

Consultation on Social Value in Government Procurement

Deadline: 10th June

Consultation Response from IEMA

IEMA is the professional body for environment and sustainability practitioners. We have a membership of over 14,500 sustainability professionals who work at the interface between organisations, the environment and society to guide and lead the changes that will be required for a sustainable future.

IEMA members provide assurance and confidence that environmental and social risks are being effectively managed, that public health and the environment are being protected, and that opportunities for innovation and improvement are realised. Our members are drawn from all types and size of organisation across the public and private sector, Non-Government Organisations and academia.

Question 1: Do you agree with the proposed policy metrics in the model in the attached annex? Do you have examples of such metrics being successfully used in public procurement?

We welcome the focus of this consultation on incorporating social value outcomes into the government's procurement process and agree with most of the proposed policy metrics in the model in the attached annex.

In developing our response, we have devoted time to engage with a variety of IEMA members from different sectors and in different industries to provide a broad perspective for this consultation response.

Some of our key points are included below listed by topic area.

A broader focus on social value:

Even since the arrival of the Public Services (Social Value) Act 2012, the statute has not introduced a legal definition of social value. However, it is agreed that there are areas of overlap between the three dimensions of sustainability; so social value is not only related to social sustainability, it is also related to environmental and/or economic issues. Some stakeholders have gone further and stated that "Social value" is a way of thinking about how scarce resources are allocated and used. It involves looking beyond the price of each individual contract and looking at what the collective benefit to a community is when a public body chooses to award a contract (see [Social Enterprise UK's "Public Services \(Social Value\) Act 2012: A Brief Guide"](#)).

In transforming to sustainability there is an increasingly understood list of core ingredients required, which include leadership, collaboration, systems thinking, but also procurement.

Our 2016 IEMA report entitled ***Beyond the Perfect Storm – the corporate sustainability challenge***, defined corporate sustainability as a cross disciplinary, corporate values based approach to identifying and responding to the critical social, environmental and economic risks, opportunities and dependencies faced by the organisation and its stakeholders – now and in the future. We noted that innovating and resolving the sustainability challenge, rather than balancing and trading off impacts between environmental, social or economic conditions, is essential.

In the research that we did for *Beyond the Perfect Storm*, we found that practitioners indicated that they are now receiving a more positive than negative response to their work. Thirty percent reported an even mix of both support and barriers which is an encouraging picture and reflects greater ‘maturity’, with organisations increasingly valuing their sustainability professionals and recognising that sustainability can deliver real business benefits. However, when asked how extensive their organisations’ approach to sustainable procurement was, 36% responded to state that they had a policy approach that was managed but variable, with 17% stating that they had no policy at all.

Given the overlaps between the three pillars of sustainability, it is therefore important to ensure that the policy metrics should be simple and action oriented, supporting upskilling of professionals, while incorporating issues that lay at the heart of these three dimensions such as responsible sourcing, responsible design and ethical business practices (including commitments to respecting the rights established through the core labour conventions of the ILO).

Application to devolved administrations:

The consultation makes repeated reference to the UK but it is not clear how these proposed changes relate to the devolved regions, along with application to Scotland, Wales and Northern Ireland. We believe that further information should be provided to explain how the model will be applied on a UK-wide basis.

Ensuring social value outcomes are flagged at Pre-Qualification stage:

The skills, competence and availability to deliver against specific objectives and metrics could be resource heavy which means that social value is not free to deliver. Contracts awarded on least-cost are likely to miss social value targets unless all tenders are offering against specific SV targets set at either Pre-Qualification Questionnaire stage or Invitation to Tender stage.

Safe and Secure Supply Chains:

During IEMA’s recent participation in the Independent Review of the Modern Slavery Act 2015 (<https://www.iema.net/resources/news/2019/05/24/independent-review-of-the-modern-slavery-act-mandatory-reporting-are-reflected-in-the-final-report/>), we carried out a membership survey on key changes required within the legislation. One of the key recommendations received by 285 sustainability professionals with expertise on modern slavery and procurement, was that Government should extend

section 54 requirements to the public sector and strengthen its public procurement processes (a recommendation which has been reflected in the final recommendations report laid in Parliament on 22nd May).

We therefore believe that the policy outcome which seeks to ensure that “Modern slavery risks are reduced” should include as metrics the key issues to make a stronger modern slavery statement (as reflected in the 2017 guidance document published by government entitled “Transparency in Supply Chains etc. A practical guide”). The 2017 document which provides some basic guidance on the Modern Slavery Act 2015 states that organisations should provide information on:

- Its policies in relation to slavery and human trafficking;
- its due diligence processes in relation to slavery and human trafficking in its business and supply chains;
- the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk;
- its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate;
- the training and capacity building about slavery and human trafficking available to its staff.

