Social Enterprise UK

Social Value 2032

# THE SOCIAL VALUE 2032 ROADMAP

A collective vision from Social Value 2032 partners

Jacobs pwc shaw trust SIEMENS SUEZ

Produced by Social Enterprise UK with foreword from Professor Chris White, author of the Social Value Act

## Acknowledgements

This report is solely the responsibility of Social Enterprise UK (SEUK) and the views expressed within it reflect only those of SEUK. However, we are grateful to the support of the Social Value 2032 Partners (Jacobs, PwC, Shaw Trust, Siemens, SUEZ recycling and recovery UK) as well as the dozens of people that have attended roundtables or events with programme partners.

We are particularly grateful to Jeremy Nicholls and Anthony Collins Solicitors for their support and insight on aspects of this report.

## About Social Enterprise UK

Social Enterprise UK (SEUK) is the UK membership body for social enterprises.

We lead the world's largest network of businesses with a social or environmental purpose, working together to create a fairer economy and a more sustainable future for everyone. We exist to be a strong voice for social enterprise, demonstrating the difference that mission-led businesses are making in the world and influencing decision-makers to create an environment where this way of doing business can thrive.

We campaign on behalf of the social enterprise community, having led public policy for decades and helped to pass the Social Value Act (2012), using the mounting evidence from our comprehensive research to make the case for change. We drive cross-sector collaboration, working with private companies and public institutions to bring social enterprises into their supply chains, helping any organisation to create positive social and environmental impact.

Find out more and join the community at
**www.socialenterprise.org.uk**.

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# FOREWORD

## Professor Chris White

Author of the Social Value Act

As the Social Value Act author, I am extremely proud of the impact that it has made over the last ten years. In 2010, I was very fortunate to be selected high in the ballot to introduce a Private Member's Bill. A diverse range of other bills have since made it onto the Statute Book – from 2013's Scrap Metal Dealers Act and Antarctic Act to the Specialist Printing Equipment and Materials (Offences) Act 2015 and the Glue Traps (Offences) Act 2022 – but I believe the Social Value Act can be the most transformative of them all!

Over the past decade, Social Enterprise UK (SEUK) has led the charge in making sure the potential of this new legislation has begun to be realised. Along with partners like Jacobs, PwC, Shaw Trust, Siemens and SUEZ Recycling and Recovery UK, I've worked with SEUK to make sure we have raised the awareness and understanding of the Act right across the country – creating momentum and a movement along the way. This report is a rallying cry, a call to arms, driving this movement forward.

Those who spend taxpayers' money have already learnt how they can use this lever for wider benefit, adapting their old ways of working to increasingly factor in wider social, economic and environmental aspects when spending public money. They recognise a law that helps our communities to find solutions to their problems. The Act encourages people to be more creative and innovative, breaking down silos and going beyond business as usual.

Indeed, this law has caught the imagination of pioneers across national or local government, public service commissioners, universities, small and medium size enterprises… and it is beginning to enter the boardrooms of more innovative private sector businesses, with the Act now influencing some £100bn of public spending.

Now, after ten years, the Act is maturing but still developing. We also know that the law alone is not enough; it must work together with changes in culture, systems, language, guidance, standards, data and networks. However, the supportive landscape that helps deliver the Act's principles and ambitions can be confusing and fragile. It has not yet reached its final phase of being self-sufficient, fully formed and embedded within our national agenda. We are still seeing the emergence of new tools and initiatives. Navigating this complex framework will, of course, be challenging – but it will pay dividends.

So here is a roadmap, with steps along the way: to create a consistent legal and regulatory framework; to build a social value system with a thorough understanding of purpose, language and leadership; to develop common standards and principles to measure social value; and to strengthen the supply chains which will robustly deliver these objectives.

This report notes that there is a much more significant role for the private sector to play. The terms on which we trade shape the economy and society we live in. The idea of Buy Social has also grown over the last decade, but it can go further. Business can add so much more – if it has the drive to pursue economic, environmental and social value in a more fulfilling way – creating a virtuous circle.

Social enterprise is at the vanguard of this journey, but still only one small, but dynamic part of the canvas. The public and private sector can both do so much more to address the challenges and shocks we face, changing their ways of working so that taxpayers' money can go further and be spent more effectively. This report maps out exactly how it can be done.

# THE SOCIAL VALUE JOURNEY SO FAR

2022 was the tenth anniversary of the Public Services (Social Value) Act 2012: one of the first pieces of legislation in the world that required public bodies to think about the additional social, economic and environmental impact of public spending when commissioning services. The Social Value Act did not invent the idea of using public money for good. Nor did it invent the idea of considering social, economic and environmental factors when spending public money. What it did, however, was mainstream the idea of maximising the impact of every pound spent – seeing financial value as one of a range of factors to be considered in delivering 'value for money'. The ten-year anniversary of the Act offers an important opportunity to consider progress to date and ambitions for the future.

