
SOCIAL VALUE IN GOVERNMENT PROCUREMENT

CBI Response

Summary of recommendations

- *The Cabinet Office should work with industry to develop a standard definition for social value in public contracting, which should be consistently applied across the public sector, including in the longer-term local authorities.*
- *Where possible, commissioners should look to develop metrics which will draw on data already being gathered by suppliers. This would help reduce the administrative burden on businesses of all sizes. As part of this, the Cabinet Office should work with the Local Government Association and local authorities to ensure they have a clear understanding of the benefits and disadvantages of current models for evaluating social value within local government.*
- *Government should provide further detail on how the social value metrics will be evaluated in practice, including how different metrics will be weighted and compared.*
- *The Cabinet Office pilots of the social value delivery model should be subject to rigorous evaluation in order to learn ‘what works’ for different types of public sector contracts.*
- *Government should evaluate their current selection of metrics to ensure they don’t disadvantage SMEs. Specific support and guidance should also be developed for these kinds of organisations, and the Cabinet Office should monitor carefully the impact the delivery model is having on the size of businesses winning central government contracts.*
- *To support greater SME involvement in public contracting, the Cabinet Office should award some points automatically to SMEs and VCSEs within the social value section of the tender evaluation.*
- *The social value delivery model should require suppliers to report data at an organisational level, unless it is considered appropriate and proportionate to request project- specific information.*
- *The social value delivery model should ensure that suppliers are not judged only on delivering place-based social value. Instead, businesses should be evaluated on any social value delivered by their operations throughout the UK.*
- *The Cabinet Office should consider the addition of metrics which encourage innovation and fair work to be delivered through public contracts.*
- *The scope of the social value delivery model, and the metrics used, should evolve over time to reflect emerging issues, and feedback from suppliers. This should include considering whether its remit should be expanded to contracts over £10 million, in place of the Balance Scorecard for Growth.*
- *All central government contracts should require potential suppliers to lay out how they will reduce the environmental impacts of delivering the contract.*
- *The Cabinet Office should make the social value section of the tender a ‘pass or fail’ for suppliers.*
- *The Cabinet Office should consider creating guidance on a banded approach to the weighting given to social value in public contracts. This should reflect the size, type and complexity of the procurement, and be used on a ‘comply or explain’ basis by central government procurement teams.*
- *The Cabinet Office should work with departments to embed social value throughout the commissioning cycle, and look to focus on the quality of outcomes delivered, rather than the volume of social value outputs.*

- *The delivery of social value commitments should be robustly evaluated by contract managers, and social impact data should be collated centrally by the Cabinet Office in order to avoid double counting and to identify examples of best practice.*
- *Government must hold commissioners to account for using the social value delivery model. Random spot tests should be conducted for different types of contracts to ensure the Cabinet Office has sufficient oversight of how the delivery model is being applied.*
- *Government must provide sufficient social value training to all commercial staff, with a view to ensuring the delivery model is applied effectively to different types of contracts.*

SOCIAL VALUE IN GOVERNMENT PROCUREMENT

The CBI response to the Cabinet Office consultation on evaluating social value in central government procurements.

The CBI is the UK's leading business organisation, speaking for some 190,000 businesses that together employ around a third of the private sector workforce. We work with policymakers to deliver a healthy environment for businesses to succeed, create jobs and ultimately drive economic growth and prosperity.

As the voice of many public sector suppliers, large and small, the CBI welcomes the opportunity to respond to this Cabinet Office consultation, and hopes the views of its members will be helpful in ensuring the successful implementation of the proposed social value delivery model.

Business welcomes the Government's efforts to place social value at the heart of public contracting

The [CBI welcomed David Lidington's speech](#) in June 2018, and stands ready to work with government to implement his announcements.

Business believes that shifting the focus of public contracts away from short-term costs will not only help support a more sustainable and effective marketplace, but can also boost public confidence in partnerships between the public and private sector by demonstrating the value that they deliver. By harnessing the power of public spending to support wider governmental objectives, central government departments can also deliver greater value for money for taxpayers, and help drive prosperity across all of the UK's regions and nations.

The CBI therefore strongly supports the Cabinet Office's efforts to develop tools which can ensure that social value, as well as price, is taken into account when public contracts are awarded.

Following the CBI's input into the Cabinet Office and the Department for Culture, Media and Sport's (DCMS) Social Value Working Group at the end of 2018 which suggested departments should spend more time on developing the model, business also welcomes the opportunity to provide more detailed feedback. Suppliers have been pleased by the collaborative approach that the Cabinet Office has pursued when designing this new policy, and would like to see this continue as the work enters the implementation phase later this year, and into 2020.

