

Manchester City Council Report for Information

Report to: Ethical Procurement and Contract Management Sub Group - 29 November 2018

Subject: Use of Social Value Key Performance Indicators (KPIs) in contracts.

Report of: City Treasurer

Summary

The Ethical Procurement SubGroup has asked for a report on the key performance indicators for the delivery of Social Value, to include the following information:-

- who decides what the KPIs should be for social value in any given contract;
- how was the Council ensuring consistency across the organisation;
- was there a central resource that co-ordinates this or do individual departments have responsibility

Recommendations

Members are asked to note and comment on this report.

Wards Affected:

All

Alignment to the Our Manchester Strategy Outcomes (if applicable)

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Social Value can deliver against all Our Manchester outcomes. The GM Social Value priorities are <ul style="list-style-type: none">• promote employment and economic sustainability – tackle unemployment and facilitate the development of skills• raise the living standards of local residents, living wage, employ local labour• promote participation and citizen engagement• build the capacity and sustainability of the voluntary and community sector• promote equity and fairness – target effort
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by	

unlocking the potential of our communities	<p>towards those in the greatest need or facing the greatest disadvantage</p> <ul style="list-style-type: none"> • promote environmental sustainability
A liveable and low carbon city: a destination of choice to live, visit, work	<p>The MCC Social Value priority groups are:</p> <ul style="list-style-type: none"> • Children and young people, specifically Looked after Children and Care Leavers, those who are NEET, or involved in criminal justice system. • Long-term unemployed with an underlying health condition and/or complex needs • Disabled People • Older people, specifically adults over 50 who are economically inactive and /or in poor health; • Vulnerable adults overcoming a crisis e.g. domestic violence and abuse survivors, dependency on drugs or alcohol; rough sleepers.
A connected city: world class infrastructure and connectivity to drive growth	

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Report of City Treasurer to Audit Committee -25 January 2018: Improving Contract Management and Governance.

Report of City Treasurer to Audit Committee 5 November 2018: Progress Report on Commissioning and Contract Management.

1 Introduction

- 1.1 The Council currently commissions and procures over £500m of services from third parties. Social value is a key deliverable in the wider Council agenda to improve contract monitoring and management more generally.
- 1.2 Manchester City Council has been a pioneer on social value. Elected Members, including EPSG and Executive Members, have played and continue to play a lead role in developing and driving social value in the city. A milestone was the decision in 2015 to increase social value weighting in the evaluation of bids from 10% to 20%. More recently, there has been closer scrutiny of how social value is embedded in contracts following procurement. Good progress has been made. For new contracts, Social Value data is now collected in contract registers, and Social Value KPIs are becoming routine practice. Strategic Directors are driving progress. Commissioners and contract owners are growing their understanding and experience. Guidance and good examples are available.
- 1.3 However, with the legacy of pre-existing contracts there is a way to go, and more Social Value opportunities to be taken; prioritisation in our approach will yield best results. Winning hearts and minds is critical - without engagement and enthusiasm of staff and managers, the Council will not be effective.

2 Background

- 2.1 On 27 February 2018, the council's Senior Management Team (SMT) endorsed the work plan and priorities for the commissioning and contract management improvement programme. The work plan builds on existing strengths and addresses weaknesses identified in previous reviews and audit reports. The areas for improvement are set out in the January 2018 report to Audit Committee, and in an update on 5 November; a key area was that insufficient consideration of social value opportunities built into specifications, and monitoring of social value delivery was lacking at times.
- 2.2 Commissioning for, and monitoring delivery of, Ethical Procurement has been included in MCC's new contract management standards and tools, with Social Value a cornerstone of ethical procurement. A Social Value Toolkit for Commissioners and Stakeholders was launched at the Council's Ethical Procurement event in March, and is available for officers involved in commissioning and contract management. The Toolkit focuses on SV KPIs, provides templates for monitoring, and provides good examples of SV KPIs.
- 2.3 There are now contract registers in place across MCC to enable improved grip on contract performance and spend. Officers are assessing all the council's contracts for their criticality (Gold, Silver, Bronze - determined by value, dependence, impact, reputational risk and security/ safeguarding) and for their current performance (Red, Amber, Green - determined by service quality, consistency with Our Manchester behaviours, effectiveness in managing change, delivering on budget, and delivering social value), which in turn will help officers identify and act on key areas for attention.

