Manchester based Small Medium Enterprises (unless the requirement cannot be fulfilled by these markets).
  - b. Increasing the proportion of spend (with primary contractors and 1st line subcontractors) from Greater Manchester public procurement that is spent within Greater Manchester.
  - c. Make plans to monitor and report on the diversity of the ownership or leadership of the organisations we work with.

## **Contact Officers**

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## Equalities Impact, Carbon and Sustainability Assessment:

Impacts Questionnaire		
Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion	G	
Health	G	
Resilience and Adaptation		
Housing		
Economy	G	
Mobility and Connectivity		
Carbon, Nature and Environment	G	
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		
<b>Further Assessment(s):</b>	Equalities Impact Assessment	
 <b>Positive impacts overall, whether long or short term.</b>	 <b>Mix of positive and negative impacts. Trade-offs to consider.</b>	 <b>Mostly negative, with at least one positive aspect. Trade-offs to consider.</b>
	 <b>Negative impacts overall.</b>	

## Risk Management

The contents of this paper have been discussed and developed with Heads of Procurement from the Greater Manchester Authorities and NHS Providers. However, it should be recognised that this is not a 'no-cost' direction of travel and will require resource and leadership for successful implementation.

## Legal Considerations

Public Procurement activity is bound by the Public Contract Regulations 2015 and Procurement Policy Notices as published from time to time.

See also paragraph 7.6.

## Financial Consequences – Revenue

There are no current financial consequences for GMCA revenue budgets. Any subsequent actions requiring funding will be the subject of separate approvals.

See also paragraph 7.5.

## Financial Consequences – Capital

There are no current financial consequences for GMCA capital budgets. Any subsequent actions requiring funding will be the subject of separate approvals.

**Number of attachments to the report:**

Three

Appendix 1: Draft Definitions, Metrics, & Verification

Appendix 2: Risks & Challenges

Appendix 3: Baseline Data

**Comments/recommendations from Overview & Scrutiny Committee**

N/A

**Background Papers**

N/A

**Tracking/ Process**

Does this report relate to a major strategic decision, as set out in the GMCA Constitution?

Yes

**Exemption from call in**

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No

**GM Transport Committee**

N/A

**Overview and Scrutiny Committee**

N/A

# 1. Introduction

1.1. Building on Greater Manchester's position at the vanguard of delivery on Social Value, this paper seeks to use that foundation of best practice and learning to create a groundswell of collaborative action with Greater Manchester focussed outcomes through:

- Designating a Greater Manchester Leader / Senior Responsible Officer to act as sponsor, work with all LAs to support and drive further developments in social value from public procurement across GM, and garner participation across other Greater Manchester anchor institutions
- Seeking coalescence around a more consistent approach for Greater Manchester to provide clarity to the market, whilst recognising that flexibility is required to suit each organisation
- Redefining and strengthening the approach to lever more Social Value from public sector spending
- Setting responsible business criteria aligned to Greater Manchester priorities that signal minimum expectations to the market: "Made in Greater Manchester" should mean:
  - Fair Pay (Real Living Wage)
  - Good Employment
  - Carbon Neutrality
- Developing strategy to improve access to public contracts for target enterprises that are:
  - Small Medium Enterprises & Voluntary Community Social Enterprises
  - Greater Manchester Based
  - Minority owned or led

## 2. Social Value in Greater Manchester

2.1. Greater Manchester was an early adopter of Social Value. In 2014, Greater Manchester Combined Authority published its first Social Value Policy. Greater Manchester's local authorities have used this policy to formulate their own arrangements, with adjustments made to fit the locality and its unique characteristics or requirements. The city region has won awards for its work around social value and several Greater Manchester Local Authorities are acknowledged for their long-standing commitment to local supply chains, sustainable procurement and creating job opportunities for local people. [Greater Manchester's 2020 Social Value Framework](#) sets out six priorities inviting all Greater Manchester organisations to create positive change and maximise their impact for the citizens of the city region. A key premise is that whilst social value can be driven through procurement, there is a role for all enterprises to thread it through their strategic thinking.

