

A Guide to the Social Value Act

Business Information Factsheet

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Introduction

The Public Services (Social Value) Act 2012 ('the Social Value Act') came into force in England and Wales on 31 January 2013. For the first time, the Act introduced a legal requirement for the public sector to consider how the services they procure can help deliver social, economic and environmental benefits for the areas in which they operate.

Social value embodies a changing understanding of how value for money should be calculated, and instead of simplistic cost-driven procurement, it encourages procurement commissioners to consider 'the benefit to the community from a commissioning or procurement process over and above the direct purchasing of goods and services'. The Act is intentionally vague in its definition of social value to encourage commissioners and suppliers to work together to identify social value objectives, and how they can be achieved through the procurement process.

This factsheet introduces the scope and remit of the Social Value Act, how it fits with other UK and EU social value policies, and outlines what social value is. It also covers how suppliers are expected to engage with social value in the procurement process, the benefits of doing so and measuring social value outcomes.

The Social Value Act

The Social Value Act applies to all English public sector bodies, including local authorities, government departments, NHS Trusts and housing associations, as well as Welsh bodies not solely or mainly under the jurisdiction of the Welsh Assembly Government.

The Act applies to all public service contracts above the EU threshold of £111,676 for central government or £172,514 for other bodies. This includes contracts that are predominantly for public services but include an element of goods or works.

While the Act only requires commissioners to consider social value in public service contracts, commissioners are free to apply social value considerations to goods and works contracts if they wish to do so. The Cabinet Office encourages commissioners to apply the Act to all contracts as best practice and an increasing number of commissioners are choosing to do so. For instance, Sunderland City Council considers social value in all procurements over £5,000. Suppliers should therefore be prepared to articulate their social value offer for contracts of all types.

Social value policy

While the Social Value Act is relatively new, social value as a concept is not. There is widespread support in the public sector for social value. However, prior to the introduction of the Social Value Act, confusion over whether social value considerations were permitted under EU regulations limited its application.

The Social Value Act joins a growing body of UK (and EU) legislation and guidance which clarifies that social value considerations are permitted, indeed encouraged, in the procurement process. For instance, statutory guidance for the Duty of Best Value was updated in May 2015 to make explicit the scope for authorities to apply the Social Value Act to improve value for money in service provision. Likewise, the Public Contracts Regulations 2015 ('the Regulations'), which implement in England and Wales the new EU Directive 2014/24/EU on public procurement, encourage the use of social value to harness the power of public spending to generate social, environmental and economic benefits. The Regulations also provide improved legal guidance for commissioners to follow when including social value in the procurement process, for instance ensuring it is non-discriminatory and clearly advertised in the contract.

The UK Government has complemented legislation changes with a comprehensive awareness-raising programme to ensure that public sector bodies, particularly central government departments, are engaging with the social value agenda. This has included the first Social Value Awards in February 2016 to celebrate businesses delivering social value; a Commissioning Academy to train commissioners to implement social value; and the decision not to raise the threshold at which the Act applies in line with changes to the EU threshold (€750,000) to ensure that the Act continues to apply to a significant share of contracts.

The direction of UK and EU policy indicates a strong commitment to the Social Value Act and that it is likely to become a bigger part of the procurement process. Consequently, suppliers will increasingly be expected to demonstrate their social value credentials if they wish to win contracts.

What is social value?

Social value is the 'benefit to the community from a commissioning or procurement process over and above the direct purchasing of goods and services'. The Social Value Act is intentionally vague in its definition of social value to allow for innovation and creativity, with suppliers and commissioners encouraged to work together to identify social value priorities and outcomes. It reflects an understanding that public bodies are best placed to understand the social value requirements of the areas they operate in.

Nevertheless, some common examples of social value include:

- **Environmental:** reducing carbon footprints, promoting recycling, increasing energy efficiency and sustainability practices.
- **Social:** reducing social isolation, supporting local charities and having an ethical supply chain.
- **Economic:** providing apprenticeships, training and up-skilling, using local suppliers and taking people out of unemployment.

Social value can be delivered in a variety of ways and one of the Act's main advantages is that it allows suppliers to be creative in the social value they can offer.

However, suppliers that are most successful at delivering social value often provide it as part of their existing business activities or a natural extension to them, rather than something completely new. By taking this approach, social value can be more easily incorporated into their current business model, rather than being a separate and additional activity, while employees often have the experience or skills to deliver it.

