



Social Value in Government Procurement

This document sets out an official response from Social Value UK to the consultation on how government should take account of social value in the award of central government contracts. This response is the output of discussion and consultation amongst the members of Social Value UK.

It is worth highlighting that this document, in line with our area of expertise, focuses more on the technical aspect of measuring or 'accounting' for social value as opposed to the technical aspects of procurement as an exercise.

Executive Summary

Social Value UK welcome the opportunity to participate in this consultation and the commitment that central government are showing to strengthening the application of the Public Services Act (2012). We also would like to commend the government's approach for the following reasons:

- Adopting the phrase 'account for social value'
- Referencing other legislation
- Emphasis on social value creation for the workforce delivering contracts
- Explicit references to personal wellbeing and mental health
- Encouraging a qualitative approach

The membership of Social Value UK also raised some general questions and concerns around the following issues:

- When is mental health not relevant?
- Ambiguity around the terms 'subject matter of the contract' and 'additionality'
- Contract management must be strengthened
- Amplifying stakeholder voice should be stronger
- Weighting of outcomes
- Quantities and Monetisation
- Innovation and responsiveness
- Issues raised with the high-level themes, policy outcomes and proposed metrics specifically: confusion over *community cohesion*, *safe supply chains*, *environmental sustainability* and *inclusion and diversity*.

This document goes into more detail on each of these bullet points and offers four recommendations as well as providing answers to three of the four questionnaire responses See page 8. Our headline recommendations are:

- 1.) Strengthen the proposed metrics by adding a set of qualitative process criteria.
- 2.) Build stronger emphasis on contract management and scrutiny of social value information.
- 3.) Ensure that the social wellbeing and mental health outcomes cannot be 'removed' from the framework where not 'relevant'.
- 4.) Provide greater clarity about what is 'additional social value' in relation to 'subject matter of the contract' with guidance using different scenarios.

About Social Value UK

Social Value UK are a membership led network of practitioners committed to our mission of changing the way society accounts for value¹. Established in 2007 we have a successful track record of delivering training, developing resources and convening members (in person and online) to develop social value accounting methodology and standards.

Social Value UK are recognised internationally; delivering the assurance and accreditation services on behalf of Social Value International, leading the developments of SVI's methodology and have participated in projects with numerous partners across the globe including institutions such as the OECD, UNDP and World Economic Forum on standardising approaches to social impact measurement and management.

Our membership comprises individuals and organisations from all sectors (public, private and civil society). We are a social enterprise, B-Corp and the national network affiliated to Social Value International².

¹ 'Social Value UK' is the trading name of Social Value Network UK, a Company Limited by Guarantee, Registered in Scotland Number 322057.

² Registered charity number 1142874. A company limited by guarantee. Registered in England and Wales No 7568122. <https://socialvalueint.org/about/>

General response and feedback

Social Value UK welcomes the wide consultation exercise and the fact that government are showing a commitment to embed social value into central government contracting. There are five elements to the document that were roundly welcomed by SVUK members as they address some of the issues/challenges that currently exist in the application of the legislation at a local government level.

1. We are particularly pleased to see the **phrasing of 'account of social value'** being used in place of softer language like 'consider social value'. This is highly consistent with our organisation's mission to 'change the way society *accounts* for value'.
2. It is good to see the proposed approach **referencing other relevant legislation** which should reinforce how important social value is for public sector decision making.
3. The approach should be applauded for an emphasis and attention given to the social value that can be generated through the way that **people in the workforce** (delivering any contract) are given opportunities and how they are treated. As opposed to social value being seen primarily as the activities delivered on the side of contracts – a 'CSR approach'.
4. Social value is broadly defined in the legislation as 'the economic, environmental and social wellbeing of the relevant area'. As such, we particularly welcome the **explicit references to personal wellbeing and mental health**. We believe that without this explicit reference to social wellbeing there is a tendency for suppliers and buyers to focus on the economic value created using 'unit cost savings' and focus on local spend. This trend is perhaps natural as economic value (or economic wellbeing of a place) tends to be easier to measure than the less tangible social value (or social wellbeing of a place). However, if we want to really change the behaviours of suppliers and buyers then we need to be placing social wellbeing at the heart of our discussions and the policy outcome explicitly referencing mental health is an excellent step towards mainstreaming attentions on social wellbeing.
5. The proposed evaluation model takes a **qualitative approach** where suppliers are encouraged to describe the process in which social value might be created. This is welcomed as the process in which social value is measured and managed is an excellent way to judge the credibility of any stated quantities of social value. It also helps assess the risk of whether the social value will be successfully managed.