## 3. Greater Manchester Strategy

3.1. The refresh of the Greater Manchester Strategy is built on the core premise of creating a fairer, greener and more prosperous city region. This provides new policy impetus to drive work on Social Value in Greater Manchester further and faster. The Strategy sets goals for the way the local public sector operates, including a shift in how public procurement delivers social value:

3.2. Wherever possible we will show preference to companies because they share the same core values that we want to encourage and grow in Greater Manchester, not just because of the 'added value' they are offering on a particular contract.

## 4. Three Sources Social Value (at least from a procurement point of view)

4.1. The generation of Social Value from public spending can be broadly split into three categories:

- **Service Design & Specifications**
- **Added Social Value (delivered in addition to main contract purpose)**
- **Who We Do Business With**

4.2. The challenge is to recognise the opportunity and balance these three sources to maximise the social return (for each service area or even each contract).

#### 4.3. Recommended Action:

**4.3.1. Designate a Greater Manchester Leader and Senior Responsible Officer to act as sponsors to work with each of the Greater Manchester Local Authorities to identify how working at a GM level can add value to our shared objectives and declared GMS priorities; and to garner wider participation across Greater Manchester anchor institutions including Transport for Greater Manchester, Greater Manchester Police and the Health system.**

4.4. A step change in delivery on Social Value will require not just leadership, but a supporting revenue budget and capital investment. Current activity on this agenda is largely carried out by officers in addition to their core duties, greatly restricting the pace and scope of change. Successful delivery will require additional dedicated roles, engaging external agencies and developing or procuring third party systems. Programmes to drive contract delivery, increase supplier diversity, systems for gathering metric data, and a supported platform for brokerage are not currently in place or resourced. Each will require a centralised element and some degree of activity within each authority. Taking just brokerage as an example, because practitioners believe this will deliver most benefit, options could range from a software solution to a staffed team akin to GM Bridge.

#### 4.5. Recommended Action:

**4.5.1. Acknowledge that successful progress in this policy area will require significant investment and accept a further paper setting out the resourcing challenge and quantified options.**



## 5. Service Design & Specifications

5.1. Although ultimately procuring services that by their nature are delivering a societal benefit, commissioners and specifiers often focus on the fundamental subject of a contract, which in turn can create conflict with broader policy objectives. Checks and balances in decision making often already exist (for example Greater Manchester Combined Authority Sustainability Decision Tool), but this can be once momentum is already built and changing tack is challenging. Whilst procurement teams can offer advice and support, commissioners and decision makers at all levels have the real ability and accountability to ensure that services (and resulting contract specifications) are designed with inherent social value to maximise multiple benefits and minimise policy conflicts.

5.2. Social Value needs to be owned by whole organisations, not just procurement teams. To build social value into the design phase will require leadership and culture change to drive activity and provide a consistent message because it adds complexity.

5.3. Recommended Action:

**5.3.1. Revise the CA Sustainability Decision Tool for use upstream as part of business case development (for potential adoption by others)**

## 6. Added Social Value

6.1. Added Social Value relies on asking and guiding suppliers to deliver above and beyond the main subject matter of the contract. It is proven to deliver real benefits and drive innovation. To date this approach has been the focus for procurements, with a percentage scoring built into the tender evaluation model (along with price and quality elements). Some challenges have been recognised that if tackled collectively across Greater Manchester would have greater impact:

6.2. Defining what we mean by SV for Greater Manchester:

Approaches, expectations, commitment, and priorities vary across Greater Manchester, meaning suppliers must understand varying expectations to score well at evaluation. Market forces can vary widely across contracts, so flexibility is required to ensure expectations are relevant and proportionate. Equally some markets lend themselves to delivering very high levels of social value. For these reasons a fixed or minimum evaluation percentage for Social Value could create unintended consequences. However, Social Value must form part of procurement evaluations unless a solid justification can be substantiated.