Social value is a complex concept, and government must provide further clarity on its definition and how to evaluate the metrics selected

As a starting point, business believes there is a need to develop a clearer definition of what is meant by social value in relation to public sector contracting. This should apply consistently across the central government, and ideally local government, marketplace, and be developed in partnership with the supplier community.

While the terminology has been in use for many years, there are a number of different ways of defining and applying social value considerations, and this has led to confusion.

We heard from many businesses, for example, that what some public bodies would consider social value, others would call corporate social responsibility or good corporate governance. There is also confusion as to the differentiation between businesses who are inherently delivering social and environmental value: for example, a biomass energy provider or social enterprise who employs adults with learning difficulties, compared to businesses that deliver mainstream goods or services, but who may be delivering additional value in their communities. Clarity as to what departments,

agencies and wider public sector bodies should consider as social value in the context of public contracting would therefore be helpful.

The Social Value (Public Services) Act 2012 may provide a good basis to work from, and help provide some consistency between the meaning of social value within central and local government contracts.

Recommendation: The Cabinet Office should work with industry to develop a standard definition for social value in public contracting, which should be consistently applied across the public sector, including in the longer-term local authorities.

A large number of suppliers currently work across multiple central government departments and agencies, as well as supplying goods and services to local authorities. This means they can be working with numerous social value evaluation methods and metrics. Our members also told us that parts of the proposed model may not easily map onto existing models, meaning suppliers will again be required to adapt their current approach for new central government contracts.

Tailoring their approach to each of these in turn not only relies on businesses having highly capable procurement staff, but also means that suppliers are required to commit additional resources to gathering different types of data and adhering to different processes. This inevitably results in additional costs, which can in turn further erode already thin margins, or see these higher costs passed on to the public sector. It is also makes demonstrating social value particularly challenging for SMEs with typically smaller resources, when they should in theory benefit from this type of approach.

Finally, the Cabinet Office should consider the possibility that the variation in models could undermine the focus and impact of embedding long-term social value activities within an organisation. Instead, different, sometimes short-term, initiatives may be offered and pursued in order to secure individual contracts. Suppliers suggested, for example, that one commissioner might ask for evidence of developing initiatives to support homeless people in a local area but another may be focused on ex-military personnel. Variations in approach could encourage businesses to set up one-off and very short-term interventions which are likely to have little impact.

Recommendation: Where possible, commissioners should look to develop metrics which will draw on data already being gathered by suppliers. This would help reduce the administrative burden on businesses of all sizes. As part of this, the Cabinet Office should work with the LGA and local authorities to ensure they have a clear understanding of the benefits and disadvantages of current models for evaluating social value within local government.

Overall, the CBI's members agree with the themes that have been selected, and believe that they will provide a good baseline, and that they build upon a lot of good work that is already going on.

However, a number of suppliers commented on the need for further detail as to how some of the metrics could actually be measured in different contracts. Environmental sustainability, for example, is a very broad area, and the current framing of this metric is likely to make it challenging for procurement officials to evaluate it consistently or fairly in practice. Given the importance of tackling climate change, it is critical that this is rectified. As part of this, commissioners should ensure that sustainability criteria are based on robust life cycle thinking in order that criteria do not lead to unintended consequences, and a net negative environmental impact.

Similarly, business suggested that some of the other metrics lack the level of detail that they would expect or have utilised within their own social value models. A number of suppliers stated that they therefore felt the current model would inevitably lead to confusion, with businesses of all sizes unsure how they would be evaluated for the same theme by different bodies. In the longer term, this may also disadvantage new entrants, with incumbent or regular suppliers benefitting from the inside intelligence about how particular bodies measure social value commitments.

Business recognises that a qualitative approach to social value, as proposed in the current delivery model, can have a number of benefits, including giving commissioners flexibility, and enabling suppliers to provide more detail about their experiences delivering other similar projects.

A purely qualitative approach will, however, also mean that the application of the social value framework is highly subjective, and this means the proposed delivery model has the potential to be subject to 'gaming' by both individual commissioners and suppliers.

If there is the perception that the model is being applied unfairly, it may also lead to an increased number of legal challenges. This could not only be costly to public sector bodies, but could also slow down the delivery of both public services and infrastructure.

Business also believes that the proposed model would make it very challenging to compare suppliers' performance on different themes. For example, suppliers would like more clarity on how commissioners will decide the weighting that will be assigned to each of the themes in the proposed model—and ultimately how officials will take their final decisions. The consultation currently only states that there will be an overall minimum weighting of 10%, but not whether all themes selected should be awarded the same number of points.

Overall, suppliers in the manufacturing sector stated that the model was likely to be more easily applied by businesses of all sizes who supply services rather than those who manufacture goods. For social value metrics related to the workforce or environmental sustainability, for example, manufacturers felt they would find it much more challenging to make significant employment commitments, given that their workforces might be less transient than other sectors like construction. For some types of manufacturers who have to abide by a large number of regulations and standards, this can be even more challenging, and the model should be applied in way that takes this into account. They suggested therefore that commissioners should be provided with guidance outlining how to apply the model and metrics to different sectors within the government marketplace.

