



# Valued partnerships

Embedding social value in public contracts

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Infrastructure and Energy



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# Summary of recommendations

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## Improving the definition, understanding, and consistency of social value measurement in the UK

- Businesses operating across the UK have highlighted the challenges raised by the fragmented approach to social value taken by the national governments of England, Northern Ireland, Scotland, and Wales. *To recognise the importance of regional differences, the Cabinet Office should seek to utilise existing working groups (such as the National Social Value Taskforce) comprising representatives from the devolved administrations, local authorities, arms-length bodies, industry, academia, and other stakeholders to ensure there is more consistency in approach and measurement across the social value landscape.*
- *To help clarify the purpose and remit of social value, the Procurement Green Paper should lay out proposals for an updated definition of social value as defined in the Public Services (Social Value) Act 2012. Consultation with industry on this definition should be welcomed.*
- *To enable businesses to prepare and invest in those areas deemed important to Government, Government should be required to publish a national policy statement every five years setting out what key policy areas the social value agenda will focus on. This document would be considered alongside existing social value models enabling an approach which both delivers a degree of consistency, but still supports commissioners to have flexibility.*

## Ensuring the implementation and practice of social value across the public sector

- Increasing the proportion of spend with SMEs either directly or through supply chains, remains a key part of the government's commercial priorities. *To ensure that the new Social Value Framework for central government contracts does not negatively impact upon SMEs, Cabinet Office should audit spend data "with prime suppliers and tier two suppliers" following implementation to ensure SMEs are not being discouraged.*
- Business welcomes the guidance around pre-market engagement in the Outsourcing Playbook 1 and 2 as strengthening discussion and collaboration. *The next iteration of the Playbook should lay out how Social Value should be a mandatory and distinct category of discussion during pre-procurement supplier engagement to enable a dialogue from an early stage of procurement. This should apply for contracts which fall under the Social Value framework in central government and should be encouraged in those over Public Contract Regulations 2015 thresholds for local government.*

- To stimulate innovation and allow suppliers to propose sustainable alternatives to contract delivery, *the Procurement Green Paper should lay out proposals for changing procurement rules to move away from the MEAT (Most Economically Advantageous Tender) criteria and to explicitly require commissioners to consider non-economic benefits (such as broader social value, social impact, sustainability objectives, or corporate social responsibility) when making award decisions.*
- Businesses often deliver a wide range of social value at an organisational level outside of a specific contract which may not be reflected in an individual tender. *The Procurement Green Paper should consider changing procurement regulations to enable commissioners to consider existing commitments and performance including any proposal to enhance the current service offering outside of the current contract, particularly as pertaining to wider social value delivered by a supplier.*
- Covid-19 has demonstrated that when local authorities work together, they can deliver better outcomes for all involved particularly through procurement. *Cabinet Office, Ministry of Housing, Communities and Local Government, Department of Health and Social Care, and the Local Government Association should encourage local authorities to combine efforts at delivering social value where appropriate to ensure that social value policies produced by local authorities and central government are aligned with each other as much as possible.*
- Driving transparency and openness in all public procurement is crucial for competition and fairness. *Taking into account proportionality, flexibility, and commercial sensitivity, the publication of one Social Value Key Performance Indicator per contract should be required for gold contracts beginning one year after the launch of the Social Value Framework.* Government should look at extending this requirement over time to all silver contracts and subsequently to all above-threshold contracts.
- Social value can ensure public sector spending delivers positive social, economic, and environmental outcomes. Yet currently the focus for social value remains on those goods and services delivered by the private sector. *For in-house service provision, a similar requirement for embedding transparency around social value should be considered to level the playing field and help enable a more meaningful comparison of the services delivered by in-house services and contracts.*
- *To support the effective implementation of the new social value framework the Cabinet Office should replicate the approach taken with the Playbook and utilise the expertise and knowledge of businesses to conduct cross-sector knowledge drops and digital courses as part of the training programme for procurement and contract management staff.* Alongside an increased number of commercial secondments (with appropriate safeguards to support fair competition), as the CBI has previously called for, this cross-sector approach will help ensure that staff are able to work in partnership with suppliers to effectively embed social value in upcoming contracts.

## Looking at the future of social value and opportunities for greater impact

- As with the Playbook, the new Social Value Framework should be considered an ongoing, iterative process for embedding social value into public procurement. *To support this objective, one year following the launch of the Social Value Framework, the Cabinet Office should consider conducting a review of the implementation and impact of the framework and how it has been used in practice across the public sector.*
- *Building upon the case studies collected in this report, as part of the one year review into the Social Value Framework the Cabinet Office should seek to compile and examine case studies from commissioners and industry which show how the Social Value Framework is working in practice.* These case studies should be made publicly available to help highlight good practice and to further support the use of social value by commissioners and businesses across the UK.
- Being able to regularly assess how departments are performing when it comes to social value will be critical to the success of the *new social value framework*. *To support this, the Cabinet Office should consider updating the Government Commercial Operating Standards to have a specific standard on social value measurement and evaluation.* This will help with the implementation and uptake across central government departments.
- Local authorities are keen to maintain a place-based approach to social value, whilst government has emphasised the role of social value in national policy objectives. *The Cabinet Office should consider introducing a two-tier system for social value in future iterations of the Social Value Framework, comprising heavily weighted national metrics on issues such as employment, supporting SMEs and sustainability, combined with a menu of locally tailorable metrics to be decided by the contracting authority.*



# Introduction

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## **Social value has rightly risen up both the political and business agenda creating new opportunities for cross-sector collaboration**

In January 2020, and in response to a general election which had seen a widespread focus on left-behind communities and tackling regional inequalities, the Prime Minister and the Conservative manifesto pledged that the Government would be committing to a “levelling up” agenda for the whole country and whole economy.

Whilst details of this programme remained unclear, a renewed drive to deliver social value through government’s spending with the private sector was identified as a key part of these efforts. The concept of social value – defined by the Public Services (Social Value) Act 2012 as the broader social, economic, and environmental impact of public sector contracting – was seen as combining the broad regional reach of the public sector with the breadth of expertise and innovation the private sector can bring to bear. As a catalyst for economic growth, social value seemed to tick many of the right boxes, particularly with an estimated £292 billion of spend going on purchasing goods and services from the private and third sector in 2018-19.<sup>1</sup>

The popularity of social value was further increased as the economic and social impact of Covid-19 brought the British economy almost to a standstill. As different regions and sectors of the economy look to build back better from the global pandemic, social value has again been suggested as a lever it would be relatively easy for the public sector to pull to stimulate this recovery.

Even before the pandemic, it was recognised that by enabling commissioners to tailor the outcomes delivered by suppliers, social value provides a simple, proven, and quantifiable means of kickstarting the UK regional economies and tackling national challenges such as unemployment, reskilling and climate change.

It not only allows local authorities and government departments to identify the most pressing needs of their local areas and communities, and work in partnership with businesses to help address these issues, but at a national level can also help drive widescale business change, particularly around the gender pay gap or diverse employment practices.

Whilst the crisis has shone a spotlight on social value, there is no doubting that across business and government there had been a growing push to expand its usage more widely.





## **Business too has seen growing interest in the measurement and application of social value**

Previous reviews and commentary around social value have focused primarily on the use of social value models by commissioners, yet support across industry for the agenda is an equally important and often ignored element of its success so far. Looking ahead business will also play a critical role in making sure that social value models deliver increased impact for individuals, for communities and for the wider UK economy.

Apart from welcoming the shift away from a “race to the bottom” on price in public procurement, businesses recognise the other benefits of social value. For many companies, their enthusiasm for social value is being driven not by government policies but by their own internal values. Social value also had origins in the Corporate Social Responsibility (CSR) efforts of the private sector, and it is apparent that many businesses have adapted their own internal mechanisms and models to reflect their workings with the public sector.

Furthermore, as some areas of industry are more familiar and confident using social value than others, business has played an important role in sharing this knowledge and expertise with contracting authorities. CBI members related that in cases where they have their own proven model of social value in use across the business and embedded in their working practices, they have begun discussing with clients upfront how this model works and encouraging the contracting authority to use it also.

Industry is keen to keep the momentum going on social value, and not just in individual contracts. Whether by working more closely with local authorities and central government in sharing good practice, or supporting the successful implementation of the new social value framework, business is looking to further embed social value across the country, particularly in those sectors just starting out on their social value journey.

## **Yet there remain significant barriers to measuring and delivering social value in practice**

Despite the increased political, business and policy focus on social value, government – and the Cabinet Office in particular – have faced significant challenges when trying to embed social value in practice.

Most notably, despite the numerous attempts that have been made to drive awareness and application of social value principles within public contracts, there has remained in many cases, an almost laser-like focus on the use of contracting to drive down costs.

Previous CBI research in 2018, for example, found that only 3% of businesses stated that social outcomes was currently the determining factor for public contracts awards, compared to almost two thirds who believed it was lowest initial-bid cost.

The renewed focus on social value in recent years—and the development of a new social value framework for central government— has therefore been welcomed by business as a significant opportunity to make sure their partnerships with public sector clients, look beyond simply cost to delivering additional value to the communities within which they operate.

Ensuring that this potential is realised, however, will be no small feat and making certain this new push for social value has greater impact than those which have gone before it must therefore be a key focus for both government and business.

To support these efforts, this paper attempts to map out the current social value landscape, what this has meant for businesses and government in practice and how the public and private sector can work together to maximise the impact of social value models in the coming months and years.

By drawing on existing examples of contracts which have utilised social value effectively, it hopes to shine a light on good practice and propose practical steps that can be taken to not only support the implementation of existing models, but that will also help the new central government model be a success.

*“Only 3% of businesses stated that social outcomes was currently the determining factor for public contracts awards, compared to almost two thirds who believed it was lowest initial bid cost.”*



# The UK's patchwork approach to social value causes confusion for suppliers and commissioners

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The social value landscape is complex. The multitude of stakeholders involved with identifying, delivering, and evaluating social value in public contracts bring differing understandings of social value to the table, and different intents and purposes for doing so.<sup>2</sup>

Different organisations deploy different models to measure social value, leading to significant variations even within a single business sector. Furthermore, what a contracting authority asks for in a tender may not match how an organisation is set up to deliver social value, as public sector clients have their own ideas about what social value means to them.

The result is that confusion can easily arise over the aims behind the social value agreements between suppliers and commissioners. When alignment between parties is needed most to deliver on challenging objectives, any misunderstandings at a fundamental level can lead to missed opportunities and outcomes for citizens, and additional costs for both customer and client.

