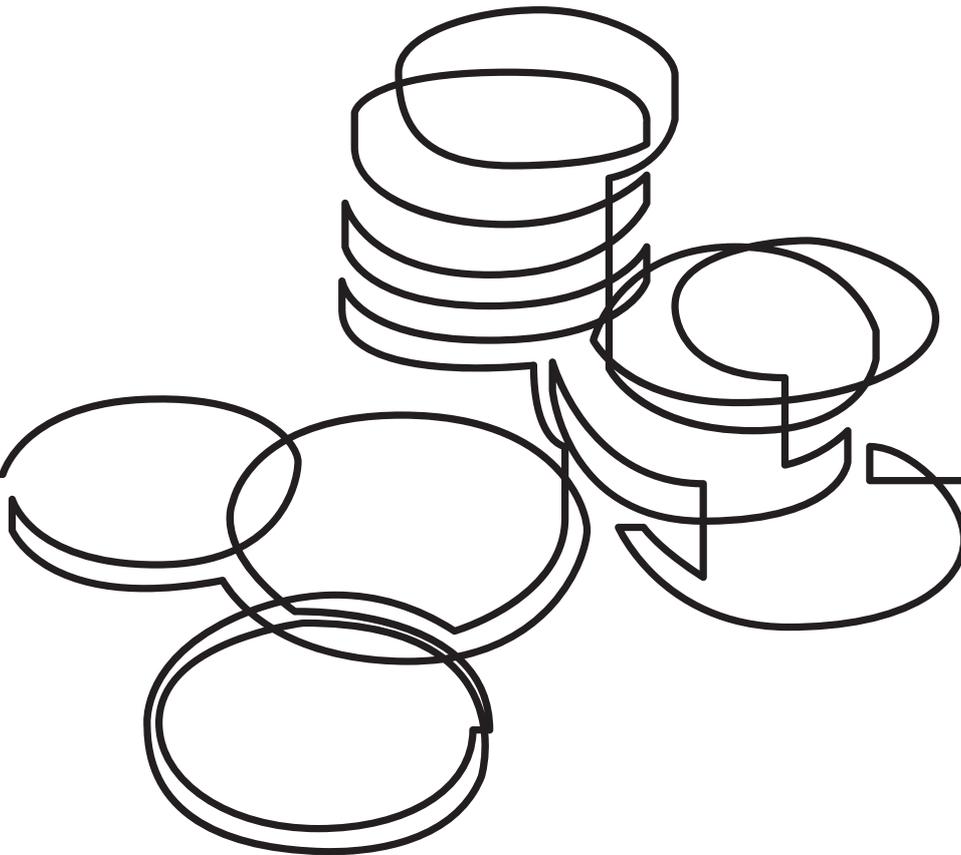


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SOCIAL VALUE IN PROCUREMENT

ROUNDTABLE WRITE-UP

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This event write-up is based on a workshop held with WSP in Birmingham in December 2016, with attendees from local authorities and the private sector. This write-up looks at the background to including social value in procurement processes, as well as how its aims can best be achieved in practice.

THE CONTEXT FOR MEASURING SOCIAL VALUE IN PROCUREMENT

The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires commissioners in public authorities to have regard to economic, social and environmental well-being when buying public services above the Official Journal of the European Union's (OJEU) threshold (currently £111,676 for central government bodies and £172,514 for other bodies).¹

However, public bodies are also recommended to consider social value in contracts below the threshold.² Following the Social Value Act, before they start the procurement process, commissioners are required to think about how the services or

goods to be procured and the process of procurement could add the most value to the areas and communities that fall within their remit. Typically, providers who are able to provide the service at the least cost while meeting the requirements would most likely win the bid for public service contracts. However, public bodies are now encouraged to make social value a consideration and look for providers who can also deliver value to the local community for minimal or no additional cost.³

Almost four years after its enactment, more councils are adopting the Social Value Act in their commissioning – however uptake has been slow and patchy both within and across local authorities. According to a recent survey by Social Enterprise UK, the percentage of councils taking social value into consideration has increased from 62 per cent to 78 per cent between 2014 and 2016. Currently, 33 per cent of all councils regularly consider social value in their procurement process and 45 per cent adopt it only for contracts above the OJEU threshold.⁴ District councils were found to be the least likely to consider social value because most of their public service contracts are low-value, falling below the OJEU threshold.

¹ Public Services (Social Value) Act 2012 <http://www.legislation.gov.uk/ukpga/2012/3/enacted>.