General concerns

There are seven key issues that emerged from the conversations we had with members. These are general issues about the approach:

1. **When is mental health not relevant?** The approach states that policy outcomes and measures are non-mandatory and can be chosen by the procuring authorities *'where they are relevant to the subject matter of the contract and it is proportionate to do so'*. This wording was highlighted by many SVUK members and seen as a 'get out clause'. There needs therefore to be very clear guidance for scenarios in which certain policy outcomes can be deemed not relevant. A specific concern relates to the hypothetical example, when is it not relevant to report on 'inclusion, mental health and wellbeing'? This policy outcome has the potential to ensure that employment or training opportunities are measured for their quality i.e. whether people are having a positive or negative experience. If this policy outcome can be omitted, then bidders are likely to report on the easier metrics such as 'number of employment opportunities created'. As we know, this reveals nothing about the person's experience or the effects on social wellbeing.
2. The terms '**subject matter of the contract**' and '**additionality**' are used but do not remove the current ambiguity about three broad communities of people that could be affected by the contract; a) those whom the subject matter of the contract is designed to create social value for; then two additional communities: b) those involved in delivery of the subject matter of the contract and c) third parties outside of the subject matter of the contract.

It is not clear whether social value should be considered differently between procurement exercises that have a very clear social purpose (such as health and social care services, sports and leisure, education services etc) and procurement exercises where social value is not the main aim of the contract (such as purchasing stationary or building roads). In the case of the former, social value could fall under the 'Quality' aspect (and often no 'additional' activities for the third-party communities are required). In the case of the latter, social value often focuses on the additional activities for third party communities. In both examples, social value should consider the experience of those delivering the contract.

This framework and any ITT should be clear on the activities that need to be measured for social value starting with the impact the activities have on the end users of the service/goods and then the workforce and any third-party communities.

The word additionality could be interpreted as additional activities described in the 'subject matter of the contract'. Or, additionality can be interpreted as the social value that a supplier creates (through delivery of the subject matter of the contract) that is additional to what would have happened by another supplier or by a different approach to delivery.

3. **Contract Management.** Social Value is a complex issue and where performance needs to be managed to avoid the risk of inefficient use of resources or even social harm. It was disappointing not to see a commitment to more scrutiny of the social value accounting process. It is not clear how suppliers and buyers will be held to account for the social value elements of procurement exercise. This increased scrutiny on social value data and reporting is essential if the weighting of social value is to be increased to 10% or higher. This would expose procuring authorities to an increase risk of challenges.
4. **Amplifying voices.** The approach does not emphasis enough how stakeholder involvement and listening to people and their priorities lies at the heart of creating social value. Particularly when considering community cohesion outcomes and the outcomes of people in the workforce, stakeholder involvement should be a key part of understanding the relative importance of outcomes.
5. **Weighting outcomes.** The approach does not articulate clearly whether the policy outcomes should be 'weighted'. This is important so that buyers can prioritise outcomes that are most important to the contract, increases transparency and therefore limits the number of challenges.
6. **Quantities and Monetisation.** There was strong support for the qualitative approach to scoring however there was equal feeling that the quantities (for scale) of social value should not be lost from the conversation. For example; 3 people given a quality apprenticeship experience versus 400 people experiencing good vocational training. In addition, many members felt that monetisation is a common unit that should be used to help with comparisons but also with communication of social value statements.
7. **Innovation and responsiveness.** In the proposed approach social value is presented as a compliance issue with little emphasis on social value being a driver of innovation and opportunity to improve service delivery. Collecting information about levels of social wellbeing (positive or negative) should present suppliers with inspiration to *respond and innovate* therefore creating more value.

Comments specifically about the high-level themes and policy outcomes

As with any taxonomy of themes and outcomes there will be imperfections and questions raised. However, the following comments were consistently raised by members and it would be useful for the government to provide a rationale for the proposed structure of the themes and policy outcomes.