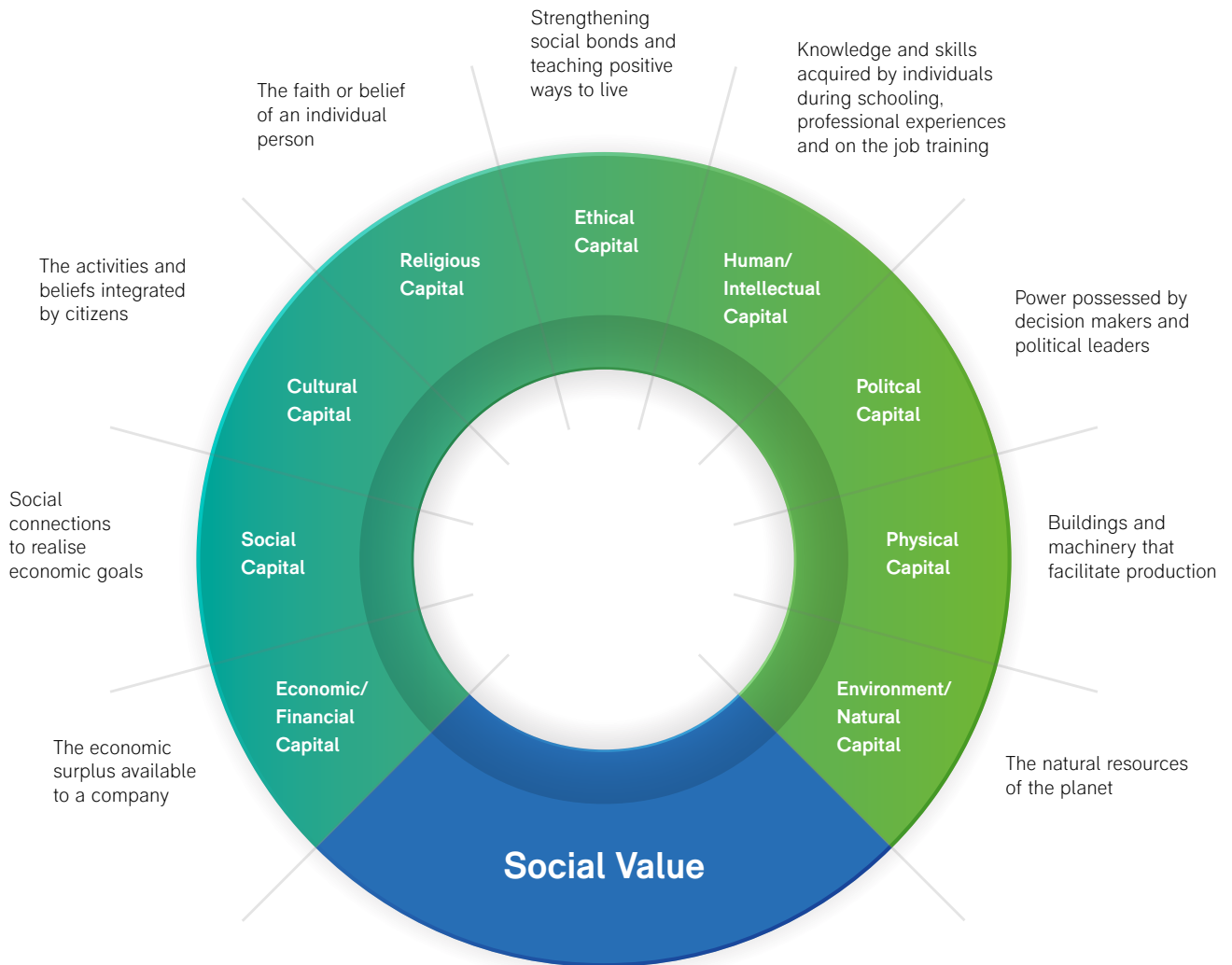
## **The breadth of types of social value gives strength to the concept**

Before there is even any attempt at embedding social value into a procurement, it is crucial to identify what social value means more broadly. That social value can encompass a wide range of different types of impact is a hugely beneficial factor to the approach as a whole. From economic capital to intellectual capital, the breadth of what can be theoretically be classed as social value is a strong reason for its support across the private sector.



As **Exhibit 1** shows, the range of things which can be classed as social value is expansive.

**Exhibit 1** Contribution of capitals to social value creation (Payal K. Jain et al, 'Social Value as a Mechanism for Linking Public Administrators with Society')



### **Manchester Metropolitan University's social mobility work**

Not all types of social value are equally recognised in the current social value agenda and yet that doesn't mean that organisations generating these other types are not having an impact on either their communities or the country as a whole.

Academia and educational value are one such area where the social value is not only harder to measure but may also see benefits long after the contract is over.

Manchester Metropolitan University for instance delivers social value far beyond the traditional employer-focused elements that come with being a significant job creator in the Greater Manchester area.

This additional value could range from increasing social mobility by improving access to a university education, to generating new knowledge and conducting research with a tangible social, economic, and environmental impact.

According to the New Economics Foundation, MMU is adding £147 million per year in social value due to the growing participation and knowledge generation.

Furthermore, by working with SMEs to share research and new innovations, MMU is helping increase the competitiveness of smaller businesses in the marketplace and local communities.

Yet whilst some elements of educational value, such as graduate statistics and salaries, have been "metricated within an inch of their lives," others such as the economic impact of universities on society or the benefit of the education value they generate remain largely qualitative.

Yet the implementation of social value in the UK so far has focused primarily on only three areas – social, environmental, and economic – as laid out in the Public Services (Social Value) Act 2012. Since the launch of that Act in 2013, all social value efforts by the British government since have followed that emphasis, at the expense of other types of social value.

### **The history of social value**

Social value is not a new concept, and the push for a social value has only intensified since the introduction of the Public Services (Social Value) Act 2012. That Act built upon the commitment of government to drive social change through its commercial activities as laid out in the Civil Society Strategy. It further adopted existing procurement practices – such as "community benefits" in construction tender calls – to help provide some degree of consistency for commissioners and suppliers.

The Act required public sector commissioners to think about the broader social, economic, and environmental impact – termed social value – when procuring goods or services. The fundamental aim was to maximise the outcomes generated from each pound of public spending. These outcomes could range from ensuring expenditure remained within a local community, or supporting Voluntary, Community, and Social Enterprise organisations (VCSEs) in supply chains, to choosing more sustainable, low carbon alternatives to goods and suppliers.

By keeping the scope of the Act as broad as possible, the design was intended to encompass many of the activities contracting authorities were already doing and avoid being prescriptive in its approach.

The initial uptake of social value across the public sector was inconsistent, as Lord Young's Review of the Social Value Act published in 2015, made clear. "Despite its growing awareness amongst public bodies, the incorporation of social value in actual procurements appears to be relatively low when considered against the number and value of procurements across the whole public sector", assessed the report.

In response to Lord Young's review, the Cabinet Office and Crown Commercial Service consistently encouraged contracting authorities to go beyond the letter of the law when applying social value to their procurements through Procurement Policy Notes (PPNs) and other guidance.

By 2018, when Chris White MP, the Social Value Act's author, produced a second review of the social value landscape, he estimated that 33 per cent of all councils routinely considered social value in their procurements, 45 per cent of councils followed the letter of the law with the Act, and 57 per cent of Clinical Commissioning Groups had social value in their procurement processes.<sup>3</sup>

When construction firm Carillion collapsed in 2018, it was in part due to the increasingly unsustainable nature of the public sector market and the emphasis on lowest possible price. It was perhaps therefore unsurprising that David Lidington, then Chancellor of the Duchy of Lancaster and Minister of State for the Cabinet Office, highlighted social value as a key tool for rebuilding trust between government, the private sector, and the British public. To drive the broader positives generated through these partnerships, Lidington announced government would "ensure that contracts are awarded on the basis of more than only value for money – important though that is – but a company's values too, so that their actions in society are rightly recognised and rewarded."<sup>4</sup>

In practice this would mean that all major procurements explicitly evaluate social value, where appropriate, rather than just consider it. To drive the use of social value in central government, Lidington also pledged that departments would be required to report on social value in new procurements and that all 4,000 of government's commercial buyers would be trained to properly consider social value in their procurements to ensure that it was being employed in the most beneficial and efficient way.

**Commissioners and Suppliers have created a smorgasbord of social value models and metrics**

In response to the broad range of understandings of social value, multiple different models have been developed by contracting authorities in recent years, including arms-length bodies, local government, and other public sector organisations.

**Exhibit 2** shows how several of the most prominent definitions in use across the UK focus on different aspects of social value. These include England, Scotland, and Wales, as well as the Greater Manchester Combined Authority and three popular commercial models – National TOMS, HACT, and the Social Value Engine. For reference, and based on the popularity of these metrics amongst companies operating globally, the United Nations Sustainable Development Goals are also included.

**Exhibit 2** Comparisons of defining boundaries of social value models and frameworks across the UK, based on CBI analysis.

	SUPPLY CHAINS				SKILLS		ENVIRONMENT
	Prompt payment	Hire local	SME/VCSE	Security	Invest in training	School outreach programmes	Environmental sustainability
ENGLISH LOCAL GOVT*							
WALES FAIR WORK**							
WELLBEING OF FUTURE GENERATIONS (WALES)							
SCOTTISH FAIR WORK FIRST							
SCOTTISH BUSINESS PLEDGE							
ENGLAND SOCIAL VALUE FRAMEWORK							
NATIONAL TOMS FRAMEWORK							
HACT							
SOCIAL VALUE ENGINE							
UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS							





As **Exhibit 2** demonstrates, many of these frameworks and models share significant emphasis on specific types of social value, particularly around work, the environment, and local economies. That there is some consistency, provides a useful guide for suppliers to understand what to expect when contracting with different types of public sector organisations, at least on a fundamental level. Yet although only a snapshot of a messy and densely populated landscape, it also reveals that the multitude of frameworks and models already provides an opportunity for confusion to arise.

### Recommendation

- Businesses operating across the UK have highlighted the challenges raised by the fragmented approach to social value taken by the national governments of England, Northern Ireland, Scotland, and Wales. To recognise the importance of regional differences, the Cabinet Office should seek to utilise existing working groups (such as the National Social Value Taskforce) comprising representatives from the devolved administrations, local authorities, arms-length bodies, industry, academia, and other stakeholders to ensure there is more consistency in approach and measurement across the social value landscape.

The confusion is exacerbated by the plethora of local authorities and other public bodies that have developed their own bespoke models for social value. Whilst many of the commissioner focused models are largely similar, having been developed by English local authorities, there are nonetheless differences in how they define, score, and evaluate social value.<sup>5</sup>

Greater Manchester Combined Authority, for instance, is often highlighted as a leading contracting authority when it comes to social value and its procurement team has developed a thorough and market-tested model, but it is nevertheless only one of many local authorities to have done so.<sup>6</sup> Many others are still in the foothills of applying social value effectively in their procurements, particularly smaller, rural councils.