- 2.4 ***Central to the Council's approach is ensuring that Social Value and its monitoring is explicitly covered at all stages of procurement, including the commissioning and pre-tender stages, tender, contract implementation, and contract monitoring.*** Specifications should not be approved or used in procurement unless they include or invite from bidders clear statements of requirements for performance measurement (eg KPIs), information reporting requirements, how and who will monitor, systems and formats to be used, escalation processes. The approval of the specification by Strategic Directors is a formal Gateway, and so is an opportunity to assure for Social Value. At tender stage, Corporate Procurement communicate clearly to staff preparing Invitations to Tender that SV value must be included in detail in documents, and must be present in suppliers' bids.
- 2.5 ***Practical action for monitoring the delivery of social value*** in each contract is critical. Guidance on the context and support mechanisms for the delivery of Social Value is available for commissioners as part of the MCC commissioning and contract management framework and standards. These include contract management proformas, contract dashboards, risk tools, etc. Key operational steps to success are:
- i. Early engagement with successful bidders at implementation planning stage as to how they will deliver and track social value commitments;
 - ii. Contract managers tracking delivery of social value alongside other contract KPIs, with reporting to senior managers on agreed basis;
 - iii. Contract owners, senior managers and suppliers discussing delivery;
 - iv. Examples of excellence and non compliance to be escalated;
 - v. Assurance and governance of performance, eg dashboard reporting;
 - vi. Effective resourcing of contract management, ie to risk.

3 Current position

- 3.1 Given the range and scale of contracts across the Council, the current position is inevitably varied. The Integrated Commissioning team has taken stock of the use of Social Value KPIs in new and existing (including old) contracts, with particular focus on identifying good practice; examining whether officers now routinely include SV KPIs in new procurements and contracts; examining the opportunities for retrofitting SV KPIs to old contracts; benchmarking SV KPIs across different directorates of the Council and MHCC; and engaging staff and managers in driving this forward.
- 3.2 ***Who proposes what KPIs should be for social value in any given contract?***

It is commissioners / contract managers who propose what the KPIs should be for social value in any given contract, and the relevant Strategic Director (or delegated authority) who approves it.

3.3 ***How does the Council promote consistency in social value KPIs?***

The Council promotes consistency through governance (the approvals by Strategic Directors in line with the Constitution and Financial Regulations), and guidance in the shape of toolkits, templates and sharing best practice (via the Corporate Procurement and Integrated Commissioning teams).

3.4 ***Who is responsible for ensuring that there are robust KPIs in contracts?***

Individual departments are responsible for ensuring that there are robust KPIs in contracts. Corporate Procurement is responsible for ensuring compliance with procurement rules and provide guidance. Integrated Commissioning develops standards and guidance on the pre-tender and the contract monitoring stages.

There are some good examples of Social Value KPIs in place and having an impact; we should promote and celebrate these. Promising examples are:-

- the new Leisure Contract with GLL, which specifies Social value in supporting athletes, volunteering, recruitment and apprenticeships, staff terms and conditions, and staff development;
- Highways has seen a remarkable turnaround in the last 12 months, with dedicated staff and senior officers driving SV in contracts. The contract owners set out social value initial thoughts at Checkpoint 1, obtain firmer commitments and priorities at CP2 and upon contract award an initial meeting with the winning contractor takes place. KPIs are agreed at this point and then go live, with a new SV tracker to monitor progress.
- ICT: As well as a Social Value Fund, MCC supplier UKFast have developed educational partnerships as a part of a mission to reach out to a new digital generation and now work with 50 schools and colleges. Through this initiative they reach 57,000 young people across Greater Manchester and have made over 100 school visits last year alone. In addition, UKFast is working with leading educational provider The Dean Trust and have been approved by the government to open a new high school focussed on digital literacy in Manchester.

3.5 ***We are seeing significantly more planning and design of social value, including SV KPIs at the early commissioning and pre-tender stages, in the development of new contracts.***

Examples include:-

The current tender for Homecare services, including in Extra Care schemes. The tender includes explicit Social Value requirements, including Manchester Living Wage as part of MHCC's commitment to achievement of the Ethical Charter. Future contract monitoring and management arrangements will ensure these processes are used.

The tender for the Provision of Building Services is out to procurement and has sought Social Value commitments.

Discussions to incorporate Social Value KPIs are under way on the Housing and Residential Growth contracts due for re-letting, namely Manchester Energy Co (District Heating scheme) and Manchester Care and Repair.

3.6 ***On existing contracts, some of which predated the introduction of social value***, and some which tendered on the basis of social value but where there was limited attention to KPIs, we see a mixed picture.

The Neighbourhood Services Directorate is holding review meetings with each service which cover contract monitoring. They will discuss how best to ensure delivery of SV that has been committed to by the supplier. Those contracts that are coming up to extension dates will have the opportunity to leverage more Social Value.