For example, Station Taxis is contracted by Sunderland Council to deliver social value in a way that is a natural extension of what they already do on a day-to-day basis. For instance, they help safeguard university students by allowing them to take a taxi home when they do not have any cash, by accepting their student card as guarantee of payment. Before identifying this as social value, Station Taxi drivers already provided this service on an ad hoc basis to promote the safety of students. This also demonstrates that suppliers may already be delivering social value without even realising it. Business owners should look at their current business model and identify instances where they already deliver social value so that it can be included in future bids.

Social value in the procurement process

The Social Value Act requires commissioners to consider social value at the pre-procurement stage so that it can be properly incorporated into the procurement process and service specification. This often takes the form of pre-market engagement, with suppliers and commissioners working together to identify the social value outcomes they would like to achieve and how suppliers can deliver them. In some instances, it can also involve participants from the local community who help identify and shape social value objectives before a contract goes out to tender.

Pre-market engagement is a useful tool for both suppliers and commissioners. The former gain a better understanding of exactly what the commissioner wants and can tailor their bid accordingly, while the commissioner can explore the full range of options available.

If a supplier feels they cannot deliver the extent of social value required by the contract, they can explore opportunities to work with other firms in the supply chain to deliver social value together. This can help open up more contract opportunities, particularly for smaller firms.

The commissioners that secure the best social value outcomes have a clear and well-designed social value strategy to outline social value objectives, as well as a good understanding of how social value will be incorporated at each stage of the procurement process. Commissioners are encouraged to develop strong links with the local community and suppliers through extensive pre-market engagement and avoid open-ended social value questions in tenders. Instead, commissioners should focus on how certain social value objectives can be delivered - this reduces bureaucracy for bidders and helps deliver meaningful outcomes.

Benefits

Business suppliers

While social value processes and questions can be daunting for business owners unfamiliar with them, once business owners get to grips with social value and the terminology used in tenders, demonstrating social value can help them score highly and secure contracts, sometimes making it an advantage over non-local or larger competitors.

With its emphasis on delivering benefits to the local area and community, social value can benefit local and regional suppliers tendering for work because such firms understand the communities they work in and are often already delivering social value, or are well-placed to start doing so.

For instance, a local business employing an apprentice is delivering social value by supporting the local community, while a business with a local supply chain is supporting the local economy and delivering environmental benefits by reducing the carbon footprint of its supply chain.

Business owners should look to identify the social value they may already be delivering, or could deliver as a natural extension to their business, which can then be incorporated into bids.

The Social Value Act helpfully directs procurement exercises away from a lowest-price approach. The Act highlights that a lowest-price approach may fail to deliver the best value over the lifecycle of a contract, and shows the potential for social value to deliver more overall value for each pound spent due to the additional benefits it generates.

Suppliers should try to articulate their social value offer with reference to the additional value for money or long-term savings it can provide. Commissioners often find this information useful at a time of budget cuts and scaled-back services, as it enables them to compare different bidders' social value in monetary terms.

Voluntary, community and social enterprise organisations

Voluntary, community and social enterprise (VCSEs) organisations have long campaigned for social value to be formally recognised in the procurement process to help them compete with the private sector when bidding for contracts. VCSEs often have a good understanding of the communities they serve and provide extensive social value. However, prior to the Social Value Act, this has been difficult to evidence when bidding for work due to the emphasis placed on cost and quantity when awarding contracts. The introduction of the Act provides new opportunities for VCSEs to harness their extensive local knowledge and capitalise on the fact that delivering social value is often a core part of their organisation's activities.

While the Social Value Act has provided new opportunities for VCSEs, progress has been limited, according to a Cabinet Office-commissioned review of the Act in 2015. It identified a lack of understanding among commissioners about how to engage with VCSEs in the procurement process and a need for greater support for VCSEs to navigate the commissioning process. The Cabinet Office is now working to educate commissioners through a Commissioning Academy (www.gov.uk/guidance/the-commissioning-academy-information), while a programme of commercial master classes (www.knowhownonprofit.org) supports voluntary organisations to tender for public contracts.