² Department for Communities and Local Government (2015). Revised Best Value Statutory Guidance https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418505/Revised_Best_Value_Statutory_Guidance_final.pdf.

³ Social Value Portal (2016) http://socialvalueportal.com/wp-content/uploads/2016/09/Social-Value-Portal-BRIDGING_THE_GAP_part1.pdf

⁴ Social Enterprise UK (2016). Procuring for Good: How Social Value is being Used by Local Authorities <http://www.socialenterprise.org.uk/uploads/files/2016/05/procuringforgood1.pdf>.

Lord Young's review of the Act in 2015 identified a number of barriers to the full development of the Act's potential - namely the discrepancies in the take-up of social value by public authority commissioners and providers, the different understanding of how to define and implement the Act among organisations, and the underdeveloped measurement of the impact of social value.

Since the Act came into force, a number of platforms have been formed that provide free access to resources and toolkits to help organisations adopt social value and measure its impact, such as the [Social Value Portal](#), the [Social Value Hub](#), and Social Enterprise UK [guidance on implementing the act](#). Following Lord Young's report, the government announced the Social Value Awards in 2015 in order to recognise and encourage good practice in commissioning and providing social value.⁵ The government also provided funding to 8 projects that form case studies of the implementation and measurement of social value.⁶ Nonetheless, as the recent survey by Social Enterprise UK shows, there has only been small progress in the take up of social value by local councils.

⁵ GOV.UK (2016). Shortlists for Social Value Awards Announced <https://www.gov.uk/government/news/shortlists-for-social-value-awards-announced>

⁶ GOV.UK (2016). Social Value Implementation and Measurement Project: Case Studies <https://www.gov.uk/government/publications/social-value-implementation-and-measurement-project-case-studies>

CHALLENGES ADDRESSED BY THE ROUNDTABLE

While a majority of councils now consider social value in their procurement process and some have social value champions, our participants reported that it was still not embedded in most councils' commissioning processes and seems to stay on the margins of the debate about the redesign of services in the context of austerity and financial pressures. Their reflections were in line with recent research, where only a quarter (24 per cent) of local authorities have a social value policy or similar document in 2016 and, according to Lord Young's 2015 review only 27 per cent of providers who responded to the survey agreed that social value was considered in more than half of contracts⁷.

"We are tokenistic in our approach. And this is not front and centre when commissioners are thinking of how they can include it whether in services that we commission specifically or that wider influence that commissioners have around place."

There is a shared perception among both commissioners and contractors that there is a 'tick box' culture around social value. However, this can be a product of the lack of clarity among local councils and provider

⁷ Cabinet Office (2015). Social Value Act Review. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/403748/Social_Value_Act_review_report_150212.pdf.

organisations about how to consider social value in public services. This is particularly the case when it comes to specific types of contracts. For example, council officers noted that they often find it difficult to include social value in short-term and/or low-value contracts because of time limitations. They feel applying social value in the procurement process requires time for holding discussions both among commissioners and with stakeholders about possible ways to do that, which is not practical in short-terms contracts.

Local authorities also face a challenge when it comes to including social value in ‘people services’ – such as health, social care and homelessness – as opposed to, for example, infrastructure services contracts. Social value in the latter can be more straightforward and easier to measure because it would be a separate add-on to the initial service, which might include providing apprenticeships and work experience to members of the local community that can easily be quantified. However, implementing, monitoring and evaluating social value in families’ services or health and social care contracts that are typically provided by charity organisations working with populations with multiple and complex needs can be challenging. Local councils do not have the capacity and expertise to measure the often complex and long-term qualitative social value outcomes in these contracts. Currently, not a single council has published an evaluation of savings made as a result of the Social Value

Act since it came into force.⁸ Moreover, providers commented that they are unclear as to how social value will be measured by local authorities, and how this fits with the type of services or products they provide.

In order to deal with this, Birmingham City Council established a ‘Business Charter for Social Responsibility’ that tenderers bidding for high value contracts are required to sign committing to an action plan on how they will deliver social value.⁹ The charter includes six principles which aim to enhance environmental sustainability and boost the local economy through creating job opportunities for local population, supporting the local supply chain, and committing to paying the living wage among others. Guidance about the principles is available on the council’s website, which includes the expected outcomes and outputs in the form of questions to be answered by providers and the latter can choose the social value principles most relevant to their market.¹⁰

⁸ Social Enterprise UK (2016). Procuring for Good: How Social Value is being Used by Local Authorities <http://www.socialenterprise.org.uk/uploads/files/2016/05/procuringforgood1.pdf>.

