

Greater Manchester Combined Authority

Date: 24th March 2023
Subject: Driving Social Value in Greater Manchester Public Procurement
Report of: Cllr Craig, Portfolio Lead for Economy and Tom Stannard, Lead Chief Executive for Economy

Purpose of Report

To update on progress of implementing the principles set out in last year's paper on leveraging greater Social Value from Greater Manchester public sector spending.

Recommendations:

The GMCA is requested to:

1. Note and welcome, the considerable progress in implementing the March 22 agreed recommendations on social value in procurement.
2. Agree the forward plan of work to operationalise and further develop this work during 2023/24.
3. Request a further report in 12 months' time summarising progress across GM Local Authorities / public bodies.





Contact Officers

Simon Nokes Simon.Nokes@greatermanchester-ca.gov.uk

Sam Pickles picklessj@greatermanchester-ca.gov.uk

Report authors must identify which paragraph relating to the following issues:

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		
Further Assessment(s):	Equalities Impact Assessment	
 Positive impacts overall, whether long or short term.	 Mix of positive and negative impacts. Trade-offs to consider.	 Mostly negative, with at least one positive aspect. Trade-offs to consider.
	 Negative impacts overall.	

Risk Management

The contents of this paper stems from work 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.

See also paragraphs 3.1, 3.2 & 3.3

Legal Considerations

Public Procurement activity is bound by the Public Contracts Regulations 2015, the Concession Contracts Regulations 2016. the Utilities Contracts Regulations 2016, and Procurement Policy Notices as published from time to time.

See also paragraphs 3.1, 3.2 & 3.3

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.

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:

Appendix 1: GMCA Procurement Standard Questionnaire Social Value Questions

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

N/A

Tracking/ Process

No

Exemption from call in

No

GM Transport Committee

N/A

Overview and Scrutiny Committee

N/A

1. Introduction/Background

1.1. In March 2022 GMCA approved adoption of a set of policy principles to build on existing good work on social value and increase the role of public procurement in supporting the delivery of GMS priorities. These were as follows:

Evaluating Procurements

- 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.

Minimum Standards

- 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. Characteristics 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):
 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.
 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.
 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.

Supplier Diversity

- Agree that the policy goal should be to increase our supplier diversity by:
 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).
 2. Increasing the proportion of spend (with primary contractors and 1st line subcontractors) from Greater Manchester public procurement that is spent within Greater Manchester.
 3. Make plans to monitor and report on the diversity of the ownership or leadership of the organisations we work with.

1.2. To support this activity GMCA designated two senior sponsors to guide progress:

- Portfolio Lead - Cllr Beverly Craig
- Senior Responsible Officer – Chief Executive Tom Stannard

- 1.3. An Implementation Working Group has convened with membership including Procurement leads from GMCA, Districts, TfGM, Greater Manchester Police and Greater Manchester NHS.
- 1.4. This paper focuses on the progress that has been made by GMCA in the last 12 months under each of the headings above (Evaluating Procurements, Minimum Standards and Supplier Diversity), highlights some actions taken by partners and looks forward to the next steps in implementing the agreements in the March 2022 paper.

2. Evaluating Procurements

- 2.1. GMCA has adopted a policy whereby for its own procurements over £100K evaluation criteria will include 20% social value weighting.
- 2.2. In partnership with Social Value Portal, GMCA's Research and Policy Teams have developed a set of Greater Manchester Themes Outcomes and Measures (GM TOMs) reflecting the Greater Manchester Strategy performance framework. In procurements, these proxy financial values guide bidders to focus on the social value that the city region needs most.
- 2.3. In April 2022, GMCA implemented the Social Value Portal for procurements over £100K, which asks bidders to make specific quantified commitments to delivering social value as part of their proposals. It therefore allows comparison of bids during procurements and monitoring of delivery through contract management. From April 2022 to date this has led to social value commitments (including spend with local supply chain) being contracted with a total value of £35.5m which is 31% of the value of all contracts let in that period.
- 2.4. As an example, delivery of the Greater Manchester One network platform (won by Cisco) has a social value offer which includes career mentoring, digital skills training, support for start-ups/spinouts/SMEs, research funding, access to technology/donations for charities and VCSEs, and broadband for community spaces. The delivery programme is being developed in partnership with GMCA teams to align with existing initiatives, notably GM's Innovation work and targeting work and skills for those furthest from the job market.
- 2.5. The Greater Manchester TOMs have been shared with partners to enable future standardised reporting across the city region, whilst maintain focus on local priorities.