As the model matures, this could include the Cabinet Office collating a more comprehensive list of potential metrics, and categorising these by the types of contracts they are most relevant for. Where possible, real-life examples should be used to help improve both commissioners' and suppliers' understanding of social value evaluation.

Addressing these areas of ambiguity, and setting clear guidance for commissioners is essential if contract awards, which are based partly on social value commitments, are to be viewed as encouraging fair and open competition.

Recommendation: Government should provide further detail on how the social value metrics will be evaluated in practice, including how different metrics will be weighted and compared.

Finally, suppliers questioned if—and how—the Cabinet Office plans to distinguish between the social value that would be delivered regardless of the supplier that was selected, and the additional value to the communities within which they are working. Many businesses already carry out this 'dead weight' analysis in their own businesses to better understand the social value they are delivering through their partnerships with the public sector. Some businesses suggested that without this more nuanced understanding of social value, any estimate of social impact delivered through public spending is likely to be a significant overestimate.

As part of this, thought should also be given as to how this model will apply to projects which have an inherent social value focus, such as the building of a hospital or the provision of welfare to work services. Whilst business believes that inherent social value should not be taken into account when an individual contract is being awarded, it was suggested that there may still be value in collating this data separately. In particular, being able to demonstrate the overall social value delivered when departments partner with businesses could help boost public trust in government contracts.

Overall, suppliers consistently stated that the evaluation of social value in practice is incredibly complex. A number of businesses have spent many years developing the models and data collection systems to robustly measure social value. Suppliers therefore welcome the fact that the Cabinet Office is piloting this approach, which is important ahead of rolling out the delivery model across a larger number of central government contracts

Critically, the Cabinet Office should now use these projects to better understand what works when measuring social value for central government contracts, employing a robust evaluation process so lessons are learned – including identifying positive and negative unintended consequences of the new model.

Recommendation: The Cabinet Office pilots of the social value delivery model should be subject to rigorous evaluation in order to learn ‘what works’ for different types of public sector contracts.

SMEs and VCSEs have a critical role to play in driving the social value agenda forward, but care must be taken to ensure the model works for businesses of all sizes

Business welcomes the focus on SMEs laid out in the proposed social value delivery model. The CBI’s members recognise that SMEs are not only the lifeblood of the UK’s economy, but that they can bring vital expertise and innovation to the delivery of public services and infrastructure.

Previous CBI research has shown that access to the public sector market continues to be challenging for SMEs. Just 10% of the SMEs the CBI surveyed felt that the overall ease of procurement processes had improved since 2015, and only around a quarter of all businesses believed government contracts had become more accessible to SMEs since 2015. Businesses of all sizes therefore welcome the focus on levelling the playfield for SMEs and VCSEs within the proposed framework, and believe ensuring that the new social framework for government contracts works for suppliers big and small is essential.

For many of the CBI’s smaller members, the breadth of the metrics being proposed do cause concern about the data collection burden that will be placed on them if they wish to contract directly with Government, particularly given that this can already be a challenging process.

Feedback from businesses of all sizes also suggests that the current model is likely to favour larger suppliers. One of the key concerns is that some of the specific metrics, such as those related to the gender pay gap, cybersecurity and modern slavery, rely on data which is in many cases already collected by larger businesses, but not SMEs. This means SMEs may be starting on the back foot when the model is rolled out, and face higher up-front costs to gather the right forms of data.

SMEs also questioned the focus on job or apprenticeship creation, rather than upskilling the current workforce, or currently employing individuals with protected characteristics. SMEs believe this will favour larger companies, and those sectors which have a more transient workforce, such as construction.

More generally, SMEs stated that larger organisations are more likely to have the time and resources available to deliver social value commitments in addition to the key goods or services outlined in the contract. Careful thought must therefore be given to how commissioners can balance driving social value through their spending, and not limiting the participation of SMEs.

Business believes that the government is facing a significant challenge to meet its target of spending 33% of public money with SMEs by 2022. It is therefore critical that the Cabinet Office publishes guidance to accompany the framework which highlights these potential challenges to public sector commissioners, and carefully monitors the impact that the framework’s introduction has on SME participation across a range of contracts.

In addition, the Government should look to offer additional support and guidance to SMEs as they put in place the necessary systems and processes to collect new types of social value data. The new SME Crown Representative can play a key role here, and SME champions within individual departments should also look to support SMEs as they transition to the new focus on social value within public sector tenders.