Environmental Sustainability in support of the 25 Year Environmental Plan:

We do believe that the metric entitled “Environmental Sustainability in support of the 25 Year Environmental Plan” should be reframed “Environmental Sustainability”. If the metrics put forward in Annex A are intended to be adopted by all businesses, including SMEs and VCSEs, then they should not refer to broad environmental strategy documents. The metrics should instead refer to specific environmental commitments that are more readily understandable within industry by procurers and suppliers.

IEMA believes that industry stakeholders engaged in the procurement process would more readily integrate environmental sustainability metrics that encourage purchasing decisions that support:

- **the effective management of resources through the increased use sustainable materials, sustainable product design and the minimisation of waste material in line with the Circular Economy Principles set out in BSI 8001** (Note: ISO 14001:2015 provides sustainability practitioners with the opportunity to act as change agents to increase knowledge of effective resource management and the circular economy within and beyond their organisations. To find out more please read our IEMA guidance note: *Environmental Management Briefing – Driving Sustainable Resource Management through ISO 14001*);

- **Reducing associated carbon, water use and energy consumption throughout the lifecycle of the products considered, and adapt to more severe weather events** (Note: To find out more please read our IEMA guidance note: *Driving climate actions through Environmental Management Systems* – which gives clear context and direction on the many opportunities businesses and organisations worldwide have to use their EMS to address the growing list of climate change issues, impacts and dependencies);
- **Protecting and enhancing biodiversity** (Note: For further guidance please see *IEMA's 2019 Biodiversity Net Gain good practice principles for development*, created in collaboration with CIRIA and CIEEM, which constitute the UK's first Biodiversity Net Gain Principles for developments – the principles were set out following consultation with various stakeholders including government, NGOs and industry and also from testing through workshops and webinars with over 450 professionals. They offer practical advice to achieve BNG in the UK's land and freshwater environment).

IEMA would welcome the opportunity to discuss the findings of the above listed reports with government and scope out the environmental sustainability metrics further.

Additional metric: Health & Safety

We believe that when businesses invest in instilling the notion of "all injuries are preventable," they send a clear signal that there are standards expected of anyone working there. As explained in the IEMA 2017 guidance document "*Health in Environmental Impact Assessment A Primer for a Proportionate Approach*", determinants of health include the range of personal, social, economic and environmental factors which determine the health status of individuals or populations. IEMA has established a health working group, within its Impact Assessment Network (ia@iema.net) to both enable discussion amongst its own members and to arrange meetings with relevant planning, EIA, public health and other stakeholders on the topic of health in environmental impact assessment. Given the transverse aspects to health and safety, we believe it is vital to ensure the key principles of the UK's health and safety law (under the Health and Safety at Work etc. Act 1974 (HASAWA) are set out in the government's policy metrics for achieving social value in public procurement.

Under HASAWA organisations must ensure, 'so far as is reasonably practicable' the health, safety and welfare of (their) workers, – which includes minimising the risk of suffering stress at work.

We would therefore encourage policy outcomes that point to the requirement for:

- Carrying out a risk assessment,

- Consulting safety representatives and safety committees;
- Providing information, instruction and training to workers and others who are in a contractual relationship.

Reference to further guidance including practical advice can be included by pointing organisations to:

- The IEMA Sustainability in Practice guide - Managing Compliance with Environmental and Human Rights Law in Organisations (Available at: <https://www.iema.net/reading-room/2018/09/27/managing-compliance-with-environmental-and-human-rights-law-in-organisations/>) – the document is a guide to understanding and navigating the various legal, regulatory and compliance requirements that organisations face including practical advice through context setting, checklists, step-by-step charts and case studies.

and

- The HSE website: <http://www.hse.gov.uk/guidance/index.htm>.

If the government considers that Health and Safety should not fit under the social value metrics then we would strongly encourage that, as a minimum, these requirements should be included in another part of the bid/tender. IEMA welcomes the opportunity to discuss these proposals further.

Question 2: Do you agree that the proposed minimum 10% weighting for evaluating social value in the bid is appropriate?

We applaud the intent of the government and support the intention to give a minimum 10% weighting for evaluating social value in the bid.

However, in order to ensure we meet the commitments set out under international agreements such as the Paris Agreement or the UN Sustainable Development Goals, we would further advocate the need to propose a higher weighting for metrics where greater social value can be obtained, together with guidance as to what weight should be attributed to each metric in terms of achieving social value outcomes (i.e. Does providing evidence of strong compliance under one metric implicitly achieve x% of compliance under another metric?).

We believe that any increase in percentages for social value in future procurement arrangements needs to be balanced against a consistent approach to scoring and evaluating, and a longer term approach to monitoring and assurance. This is to ensure that tender 'added value' commitments are secured once contract delivery starts.

Local government departments may find it easier to issue contracts which contain a higher social value outcome target (e.g. 30%) than those issues by central

government on a nationwide scale, as they are more likely to know their supplier and their capacity to meet such targets.