2.6. A survey of seven of the ten Greater Manchester local authorities demonstrates strong alignment with this policy. All apply a minimum percentage to procurements ranging 10-30% (average is 20%) with the applicable threshold ranging £25k - £100K (average is £100K). Most report using Social Value Portal, but that this presents challenges when using frameworks because there is a cost to suppliers once contracted.

3. Minimum Standards

3.1. In implementing the minimum procurement criteria agreed in March 2002, GMCA has sought further legal advice. On balance the risk of legal challenge from an unsuccessful bidder is low, so GMCA intend to proceed with implementation. In summary, minimum standard criteria should be directly linked to the subject matter of the contract to provide a robust defence to any legal challenge. By mandating for all suppliers, the principal of a fair and transparent process is maintained. This defence is strengthened where the policy is applied consistently across all procurements. In practice contracting authorities who have included Real Living Wage policies in procurement strategies have not been subject to legal challenge. Legal challenges to procurements do occur and this is always managed to ensure no interruption to service delivery or negative impact on project outcomes.

3.2. GMCA Commercial consider that few current suppliers or future bidder will struggle to comply because the majority of contracts are largely for professional services where professional pay, good employment practice and corporate social responsibility are commonplace. By way of illustration, of the 12.5% of jobs in Greater Manchester that are paid less than RLW, a high proportion are in sectors in the foundation economy (eg hospitality and retail).

3.3. Early adoption in Greater Manchester has not revealed any negative impact or legal challenge to date. Greater Manchester Police have included Real Living Wage as award criteria in numerous procurements over the last year and report some potential bidders withdrawing (ie not bidding) but that competition has remained healthy. Transport for Greater Manchester have included Good Employment Charter 'member' level characteristics in bus franchise procurements. One contracting authority has reported that a complaint (not a formal legal challenge) from a bidder unable to meet the Real Living Wage requirement resulted in the procurement being restarted with the requirement removed.

3.4. Following expert stakeholder discussion, a few of the areas agreed in the CA report were felt to need some clarification to ensure they could be interpreted and implemented consistently and in line with other GM wide policies. This clarification on specific policy areas is set out below:

- Real Living Wage should apply to all the main contractors UK based employees (not just those delivering the contract). However, for key 1st line sub-contractors Real Living Wage should only apply to those directly delivering the contract.
- Good Employment Charter should apply to those employees directly delivering the contract.
- Carbon Neutral by 2050 should be revised to Net Zero Carbon by 2038 to be in line with GM's commitment.

3.5. As a result of these clarifications, GMCA has developed a set of questions that will be included in procurements from 1st April 2023 (Appendix 1).

3.6. Discussions have been held with Union leaders to understand how we can jointly work to support this agenda. Appraisal of the binary characteristics of the Good Employment Charter has led to consensus that GMCA procurement documents should ask the tenderers to confirm that they will comply with the following statements, as supplier commitments, rather than mandatory (ie pass/fail) requirements for participating in the procurement competition. Given the nature of GMCA contracts, this will be included in GMCA procurements only.

