

SOCIAL VALUE

'SOCIAL VALUE SHOULD BE PRIMARY CONSIDERATION IN CONTRACTS'

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▼ Traditional outsourcing contracts are on the wane as local authorities bring services in-house

Social value should be the first consideration of those awarding contracts rather than pricing, Baroness Ruby McGregor-Smith CBE told delegates at the Workplace Futures Conference in London.

McGregor-Smith, a former CEO of the Mitie Group, was giving an overview of future trends in the sector in her presentation and said the consideration of social goals was only going to rise.

"In the UK there are interesting things happening," said McGregor-Smith, who declared herself "a real fan" of the Public Services (Social Value) Act 2012. (See features, commencing p.16.)

"It is about the economic, social and financial well-being of an area before you even think of doing anything else there. Can you imagine what it would be like? If you were sat in a tender process and you were asked about that before you were asked about price; that would be really quite exciting.

"There is an ability in the supply chain to really support those ambitions of any client and if we could use things like the Social Value Act it can move us away from 'the race to the bottom' pricing... Suppose you pre-qualify on a policy basis rather than pricing?"

McGregor-Smith added that this approach would tackle other sector problems as well.

"There needs to be a much more balanced way of awarding contracts than public and private sector," she said. "I think the industry should be honest about this 'race to the bottom' pricing and say, 'this is not the right way to run contracts'."

The future, she continued, would bring "a huge move more towards explicit corporate social responsibility (CSR) programmes".

"Being a responsible business has been around a long time; actually responsibility ethics has to be high up on the agenda too."

FM, she added, would always by its very nature be fragmented – but was

growing positively globally with a growing focus on wellness issues. As the role of the FM changes, she said, training would need to be developed because providers will need to have more support, "especially when managing large workforces, wherever they may be".

She also called for the positive work of the sector to be talked about more – rather than recent "spectacular failures".

Speaking in the following session, Coleen Andrews, director of markets & suppliers at the Cabinet Office, told attendees that "historically, the Social Value Act has been used widely in the public sector but not so much in central government. But now we're changing that and saying that central government departments will have to take the Social Value Act into account as well".

Decline of traditional contracts

The matter of how social value is measured is becoming more important as the demand for its evaluation across government is enshrined in law. Graham Box, managing director Scotland, Sodexo UK & Ireland, told delegates his company is doing more in this area.

"In 2019 we'll be looking at introducing tools to measure and extract social value and community benefits. Ideally, we want to do that with client specific organisation so we can look at the value we're giving that client through [things such as] apprenticeships, working with local suppliers etc.

"Social value benefits are huge, extensive and mainly unquantifiable in many cases [so] it's difficult to say what the value is, but we know it's the right thing to do and we carry on doing it."

Geoff Tucker, sales and marketing director at Norse Commercial Services, talked about the changing nature of outsourcing following Carillion's failure last year.

"When Carillion collapsed there was this outpouring of criticism

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of outsourcing in general," he said, "but particularly the large companies. I think it goes well beyond just FM contractors and there is a feeling out there that big business is bad. I'm talking about the effect of the banks and of big companies failing to pay their taxes [and] overpaying executives. There have been lots of scandals around big businesses and that has fed through to the voters putting pressure on politicians, local and national, to reduce the dependence on outsourcing to help this.

"We're seeing this right at the front line. In the last year there's been a huge decline in the number of contracts awarded to outsourcing companies – somewhere around 30 per cent – this is a significant trend. What we're seeing is local authorities particularly bringing services back in-house and we're seeing this with household waste collection in quite a big way. But all sorts of services are being brought back in-house and local authorities are setting up direct delivery models and trading companies and they believe they will be able to commercialise and start trading.... We're seeing the decline of the traditional contract and we think that's a trend that's going to continue."

But Tucker thinks the nature of outsourcing could change in a positive way. "There is appetite for partnership, we see partnership replacing the old confrontational contractor-type relationship."

Ian Marson, transaction advisory director at EY, talked about market trends. He said: "The sector is very fragmented: many different services, building maintenance to catering,

to cleaning, to grounds – all these services are out there and they're all dependent on human beings. The only way to improve productivity is not by squeezing wages further – that baseline has been drawn, the living wage takes that away."

James Bradley, director of Churchill Services Group, talked about the view from the mid-market. He said: "When you sit in mid-market you can have very different customer requirements whether that's jobs they actually want, all the way through to how they want to transact with you and work with you and what information they might want and the relationship they might want. We see that as a key success in the mid-market; getting that right and being an easy organisation to do business with – that's something we are focusing on.

"A key challenge in the mid-sector is continuing to maintain that specialism. We want to maintain and strive to be the best-in-class providers in the services we provide."

Victoria Hughes, head of sustainability for Vinci Facilities, spoke of putting sustainability at the heart of business. She said: "There needs to be transparency; we need to look at the good and the bad. What do we actually say about our businesses as an industry? We undersell ourselves as a business, and this is [a view] supported recently by the sustainable FM index; the companies that have performed best in that index are [those that] undertook the gap analysis as to what companies are actually saying about themselves in the public domain. We're massively underselling what we were doing."

She added: "We need to be brave, I think, and hold our customers and supply chains to account – to really look at those values and ethics; to manage with integrity, value, and innovation; to continually improve; and to realise the power of this trust with your employees who are best placed to sell the message." **f**