Business also strongly supports the inclusion of metrics which aim to incentivise greater involvement of SMEs and VCSEs within the supply chain. Not only is this another route through which innovative SMEs can bring their expertise to the delivery of public services and

infrastructure, but it can also support more of these types of organisations to benefit from more public money, and ultimately help them grow.

A large number of our smaller members have very successful relationships with larger suppliers, and rely heavily on being able to deliver government work without having to go through complex public procurement processes.

In addition, business recognises that the model could help large suppliers to think about how to encourage more SMEs to work with them. This would be another positive development.

Measures which incentivise prompt payment of suppliers are also a positive step and can help strengthen public sector supply chains, by providing smaller businesses with greater financial stability.

Recommendation: Government should evaluate their current selection of metrics to ensure they don't disadvantage SMEs. Specific support and guidance should also be developed for these kinds of organisations, and the Cabinet Office should monitor carefully the impact the delivery model is having on the size of businesses winning central government contracts.

As well as ensuring more SMEs are part of public sector supply chains, the model should also encourage tier one suppliers to cascade social value commitments down their supply chain. Not only will this mean that the model has a much wider impact, but it will also help more businesses, including SMEs, to become more familiar with social value evaluation. In the longer-term, this can help these businesses to have the necessary data collection processes in place to be successful when bidding directly for relevant public contracts.

As outlined above, businesses of all sizes welcomed the fact that the consultation states that a key objective of this new approach is to level the playing field for SMEs and VCSEs.

To support this in practice, our members suggested that smaller businesses and voluntary sector organisations could automatically be awarded some points within the social value section of the tender evaluation, simply because of the nature of organisation that they are. This could be achieved simply through the inclusion of a single question assessing organisational size and status within this part of the evaluation.

While it is important to avoid creating an unlevel playing field for contracts, suppliers suggested this could be one way to ensure SMEs are not disadvantaged by the introduction of this model, which in its current form could favour larger suppliers.

To acknowledge that there can be significant difference between micro-businesses and those organisations who are only just considered an SME, a sliding scale of points should be used.

Recommendation: To support greater SME involvement in public contracting, the Cabinet Office should award some points automatically to SMEs and VCSEs within the social value section of the tender evaluation.

Collecting social value data on a contract by contract basis will place a disproportionate administrative burden on suppliers, and particularly disadvantage SMEs

The majority of social value data that is collected should be across a company's entire operations rather than on an individual contract basis, as proposed in the current model. Suppliers should not, for example, be required to provide data on the gender pay gap of individuals involved in the delivery of a specific contract, but instead the overall gender pay gap across their organisation. Similarly, businesses should be required to report on the activities they are undertaking to reduce the risk of modern slavery across their organisation, rather than just within a specific project.

This approach can ensure that government is harnessing the power of its spending to ensure businesses embed practices which deliver social value across all of their activities. In turn, this will enable the social value delivery model to have a much more significant impact across industry as a whole. It will also ensure that businesses are not incentivised to focus their time and resources on one-off actions to meet individual bid requirements, rather than delivering sustained improvements to their business practices.

Secondly, an approach which requires social value data to be collected at an individual contract level will place a disproportionate burden on suppliers, and particularly disadvantage SMEs. The majority of members we spoke to stated that they do not currently collect this type of data for individual contracts, and that to do so would be hugely complex and costly—and in some cases impossible. It was suggested, for example, that data regarding the number of individuals with disabilities is difficult to obtain at an organisational level (due to relying on self-reporting), and that this becomes even more challenging when looking at individual contracts.

For SMEs, collecting the data at this granular level across multiple contracts is likely to be particularly challenging, and could even prohibit them from bidding in some cases, due to the significant costs associated with this type of activity.

However, this is not to say there won't be occasions where asking suppliers to make contract-specific commitments would be appropriate. In the context of a construction project, for example, it may be appropriate, and useful, to ask suppliers to demonstrate how the impact on the environment will be reduced for that particular project, or how many jobs and apprenticeships will be created. This is unlikely to be disproportionate, and is in line with what organisations in that industry are already gathering data on for existing projects within the public sector.

Critically, the approach taken shouldn't come as a surprise to potential bidders. It must be tailored to the individual contract so that it requests an appropriate level of data which encourages businesses of all sizes to compete.

Recommendation: The social value delivery model should require suppliers to report data at an organisational level, unless it is considered appropriate and proportionate to request project-specific information.

Government must look beyond just delivering place-based social value, as this is not relevant to all contracts

In many instances, commissioning authorities are currently seeking for social value to be delivered in the locations where the service is delivered. While this may work well for contracts in the construction sector, where clearly much of the work is carried out on site, this is much less relevant for other types of contracts where goods or services may be delivered remotely.

