



**Report to:** STAR Joint Committee  
**Date:** 15<sup>th</sup> April 2024  
**Report for:** Information/Discussion/Approval  
**Report of:** Lorraine Cox Director of STAR

**Report Title**

**STAR Procurement Update on Social Value**

**Summary**

The purpose of this report is to update STAR Joint Committee on our Social Value progress and next steps.

**Recommendations**

- To acknowledge the STAR approach and plans to drive more delivery of the secured Social Value from procurement.
- Develop a STAR Social Value Policy 2024 across all 6 STAR partners and linking to 2 City Regions (GM/LCR) Social Value Priorities.
- Support STAR in applying an approach of seeking commitment from all bidders to provide a carbon action plan with a clear commitment to achieve Net Zero by 2038, for all over 'Find a Tender' threshold Contracts.
- Support STAR in securing from bidders on relevant contracts, their scope 3 emissions baseline and a commitment to a reduction plan.

**Contact person for access to background papers and further information:**

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**Background**

Financial Impact:	Yes
Legal Impact:	Yes

Human Resources Impact:	None
Asset Management Impact:	None
E-Government Impact:	None
Risk Management Impact:	Yes
Health and Safety Impact:	None

## **Consultation**

No public consultation required.

### **1. Background**

1.1. In 2019, STAR launched 'Social Value is Everybody's Business' campaign which was underpinned by the introduction of increasing the requirement for Social Value in procurement to a mandated weighting of 15-20%, for all spend over £25k. This also commenced the use of the National TOMs (Themes Outcomes Measures Framework) and the use of the Social Value Portal (SVP) to report on secured outcomes, for contracts over the value of £50k.

1.2. STAR created the following Twelve Steps to Social Value in 2021 to give a framework to drive improvement:



1.3 In March 2022 Greater Manchester Combined Authority (GMCA) published a report, 'Driving Social Value in Greater Manchester Public Procurement' which received commitment from GMCA Chief Executives and Leaders. The six priorities are:

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).

## **2. Achievements to Date:**

- STAR has supported all four GM STAR Partner organisations with achieving and working towards Real Living Wage accreditation. To date Stockport and Trafford have gained accreditation and Rochdale and Tameside are working towards this. STAR will support Knowsley and St Helens moving forwards.
- All four GM STAR partner organisations are members of the GM Good Employment Charter. STAR will review the approach to Social Value in Liverpool City Region to support Knowsley and St Helens Councils to progress towards any similar Charters within their region.
- Fourteen staff in STAR have received carbon literacy training, therefore are 'carbon literate' and STAR intends rolling this training out further to the newly recruited and TUPE staff who have joined STAR in recent months.
- Supplier market surveys have been undertaken by STAR to understand and gain intelligence as to the preparedness of markets, including SMEs, in a more rigorous approach to carbon reduction through procurement. Further analysis is planned in conjunction with a pilot with Stockport Council – 'Decarbonisation in the supply chain' across all relevant contracts. Evidence from the market surveys, so far, indicates nearly all suppliers are working towards net zero, have a plan in place to achieve net zero by 2050, with a lot of suppliers expecting to achieve this date earlier than 2050. Of these, only a small proportion of suppliers are publishing their plans annually. Stockport also surveyed circa. 50 suppliers and their findings evidenced a similar trend, but also demonstrated that there was no significant change or risk in result from different organisational types and sizes.
- STAR is supporting a pilot project with Stockport Council to drive 'Decarbonisation in the supply chain' has considered an approach to require a carbon action plan in the tender process, targeting bidders who should evidence their carbon emissions and commit to reduction over the life of the contract (See more detail below).
- STAR worked with Trafford and Rochdale to organise two smaller SME / VCFSE dedicated events, to promote the 'Twelve Steps to Social Value' approach, including collaboration with key partners and the third sector. Further events are planned.