### 6.3. Recommended Action:

#### **6.3.1. Restate a strong presumption that social value forms part of the evaluation on all procurement over threshold.**

### 6.4. Linking Asks & Offers:

Market feedback suggests that despite a willingness to deliver more, bidders often struggle to find a suitable outlet for resources they are willing to provide or miss opportunity to capitalise on their skills and capabilities because they lack links to the needs of the 'system'. Equally there are community and public sector asks that go unanswered that could be met by willing commercial enterprises.

### 6.5. Recommended Action:

#### **6.5.1. Develop a Greater Manchester 'Brokerage' platform that can provide a live environment matching supplier offers with 'system' asks.**

### 6.6. Measuring & Reporting Benefits:

Despite excellent outcomes across Greater Manchester there isn't consistent measurement of impact or ability to report at a Greater Manchester level. As a result, opportunities to identify what works well and learn from each other are restricted. Approaches vary, but amongst Greater Manchester authorities many have adopted platforms that to some degree take the proxy value approach, where each element of Social Value (apprenticeships created, carbon saved, etc) are converted into a monetary equivalent.

### 6.7. Recommended Action:

**6.7.1. Building on the Greater Manchester Social Value Framework, develop a common approach for capturing bid offers as contractual commitments, providing contract management performance data and common standards which can be aggregated at a GM level for city region scale reporting.**

## **7. Who We Do Business With**

7.1. To maximise social value from our ability to choose or encourage the third-party enterprises that are selected and engaged in public contracts a set of key Greater Manchester Priorities has been developed:

- 1. Real Living Wage**
- 2. Characteristics of Greater Manchester Good Employment Charter**
- 3. Carbon Reduction – net zero by 2038 (Greater Manchester) / 2050 (UK)**
- 4. Tacking Inequality (protected characteristics)**
- 5. Economic Diversity (Small Medium Enterprise and Voluntary Community Social Enterprise)**
- 6. Local Spend (Greater Manchester based businesses)**

7.2. Recommended Action:

**7.2.1. Adopt a Greater Manchester definition for Priorities to allow development of plans for capturing consistent metrics (See Appendix 1)**

7.3. Priorities 1-3 focus on showing preference to organisations that have core values that are aligned with our own.

7.4. Appendix 2 lists a number of challenges to implementation, but of particular note are:

7.5. Cost Impacts

The estimate of the affordability gap in Adult Social Care is between £25m-30m in Greater Manchester to fund the difference between the government mandated minimum wage and the Real Living Wage. Some local authorities in the city region - notably Oldham, Rochdale, and Salford – have all committed to pay the Real Living Wage to all care staff within the next financial year. Bury has committed to a phased implementation and will be paying Real Living Wage from April 2023. This learning should be shared between these commissioners and their peers in the other councils, as well capturing emerging data on any cashable and non-cashable savings, including reduced sickness and improved staff retention.

#### 7.6. Legal Challenge

Mandating the same requirement for all bidders does create fair and transparent procurements, but when the stakes are high there is a risk of legal challenge. Mandating is arguably disproportionate if the Priority doesn't speak to subject matter of the contract.

#### 7.7. Recommended Action:

**For all procurements over the regulated threshold (unless evidenced as legally and commercially unviable):**

**7.7.1. By 2023 we will only contract with organisations who agree, themselves and for their 1st line sub-contractors, to pay Real Living Wage at date of contract or within 1 year of contracting**

**7.7.2. By 2023 we will only contract with organisations who have signed up to be supporters of the Good Employment Charter (or equivalent indicators) at date of contract or within 1 year of contracting**

**7.7.3. By 2023 we will only contract with organisations who have a credible plan to become carbon neutral by 2050 in place at date of contract or within 1 year of contracting**

7.8. Priorities 3-6 concern increasing supplier diversity by providing better access to commercial opportunities for target enterprises in support of wider Greater Manchester objectives:

#### 7.9. Recommended Action:

**Increases our supplier diversity by:**

**7.9.1. Reserving relevant ‘below threshold’ contracts for Voluntary Community Social Enterprise sector organisations or Greater Manchester based Small Medium Enterprises (unless the requirement cannot be fulfilled by these markets)**

**7.9.2. Increasing the proportion of spend (with primary contractors and 1st line subcontractors) from Greater Manchester public procurement that is spent within Greater Manchester**

**7.9.3. Make plans to monitor and report on the diversity of the ownership or leadership of the organisations we work with**

7.10. Each priority has its own set of challenges and risks (Appendix 2), so a targeted plan for each will be developed. There is an important balance to be struck between requiring bidders meet priorities 1-3 and not compounding the barriers to tendering we seek to dismantle for small, local, diverse, and socially purposed organisations.