Many businesses may deliver remote services from areas where there are high rates of unemployment and low social mobility, and therefore provide valuable jobs in these areas. Suppliers should therefore not be penalised for not delivering social value directly in a specific area. Instead, procurement officials should consider the wider social value that the supplier is providing. Business believes that it is this assessment of an organisation's total approach to social value that will result in the new delivery model having the greatest—and most sustainable—impact.

Recommendation: The social value delivery model should ensure that suppliers are not judged only on delivering place-based social value. Instead, businesses should be evaluated on any social value delivered by their operations throughout the UK.

The current metrics miss opportunities to support wider government objectives, such as driving innovation and fair work

Suppliers acknowledge that the proposed model will evolve over time, and that it gives central government commissioners the flexibility to include additional social value metrics within their procurements. This flexibility is welcome, and recognises that the public market for contracts is incredibly diverse.

Industry representatives still believe, however, that there are some notable omissions from the proposed model, which means government is missing out on an important opportunity to support some of its wider objectives.

In particular, business would welcome the inclusion of social value metrics on innovation—both in terms of new technologies or new ways of working. The reasons for this are threefold.

Firstly, it is widely acknowledged that public procurement is the single biggest lever government has to drive innovation. Requiring suppliers to demonstrate how they use public money to adopt new ways of working or innovative technologies would therefore seem sensible.

Secondly, this year will mark the publication of a new Innovation Strategy for Government, and it was suggested that this framework should encourage greater use of procurement to support innovation across central government.

Thirdly, one of the aims of the social value delivery model is to level the playing field for SMEs. Given innovation is a key USP for many SMEs, its omission from the proposed approach is a missed opportunity to encourage commissioners to harness the innovative thinking and technologies which are often prevalent within the SME community.

Suppliers recognise that measuring innovation can be challenging in practice, but believe that in the longer-term its inclusion would bring significant benefits to public sector commissioners.

Secondly, while it is welcome that the current model considers issues such as diversity and employee mental health, businesses suggested that at the core of creating social value through employment is providing stable jobs that pay fairly. Suppliers therefore questioned the absence of metrics which cover issues such as zero-hour contracts or the use of the National Living Wage. These could fall under either of the social value themes covering skills and employability or staff mental health and wellbeing.

Including these metrics would also help bring the proposed model in line with the approaches emerging within combined authorities and the devolved administrations. In Scotland, for example, the Government are looking at the introduction of a 'Fair Work' requirement within public sector contracts. This includes both a commitment to not using zero-hour contracts, and a commitment to pay the Scottish Living Wage.

Similarly, a number of the Combined Authorities in England, including in the North of Tyne, are considering how to embed commitments related to fair pay and stable jobs within their procurements. Aligning the approach taken in central government contracts with these broader themes would therefore seem sensible, and would draw on data already being gathered by a number of suppliers.

Recommendation: The Cabinet Office should consider the addition of metrics which encourage innovation and fair work to be delivered through public contracts.

Finally, suppliers question why the new model will not apply to construction and infrastructure projects above £10 million. While in theory contracts above this value should see bidders rigorously assessed against the Balance Scorecard for Growth, the CBI consistently heard from members that this is still deployed infrequently, and that it is also often applied in an ineffective and inconsistent way.

Business therefore believe that, if the roll-out of model successful, government should look to apply the new social value delivery model for all contracts above the OJEU thresholds, instead of the Balance Scorecard for Growth. Additional guidance could be given for larger contracts to ensure the model used is sufficiently sophisticated for the amount of public money being spent.

If the Balance Scorecard for Growth is to remain in place in the short-term, then it should be closely aligned with the new social value delivery model. This will avoid asking suppliers to gather different types of data for similar contracts which may be only slightly different in size. For example, under the current proposals a contract of £9.9 million and a contract for £10.1 million would be subject to very different provisions.

Recommendation: The scope of the social value delivery model, and the metrics used, should evolve over time to reflect emerging issues, and feedback from suppliers. This should include

considering whether its remit should be expanded to contracts over £10 million, in place of the Balance Scorecard for Growth.

There cannot be a one size fits all approach to social value, and the weight assigned to the framework metrics will depend heavily on the project or programme being delivered

The types of contracts which will be covered by the framework are incredibly diverse, and the approach taken to social value in different types of contracts will need to reflect this. In particular, commissioners will need to consider the size and length of the contracts, as well as the complexity of the goods or services being delivered.

Ensuring that the model is applied in a proportionate and appropriate way to different types of contracts will be critical if it is to strike the right balance between ensuring government maximises the impact of its spending, and not placing too large a burden on public sector suppliers, who are already operating in tough market conditions. Given the already bureaucratic and complex nature of government procurements, commissioners must also be careful to avoid the inclusion of social value metrics leading to even longer and slower procurement processes.

Suppliers were clear that the need to carefully tailor the approach to social value to different contracts applies to both the weight given to social value, and the number and type of metrics selected.