The Cabinet Office is encouraging VCSEs to articulate their social value offer clearly and in monetary terms, for instance using Social Return on Investment (SROI) methodologies to quantify the social value they offer in terms on how many £s of value is created for each £ of investment. There are an increasing number of free online resources to help VCSEs do this, including the Inspiring Impact Hub (www.inspiringimpact.org/listings) and Social Value UK (www.socialvalueuk.org).

The third sector must recognise that being a VCSE in itself does not automatically equate to adding social value - any claims of delivering social value must be measurable and supported by evidence.

Challenges

Awareness and understanding

The Social Value Act is still relatively new, and while awareness, understanding and engagement with the Act by commissioners is improving, it will still take time for the Act to fully embed and for commissioners to get to grips with how to utilise its full potential. The Cabinet Office has

funded eight schemes to identify and remove some of the barriers preventing the public sector engaging with social value, which will run throughout 2016.

If a supplier believes that a commissioner has not considered social value in the procurement process, they are encouraged to first speak to the commissioning body and see if the issue can be resolved. If not, suppliers can contact the Crown Commercial Service (CCS) Mystery Shopper scheme to raise concerns about public procurement practices, including instances where a supplier believes that commissioners have not complied with the Social Value Act. The CCS investigates all complaints to the Mystery Shopper and carries out proactive spot checks on individual procurement exercises to check the Act is being applied. Go to www.gov.uk/government/publications/mystery-shopper-scope-and-remit for further information about the Mystery Shopper scheme.

Measuring social value

While businesses and VCSEs are often able to articulate their social value offer and the resulting qualitative benefits, few are able to quantify the impact of their social value in monetary terms. This is partly because social value is a relative concept; for one area, a supplier able to provide three local people with apprenticeship opportunities might be considered hugely valuable, while another area may place more value on reducing social isolation. For a supplier to properly measure the impact of its social value, it must have a clear understanding of the social value priorities in the particular area where the contract will be delivered.

Once a supplier knows what its social value offer is and how it aligns with the priorities of the commissioning body, there is a growing range of databases to help suppliers quantify the monetary value of a huge array of social value outcomes. For instance, Inspiring Impact is a ten-year programme which will develop the field of impact measurement and provide a standardised method for measuring social value in monetary terms. While impact measurement is a relatively new strand of work, it is growing significantly, and measuring social value is likely to become more common and straightforward as more programmes are developed.

Hints and tips

- Commissioners expect social value outcomes to be delivered, and requirements to measure outcomes are often incorporated into the contract. It is crucial that the social value outcomes a supplier commits to are measurable and deliverable.
- Social enterprises and charities need to articulate clearly their social value offer and provide evidence that they are capable of delivering it. Simply being a VCSE does not automatically equate to adding social value.
- While tenders will usually include an explicit social value question, suppliers should demonstrate their social value throughout a tender, where relevant, to improve their bid.
- Suppliers should try to quantify the monetary value of the social value they can generate, as this is often useful for commissioners making spending decisions against the backdrop of cost-saving pressures.
- Suppliers should think about how social value can be incorporated into their core business or be a natural extension of it, rather than being an unrelated additional service.

- Commissioners should avoid open-ended social value questions in tenders and instead focus on asking how bidders would deliver specific social value outcomes. This reduces bureaucracy for bidders, while generating the most benefit for commissioners.

Further information

BIF 194 Sources of Public Sector Tenders and Contracts

Useful publications

'Public Services (Social Value) Act 2012'

HM Government

Website: www.legislation.gov.uk/ukpga/2012/3/enacted

The Public Contracts Regulations 2015

HM Government

Website: www.legislation.gov.uk/uksi/2015/102/pdfs/uksi_20150102_en.pdf

'Revised best value statutory guidance'

Ministry of Housing, Communities and Local Government

Website: www.gov.uk/government/publications/revised-best-value-statutory-guidance

'Social Value Act: information and resources'

The Cabinet Office

Website: www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources

Useful contacts

Social Value Hub brings together a collection of case studies and advice on understanding and measuring social value.

Tel: (020) 3589 4950 (Social Enterprise UK)

Website: www.socialvaluehub.org.uk

Inspiring Impact works with the charity sector to help organisations measure their social impact.

Tel: (020) 7620 4850

Website: www.inspiringimpact.org

Social Value UK provides training and guidance on SROI methodologies used to quantify the benefits of social value.

Tel: (0151) 703 9229

Website: www.socialvalueuk.org

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