- Mapped TOMs to the corporate priorities for all GM STAR partner organisations and the creation of Social Value working groups in place. We have also mapped TOMs against corporate priorities for Knowsley and St Helens.
- STAR has adopted a Risk Based Sourcing approach for procurement below the threshold, to drive simple approaches to lower value procurement which is risk based, with the aim to simplify our processes and aid smaller businesses bidding. This is under further review and being considered in the context of the new Regulations in October 2024.
- STAR has secured since April 2019 £238.5m worth of Social Value through the portal as at Q2 23/24, represents 37.9% at Q2 23/24 against contracted spend.
- STAR is now transitioning to report on 'delivered' Social Value and to support contract managers with a new development in the SVP for more robust reporting.
- Reported 78.9% spend is retained within GM for 2022/23 and this is on track to continue into 23/24.
- STAR has supported Stockport, Trafford and Tameside with the Social Value Maturity Index (SVMi) exercise and supported the Social Value steering groups to develop action plans. STAR will be undertaking a SVMi with Knowsley and St Helens.
- STAR is moving towards asking bidders to sign up to the GM Good Employment Charter as a 'supporter'. This is not a mandatory approach at present and we will need to assess any equivalent Charter in Liverpool City Region or the appropriateness of this when bidders are not in GM (LCR) etc.

### **3. Social Value and risk of non-delivery**

- 3.1. Social Value delivery forms part of the contract Key Performance Indicators (KPI'S), STAR has supported the partners with improving contract managing the delivery of Social Value but there is work to do here. The SVP has launched a new reporting tool and STAR is supporting the roll out of this, including facilitating training to all relevant contract managers. We are also reviewing this tool to ensure it is robust in terms of its ability to serve STAR on the reporting of organisational delivered Social Value. STAR is participating in a GMCA/GM-wide Contract Management Group along with representatives from our four partner organisations.
- 3.2. We will be working with STAR Legal to review the risks and merits of introducing stricter penalties for failure to deliver on commitments, and seeking an understanding of how other councils are approaching this through the National Social Value Taskforce.

#### **4. Social Value for New STAR (LCR) Partners**

- 4.1. STAR has been commissioned into both Knowsley and St Helens to support their Social Value journey. This has involved:
- Implementing the SVP system so we can align across the 6 STAR Partners from April 2024. Reporting as 'one STAR' will go live from April with the ability to report for individual organisations.
  - Mapped TOMs against corporate priorities.
  - Linked SVP to the CHEST so there is now seamless integration between the two.
  - Started to roll out SVP system and contract management training.
  - Seek support and approval to transition from applying Social Value over £100K to £50K to align with the 4 GM STAR partners.
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#### **5. Net Zero Progression**

- 5.1. In June 2021, central government released a Procurement Policy Note, PPN06/21 recommending that for all contracts over £5m, suppliers must have a net zero plan in place and for this to be published annually. STAR Procurement added this question to the Supplier Suitability Questionnaire, but didn't mandate this as pass/fail, due to concerns of penalising smaller local suppliers.
- 5.2. 25<sup>th</sup> March 2022 a report was approved by the GMCA 'Social Value in Greater Manchester Public Procurement', stating that by 2023 GM will only contract with organisations who have a credible plan to become carbon neutral by 2038 in place at the date of contract or within 1 year of contracting. It also stated to adopt this policy for all procurements over the regulated threshold (unless evidenced as legally and commercially unviable). This includes all contracts for Supplies and Services over £213,477; and all Works contracts over £5,336,937.
- 5.3. To date across GM, some limited progress has taken place, for example GMCA/TFGM have mandated a net zero commitment to 2038 (GM)/2050 (UK) for all contracts over £5m; and Manchester Council have adopted a scored question weighted at 10% based on assessing the quality of a net zero plan being in place.
- 5.4. STAR has been working with Stockport Council on a pilot to 'Decarbonise the supply chain'; more accurately capturing and calculating scope three emissions; and to provide a more robust approach to ensure all suppliers capture, report

and commit to the reduction of emissions over the life of the contracts. STAR aspires to take this approach across all six STAR partners over time.

### **Options for Consideration:**

Option 1 - Introducing a pass/fail question for all contracts over £5m to have a carbon action plan supporting a commitment to be net zero by 2050. Based on historical annual data this would only capture approximately 12 contracts in total across the STAR Partners (4). This is the central government approach and some councils have adopted this.