Without the right training and guidance, there is a danger that procurement officials may be tempted to apply all—or not enough—of the metrics to the wrong types of contract. As stated above, it is critical that the model is applied in a way that is proportionate and appropriate for the contract that is being tendered. Again, having early conversations with suppliers about social value as part of the pre-market engagement process can help ensure the metrics and approach selected are tailored to the goods or services being delivered.

There are also concerns that commissioners will favour the metrics which are viewed as being easier to measure, such as the number of apprentices created, rather than some of the more challenging themes such as environmental sustainability.

Given the increased focus on tackling climate change not just within government, but across society, business believes that it is critical to get the measurement of environmental metrics right. As a starting point, the Cabinet Office should look to draw on existing measures and standards, including the BSI Environmental Management Standard (ISO14001).

To acknowledge the importance of this issue, once formulated, business believes that all central government contracts should contain provisions assessing environmental sustainability. This would be a shift in approach to that which is outlined in the consultation, which states that departments “will not be required to (and should not) select any if none are relevant”. Suppliers, however, suggested that there would be very few occasions where reducing environmental impacts would not be an appropriate or valuable aim to pursue when spending public money.

Recommendation: All central government contracts should require potential suppliers to lay out how they will reduce the environmental impacts of delivering the contract.

On the subject of weighting, business welcomes the inclusion of a proposed minimum. Suppliers recognise that having a baseline is critical to ensure that social value is not assigned just 1% or 2%, as is the case in some existing contracts within the public sector.

A number of suppliers, however, stated that they felt that 10% was too low, and would not lead to the shift in approach the policy is trying to achieve. In particular, businesses suggested that at 10% there is a danger that decisions will still too often be taken solely on price, and that social value will be viewed as an ‘add-in’ rather than a key differentiator between suppliers.

It was also argued that commissioners may view this as the target number, and will therefore be unlikely to push themselves to maximise the social value delivered. Giving social value just a 10%

weighting could also mean that commissioners overlook the potential for more social value to be delivered, and, as a result, do not dedicate sufficient time and resources to evaluating this section of suppliers' bids.

At 10%, it was also suggested that there is a danger that suppliers with a strong quality submission and low price may not put time and effort into the social value section of the tender. To avoid this, business believes that suppliers should be required to score at least some points, to a specified benchmark, on account of their social value commitments.

Recommendation: The Cabinet Office should make the social value section of the tender a 'pass or fail' for suppliers.

While 10% may be appropriate for some low-value and very simple procurements, suppliers suggested that the model should be more ambitious for larger, more complex contracts. It was argued that these types of projects often naturally lend themselves to including social value commitments. Suppliers also stated that larger projects which provide a higher financial return gave businesses the necessary resources to devote to delivering social value.

Instead of imposing a simple minimum level, suppliers therefore argued that there should be a correlation between the value and complexity of the contract, and the percentage assigned to social value. This could be carried out via a banded system (i.e. 10%-15% or 15%-20%) to ensure commissioners still have some flexibility to tailor the weighting given to social value based on other factors, such as the sector or the number of social value metrics selected. Any deviation from this model should then need to be justified by the procuring body in the documentation associated with the tender, and would be open to challenge from both suppliers or the Cabinet Office, who should ultimately oversee the application of the social value delivery model.

Recommendation: The Cabinet Office should consider creating guidance on a banded approach to the weighting given to social value in public contracts. This should reflect the size, type and complexity of the procurement, and be used on a 'comply or explain' basis by central government procurement teams.

Members also questioned how this 10% will be factored into the existing need to balance cost and quality scores within public sector tenders. It was suggested that it was not clear from the consultation whether a renewed focus on social value will result in a lesser focus on price, or whether it will be the attention given to quality that will be eroded. Business views the latter option as undesirable, given the aforementioned concerns about a race to the bottom in government contracts.

Many businesses also suggested that the weighting given to social value will be irrelevant if steps are not taken to address how cost is assessed and scored within some public sector tenders. Currently, for example, in some contracts suppliers could score zero points for being the most expensive, even if their price is not in reality much higher than the other bids. This means that although only 40% might be assigned on price, it actually has a much bigger impact on the decision than the quality assessment. Some procurement officials will therefore need to re-evaluate their overall approach to evaluating bids, if they want to truly move away from a disproportionate focus on cost.

Government should take further steps to ensure social value is embedded throughout the entire commissioning cycle

Business welcomes government's recognition that social value should not just be considered during the evaluation phase of the tender process. Suppliers believe that it must be embedded throughout the entire procurement process, from the moment a decision is taken to contract for a particular good or service, all the way through to contract delivery. In particular, suppliers would welcome central government bodies ensuring that there are discussions about social value during the pre-market engagement phase of procurement.

By having these conversations early, commissioners can ensure that they effectively tailor their use of the model to the specific objectives of the contract.