⁹ <https://www.finditinbirmingham.com/feature/charter>

¹⁰ Birmingham City Council. [https://www.finditinbirmingham.com/Upload/Charter/Principles%20%20Commitments%20-Guidance%20for%20Birmingham%20Business%20Charter%20for%20Social%20Responsibility%20\(1\).pdf](https://www.finditinbirmingham.com/Upload/Charter/Principles%20%20Commitments%20-Guidance%20for%20Birmingham%20Business%20Charter%20for%20Social%20Responsibility%20(1).pdf)

WHO SHOULD DRIVE THE PROCESS

While the Social Value Act puts the responsibility on public authorities to consider the wellbeing of their local areas when procuring services and goods. There was debate about whether councils should specify the outputs they expect from providers or if the latter should present what they can offer and then commissioners make the choice on who is awarded the contract accordingly.

Many of the private sector organisations already have a corporate social responsibility (CSR) policy in place that they can use to deliver social value in contracts with public service authorities. However, the geography and the scale at which some businesses work can be different from the local council's priorities. The private sector organisations also find it difficult to identify what is most important to a specific local authority or ward, as in many cases they work at a broader regional level. Local authorities have access to invaluable data about the local population, which they can use to identify the gaps and needs of the local community. If local authorities and the private sector could work more effectively together to create a framework it may help the private sector to tailor their CSR offer to local social value priorities.

One strategy that is adopted by some private sector companies is to identify existing

voluntary and social enterprise organisations already working on projects that fit with the councils' main priorities and seek to build relationships with them. This has been useful in providing guidance for providers that want to deliver social value but are not clear on what the council is asking for. At the same time, local councils can benefit from the information and expertise of the voluntary and community sector organisations already working on the ground with vulnerable people and that have social value at the heart of their missions.

EARLY DIALOGUE

Our participants discussed that in order to deliver social value effectively through procurement, long term relationships need to be built to ensure that the right solutions are being offered. This should be guided by a social value policy developed by councils that outlines the broad priorities and needs of the local population, steps to implementation and tools to measurement – however the financial and time pressures that commissioners currently face is prohibiting these relationships from being built. Additionally, our participants noted that these financial pressures mean that in many cases the weight of the 'pricing' ask in the tenders takes precedence over that of social value, especially in services under severe financial pressures such as health and social care. Today, where councils score social value in their tenders, the weight is typically between 5-10per cent of the overall

points awarded.¹¹ This is amplified by the fact that in many cases the impact of social value is realised over the long term and local government is expected to deliver more with less on the very short term.

FINANCIAL/ AUSTERITY PRESSURES

The Social Value Act is considered a powerful tool for local government and other public service organisations to consider the broader definition of longer term value for money in a context of severe budget cuts and austerity measures. As local authorities are now looking at ways to redesign services in a way to meet cost saving pressures, they can use the Act as a tool to achieve that while at the same time deliver better and more innovative services. Done well, considering social value can have a positive impact on demand management, and reduce pressures on councils in the future.

¹¹ Social Enterprise UK (2016). Procuring for Good: How Social Value is being Used by Local Authorities <http://www.socialenterprise.org.uk/uploads/files/2016/05/procuringforgood1.pdf>.

COMMENT FROM WSP

WSP's experience as a national consultancy has revealed the difficulty in responding efficiently to the public sector when there is such a variable level of understanding and maturity about delivering social value through the procurement process across the sector. We see great geographic diversity of targeted social needs and their weightings in the social value elements of tenders. This has led to a broad and ever increasing palette of 'qualifying' social value activity areas which we have to deliver from a finite resource base, a situation obviously familiar to the public sector, but for us runs counter to being an efficient national organisation.

One approach we are exploring is to focus on 3 or 4 key social value activity areas, measure the overall social return on investment and set year on year growth targets. This would allow us to flex those activities as market needs change through varying economic cycles. However we have no certainty as to how this approach would be treated in tender evaluation.

Frameworks also present particular difficulties (vs single providers), whereby no commercial commitment is made to the contractor, while still being expected to deliver on social value commitments in return.

For these reasons we therefore support any move to establish some national guidance or toolkit to provide greater clarity and certainty in this area.

We recognize that there will however always be local differences. In this respect we would welcome opportunities for early dialogues around social needs. This should be significantly before the commencement of any tender process.

Such dialogue could provide the opportunity to 'point' our volunteering activity towards targeted local social needs, perhaps even supporting the social enterprise and voluntary sectors in helping deliver transformative public sector services. This also has the benefit of linking to the needs and wishes of our staff eg around STEM activity.

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