For this reason, as procurement needs to be relevant to the contract itself, further guidance could be issued to relevant government departments to set out this weighing process on a sectoral basis, particularly as some industries (e.g. construction) will in certain regions be more subject to issues of modern slavery than others.

Within the construction sector, industry stakeholders and those who purchase construction services and consider, point to a growing case for an industry standard or kite mark to validate social value credentials, to help avoid unnecessary repetition of information through tendering processes. We would call for government to support the development of this standard with a view to recognise it within its procurement process.

Question 3: Does the proposed approach risk creating any barriers to particular sizes or types of bidders, including SMEs or VCSEs? How might these risks be mitigated?

We believe it is possible that this approach could create barriers to SME or VCSEs who may not have the necessary funding and other resources to implement management systems (e.g. ISO 14001 certified management systems) that are sufficiently robust to ensure the full scope of social value outcomes are captured throughout their supply chain.

We encourage government to align its Annex A requirements with recognised reporting frameworks be it the National TOMs by the Social Value Portal or the Guide to SROI by Social Value UK to ensure the creation of a framework that makes it easier for SMEs/VCSEs to follow the guiding principles set out in ISO20400 without going through the burden of actually seeking third party certification. This unified approach to the information required to be reported by smaller organisations, and in turn more flexibility in delivering social value outcomes.

As discussed above in answer to question 2, greater transparency and guidance as to how the metrics as apportioned in term of social value outcomes would also help to further level the playing field for the benefit of SMEs/VCSEs and even medium sized enterprises. Due to limitations in their resources, we recommend that the government provide these organisations with metrics that integrate simple, action-oriented outcomes that are supported by guidance.

Looking back at the scope of the evaluation criteria, we note that the consultation repeatedly references “proportionality”. The inclusion appears to be in connection to the Public Contracts Regulations 2015 which expressly allow contracting

authorities to incorporate social and environmental aspects into contract conditions, where these are linked to the subject-matter of the contract, **proportionate** to what is being procured or provided, and will not result in unequal treatment of bidders.

As there is a minimum 10% weighting considered for evaluating social value in the bid, is there a planned maximum percentage through which 'proportionality' will be assessed to ensure that smaller SME/VCSE bidders are not unfairly excluded?

Question 4: How can we ensure government's existing procurement policy mandates (for example on levelling the playing field for SMEs) take precedence in designing the procurement?

Most organisations rely heavily on their supply chains to deliver what they do, particularly as typically 40-80% of an organisation's revenue will be diverted to a supply chain. For this reason, societal expectations are high, and it is therefore no longer possible for an organisation to focus only on a few sustainability considerations. Instead, it is important that organisations implement broader, integrated sustainability strategies that engage the supply chain on environmental and social issues. Adopting reputed guidance standards such as ISO20400 (similar to the established BS 8903, which is well proven to have significant business benefits) are a good start as they provide a strategic framework that enables organisations to include more sustainable products in their procurement thinking.

ISO20400:

From an internal perspective we therefore highly encourage the government to adopt ISO 20400 to assist it in adopting a standard approach to procurement across all its departments and functions and provide a strategic framework for an organisation to procure sustainably. This approach can then be embedded into the policy mandates that the government may want to issue to procurers. IEMA has issued guidance on this standard in collaboration with Action Sustainability, entitled ***Delivering Sustainable Outcomes Through Supply Chains Using ISO 20400***.

The document covers how to develop a policy and strategy to deliver an organisation's ambitions in the context of procurement, what organisational conditions are need to put in place to "enable" sustainable procurement to happen, and step by step guidance through a typical procurement process to provide advice on how procurement techniques can be used in different circumstances to incorporate sustainability through the supply chain.

Skills and training requirements:

A key enabler for sustainable procurement is what training and upskilling might be required for people to feel sufficiently competent and well supported. Our *Perfect Storm* and *Beyond the Perfect Storm* publications aimed to develop a deeper

understanding of the role environment and wider sustainability skills can play in this regard.

Currently this includes [free introductory e-learning courses](#) delivered by the Supply Chain Sustainability School, an initiative founded by Action Sustainability, as well as other fee paying courses offered by organisations such as the [Social Value Portal](#) or [Social Value UK](#).

As a first step, to accompany these action-oriented outcomes to be laid out in the policy metrics, we believe that free resources may be good tools to communicate to SMEs to help them overcome misunderstandings over the concept of social value as it applies to procurement. In the long term however, we support the development of training and upskilling to provide capacity building in 'Sustainability' so that sustainable procurement can integrate social value.

IEMA would welcome the opportunity to discuss the findings of its report ***Delivering Sustainable Outcomes Through Supply Chains Using ISO 20400***. while also scoping out with government a bespoke training course on social value, mapping the upskilling needs by each government function, to enable those government departments to better understand what drives them to procure sustainability and to set priorities in the context of their own so as to deliver greater sustainability through the supply chain.