The broader national focus of some of the commercial models available, such as the National Themes Outcomes and Measures (TOMs) developed by the Social Value Portal, also brings further opportunities and challenges for commissioners and suppliers. By generally aligning with the Social Value Act and following a broad “social, economic, and environmental” approach these models cover most of the major themes that could be defined as social value and therefore provide a broad offer for suppliers.<sup>7</sup>

## The National TOMs

The Social Value Portal (SVP) was established in 2014 to develop an evidence-based digital solution to meeting the opportunities presented by the Social Value Act (2012). Originally designed as a procurement platform, SVP has expanded its measurement solution into planning, economic development and corporate social reporting and has a proven track record in measuring, managing and maximizing social value across the public and private sectors.

SVP initiated the development of The National Social Value Measurement Framework (National TOMs) in 2016 and after a period of 18 months following extensive consultation across the public and private sectors the first edition of the TOMs was launched at the first National Social Value Conference in 2017.

The National TOMs have been specifically designed to help organisations measure and maximise the social value they create through the delivery of their services across five broad themes and importantly allow organisations to report value created as a financial contribution to society.

The National TOMs are endorsed by the Local Government Association (LGA) and supported by the Crown Commercial Services and are open sourced under a creative commons licence. Since their launch in 2017 they have been downloaded over 4000 times across all sectors and have become one of the most used methodologies for measuring social value in the UK.

However, the result of this wide-scope can also be a lack of clarity in how specific values in these quantitative models are generated. Suppliers can therefore find themselves choosing models which focus on a specific element of social impact, or are designed for specific industries, as better suiting their needs. The Social Value Engine, for instance, was designed by and for local communities, and therefore takes a community and neighbourhood heavy emphasis on the metrics they offer.



## The Social Value Engine

Established as a Joint Venture between the East Riding of Yorkshire Council and Rose Regeneration, the Social Value Engine (SVE) is a platform designed to identify and measure social value with a focus on the local sustainability of a place. It is one of only two online engines accredited by Social Value UK and works by using financial proxies to add financial value to a specific qualitative outcome. It currently has over 180 users in England, Scotland, Wales, and Northern Ireland, including local authorities, VCSEs, SMEs, and businesses.

With a suite of 200 peer-reviewed financial proxies to choose from, as well as the ability for users to add their own proxies, the SVE may sound similar to other quantitative models. Yet based upon the eight domains of the Bristol Accord on Sustainable Communities, the SVE provides a unique approach to measuring social value. Emphasis is placed not only on the values themselves, but the context in which the social value is generated, and so can be used complementary to other models such as National TOMs. To further broaden the definitions of social value, users can draw upon the metrics used in National TOMs or insert their own proxies, which can then be verified for accuracy.

With a wide range of users including Norse Group and VINCI Facilities, one of the crucial elements of the SVE is its place-based approach. By using locally-calculated deflators, the platform seeks to ensure that values genuinely reflect the local needs of a commissioner and community and that the values themselves are therefore accurate. A colour-coded warning system indicates to users when the Social Return on Investment being generated are likely being “over-reported”, with amber at £12.50 and red at £25.

Furthermore, by recognising the importance of the ongoing social value journey, the SVE recognises the importance of training and support for commercial and procurement officials. It tries to pull commissioners and suppliers further back in the process as to when they think about social value, and works with the practitioner throughout the life of the contract to increase the social value being delivered.

CBI members have also expressed views that whilst the original focus of the Social Value Act on services had provided a good starting point, experiences of using that definition for other sectors of industry had shown it was no longer adequate. Sectors like manufacturing, professional services, and defence expressed views that the current official definition and approaches to social value do not reflect the realities of their operations and can act more as a hindrance than a help.

While it is right that social value evolves over time to deal with emerging social and economic issues, business would welcome greater clarity at a headline-level as to what is meant by social value in relation to commercial relationships. Government should therefore seek to provide an updated definition of social value, based on feedback and insight from stakeholders across the public, private, and third sector. This would also provide a valuable opportunity to give further guidance around how the definition can be applied in practice.

### Recommendation

- To help clarify the purpose and remit of Social Value, the procurement Green Paper should lay out proposals for an updated definition of Social Value as defined in the Social Value Act. Consultation with industry on this definition should be welcomed.

## Regions have also adopted a fragmented and complex approach to social value

Social value was embedded in a piecemeal way across the UK, with local authorities taking the best approach that suited them. Whilst this method delivered significant benefits for local authorities when tailoring their social value asks to the needs of their specific local communities and economies, it also produced a fragmented overall picture.

Consequently, the current landscape is further complicated not only by different fundamental understandings, but by the regional variances the implementation process created.

In part these regional differences are due to what one Crown Representative called “a disconnect between the local, place-based approach of local authorities and that of central government” with each at “different ends of the telescope”. For local authorities, social value is primarily a tool for delivering outcomes in their local community. For central government, social value is a tool for delivering national policy objectives.

Whilst not unilaterally incompatible, ensuring these two agendas work together without losing the benefits that a flexible approach brings, has been a key incentive behind the new social value agenda.

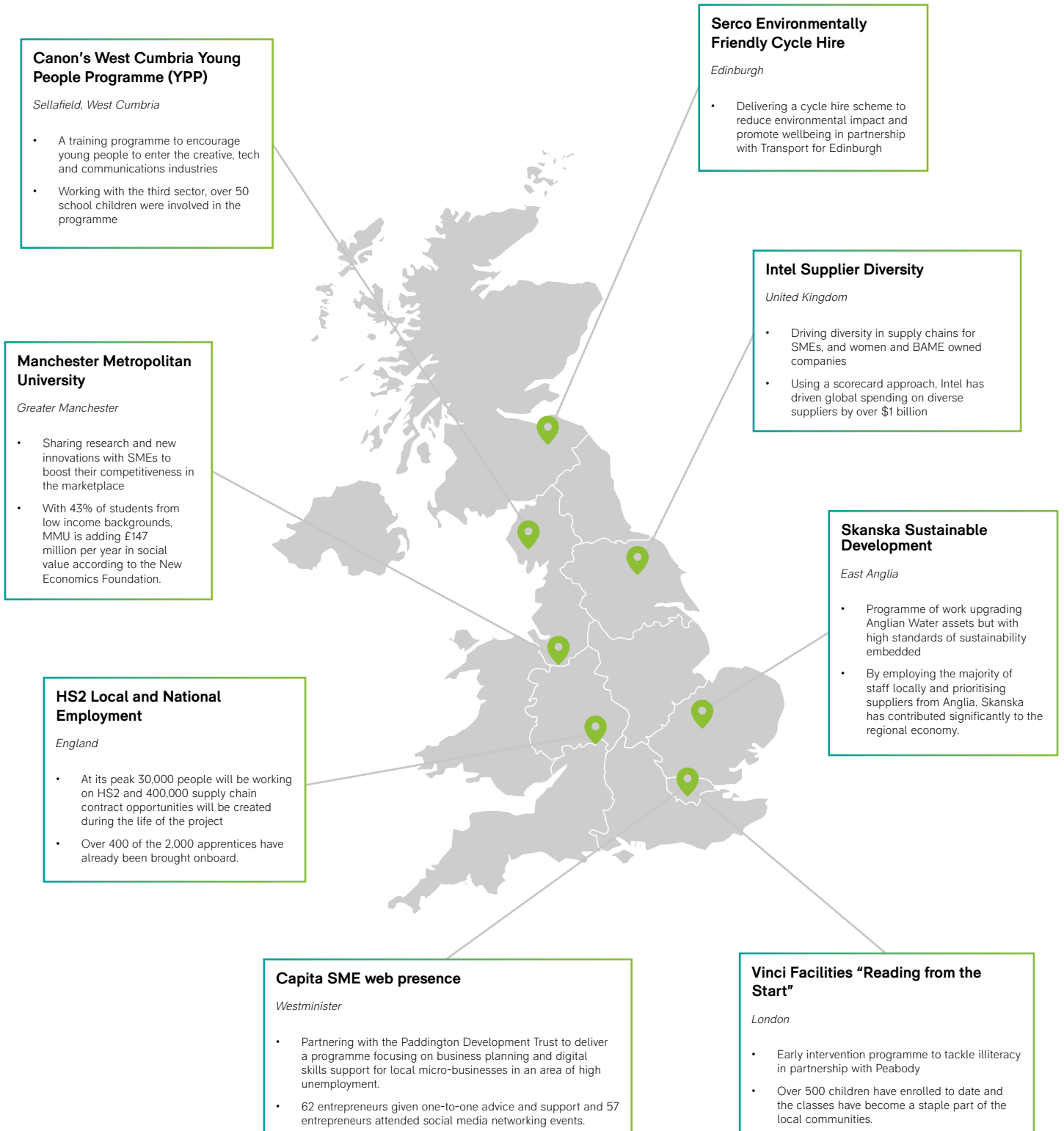
This fluidity has proven useful to contracting authorities, particularly in enabling targeted efforts to tackle local issues. At the same time, however, the different approaches of different local authorities, even on the same issue, make it challenging for suppliers to understand what the motivations of a commissioner may be, and ultimately where they should be targeting investment.

For both commissioners and suppliers, this confusion is particularly problematic when beginning discussions to embed social value into contracts, a problem that is more significant in the devolved nations.

Scotland and Wales, for instance, have implemented Fair Work policies which pay more attention to working conditions and how businesses treat employees more than other social, economic, or environmental factors.<sup>8</sup> As a result, the metrics in use in those devolved nations can differ significantly from those in other regions.

**Exhibit 3** shows how different the social value delivered by suppliers through various partnerships with the public sector can be. The eight different case studies highlighted have been chosen to demonstrate the broad reach of social value in response to different outcomes.

**Exhibit 3** Case studies of how CBI members are delivering social value across the UK



These case studies provide examples of good practice from both suppliers and commissioners across the UK. They show how different types of social value can be considered in a public private partnership, and how suppliers are often geared up to deliver social value in drastically different ways, some of which are still not recognised in social value toolkits or frameworks.

Against this backdrop, this paper now outlines what this means for commissioners and for businesses, and how some of this complexity may be overcome.

### **Commissioners and suppliers must engage with social value as early in the procurement as possible to ensure outcomes**

Across the landscape of public sector markets, social value is still predominantly talked about in terms of the award of contracts. Whilst almost all toolkits provide support for the contract management of procurement, many of the existing models and frameworks, including National TOMs and the Cabinet Office's Social Value Framework, are heavily orientated towards identifying social value during the award and selection phase of a procurement.