Early discussions about social value will also enable commissioners to consider how to identify the outcomes they want to achieve, and ultimately the social value metrics which will be most helpful. For frontline public services, thought should be given as to whether it is appropriate to consult with end users on the social value commitments they would like to see included. This would mirror the approach taken by some local authorities.

Businesses also suggested that more could be done to ensure that the delivery model is focused on the quality of social value as well as quantity. It was suggested, for example, that having a large number of apprentices may not be the best outcome, if the quality of the apprenticeships is poor, with little chance of future employment and inadequate training.

By encouraging suppliers to list relevant activities, the current model could incentivise the volume of social value commitments they make, rather than delivering the maximum social impact for end users.

It may also push commissioners to view social value as just another tick box exercise, rather than truly refocusing their public procurement processes around the outcomes that matter to citizens.

To avoid this, it is critical that the delivery model utilises metrics which look beyond volume, and that it is accompanied by guidance which clearly outlines a commitment to quality over quantity of social value commitments within government tenders. Achieving this, will also rely heavily on procurement officials drafting contracts effectively so that quality can be adequately assessed both during the evaluation and delivery phase.

Recommendation: The Cabinet Office should work with departments to embed social value throughout the commissioning cycle, and look to focus on the quality of outcomes delivered, rather than the volume of social value outputs.

To maximise its impact, delivery of social value commitments must be robustly evaluated during the contract management phase

To ensure the success of the framework, government must devote adequate time and resources to measuring the social value that is actually delivered through central government contracts, particularly for those projects and services which include contract-specific commitments.

This is essential if departments are to ensure that the inclusion of social metrics within the tender process is truly having an impact, and that the model does not encourage suppliers to make 'empty promises'. It is also critical if both commissioners and suppliers are to have faith in the new delivery model, and see it as supporting, rather than undermining, fair competition and value for money.

It is welcome therefore that the proposed model does include delivery metrics, which will go some way towards assessing social impact rather than just social value commitments.

Building on this, the Cabinet Office should now provide further detail as to how the evaluation of social impact will be conducted in practice by contract managers across the public sector. Given the sheer number of contracts likely to fall within the scope of the new delivery model and with over 30,000 commercial staff involved in the administration and oversight of public contracts, this is a sizeable task. Current plans include training the 4,000 commercial staff who will be involved in applying the model during the procurement process, but a much larger volume of training will be required to oversee the end-to-end delivery of contracts.

In addition, government should outline the steps that will be taken if a supplier fails to deliver on the social value commitments outlined in their bid. Businesses suggested that if social value is considered a core part of public sector contracting, then it should be treated the same as any other key performance indicator (KPI), and where appropriate under-performance should lead to financial penalties.

Business believes that the data gathered on social impact should ultimately be held centrally, either by the Crown Commercial Service (CCS) or Cabinet Office. Firstly, this will enable government to collate the data relating to suppliers who work across multiple departments.

Secondly, where there are contract specific commitments it can help avoid double counting, which may artificially inflate the total social value being delivered through central government spending. One apprentice, for example, may work on more than one public contract, but should only be counted once in the overall metrics.

By collating the data centrally, the Cabinet Office will also be able to identify pockets of good and bad practice across different central government bodies. This will be helpful in the longer term as the framework evolves. Suppliers acknowledge that this will be a significant undertaking, and will require the Cabinet Office to invest time in resources in ensuring it has the correct data processes and systems in place. However, business views this as an important investment to ensure effective oversight of this new model.

Recommendation: The delivery of social value commitments should be robustly evaluated by contract managers, and social impact data should be collated centrally by the Cabinet Office in order to avoid double counting and to identify examples of best practice.

Government must regularly review the application of the delivery model, and where necessary take steps to address bad practice

Business welcomes the proposed approach laid out in the consultation which states that the social value framework will be mandated for all central government departments, their executive agencies and non-departmental bodies. The consultation also states, however, that departments will not be required to use any of the metrics if they feel they are not relevant to the contract being let.

Business recognises the need for commissioners to have flexibility when procuring different types of goods and services, and that there may be some instances where it would be disproportionate or inappropriate to request that social value considerations are included within a bid.

Suppliers are concerned, however, that without clear guidance as to what is meant by 'relevance', and clear consequences for central government bodies who apply this inappropriately, the usage of the framework may be patchy and inconsistent.

More generally, business would like to see the social value framework given more 'teeth' to ensure that it is widely adopted in practice. Suppliers cited the existence of numerous policy notes and guidance produced by the CCS which have failed to have sufficient impact on departments' commercial practices. It was suggested that this gap between commercial policy and commercial practices means it will be critical that commissioners who fail to apply the new metrics appropriately are held to account.