#### **Benefits**

- Low risk approach as it follows the PPN06/21 Central Government approach, with low risk of challenge from suppliers.
- Minimal impact on local SME suppliers.
- A clear pass/fail methodology further minimising challenge from suppliers.
- No technical skills required to assess in the procurement process.

#### **Risk**

- Only captures a very small number of contracts predominately Works procurement.
- Doesn't specifically capture key information on council specific scope three emissions.
- Assurance is needed via a robust contract management approach to ensure we monitor our suppliers in their commitment to meet net zero by 2050.
- This doesn't focus on our GM target of 2038 Net Zero.

5.5. Option 2 - Introducing a pass/fail question for all contracts over 'Find a tender' threshold (xx) to have a carbon action plan in place and a commitment to being net zero by 2038. Based on historical annual data this would capture approximately 104 contracts in total across the STAR partners (4).

#### **Benefits**

- Captures a much wider scope of council spend activity across multiple areas including Supplies, Services and Works.
- Low impact on SME providers as only over threshold contracts to be targeted.
- Clear methodology minimising challenge from suppliers in comparison to a scored question.
- No technical skills required to assess in the procurement process.

#### **Risks**

- Slightly higher risk methodology as the requirement goes beyond what is stipulated in PPN06/21, it is perceived as low risk of challenge.

- Doesn't specifically capture key information on council specific scope three emissions.
- Assurance is needed via a robust contract management approach to ensure we monitor our suppliers in their commitment to meet net zero by 2038.
- Only partially focuses on our GM target of 2038 Net Zero.
- Legal guidance is that we should be cautious with a 'blanket approach' to all contracts and monitor on a case by case basis if we feel this pass fail approach is significantly affecting the markets ability to bid.

5.6. Option 3 - Introducing a scored question weighted at 10% based on the quality of a net zero plan being in place with a target date of 2038. The scope of this would include all contract opportunities over £25k.

**Benefits**

- Captures nearly all councils spend across multiple areas including Supplies, Services and Works.
- Anticipate a higher quality carbon plan if the requirement is scored.

**Risks**

- Moves the focus on to mainly carbon reduction/Social Value where we need to focus on Economic, Social as well as environmental Social Value.
- Technical knowledge and skills needed to score the quality of a carbon reduction plan.
- Low technical ability increases risk of suppliers challenging scoring methodology of the carbon plan.
- Doesn't specifically capture key information on council specific scope three emissions.
- Assurance is needed via a robust contract management approach to ensure we monitor our suppliers in their commitment to meet net zero by 2038.
- Higher impact on SME suppliers as larger organisations with experienced bid teams will more likely produce a higher quality carbon reduction plan.

**Recommendation to STAR Joint Committee:**

5.7. STAR seeks permission to implement option two, on the basis that significant actions need to take place to achieve net carbon zero 2050 UK and GM targets of 2038. STAR will need to consider the approach for the two Liverpool City region partners. This option poses some risk of challenge from suppliers, this can be mitigated by being very open and transparent of our intentions from the outset in each procurement exercise. This will allow suppliers to raise objections against the process, and for STAR to consider, review and seek legal advice, before it escalates to a formal challenge.

5.8. As part of the pilot with Stockport we intend to ask all suppliers the following and therefore wish to seek permission to apply this to all bidders:

- **Does the supplier currently measure its greenhouse gas emissions?**  
If yes, can the supplier calculate emissions that are attributable to its business with the Council? Can the supplier provide those emissions to us?  
If no, does the supplier have plans to start measuring their greenhouse gas emissions?
- **Does the supplier currently have a carbon reduction plan?**  
If yes, can the supplier provide a link?  
If no, does the supplier have plans to introduce a carbon reduction plan?
- **What is the target date for their carbon reduction plan (if they have one)?**

Some GM organisations have started to engage with consultants to calculate scope three emissions. Our approach will negate the requirement to invest resources in external consultants but will require a more rigorous contract management commitment to ensure we deliver to Social Value/Net Zero moving forwards from our suppliers.

## 6. **Recommendations:**

- To acknowledge the STAR approach and plans to drive more delivery of the secured Social Value from procurement.
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