Commissioners and suppliers are equally grateful for the growing familiarity with some of the more prominent tools on the market. By making it easier to understand that social value could be asked about during the tender of a contract and knowing how to identify and demonstrate that social value in bids, suppliers and commissioners are able to better understand how to work together around these issues.

Yet the practical experiences of suppliers on the ground seems to indicate that whilst there have been some significant improvements in the use of social value during the procurement process, some problems persist. Primarily social value has only properly been embedded into procurement processes, whilst other parts of the commissioning cycle remain largely unaffected.

Pre-market engagement is an opportunity for social value to be discussed and included into a contract in a way that best aligns the needs of the contracting authority with the expertise and experience of the supplier. As one member noted, 'we have traditionally done social value with a set of commitments from client and shaping the social value offer in response to client's (and other stakeholder) needs'.

In sectors, such as construction, this dialogue is an accepted part of embedding social value, but can still remain something of a "master-servant" relationship if an open conversation is not conducted properly. CBI members pointed to issues around local authorities having priorities that do not match with the supplier's delivery expertise, and this misalignment consequently had a significant impact on the tendering process. In such cases, both commissioner and supplier miss out as neither gets exactly what they wanted from the partnership. A collaborative approach between the client, the supplier, base and the community is crucial for both the best outcomes and flexibility during the life of the potential contract.

### Skanska's sustainability initiatives

Social value includes many different aspects. For construction and infrastructure projects, both local employment and environmental considerations play a significant role in determining the social value generated by a project. It is therefore unsurprising that many construction firms are not only experienced in measuring such impact, but often creating new and innovative ways of achieving those outcomes.

Skanska's partnership with Anglian Water's Asset Management Plan provides a fantastic example of a multi-faceted approach to social value, encompassing social, environmental, and economic elements.

On sustainability, for instance, Skanska has significantly reduced the environmental impacts generated by the project by supporting the adoption of innovative green solutions and developing a carbon calculation tool.

Skanska has further supported the regional economy by employing some 66 staff and prioritising subcontractors and suppliers from East Anglia, all of which has helped boost local spending but also further reduced the carbon footprint of a project.

Further charitable efforts in the local community by Skanska employees, including the River Cam Clean, have helped build good relationships with communities in which work is taking place, as well as targeted efforts to reduce the public disturbance that the work itself could potentially create.

### Recommendation

- Businesses welcome the guidance around pre-market engagement in the Outsourcing Playbook 1 and 2 as strengthening discussion and collaboration. The next iteration of the Playbook should lay out how Social Value should be a mandatory and distinct category of discussion during pre-procurement supplier engagement to enable a dialogue from an early stage of procurement. This should apply for contracts which fall under the Social Value framework in central government and should be encouraged in over PCR thresholds for local government.

Members expressed concern that many commissioners also remain unsure or reluctant about how to take into account non-economic benefits during contracting, given the current emphasis on Most Economically Advantageous Tenders (MEAT) during the procurement process.

Moving away from MEAT in the procurement regulations would support commissioners to think more flexibly in the knowledge they are still operating within the boundaries and guidance of the rules.



### Recommendation

- To stimulate innovation and allow suppliers to propose sustainable alternatives to contract delivery, the Procurement Green Paper should layout proposals for changing procurement rules to move away from the MEAT (Most Economically Advantageous Tender) criteria and to explicitly require commissioners to consider non-economic and non-traditional economic benefits (such as broader social value, social impact, sustainability objectives, or corporate social responsibility) when making award decisions.

Larger suppliers similarly remain worried that because of the limitations of the Social Value Act, a fundamental confusion exists around how to take into account company-wide “inherent” social value (or “already added value”) for a specific contract.

As larger companies are able to immediately bring to bear a large investment on a contract versus SMEs, and larger companies likely have a larger impact on the economy as a whole, a feeling persists that commissioners remain unsure how to consider this “inherent” social value without discriminating against SMEs.

Many large businesses have an established footprint in the UK when it comes to partnerships with the third sector that are not tied to a specific contract. Clifford Chance, for instance, has an established a “theory of change” approach in which they support charities and social enterprises through a combination of grants (Clifford Chance Foundation), and pro bono expertise for implementing projects and scaling-up organisations.<sup>9</sup>



### **Clifford Chance's partnership with London Black Women's Project**

For around 15 years, law firm Clifford Chance has worked in partnership with London Black Women's Project (LBWP) in East London seeking to add capacity to LBWP's capability to achieve its mission, which is to secure the highest level of quality service provision towards protecting, promoting and developing the rights and resources of women and children from BAME communities.

The partnership has centred around a weekly pro bono advice clinic delivered by Clifford Chance volunteers, providing support to women in LBWP's refuges on the various issues they face in trying to re-establish their lives following incidents of domestic violence. Over the years, this partnership has supported hundreds of LBWP's clients to reassert control over their lives in a positive and constructive way.

The partnership is a good example of the theory of change that structures Clifford Chance's approach to delivering social impact in the community in action. The theory of change is focused on contributing to the United Nation's Sustainable Development Goals, by developing long term relationships with outstanding NGOs and community organisations whose own missions are connected with the SDGs. In this case, Clifford Chance is able to contribute in particular to SDG 5.2 ("Eliminate all forms of violence against all women and girls") by partnering with a front line community-based organisation whose mission is directly aligned with this SDG, in a way that they would have struggled to do acting on their own. At the same time, LBWP's capacity is strengthened.

Other key inputs in the theory of change are funding and providing access to Clifford Chance's wider networks and Clifford Chance has been able to contribute both these into the LBWP relationship. Clifford Chance provides annual funding to LBWP and for a number of years has enabled the involvement of lawyers and compliance teams from some of their major financial institution clients in the weekly clinic. When austerity saw LBWP lose their local authority funding with only six weeks' notice, Clifford Chance provided emergency funding and created a platform for donations from volunteers amongst their clients while LBWP secured sustainable longer-term funding.

The relationship continues to be dynamic and strengthen LBWP's ability to meet their clients' needs. The two organisations are currently developing a new resettlement advocate scheme, which will see Clifford Chance volunteers, as well as volunteers from clients, work on an ongoing basis with individual women as they transition into new independent lives and, in particular, provide help in navigating access to key services e.g. housing, welfare support, health and education.

There is often therefore a significant overlap between social value and responsible business efforts made by companies. As the CBI's "Everyone's Business" programme demonstrates, many businesses are focused on delivering types of social impact without being contracted to do so, ranging from sustainability to workplace wellbeing initiatives, designed to help create a more prosperous society.<sup>10</sup>

Recognising the impact of these projects as social value is a crucial step to helping drive the agenda further and supporting businesses of all sizes in delivering the social value they are best suited to.

### **Recommendation**

- Businesses often deliver a wide range of social value outside of a specific contract which may not be reflected in an individual tender. The Procurement Green Paper should consider changing procurement regulations to enable commissioners to consider existing commitments and performance including any proposal to enhance the current service offering outside of the current contract, particularly as pertaining to wider social value delivered across a supplier.

Finally, many local authorities even within the same geographic region and facing the same pressing needs may take very different approaches to social value. This can lead to squandered resources, including time and funding, attempting to reinvent the wheel in procurement practices instead of drawing upon expertise and experience elsewhere.

During the Covid-19 crisis, some of these authorities (for instance Manchester and Liverpool Combined Authorities) have worked together to pool resources and ensure that the region as a whole benefits from the procurement capabilities and capacity of both in tackling the crisis. Whilst other regions are working together on other issues, it is crucial that where appropriate, different local authorities align their efforts on social value to guarantee the maximum possible outcomes for their citizens and local communities.

### **Recommendation**

- Covid-19 has demonstrated that when local authorities work together, they can deliver better outcomes for all involved particularly through procurements. Cabinet Office, Ministry of Housing, Communities and Local Government, Department of Health and Social Care, and the Local Government Association should encourage local authorities to combine efforts at delivering social value where appropriate, and to ensure that social value policies produced by local authorities and central government are aligned with each other as much as possible.

## **Business believes the new Social Value Framework for central government contracts could help address some of these issues**

To ensure that the benefits of social value can be properly harnessed by business and public sector commissioners, the Cabinet Office and Government Commercial Function have committed to publishing a Social Value model in 2020.

By providing a balance between consistency and flexibility, the Cabinet Office's new Social Value Framework is designed to provide a more rigorous definition without restricting the flexibility of contracting authorities to tailor their social value asks to meet specific needs.

Having a framework for central government contracts further marks a massive step forwards in terms of the social value agenda and is a statement to suppliers and the broader public sector of the importance of social value to this current Government.

### **The Cabinet Office's new social value framework**

Opened up to public consultation in March 2019, this new framework laid out an updated non-statutory definition of social value as "the wider financial and non-financial impacts of projects and programmes including the wellbeing of individuals and communities, social capital and the environment."

The framework's core aim is to highlight how contracting authorities can consider social value without contradicting their obligations to securing value for money as laid out by HM Treasury's Managing Public Money, or the Public Contracts Regulations 2015 which govern the procurement processes of government.

It is designed to cover both the award and delivery stages of a contract, and focuses on five key themes identified by government as supporting crucial policy aims for the public sector, such as increasing the proportion of Small and Medium Enterprises (SMEs) and VCSEs winning government business, or improving diversity in workforces.

These themes are:

- Tackling economic inequality
- Climate change
- Equal opportunity
- Wellbeing and security
- Covid-19 recovery

To enable commissioners to tailor their social value asks to specific circumstances, the framework also sets out a "standard award criteria and a menu of specific metrics" comprising some 28 different metrics in total. This menu of options permits commissioners to select those metrics which are most applicable to their community needs and tailor social value to the specific contract.

Most importantly the framework also introduces for central government departments a mandatory 10 per cent minimum weighting for social value in the award and selection phase of a procurement, alongside cost and quality. Whilst lower than the percentage used by some experienced local authorities, such as the Greater Manchester Combined Authority, there is a strong belief that 10 per cent provides a good starting point on which to build. As one Crown Representative noted, this is "the beginning of a journey."

Yet the broader reasoning behind the continued use of social value from a central government or national perspective remains unclear. Furthermore, as the social value agenda continues to develop, it is likely that any motivations will continue to change over time.

Businesses would welcome some guidance and longer-term transparent communication on this point to enable them to understand, for instance, which social value themes may become priorities in the future. A national policy statement on social value laying out the key policy areas for government and the role of social value in tackling these problems should be published every five years in order to help prepare commissioners and suppliers ahead of any specific procurement exercises.