7.11. Phased plans will consider how each priority is applied in procurements to main contractors in the first instance, moving down the supply chain tiers as we progress.

7.12. There is some baseline data available (Appendix 3), but this has not yet been captured across Greater Manchester authorities.

## **8. Next Steps**

8.1. The principles set out in this paper could be adopted across Greater Manchester’s anchor institutions. Successful implementation across authorities in the first instance will require leadership, support, and resources.

## Appendix 1 – Draft Definitions, Metrics & Verification:

Priority 1 → Real Living Wage
<b>Definition</b>
Employees aged 18 or over paid an hourly rate equal to or higher than the Real Living Wage <i>Real Living Wage is £9.50/hour for 2021/22, but is updated annually. Current rates and further information:</i> <a href="#">Living Wage Foundation   For the real cost of living</a>
<b>Metrics</b>
% <b>Suppliers</b> paying Real Living Wage to all direct employees
% <b>Spend</b> with suppliers paying Real Living Wage all direct employees
*Spend = annual spend over £50K whether procured commercial arrangements, grants awarded or investments made
<b>Verification:</b>
Self-declaration at tender stage with evidence required in line with due diligence and contract management procedures

**Priority 2 → Greater Manchester Good Employment Charter**

**Definition**

[Greater Manchester Good Employment Charter \(Greater Manchestergoodemploymentcharter.co.uk\)](http://GreaterManchesterGoodEmploymentCharter.co.uk)

Indicators including: Secure Work, Flexible Work, Workplace Engagement, Recruitment Practices, People Managers, Employee Health & Wellbeing.

**Metrics**

% **Suppliers** registered at 'Supporter' level

% **Spend** with suppliers registered at 'Supporter' level

**Verification:**

Self-declaration at tender stage with evidence required in line with due diligence procedures:

Greater Manchester Based: cross reference to Good Employment Charter records

Non-Greater Manchester Based: as above or signed statement of commitment to indicators

### Priority 3 → Carbon Reduction – net zero by 2050

#### Definition

A plan in place to become carbon neutral by 2050

The Plan must be signed off by the controlling minds of the organisation and must include:

- Measurement of organisation carbon footprint (at least annual)
- Carbon reduction targets (at least annual)
- An action plan to achieve targets

Helpful advice and guidance can be found here:

<https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance>

#### Metrics

% **Suppliers** measuring carbon footprint

% **Suppliers** with Carbon Neutral Plan

% **Spend** with suppliers measuring carbon footprint

% **Spend** with suppliers with Carbon Neutral Plan

#### Verification:

- Carbon Neutral Plan evidenced and evaluated in line with Procurement Policy Note 06/21
- Carbon Reduction Plan signed and published
- Carbon footprint evidence through [Small Medium Enterprise Carbon Footprint Calculator | The Carbon Trust](#) or comparable scheme



**Priority 4 → Tacking Inequality (Ethnic Minority Heritage, Gender Pay Gap, etc)**

**Definition**

Diverse Led Suppliers - Businesses where 51% or more of the organisation's ownership (for Small Medium Enterprise) or 51% or more of board and senior management team (for large organisations) are women or people of minority ethnic heritage

**Metrics**

% Spend with Diverse Led Suppliers

**Verification:**

Self declaration

<b>Priority 5 → Economic Diversity (Small Medium Enterprise and Voluntary Community Social Enterprise)</b>
<b>Definition</b>
<p>Small Medium Enterprise means less than 50 employees + turnover less than €50m</p> <p>VSCE means a value driven organisation which principally reinvests surpluses to further social, environmental or cultural objectives (and do not generate a profit for shareholders or individuals). E.g. Voluntary groups, Community groups, Social Enterprises, Cooperatives, Charities, Foundations.</p> <p>*Small Medium Enterprise and Voluntary Community Social Enterprise are not exclusive – a supplier can be defined as both</p>
<b>Metrics</b>
% Spend with Small Medium Enterprise's
% Spend with Voluntary Community Social Enterprise's
<b>Verification:</b>
Self declaration