Awareness and adoption of the idea of social value has increased over the past decade, with an incremental increase seen in central and local government guidance. In 2016, 24 per cent of councils had a social value policy; by 2019, this had increased to 45 per cent.[1] In 2020, the Cabinet Office developed new guidance on the Social Value Model and issued a Public Procurement Policy Notice,[2] further raising awareness. In the private sector, groups such as the Federation of Small Businesses and Confederation of British Industry have called for the government to promote social value in public sector contracting.[3] Big business is increasingly engaging with the idea of social value, with 90 per cent recognising that there is negative risk to their business in not 'prioritising ethical factors'.[4]

However, the implementation and understanding of social value remains inconsistent. There has been no 'Social Value Strategy' or plan by government since the Social Value Act was passed in 2012. For the first eight years, there was no statutory guidance on social value and - while this now exists for central government - there is still no statutory guidance in place for local authorities or the National Health Service (NHS). There is still significant confusion about the purpose of social value within the public and private sectors, and little consistency in language. The measurement and tracking of social value lacks common standards and approaches, while data is patchy and accountability is mixed. Approaches to social value also remain largely reliant on the personal convictions of individuals within the public and private sector. While this individual leadership is important, we now need a 'social value system' that provides a common plan, language, consistent measurement and regulatory oversight. Only then can the idea of social value really drive government, social enterprises, private businesses and the UK as a whole towards a more sustainable future.

1 Social Enterprise UK, Front and Centre: Putting social value at the heart of inclusive growth, May 2019
2 Cabinet Office, Public Procurement Notice 06/20, June 2020
3 House of Commons, Parliamentary Debates - Official Report General Committee Public Bill Committee Procurement Bill *[LORDS]*, 2 February 2023
4 Anthony Collins Solicitors, The Ethical Business Project, March 2021

# THE 'SOCIAL VALUE SYSTEM'

The social value system we have today in the UK has emerged organically over the past decade. It is made up of standards, rules and approaches that are often voluntary and depend upon the engagement of public bodies, private companies and practitioners.[5]
In broad terms, there are six parts to this system:

| | | |
|---|---|---|
| **1. International standards and frameworks** | Generally light touch, these express a commitment to act for the public good and voluntary in nature. They can be influential on larger businesses operating across multiple jurisdictions, local authorities, practitioners and organisations interested in aligning their work to a global level. | ■ UN's Sustainable Development Goals<br>■ Capitals Coalition<br>■ Social Value International |
| **2. National and devolved legislation** | The UK is in the process of passing a new Procurement Bill which will provide the legal shape for the UK's procurement regime. Devolved legislation in Scotland and Wales provides different obligations on public bodies and suppliers. | ■ Social Value Act<br>■ Public Contracts Regulations<br>■ Equalities Act<br>■ Well-being of Future Generations (Wales) Act 2015<br>■ Procurement Reform (Scotland) Act 2014<br>■ Northern Ireland PPN 01/21 |
| **3. National guidance** | These are the primary vehicles through which public bodies tend to interpret their legal responsibilities. HM Treasury's Green Book has also evolved to include new standards for integrating wellbeing into public decision-making, through its supplementary guidance on wellbeing and the use of the WELLBY – a unit of measuring improvements in wellbeing to individuals[6] that is gaining traction. | ■ HM Treasury Green Book<br>■ National Procurement Policy Statement, PPN 06/20,<br>■ Social Value Model |

5 J. Nicholls, The Future of Social Value in the United Kingdom, February 2023
6 HM Treasury, Wellbeing Guidance for Appraisal: Supplementary Green Book Guidance, July 2021

| | | |
|---|---|---|
| **4. Regional and local strategies and frameworks** | These are many and varied, depending on the needs and resources of different areas. | ■ Greater Manchester Combined Authority's Social Value Policy<br>■ WMCA's Inclusive Economy Strategy<br>■ Bath and North East Somerset's Social Value Policy |
| **5. Practitioner standards, accreditation and associations** | Many more frameworks and approaches have proliferated over recent years. | ■ Social Value UK's Principles of Social Value<br>■ British Standards Institute standards,<br>■ International Organisation for Standardisation ISOs<br>■ Investors' ESG ratings<br>■ 'Triple-bottom line' principles<br>■ Social Audit Network |
| **6. Measurement and reporting tools** | These have considerable impact on the overall process of implementing social value at an organisational level, as they frame what is measured and how that is reported. | ■ Social Value Bank<br>■ Rail Social Value Tool<br>■ Social Value Portal |

These all influence those who ultimately deliver social value: the organisations that take social value into account in their decision making. These organisations in turn feed back into the system, both through the support that they demand and the investment that they are prepared to make in maintaining it.

**There are two main issues with the system: its complexity and its fragility.**

## A complex system

Organisations navigating social value must pay attention to a growing body of law, guidance and voluntary standards that often consider social value from different perspectives.