### **Recommendation**

- To enable businesses to prepare and invest in those areas deemed important to Government, Government should be required to publish a national policy statement every five years setting out what key policy areas the social value agenda will focus on. This document would be considered alongside commercial and procurement decisions as an overarching framework to support national policies.

Whilst it is crucial to wait until the implementation and bedding-in period of the new framework is complete before making any judgement or changes, SMEs have raised concerns about this model's impact on smaller businesses and the third sector.<sup>11</sup> For instance, one SME member explained that although they deliver social value in all contracts, they lacked the capacity to understand how to demonstrate it efficiently within the short tender period available to them.

To mitigate against the potential impact on SMEs, the Cabinet Office has been working with Martin Traynor the SME Crown Representative, local authorities, and membership organisations including the CBI and Federation of Small Businesses to understand and overcome any potential barriers. These efforts have been welcome and have included training procurement teams to recognise the value of SMEs and developing metrics which directly support SME participation, such as the "number, value and percentage of spend of prime and sub-contracting opportunities won by SMEs and VCSEs in relation to the contract."<sup>12</sup>

The implementation of the new framework provides an opportunity to assess the impact of social value on all businesses. The Cabinet Office should routinely monitor spend data to ensure that the new requirements are not discouraging SMEs from working with government.

### **Recommendation**

- Increasing the proportion of spend with SMEs either directly or through supply chains, remains a key part of the government's commercial priorities. To ensure that the new Social Value Framework does not negatively impact upon SMEs, Cabinet Office should audit spend data with prime suppliers and tier two suppliers following implementation to ensure SMEs are not being discouraged.

# Government and business must work together on measuring and applying social value

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Whilst the landscape of social value is confusing the reality for public sector commissioners and those supplying to them is even more difficult. All are faced with challenges and opportunities in delivering better outcomes, made even more vital in the decade of austerity since 2008 and facing shrinking budgets and capacity issues. The recent Covid-19 crisis has further exacerbated these challenges by further stretching the asks on local authorities with limited resources.

Across sectors such as general outsourcing, construction, facilities management, technology services, and healthcare, social value appears to be a relatively routine part of public-private partnerships. One outsourcing company, for instance, noted that they “are frequently required to include social value considerations in bids for public contracts”, even if it only comprises a “small amount of the quality aspect of the bid”.

Yet members across several other sectors reported that they were still seeing very few tenders with social value explicitly in it, particularly in professional services (including legal and financial services), manufacturing, academia, and defence contracts. Whilst some reported a minor increase in the past 12-18 months, suppliers still reported that it felt like contracting authorities were treating social value like a tick-box exercise.

Moreover, in some cases, there remains some genuine uncertainty around which model is going to be used and what type of social value is going to be asked for. Members reflected that this unfairly impacts upon SMEs who may lack the resources or capacity to identify and understand, let alone demonstrate, the social value required during the relatively short tender period.

While this paper does not seek to provide all the answers it is hoped that by examining the experiences of suppliers and commissioners so far it is possible to begin to understand how to overcome these challenges.

Using case studies from businesses involved in delivering vital goods and services to the public sector, it highlights the tangible benefits of social value done well in public procurements, but also the problems when models are overly complex or not tailored to the contract at hand.

The aim is to pull out the good – and bad – examples of how social value is currently being utilised and how it could be implemented in the future.

### **Some sectors have become seasoned practitioners in delivering social value in public sector contracts, while others are just beginning their social value journeys**

A large number of suppliers currently work across multiple central government departments and public bodies, as well as local authorities. As a result, whilst they may be familiar with the kinds of social value they can deliver, they are also faced with multiple different “drivers” for social value to bear in mind.

Various members reported one or more of the following as impacting their efforts to design and demonstrate social value: the Social Value Act; the Public Contracts Regulations 2015 (PCR); Section 106 Planning Requirements; internal policies such as Corporate Social Responsibility; the Small Business, Enterprise and Employment Act 2015; and the Equality Act 2010.

As a result, much as different commissioners have approached the social value agenda in different ways, so too have businesses.

Construction, for example, is well-placed to deliver employment and apprenticeship schemes for local communities given the on-site nature of employment. One tool used by construction firms, Building Social Value, focuses primarily on the local engagement with suppliers, contractors, workforce opportunities, and educational engagement schemes, as well as sustainability.<sup>13</sup>

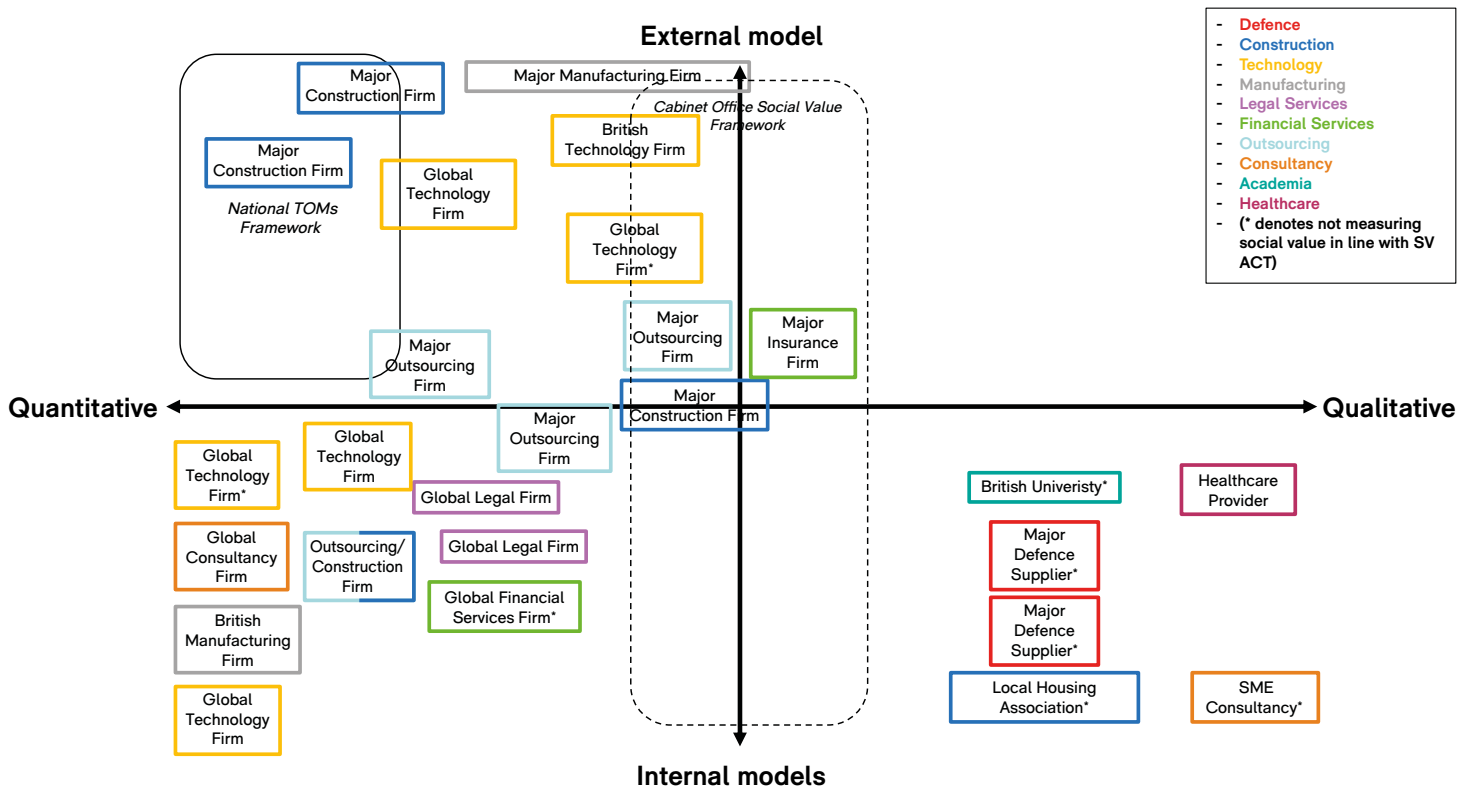
Professional services, such as legal or financial firms, are instead often positioned to deliver on partnerships with other businesses and the third sector, and their approaches are similarly aimed at where their strengths lie. MasterCard’s Priceless Planet Coalition, for instance, has established a platform for tackling carbon capture by planting 100 million trees over 5 years. By collaborating with other businesses like Santander UK, public sector clients like Transport for London, and tree planting partners, the Priceless Planet Coalition leverages the international presence of MasterCard to deliver sustained environmental change.<sup>14</sup>

The defence sector embraced a very different approach to social value, focusing on “prosperity”. As laid out in the review by Philip Dunne MP in 2018, whilst defence has a significant impact across the UK on national life, economic growth, and people, there was still room to further embed prosperity in the procurement decision-making.<sup>15</sup> A large part of this impact was focused on the financial contribution defence makes to the UK economy or the sustainability agenda, rather than social impact. An independent study by Oxford Economics into defence supplier Thales, for instance, showed that the scale of this contribution is significant with over a third of Thales’ UK suppliers being SMEs, and over £130 million of research and development work driving innovation in different sectors.<sup>16</sup>

In order to understand how diverse the business approach is, the CBI surveyed members from different sectors, as well as independent stakeholders and other membership organisations, in order to map the social value landscape based upon the models and metrics in use.

**Exhibit 4** shows these different approaches based upon the way in which companies collect data and the methodology they use to do so.

**Exhibit 4** Subjective mapping of how different businesses and sectors are approaching social value in their work, based on CBI analysis



The explanation for the wide range of approaches to social value depends upon three elements.

First, the number of different tools to measure social value, and the distinct methods these tools use to collect and measure social impact. These can range from primarily qualitative to entirely quantitative, and often reflect the focus of the businesses and their customers.

Crucially, some members also noted that they have a “wide range of approaches for different projects and applications and own models responding to the requirements of different customers.” This means that whilst they may have an internal structure in place to measure social value in one specific way, they are able to flexibly alter or add to that mechanism to meet the demands of clients.



These different models are often tied to how clients and suppliers want to see their social value measured. Methodologies such as Local Multiplier 3 (LM3) or TOMs seek to ascribe a financial value to the social impact generated through public spending. The aim is to produce easily understandable figures which allow commissioners to compare and contrast how different projects generate local economic impacts and benefits to communities.<sup>17</sup>

Secondly, the decision to focus more on qualitative approaches and the use of case studies. Members operating globally were typically more likely to have taken a global approach to social value which reflected global principles more than UK specific definitions of social value. In these cases, whilst no members were entirely qualitative, there are some who maintain a more balanced approach to assessing their social value than others.