8. The policy outcome for '**community cohesion**' needs further explanation and expansion. Many suggested it could be a theme itself with policy outcomes attached, although this raises risks that they are identified without sufficient community engagement in what the priorities may be.
9. Many members suggested that '**safe supply chains**' are already addressed in tendering exercises separately as a minimum statutory requirement and therefore questioned why it should be part of the social value criteria.
10. The '**environmental sustainability**' theme is lacking detail and needs reference to other requirements if necessary.
11. The inclusion of the Equalities Act (2010) would help articulate a commitment to all forms of discrimination and inequality of opportunity. The policy outcomes in relation to '**inclusion and diversity**' single out three specific groups; gender, disabled and ethnic minorities. This leaves other characteristics such as age, LGBT, religion and other barriers to the labour market unmentioned and potentially excluded.

Any new outcome framework and set of metrics needs to be justified as many procuring authorities often have their own set of priority outcomes and/or suppliers are already using frameworks such as the SDGs, TOMs, Big Society Capital Outcomes Matrix etc. Adding another outcome framework and set of measures raises the risk of adding more confusion to the marketplace.

Social Value UK advocate a principles-based approach to accounting for social value where the *approach* to measurement is standardised as opposed to the standardisation of metrics. This principles-based approach is being adopted across the world through the work of Social Value International (see appendix). Principles for social accounting form the basis of numerous approaches being used across the world including the Social Audit Network and the methodologies and standards being developed by accounting firms and bodies.

Social Value UK Recommendations

Social Value UK recognise that for many suppliers new to the concept of social value, a principles-based approach to social value accounting may feel inaccessible and so a simple framework is desirable to help guide the process.

1.) Add a set of qualitative process metrics that require suppliers to provide a description of the following for each theme (particularly where the themes relate to the workforce and the communities affected by the contract):

- *How they have identified stakeholder groups and subgroups that experience changes in wellbeing*
- *How they have involved people from each subgroup in determining outcomes, deciding priorities, designing solutions*
- *How they think their activity for this subgroup is creating value that wouldn't have happened without them (additionality)*
- *How they have responded to data collected from each sub-group to improve service delivery or product.*

2.) Build stronger emphasis on contract management with greater scrutiny on social value at bid stage and staged reporting. This could be verification of reports or assurance of processes to measure and manage social value.

3.) Be stronger in mandating social value measurement/accounting of social wellbeing and mental health. This ensures that the quality of the apprenticeships or employment opportunities (rather than the number of) are being captured and managed.

4.) Before proposing a minimum weighting of 10% there needs to be greater clarity on what sits within the social value part of a bid and what sits within quality. For example, do the following outcomes (that all contribute to the social wellbeing of people) need to be considered as part of 'social value' or 'quality' section of a bid; anti-modern slavery mechanisms, health and safety compliance, training and development of workforce, secure and sustainable employment? Are the community activities that suppliers offer part of an 'added social value'? There needs to be guidance using some example scenarios.

Questionnaire responses

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?

See recommendations above in relation to introducing a qualitative scoring criterion for each theme or policy outcome.

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

There was general agreement that an increased weighting for social value should be proposed. There were arguments for going higher and lower than 10% but consensus that before this happens there needs to be greater clarity on social value elements to a bid in relation to different procurement scenarios. Furthermore, see our recommendations around increased scrutiny and tighter contract management of social value that is necessary in order to increase transparency and limit the risk of challenges.

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?

There was an agreement that the proposed approach would cause some confusion in the marketplace and that SME's and VCSE's could be disadvantaged. Some ideas to mitigate these risks are;

- build on or reference more closely the existing frameworks and tools that are already in play;
- work with VCSE's and SME's to co-design an approach that they understand and can work with;
- encourage further training, knowledge sharing and collaboration between big suppliers, SME's and VCSE's.

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?

We were not able to answer this one comprehensively.

Appendix

The Principles of Social Value:

1. **Involve stakeholders**– Inform what gets measured and how this is measured and valued in an account of social value by involving stakeholders.
2. **Understand what changes** – Articulate how change is created and evaluate this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended.
3. **Value the things that matter** – Making decisions about allocating resources between different options needs to recognise the values of stakeholders. Value refers to the relative importance of different outcomes. It is informed by stakeholders’ preferences.
4. **Only include what is material** – Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact.
5. **Do not over-claim** – Only claim the value that activities are responsible for creating.
6. **Be transparent** – Demonstrate the basis on which the analysis may be considered accurate and honest, and show that it will be reported to and discussed with stakeholders.
7. **Verify the result** – Ensure appropriate independent assurance.

Read our “Seven Principles of Social Value” document to find out more³

³ <https://socialvalueint.org/social-value/standards-and-guidance/the-principles-of-social-value/>