Waste and Recycling: a review was held in March 2018 as progress to achieve SV commitments was behind schedule. Biffa has now committed to the My Future programme; the second cohort of recruits has three young people, with a third cohort to be agreed. Biffa has agreed a wide range of SV commitments, including staff terms and conditions, skills and apprenticeships.

None of the Housing and Residential Growth contracts contain social value KPIs, and Social Value was introduced after PFI contracts were signed. However, the Housing team ensure contractors need to comply with Social Value. For example:-

- Grove Village: Whilst there is no KPI, Your Housing Group provide information on the Social Value that the Group delivers;
- Miles Platting: Renaissance have a target of 4 trainees employed at any one time. This is monitored annually; if not met there are financial implications for the Contractor; this target has always been exceeded.
- Brunswick: The Employment and Training targets are more complex in this project and different year on year to adjust for the housebuilding and refurbishment programmes. There are financial implications if the Contractor fails targets and deductions have been made in the last 4 years.

3.7 ***We are also seeing the introduction (retro-fitting) of Social Value KPIs into existing contracts.*** This is harder but can be done. For example:

MHCC is introducing a series of Social Value questions across all rolling NHS contracts as part of its recently approved inclusion and social value strategy. MHCC propose to collect baseline data yearly from April 2019 to produce an annual report, to allow for good practice to be rolled out and targets to be built into future annual contracts.

MHCC will apply this approach to MCC-funded contracts too, like Residential and Nursing homes.

The Roadside Advertisement contract currently has no SV and predated the requirements for SV in contracts. However, the supplier sponsors awards, provides advertising space, and offered to fund a trip for students and teachers to attend 'Wired Next Generation'. The new procurement is due to market in January 2019 and will include SV requirements including environmental.

4 Conclusions and Next steps

- 4.1 Good progress has been made. The practice of embedding Social Value KPIs into contracts is beginning to become routine for new contracts. Strategic Directors are driving progress. Commissioners and contract owners are growing their understanding and experience. Guidance and good examples are available.
- 4.2 However, with the legacy of pre-existing contracts there is a long way to go, and more Social Value opportunities to be taken. Given the scale of the task, we recommend a degree of pragmatism and prioritisation with pre-existing contracts, by targeting our top suppliers and contracts (ie the Gold contracts) and using our strategic relationships to get much better buy in and ultimately better outcomes. Some older contracts have less Social Value content (some even pre-date SV) and the opportunity to amend them will not present themselves straight away; but there could be opportunities in the medium or longer term.
- 4.3 Currently there is no benchmarking across the Council as there is no common position on what appropriate level of SV should be based on contract value; each contract is done on a case by case basis, tailored to circumstance. Contract Managers are asked to think carefully about questions in procurement documents to ensure that MCC receives commitments that can be measured and monitored. It may be worth considering a benchmark that sets out what is expected from a supplier; this does take place for some construction contracts, but is not widespread. We could also benchmark what KPIs should be given value and sector; what monitoring arrangements should be, depending on criticality (Bronze, Silver or Gold); and what escalation is appropriate in the event of non-delivery.
- 4.4 However, one size will not fit all for benchmarking. Smaller contracts, for example in Neighbourhoods and Highways, have struggled with this approach for minor projects and sometimes odd jobs via direct award. It may be worth considering a de minimis, while still sharing best practice for obtaining social value in small value contracts.
- 4.5 ***Build capability and win hearts and minds:*** Without the engagement and enthusiasm of staff and managers involved in contract design and management, the Council will not obtain social value commitments. Important ingredients in building capability are:
 - Leading from the front: senior managers must be the force for driving Social Value through contract management of the delivery of their

services, and to ensure KPIs are in place. Workshops have been held recently with the Senior Leadership Group, directorate Wider Leadership Teams and the annual Leadership Conference;

- Engaging staff: social value is now part of the new contract management training; it has been built into the new contract management standards; and tools, guidance and templates are available. The challenge now is consistent implementation;
- Training: is available for staff. Integrated Commissioning have incorporated Social Value into face-to-face training courses (Raising the Bar; and Our Manchester Leadership). An e-learning module on SV is in development. The Neighbourhoods team have SV learning lunches and drop in sessions for contract managers.

- 4.6 It is critical to share best practice, to show commissioners and contract managers how it can be done, ie how Social Value KPIs can be introduced and used in contracts. Thus, best practice examples are a key communication tool. The Council's annual Ethical Procurement event is another opportunity to share best practice with officers, partners, other councils and suppliers; the next one will be in February 2019.