### **Intel's successes in delivering diverse supply chains**

As a global organisation with a truly international footprint, Intel have been quick to recognise the change they can bring through their extensive supply chains. Whilst issues like sustainable procurements remain high up the agenda, supplier diversity has also taken a front seat, especially when it comes to supporting companies owned by women, BAME, persons with disabilities, veterans, and LGBT. Partnering with WeConnect and the Minority Supplier Development UK, Intel have integrated requirements for diverse suppliers into their supplier bidding, selection, and management processes, not only from Tier 1 suppliers but further down their supply chains.

By using a scorecard approach with a fixed list of question to assess the diversity of a supplier, Intel has managed to increase its global spending with diverse owned suppliers by over \$1 billion. Furthermore, its approach to diverse supply chains has highlighted the usefulness of diversity certification as making the procurement process easier for future opportunities.

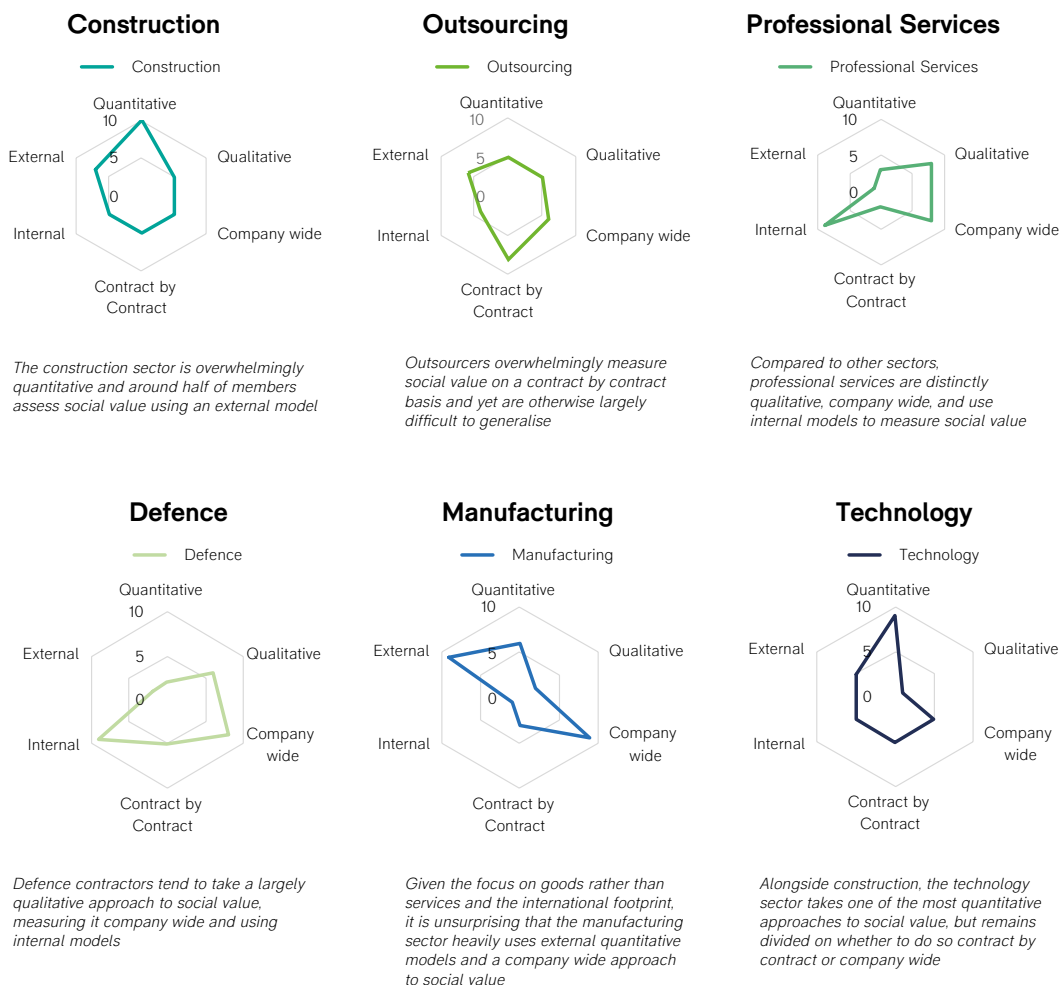
(Intel, Corporate Responsibility at Intel 2019-2020 Report (2020), p.59)

Third, there is some alignment within sectors, some of which reflects the inherent ways in which businesses operate. Even prior to the introduction of the Social Value Act, many businesses and sectors were looking at demonstrating the additional and inherent value they brought to their goods or services. In construction, for instance, procurers have specified for "community benefits" in tender calls prior to the Social Value Act.<sup>18</sup>

Members explained that often their adoption of a specific social value model is entirely dependent upon how prevalent a model is within a sector, both by suppliers and commissioners. One member related that for simplicity's sake, they had chosen their current approach to social value "as it made it easier to talk to [public sector] clients as well as understand what their rivals in the market were doing".

As shown in **Exhibit 5** below, some sectors have therefore adopted a specific approach to social value and certain consequences of this are evident. For instance, whilst many businesses measure or report social value on a company-wide level, many models are set up to measure only on a contract-by-contract basis. There are strong benefits to collecting at a contract level and aggregating upwards but some misalignment between external models and internal methods persists.

**Exhibit 5** How different sectors are approaching social value in their work and the general characteristics of each, based on CBI analysis.



Furthermore, some businesses have an inherent social purpose which dictates the type of social value they deliver and measure. One housing association explained that everything they do as an organisation “emanates from solving the housing crisis”, and another supplier to the criminal justice sector similarly noted that the core services they provide deliver a value for society as a whole, regardless of any additional value generated through contracts.

### **Shifting from social value promised to social value delivered will improve outcomes**

Whilst much of the current focus on social value comes from its role in the award and selection of contracts, there is an important discussion to be had around how these promises are translated into actions.

As laid out above, social value in procurement is crucial to ensuring that additional value is recognised from an early stage and embedded in the contracting from the outset. Yet as one Crown Representative explained, the success of the new Social Value framework “comes down to contract management” and ensuring that procurement staff are trained to monitor delivery throughout the life of a contract. There are some 30,000 contract managers across central government and delivering training for all will present a big challenge yet one which will deliver significant rewards.

This is particularly true given that all social value is created during the delivery of a contract, not the procurement, and so ensuring that agreements are delivered upon ensures good outcomes are achieved.

Almost without exception, members reported that to date there had been “little sign” of public sector clients asking for demonstrations of social value during service delivery. “Our experience is that our clients do not place significant emphasis on social value delivery during the delivery phase unless it is part of the contractual requirement”, noted one member.

Other suppliers to government reported that whilst there were some clear exceptions – such as Transport for London – the public sector remained “nowhere near treating social value like business as usual” in contract management.

There are multiple explanations for this. Some suppliers believed that whilst the 10% weighting for social value was reasonable, the fact it was typically a part of the quality assessment and not a standalone element disincentivised commissioners from giving it due attention after the procurement was completed.

In sectors focused more on goods than services, suppliers reflected that the social value weighting was too low to warrant efforts. “Procuring authorities are focused on the 90% of price and quality rather than the 10% of social value” explained one large supplier, and where there are most important commercial objectives, limited resources must be targeted accordingly.

A greater emphasis on the delivery phase and ensuring that commissioners and suppliers are genuinely maximising the social value being delivered on a contract is crucial. One key tool for doing so is to ensure that the government- and industry-wide push for greater transparency is also embedded into the social value agenda, regardless of whether a public service is being delivered in-house or by external suppliers.

### Recommendation

- Driving transparency and openness in all public procurement is crucial for competition and fairness. Taking into account proportionality, flexibility, and commercial sensitivity, the publication of one Social Value Key Performance Indicator should be required for gold contracts beginning one year after the launch of the Social Value Framework. Government should look at extending this requirement over time to all silver contracts and subsequently to all above-threshold contracts.

Much of the current focus of social value is rightly on the impact generated through partnerships between the public and private sector. Yet little emphasis is placed on the social value delivered by the public sector through in-house contracts.

Local authority trading companies such as Norse (owned by Norfolk County Council) and Housing Gateway (owned by Enfield Council) provide good examples of how in-house services can also provide social value. Whilst primarily focused on delivering local authority services, these organisations also deliver social value to the taxpayer, clients, and local residents.

The result is that significant amounts of social value are potentially going untapped or unmeasured because they are not being delivered by external suppliers. To enable a better understanding of the social value generated by the public sector and to enable meaningful comparisons across all commissioning, it is crucial that a similar transparency requirement is included for embedding social value.

### Recommendation

- Social value can ensure public sector spending delivers positive social, economic, and environmental outcomes. Yet currently the focus for social value remains on those goods and services delivered by the private sector. For in-house service provision, a similar requirement for embedding transparency around social value should be considered to level the playing field and help enable a more meaningful comparison of the services delivered by in-house services and contracts.



## **Social value must not place a disproportionate administrative burden on businesses**

Feedback from business suggested that demonstrating social value remains one of the most challenging – and yet potentially most rewarding – elements of delivering public contracts. By showing what social value is being generated, suppliers can point to genuine positive impacts as a result of their work. It is equally beneficial for commissioners too, who can understand what value they are getting from their spending, beyond the original goods or service.

### **HS2 is generating different types of social value**

Having received its Notice to Proceed in April 2020, the major infrastructure project HS2 is now beginning to ramp up its procurement activities and the focus on social value is apparent.

With some £14.5 billion worth of contracts covering a huge range of goods and services to be awarded, the suppliers and commissioners are focused on seizing the opportunity to maximise the value of each pound spent.

For instance, it's expected that 95% of the Main Works contracts will be won by UK based businesses, helping keep the public spending in the British economy. It's further estimated that around 60% of the suppliers will be SMEs, the type of business which benefits significantly from public sector work.

According to CBI research, the construction sector generates £2.92 in economic activity for every £1 spent and HS2 will therefore provide a national stimulus to the economy.

In the employment space, HS2 is already supporting around 10,000 jobs and during the two decades of construction, it will create over 30,000 engineering and construction jobs. With an eye to the next generation of skilled labour, over 2,000 apprenticeships will be recruited, receiving on the job training from some of the leading construction firms in the UK. Over 320 have already been recruited.

More broadly, the scale of the supplier opportunities will create an estimated 400,000 supply chain contract opportunities, not only along the route of the new line but across the country.

For more on the social value of HS2, see Costain Skanska Joint Venture, 'HS2 Costain Skanska Joint Venture Enabling Works: Social Value Portal Summary Report' (2020)

Effective and accurate evaluation is therefore crucial, regardless of the type of social value being delivered. However, the collection and analysis of data relating to social value is more complicated, particularly if there is a misalignment between commissioner and supplier about the type of data required.