In the operation of this contract, you are agreeing that, for any of your staff (and 1st line sub-contractor staff) directly engaged in delivery of this contract, you will:

- *Provide sick pay to staff regardless of their income level and from their first day of absence*
- *Offer staff a minimum of 16 hours a week (unless the worker requests a lower level)*
- *Commit to respond positively to flexible working requests within 28 days whenever possible*
- *Commit to provide the training staff need to do the job freely and during paid time*

- *Recognise a trade union(s) or commit to facilitate union workplace access if requested from day 1 of this contract or within [x] months of its commencement date*

3.7. GMCA has introduced corporate KPIs on most policy areas, with data being collected since Q1 2022/23:

Metric	Sub-metric	22/23 Q3
Suppliers registered as GM Good Employment Charter Supporters		
	% of total spend	53.3%
Suppliers paying the Real Living Wage to all direct employees		
	% of total spend	53.9%
Suppliers with a Carbon Neutral plan (net zero by 2050)		
	% of total spend	10.2%

4. Supplier Diversity

4.1. As noted above key commitments were around reserving below threshold contracts to increase the work contracted to the VCSE sector and GM SMEs, increasing procurement spend within GM, and monitoring supplier diversity

4.2. GMCA has received feedback from SME and VCSE representatives that implementing the mandatory criteria might present a barrier to smaller organisations bidding. In response to this a number of roundtables with these representatives were held.

4.3. During the year several roundtables with the VCSE sector were hosted by Growth Company and GMCA. Key areas under consideration for joint action with the sector include:

- 'Priceless Procurement' whereby the price is set, and evaluation is based purely on quality of delivery.
- Improving access by publishing procurement pipelines, advertising opportunities using sector communication channels, shifting compliance requirements towards development opportunities for winning bidders, and simplifying below threshold processes.
- Build capacity by providing more pre-procurement engagement, supporting the sector to articulate their social value offer, and providing data on successful VCSE contracts.
- Facilitating collaboration by allowing service / process co-design (building on the successful model used for GMCA Probation procurements in 2022), and creating and supporting networks that can form consortia bids.

4.4. Two recent SME Roundtables hosted by Growth Company revealed several common barriers to public procurement experience by smaller businesses including know-how, proportionality of process to contract value, capacity and perception / trust. The intention is to formalise a working partnership, with the initial suggested solutions forming around:

- Facilitation for businesses that simplifies navigating public procurement with signposting support and resources such as templates for commonly required policies. 'How to do business with Greater Manchester Public Sector'.

- Creation of a database of Greater Manchester SMEs that are interested in competing for public contracts to allow buyers to better understand and advertise opportunities to the local economy.

4.5. During the year GMCA also started to monitor spend with the VCSE sector, GM SMEs and spend landing within GM. This has resulted in the following baseline position:

Metric	Sub-metric	22/23 Q3
GMCA suppliers: % by sector	Public sector	22.8%
	VCSE	9.5%
	SME	8.5%
	Private (larger)	59.3%
Spend with GM-based suppliers		
	Value (£m)	£44.5
	% of total spend	63.5%

5. Next 12 Months

- 5.1. GMCA will implement the 'Minimum Standards' from 1st April 2023. Established KPIs will be used to monitor impact and procurement 'lessons learned' will be used to review challenges and improve the approach.
- 5.2. The established 'Implementation' group (bringing together Districts, the CA, TfGM, Police and the NHS) will continue to work towards a standardised approach, for example through shared procurement and contract wording. A New Procurement Regulations task and finish group has been created to reduce duplicated effort in moving to the new regulations (due later in 2023) and has Social Value as one theme across workstreams.
- 5.3. Action plans for VCSE and SME workstreams will be developed, building on the round tables, and utilising existing networks such as the VCSE Accord Commissioning Group.
- 5.4. Manchester City Council has set up a Social Value Brokerage task and finish group, considering three strands of activity:
- Making potential suppliers preparing to tender for contracts aware of opportunities to work with community and other groups that can provide contributions towards addressing local priorities so that SV in tenders can be more meaningful and targeted towards "need".
 - Connecting interested parties within a locality to maximise opportunities within that locality that have arisen due to a significant intervention such as a redevelopment of an area or regeneration scheme (North Manchester/Victoria North for example).
 - "Internal brokerage" so that all department of the council are aware of the opportunities available from working with existing suppliers who have included social value aspirations within tenders but are struggling to deliver.

The group will identify what has been successful and less successful elsewhere and evaluating various systems that are either already on the market or are in development.