To support this, the Cabinet Office must ensure they have sufficient oversight of how the social value delivery model is being used within central government. Suppliers recognise, however, that the sheer number of contracts which will fall under the scope of the new social value delivery model mean it will be impossible for commercial leaders within the Cabinet Office to consider every contract containing social value provisions.

Conducting random spot tests on public bodies for different types of contracts could, however, help commercial leaders get a better sense of whether social impact is being consistently applied and evaluated by central government procurement teams.

This would follow the approach taken by organisations such as the Health and Safety Executive, which oversees a huge volume of sites and projects, and wants to see consistent standards upheld.

As highlighted, business believes that metrics related to environmental sustainability should be included in all central government contracts, so this should be one of the key areas evaluated as part of the spot checks.

Recommendation: Government must hold commissioners to account for using the social value delivery model. Random spot tests should be conducted for different types of contracts to ensure the Cabinet Office has sufficient oversight of how the delivery model is being applied.

To drive the right type of behavior, business would also suggest that commercial staff should be incentivised to apply the model effectively. This could, for example, be achieved by an assessment of using the social value model in commercial staff's performance reviews.

As a minimum, government should ensure that commercial staff receive sufficient social value training

Despite significant government investment, improving commercial capability remains a key challenge for government at both a central and local level. Given the complexity of social value measurement and evaluation—and the importance of tailoring the model to different types of contracts—business believes that providing procurement teams with the confidence and skills to apply the new framework will be critical to its success.

While a commitment of initial training for 4,000 commercial staff is welcome, this alone is unlikely to be sufficient. In addition, it is vital that there is ongoing support for these individuals as they begin to apply the framework in their day-to-day roles to a variety of contracts.

The use of internal champions and peer networks will be important in providing ongoing support, but suppliers also believe there must be sufficient online resources which can be drawn upon, as well as regular refresher training courses.

As a starting point, the Cabinet Office should look to draw on existing social value training materials, which have been used successfully within local government or the private sector. Again, real-life examples of effective application of the new model would also be valuable to bring the metrics to life, and to highlight the potential challenges that individual procurement may throw up.

More importantly, feedback from the CBI's members also suggests training should not just be about what the new metrics are and how to apply them, but should also look to make clear to procurement officials the overarching issues this model seeks to address. By positioning this new way of working as critical, not only to the overall health of the supplier market, but also to public trust in government contracting, business believes that the Cabinet Office can secure the buy-in of more officials.

As highlighted above, this training should also extend beyond officials involved in the procurement process to contract management officials, in order to ensure that social value commitments are upheld during the delivery phase of the contract.

Recommendation: Government must provide sufficient social value training to all commercial staff, with a view to ensuring the delivery model is applied effectively to different types of contracts.

Cultural change will also be needed to truly see a shift the focus beyond lowest cost when determining contract awards

While ensuring teams have the right skills and training materials is an essential first step, business believes that cultural change is the biggest barrier to the successful roll-out of the social delivery model.

Suppliers consistently stated that they continue to witness a culture of risk aversion within the Civil Service, which leads to a resistance to new ways of doing things, and to an unchanged focus on lowest cost. It was also suggested that fear of legal challenge can lead to an overreliance on justifying decisions that have been taken based on price. Consequently, the concern remains that the drive for cost-efficiency will undermine efforts to embed social value in public contracts.

Businesses feel that one of the key challenges to solve is demonstrating that delivering social value will not lead to higher costs for departments or agencies in the long term.

This will need to be driven from the top and will require broad executive sponsorship from not just commercial leaders within departments, but also senior civil servants within policy directorates.

As highlighted earlier, getting the appropriate weighting of social value, quality and cost will also be key to achieving this.

Case studies of best practice and evidence gathered through evaluating early usage of the framework will be critical to the success of this process, and the CBI and its members would be pleased to support this work.

The model must be viewed as just the starting point of an ongoing process to embed social value across Government's supplier base

Business recognises that social value is an incredibly complex concept, and that it will take a long time to see all parts of central government applying this new model effectively.

It is important that the model evolves over time to take account of what has worked well for different types of contracts. Business therefore welcomes the Cabinet Office's intention to review the model after 12 months.

Conclusion

The CBI and its members strongly welcome the Cabinet Office's plans to establish a new social value delivery model for central government contracts, and the launch of this consultation.

Our members have long called for public sector tenders to look beyond cost. Effectively implemented, the new social value delivery model for central government contracts can help drive this change, and deliver a step change in the way public procurement is conducted. This will not only boost the health and sustainability of the government marketplace, but ultimately lead to better outcomes for the citizens and communities.

The CBI hopes that this submission can help support this important work, and stands ready to work with its members and the Cabinet Office as the model moves into the delivery phase.

For queries or further information about this consultation response, please contact Liz Crowhurst at Elizabeth.crowhurst@cbi.org.uk