### **Costain – Social Value and Digital Innovation**

The COVID 19 pandemic has accelerated the application and adoption of digital approaches to become business as usual and the increased adoption of technology to improve efficiency and deliver value.

Costain are working on a number of major infrastructure and innovation projects to develop applications of digital technology to support the improved delivery of social outcomes. On one major innovation project Costain and its partners are collating social data across multiple projects and then visualising the data through a control centre to enable benchmarking to improve delivery.

On another project Costain are exploring the use of a 'data trust' to capture and share 'big data' on social value outcomes. For example, volunteering hours are often captured and valued as a social input, the real outcome we need to evaluate is the impact of that volunteering on the individual beneficiaries. To accurately measure and understand that impact requires a longitudinal study over time, and the capturing of a significant amount of data.

Digital technology can make the capturing of big data against outcomes possible and proportional. Through data visualisation and potentially the use of Artificial Intelligence (AI) we can make better, informed decisions and improved social value delivery'.

Members commented that the themes and metrics covered in the Social Value Framework, National TOMs, and other measurement models are a good baseline on which to build going forward. Indeed, many of the social value metrics already being collected by businesses for internal use (such as CSR or Responsible Business practices) are closely aligned with the dominant themes in the main frameworks, particularly around diversity, employee wellbeing, and sustainability.

However, industry also remains keen to see evaluation metrics designed with some degree of consistency regardless of the specific contracts. Requirements around metric reporting on a per contract basis creates an administrative burden for suppliers and particularly for SMEs, whether as prime contractors or in supply chains. Suppliers reflected that in many cases, collecting metrics across a whole company will drive responsible and sustainable business practices throughout the Government's supply chain and encourage activities and behaviours that extend across a whole company's activities rather than just delivered through public sector contracts.

Reducing the additional resources and costs attached to collecting and compiling data on social value is crucial if the fine margins in some sectors are not further eroded.<sup>19</sup> A number of suppliers were particularly supportive of a proportional approach to social value metrics, in which the social value asks of suppliers and the amount of data required for evaluations were proportionate to the size of the contract and the supplier.

Even larger suppliers were keen to emphasise that not all contracts lend themselves easily to social value, and that the burden on their supply chains often had a detrimental effect on the marketplace and performance on specific contracts because of the additional resources required. In some cases, businesses reflected that there had been cases where it was difficult to ascertain the social value on specific themes for a contract because they were not set up internally to collect the data in that manner, for instance on gender diversity.

There is also a crucial balance to strike between contextualising social value (e.g. a qualitative approach) in public procurements with the hard numbers often liked by commissioners. Members expressed concern that whilst a purely qualitative approach builds subjectivity into the procurement process, it is crucial for ensuring that the focus remains on quality and not quantity of social value delivered. As one member reflected, “it is impossible to compare apples and oranges without understanding whether you’re trying to make apple or orange juice.”

Moreover, many suppliers noted that a purely quantitative approach could lead to another untailored race to the bottom in which the larger number attached to social value would win contracts, regardless of whether the right outcomes were actually going to be delivered.

Apprenticeships were frequently raised as an example, with the question being posed as to whether two competing bids with vastly different offerings of apprenticeships created would realistically be compared on long-term sustained employment opportunities or simply the number of apprenticeships being created.

“Social value is in the specific stories not the actual pounds and pence”, noted one member, and there was some criticism of purely quantitative models for social value which tried to “financialise” everything regardless of purpose as only taking a “snapshot in time” of the social value being generated.

### **Building skills and expertise is a key part ensuring social value success**

In order to see a continual improvement in how social value is being used, it is crucial to get the framework and tools right in the first instance, as outlined above.

Yet it is equally important that suppliers and commissioners are capable of using these tools efficiently and effectively. Achieving this depends upon ensuring procurement and contract management officials across the public and private sectors are given the training and skills necessary to do so.

Members were universal in reporting that their most effective experiences of delivering social value have been when their own staff and contracting authorities have had the capabilities and capacity to co-create this social value together. As one member related, “a good dialogue from early on is worth more than the most meticulous contracting could ever be”.

The CBI has previously highlighted the need for “highly capable procurement staff” in businesses and commissioners when it comes to social value,<sup>20</sup> and it is reassuring that the second iteration of the Outsourcing Playbook has similarly picked up on this point about building and maintaining successful relationships.<sup>21</sup>

From enabling conversations about social value during the pre-market engagement phase of the procurement process, to working with suppliers during the life of a contract to respond to ensure flexibility around the social value being delivered, collaboration works best when procurement officials understand what they can do during the process.

This is where knowledge and skills are important, as local authorities have consistently shown in anecdotes from suppliers in different regions and sectors. By ensuring that procurement and contract management staff can learn from and work with suppliers, the possibility of delivering significant results increases dramatically.

The Cabinet Office has already recognised the need to train their commercial teams on the new social value framework and are using a combination of digital training sessions and on the shoulder support to deliver on this goal. Some 600 of the 4000 central government officials have already taken up the training despite the interruption of Covid-19 but it is vital that this process continues as quickly as possible to ensure the implementation of the new Social Value Framework is a successful one.

The private sector has a crucial role to play to assisting during this process, and as with the Outsourcing Playbook, it would be hugely beneficial for commercial officials and suppliers to produce cross-sector knowledge drops to ensure that new and existing relationships can also take social value into account as effectively as possible.

### **Recommendation**

- To support the effective implementation of the new social value framework the Cabinet Office should replicate the approach taken with the Playbook and utilise the expertise and knowledge of businesses to conduct cross-sector knowledge drops as part of the training programme for procurement and contract management staff. This will help ensure that staff are able to work in partnership with suppliers to effectively embed social value in upcoming contracts.

Rolling out and embedding across the entire public sector is not going to be a short or easy task, particularly given the complex landscape and approaches which many different contracting authorities are already operating within. Whilst the new Social Value Framework has the potential to significantly reduce this confusion and ensure some consistency in how social value is being used, the implementation may reveal some strengths and weaknesses that could be crucial to its success.



As with the Outsourcing Playbook, the Cabinet Office should therefore consider social value an ongoing process and review the implementation and workings of the Framework in practice after a year. This would enable businesses and commissioners to begin working with the Framework and to understand how it is used in practice, including gathering case studies and tangible feedback. This could then inform future changes to the social value policy landscape as well as the Social Value Framework specifically.

### Recommendations

- As with the Playbook, the new Social Value Framework should be considered an ongoing, iterative process for embedding social value into public procurement. To support this objective, one year following the launch of the Social Value Framework, the Cabinet Office should consider conducting a review of the implementation and impact of the framework and how it has been used in practice across the public sector.
- Building upon the case studies collected in this report, as part of the one year review into the Social Value Framework the Cabinet Office should seek to compile and examine case studies and experiences from commissioners and industry as to how the Social Value Framework is working in practice. These case studies could be made publicly available to help highlight good practice and to further support the use of social value by commissioners and businesses across the UK.

Whilst a review and case studies would provide a good way of assessing the implementation from a policy perspective, the use of social value by different government departments should also be regularly reviewed. Business therefore believes that social value should be embedded into the Government Commercial Operating Standards to enable consideration during the more regular assessments of departments.

### Recommendation

- Being able to regularly assess how departments are performing when it comes to social value will be critical to the success of the new social value framework. To support this, the Cabinet Office should consider updating the Government Commercial Operating Standards to have a specific standard on social value measurement and evaluation. This will help with the implementation and uptake across central government departments.

# Opportunities exist for social value to have a bigger impact for all

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The social value agenda has already made significant strides since its official launch as government policy in 2012, and the impact upon the economy, society, and environment of the UK cannot properly be recognised or quantified.

Business remains keen to see the agenda pushed forward, particularly in those areas which provide the most opportunity for further development and progress. Based on their own experiences with social impact and CSR as well as delivering social value for the public sector, members expressed some consistent views on where these opportunities lie and which the current landscape does not properly take into account, and particularly around issues of consistency, flexibility, and transparency.

## **A two-tier system could improve both consistency and flexibility going forward**

Members were universal in their belief that to truly maximise the potential of social value to deliver genuine change, any overarching approach needs to find a practical way to balance consistency with flexibility.

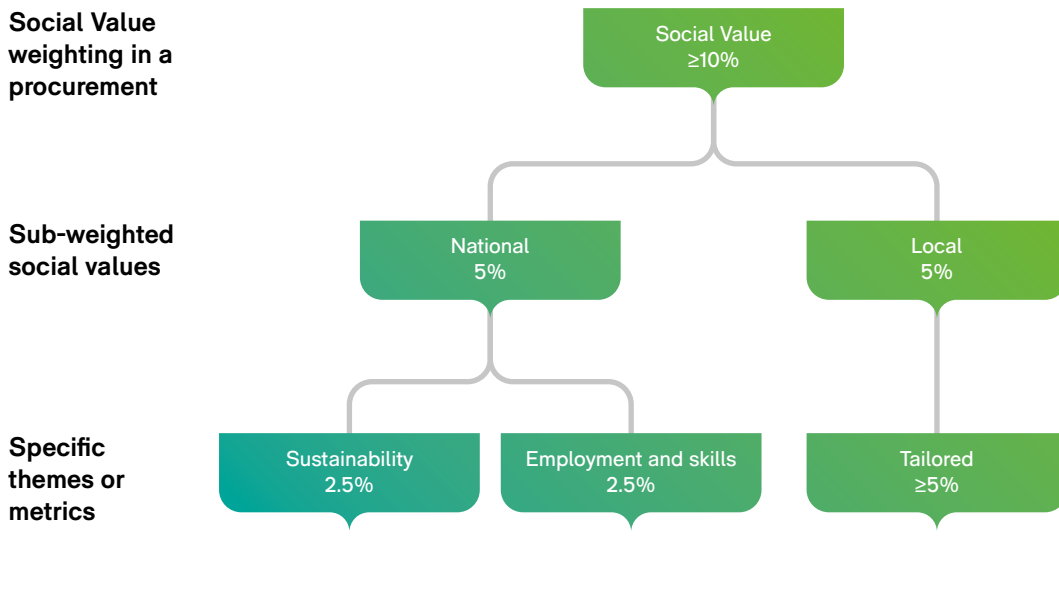
By enabling some degree of consistency across social value asks by different public sector bodies across the UK, government would be able to leverage the total spend of the public sector against specific high-priority policy objectives. Collecting metrics on these mandatory categories would enable detailed comparisons and segmentation of the data by both region and population, as well as helping understand distance travel against these objectives from a national perspective.