<b>Priority 6 → Local Spend (Greater Manchester based businesses)</b>
<b>Definition</b>
'Based' means either the head office or the place where the majority of the workforce delivering the contract would consider their main place of work (e.g. a regional office). Greater Manchester means Postcodes in Greater Manchester <a href="https://www.townscountiespostcodes.co.uk">Postcodes in Greater Manchester, England   Postcode Information, UK (townscountiespostcodes.co.uk)</a>
<b>Metrics</b>
% Spend with local businesses
<b>Verification:</b>
Self declaration

## **Appendix 2 – Risks & Challenges**

There are several challenges and risks that are common across the Priorities (particularly Priority 1 Real Living Wage & Priority 3 Carbon) which are worth explaining (some we just need to accept). As a result, the phased plans will need some flexibility in how they apply with a sliding scale suggested for different circumstances.

**Do We Practice What We Preach?** For example, not all Greater Manchester public bodies are Real Living Wage accredited, so is it fair and reasonable to request the same from the supply chain.

**Cost Impacts** The estimate of the affordability gap in Adult Social Care is between £25m-30m in Greater Manchester to fund the difference between the government mandated minimum wage and the Real Living Wage.

**Legal Challenge** Mandating the same requirement for all bidders does create fair and transparent procurements, but when the stakes are high there is a risk of legal challenge. Mandating is arguably disproportionate if the Priority doesn't speak to subject matter of the contract.

**Creating Barriers** There is an important balance to be struck between requiring bidders meet priorities 1-3 and not compounding the barriers to tendering we seek to dismantle for small, local, diverse, and socially purposed organisations.

**Fair & Level Playing Field** Non-discrimination is a cornerstone of public procurement, which is tricky to play out in some of the definitions. For example, would it be unfair to ask a non-Greater Manchester supplier to meet a carbon neutral by 2038 target when the national target is 2050? It would be equally to set a higher bar for Greater Manchester suppliers only.

**Leverage** Contracts where the value, length, or scope of a contract might mean the effort of complying with mandated values is unattractive, leading to less (quality) bidders or compliance being priced in.

Some contracts are won by monopoly suppliers or where the cost of switching prohibits meaningful competition. In these cases, the ability to affect real change is limited.

**Verification** How compliance is verified needs careful consideration and could range from external accreditation to self-declaration. Given the resource required to verify, it needs to be proportionate to contract.

## Appendix 3 – Baseline Data

STAR Baseline Data:

Measure	Metric
Local contracted spend (Greater Manchester) retained in Greater Manchester	77% (20/21)
Local spend (within the 4 Districts) retained increased from:	42% to 53.9% (18/19 to 20/21)
STAR recorded engagement from Small Medium Enterprises and Voluntary Community Social Enterprises	11.5% Voluntary Community Social Enterprises and 20% Small Medium Enterprises bidding for contracts 20/21.
BAME owned organisations bidding for contracts	3.5% as at Q2 2021/22

Greater Manchester Combined Authority Baseline Data (from a supplier survey representing 20% spend, so indicative rather than statistically valid):

Measure	Metric
Greater Manchester Small / Medium Enterprises (Small Medium Enterprise)	38% Suppliers
Sub-Contracting with Greater Manchester Small Medium Enterprise	35% Spend
Voluntary Community Sector Enterprises (Voluntary Community Social Enterprise)	33% Suppliers
Sub-Contracting with Voluntary Community Social Enterprise	7% Spend
Supporter of Greater Manchester Good Employment Charter	43% Suppliers
Real Living Wage (100% of own staff)	76% Suppliers
Measuring Carbon Footprint	71% Suppliers
Carbon Neutral by 2038 Plan	43% Suppliers