However, it is also crucial that one of the fundamental strengths of social value – the ability to tailor it to the commissioner's and community's needs – remains central to any framework. By becoming either too prescriptive or too restrictive, many of the potential opportunities for designing and achieving beneficial outcomes could be missed. Commissioners need to be given the room to implement social value as they see fit, and suppliers allowed to deliver the social value they are best suited to deliver.

Furthermore, any approach to social value must take into account the capability and capacity of both different types of suppliers (including SMEs and VCSEs) and the different contracting authorities. A central government department, for instance, may have substantially different resources to dedicate to designing and embedding social value into a partnership with a supplier than a local authority or public body.

One suggestion made by multiple businesses was that two-tier system would be a logical starting point for addressing these issues, whilst also building on the benefits of the existing landscape.

**Exhibit 6** Example of a proposed two-tier sub-weighting system for social value, based on CBI member consultation



By dividing the social value metrics into two categories - one focusing on national policy objectives and mandated across the public sector and one offering commissioners the ability to choose from a menu of options as the new Cabinet Office framework does – both flexibility and consistency could be built into the system from the outset.

### Taking a national approach to social value

The first category of “national social value” is designed to provide some consistency across procurements as well as pairing with nationally defined policy objectives, particularly within the Government’s “levelling up” agenda. Mandatory on all contracts, this category would consist of two specific social value themes and metrics that are universally required on all procurements, and which comprise a minimum fixed sub-weighting in any procurement exercise.

The specific policies identified in these metrics would be tied to the National Policy Document published by Government and updated regularly to ensure that procurements continue to focus on the social value most relevant to current national objectives. The core focus would be on how companies treat their employees, their suppliers, the environment, and their local communities.

As a starting point, members highlighted sustainability (particularly carbon emissions) and employment and skills as being the two largest issues they identify as facing the UK currently and which they feel social value has the most potential to help tackle. Furthermore, both sustainability and employment and skills are areas which can be addressed by all procurements, even if only at a basic level to begin with.

Using the Cabinet Office's Social Value Framework as a basis, two example metrics could be the efforts being taken to reduce environmental impacts in relation to the contract, and evidence that the company employs diversely and fairly (for instance, providing diverse employment as a percentage of their total workforce.)

These categories could be used as a mandatory "pass/fail" requirement to access the market to supply government.

Whilst some industries and businesses may already be set up to collect the necessary data on these categories more readily than others, mandating these two specific categories and building upon them would help those organisations just starting out to deliver to drive awareness and capacity within their practices. A generous "bedding-in" period would ensure that no suppliers were unfairly discriminated against on these metrics until sufficient time and support had been put in place for them to integrate them.

This consistency would also minimise the resources required to embed these specific types of social value in each individual contract, thereby allowing both commissioner and supplier to focus on the second, tailorable category of social value which already requires a more relational approach than traditional transactional contracting.

If commissioners felt the core metrics were particularly pertinent to their specific local needs, they would be able to take the weighting higher than the mandatory minimum or add additional themes and metrics to complement these categories in the "local" element of the social value ask.



### **Emphasising the “local” in social value**

The second category of social value metrics in the two-tier system would be “local social value”. This category would utilise the menu approach of the Cabinet Office’s Social Value Framework and allow contracting authorities to tailor the social value ask of suppliers to for more detail than the “national social value” metrics.

In a number of ways, this element of social value is what is currently being widely done by local authorities and other public sector bodies across the UK. By affording them the flexibility to identify and respond to specific needs in their local communities, as well as engage in genuine partnership building with suppliers around the social value to be delivered, this category of social value could encompass as many different social value elements as the commissioner feels is crucial to the project.

### **Capita tackling digital exclusion**

Capita is one of the most forward-thinking companies when it comes to both social value and responsible business, using both its own initiatives to play a significant role in helping tackle digital exclusion and inequalities across the UK as well as delivering social impact through projects focussed on the priorities of its public sector clients that are embedded in its contracts.

By supporting digital skills in local communities and encouraging employees to share their digital skills with local residents and businesses, in 2019 Capita helped 290 people in these areas improve their digital skills and get online.

This focus also extended to SMEs – in partnership with a local charity and as part of its social value delivery, Capita worked with the Paddington Development Trust, to deliver a programme focussing on business planning and digital skills support for local micro-businesses in an area of high unemployment supporting 62 entrepreneurs with a range of support from advice to grants. For each of these individuals, the outcomes for their lives because of this support is significant.

(Capita, Responsible Business Report 2019, p.15)

By engaging in pre-market dialogue with the marketplace, and then providing multiple options which the supplier could then offer to deliver, this approach would enable suppliers and commissioners to work together to ensure the maximum social value is being generated from a contract. This would ensure that the social value asks of commissioners could be tailored to the offers of the supplier involved, letting businesses do more of what they’re good at without adding additional costs to the contract.

Whilst the metrics required for these themes may vary between contracting authorities and indeed within contracts, the use of a menu like approach such as the Social Value Framework or National TOMs would still afford some degree of consistency without restricting innovative approaches to social value.

Such an approach would create a platform for innovation because businesses can be incentivised to focus on tackling outcomes, rather than ticking boxes, and the impact they have can be properly contextualised within the contract and community they are engaging with.

This tiered approach would also begin to deliver some of the transparency asked for by commissioners and industry, by contributing data and performance against the nationally-identified categories of social value, whilst nevertheless ensuring that a disproportionate burden is not placed on suppliers or commissioners to collect or publish this data.

This local approach would also help “democratise” social value and ensure local communities are fully engaged in the process of designing and delivering the outcomes that matter most to them. Central government and industry have often not been best placed to understand specific community needs. Emphasising the benefits of a joint local-national approach would put the citizen back at the centre of the social value agenda and ensure that businesses are delivering the social value most needed to support communities going forward.<sup>22</sup>

To explore the potential of a two-tiered model further, Cabinet Office should consider piloting such an approach. Doing so would enable commissioners and suppliers to see whether the touted benefits of a flexible yet consistent framework for social value would be realisable in practice.

### **Recommendation**

- Local authorities are keen to maintain a place-based approach to social value, whilst government has emphasised the role of social value in national policy objectives. Cabinet Office should consider introducing a two-tier system for social value in future iterations of the Social Value Framework, comprising two heavily weighted national metrics on employment and sustainability, and a menu of locally tailorable metrics to be decided by the contracting authority.



*"A two-tiered approach would create a platform for innovation because businesses can focus on tackling outcomes, rather than ticking boxes"*

# Conclusion

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Social value has the potential to deliver significant additional value for communities and help the UK to build back better by leveraging the economic power and national reach of the public sector with the expertise and experience of the private sector. If the impact of every pound spent by government can be maximised, commissioners and communities can target the specific social, economic, and environmental problems facing the UK and deliver meaningful change to citizens.

Business and government are both focused on ensuring that social value works and there is a strong drive to take this collaboration further. From better dialogue when designing social value, through to a greater emphasis on the delivery of social value against promises, the opportunity for social value to become a core component of public sector procurement is one that all stakeholders are keen to support.

Yet some issues with the current approach to social value remain. There is little consistency in how businesses or contracting authorities understand or apply social value. Multiple models exist for measuring social value, with different aims, metrics, and tools available. Some businesses and commissioners are also far more experienced than others when it comes to embedding social value in contracts and ensuring the outcomes agreed correspond to the needs of local communities.

These challenges identified in this report may present barriers to ensuring social value works. Yet they can be overcome. Working together in effective partnership, industry and the public sector can ensure that the UK builds back better from not only Covid-19 but the broader social and economic inequalities that face communities across the country.





*"If the impact of every pound spent by government can be maximised, commissioners and communities can target the specific social, economic, and environmental problems facing the UK and deliver meaningful change to citizens."*

# Appendix

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## Questions asked to CBI members

1. Do you measure the social value or social impact delivered by your company?
2. How do you measure social value?
  - a) What model do you use?
    - i. Internal team/model
    - ii. External team/model (e.g. TOMS)
    - iii. Other method
  - b) Is this measured company-wide or contract-by-contract?
3. How often are you required to include social value considerations in bids for public contracts, and how does this compare with your efforts to measure social value internally?
4. How do you feel the social value is treated compared to price and quality in public procurement?
  - i. During the award/selection phase?
  - ii. During the service delivery phase?
5. What would you like to see next from the social value agenda? e.g. higher weighting, new types of social value being measured, greater transparency around the use of social value?

## Methodology for compiling mapping exercise

The visual was compiled by giving each organisation who responded to the questionnaire a subjective rating on both axis (internal/external and quantitative/qualitative).

This rating was based off the responses to the questionnaire, as well as an analysis of publicly available documents including CSR/Sustainability reports and anything on social value on their websites.

This figure was also designed to take into account if an organisation used multiple different methods for different contracts, and present a balanced picture of the organisations approach.



Transport for Edinburgh

Transport for Edinburgh

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# About the CBI

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Founded by Royal Charter in 1965, the CBI is a non-profit business organisation that speaks on behalf of 190,000 UK businesses of all sizes and from across all sectors, employing nearly 7 million people between them. That's about one third of the private workforce. This number is made up of both direct members and our trade association members. We do this because we are a confederation and both classes of membership are equally important to us.

The CBI's mission is to promote the conditions in which businesses of all sizes and sectors in the UK can compete and prosper for the benefit of all. With offices around the UK (including in Scotland, Wales and Northern Ireland) and representation in Brussels, Washington, Beijing and Delhi, the CBI communicates the British business voice around the world.

## **Our mandate comes from our members who have a direct say in what we do and how we do it**

The CBI receives its formal mandate from 9 Regional Councils, 3 National Councils from Scotland, Wales and Northern Ireland plus 16 sector based Standing Committees. These bodies are made up of members in that region, nation or sector who serve a term of office. The chair of each Standing Committee and Regional and National Council sit on the CBI's Chairs' Committee which is ultimately responsible for setting and steering CBI policy positions.

Each quarter this formal engagement process across the CBI Council reaches over 1,000 senior business leaders across 700 of our members who have a direct say in what the CBI do and how they do it, from refreshing their workplan to discussing the key business issues of the day and re-calibrating its influence. Over 80% of the businesses represented on the CBI Council are outside of the FTSE350 as the CBI represents a wide range of sizes and sectors from the UK business community. This formal governance process is supported by a wide range of working groups, roundtables, member meeting and events that makes the CBI unparalleled at listening to and representing British business.

## CBI Council in numbers

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1000+

Committee and Council representatives



28+

Regional and National Council and sector based  
Standing Committees



50%

Representatives of the CBI Council at C-Suite level



80%

Of the CBI Council from non-FTSE 350 businesses

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