While those less engaged in public service provision may only be required to consider their voluntary commitments and their duty to provide fair and accurate information to their customers, a supplier to a central government department will likely need to consider at least five different parts of this system:

- The Public Contract Regulations
- The Social Value Act (or devolved legislation)
- The National Procurement Policy Statement, Public Procurement Notices 06/20 and 06/21 and other statutory guidance
- The measurement approach decided upon by a central government department
- Any standards, kitemarks, accreditations or commitments that have been voluntarily undertaken by the supplier

There are significant disconnects between different parts of the system, which can make developing successful partnerships challenging as organisations struggle to align their differing systems and standards. For example:

- The UK's Social Value Model references the United Nations Sustainable Development Goals (SDGs), but the Social Value Act does not
- Local and regional strategies are not obliged to consider the Green Book or the UN SDGs, but they are required to consider the Social Value Act

- Procurement is a devolved matter in Wales, Scotland and Northern Ireland
- The NHS and public bodies delivering contracts in partnership with it now have a separate legal framework for public procurement through the Health and Care Act 2022
- Training in social value is not mandatory, and measurement tools do not need to be accredited or meet certain standards in order to be used as part of major decisions related to public expenditure

Over the past decade, there has been rapid development of new approaches in the pursuit of social value, with a variety of new tools and products emerging that can help organisations to clarify their social and environmental impact. There are now dozens of tools that can be used to track and evaluate social value. Organisations have experimented with their own approaches, with the flexibility to pursue social value at their own pace.

However, this organic approach also brings weaknesses:

- It has created significant levels of confusion, both about duties and implementation, because there is no comprehensive guide or manual that guides an organisation's approaches to social value
- It is challenging for organisations to navigate multiple parts of the public and private sector – each with their own strategies, standards and reporting frameworks, and with significant variations in approach
- It is common to hear from public bodies, businesses and social enterprises who have gone down paths that ended up wasting significant amounts of time and resources for limited impact
- The lack of a consistent, system-wide approach - despite a relatively rapid initial adoption of social value in the public sector[7] - has brought complexity and challenges that put off some organisations from considering social value at all

7 Cabinet Office, Social Value Act Review, February 2015

- It is quite common for the organisations that are often relied upon to deliver social value, such as social enterprises and charities, to express frustration about the system and the challenge of keeping on top of the latest developments

Finally, this system is heavily weighted towards the public sector and organisations that supply goods and services to public commissioners. Procurement in the public sector is significant - around £300bn a year - but so is procurement spend in the largest private businesses, at around £114bn a year.[8] At present, beyond the hope that good practice from the public sector will spread into the private sector, there is little co-ordination.

## A fragile system

This system is constantly evolving. Its sustainability relies on funding, data, aftercare and networks.

- **Funding.** Underinvestment has left the social value system dependent on the 'deliverers' of social value – public bodies, private businesses, social enterprises and charities – for investment. These have varying levels of resources and larger private businesses generally have far greater access to resource to spend on understanding, measuring and shaping social value. Public bodies, small and medium-sized businesses (SMEs), charities and social enterprises generally have less resource, which can mean they struggle to access the tools and services needed.

- **Data.** A key source of information in the system has been the 'Unit Cost Database' or 'Cost Benefit Analysis' that has been developed by the Greater Manchester Combined Authority Research Team (formerly known as the New Economy).[9] This database brings over 900 interventions together with data on the potential cost or saving to the government through successful interventions. Despite its value, investment in the development of this resource is ad-hoc. A powerful tool initially funded by the Troubled Families Unit and the Department for Communities and Local Government, the burden of responsibility for maintaining and developing it now sits with one

8 Social Enterprise UK, Creating a Social Value Economy, May 2022
9 GMCA, Cost Benefit Analysis, accessed February 2023

combined authority. Additionally, this dataset only considers social value through the prism of savings to the public purse rather than value to the people of a community, which can be significantly different. Moreover, much of this data is old, dating back over a decade and in some cases nearly 20 years.

- **'Aftercare'.** Many organisations have expressed concerns about whether social value commitments are being honoured and the veracity of the data that is being published. Contract management, auditing and tracking the delivery of social value can be as important as pre-commissioning, commissioning and the procurement stages. The public sector, as one of the primary beneficiaries through more effective implementation of social value, should have an important leadership role in investing in this critical part of the process.

- **Networks.** We lack a central forum to bring stakeholders together on the future of social value. While some set piece occasions may bring people together - for example, when the Cabinet Office consulted widely in the development of the Social Value Model - once these moments pass, there is relatively little communication between different parts of the system and silos can emerge.

## Case study: **the Commissioning Academy**

The Commissioning Academy was set up by Cabinet Office in 2012 to help improve standards of commissioning in the public sector and training on social value was initially integrated into the Academy's programme. Now 'spun out' as an independent social enterprise, the Academy first opened its doors in June 2013. At first, the government aimed to reach 1,500 participants through the Commissioning Academy by 2015/16[10]. While only 151 organisations went through the first four waves of the Academy and the two pilots by 2016, 'over 1,500 senior decision-makers and practitioners' have now taken part in the programme since 2013. On this basis, we can estimate that this is around 166 participants per year. This must be considered in the context of the thousands of people that work in commissioning and procurement teams across the public sector.

The National Commissioning Academy has now moved from offering an in-person course to a purely virtual course. Reform's *Please Procure Responsibly* found that the Public Service Transformation Academy was struggling to break even and that selling courses to the public sector was challenging given the state of the public finances.[11] Reform called for a £50,000 annual grant to the Academy to enable it to lower the cost of courses and ensure its financial sustainability. As the UK spends nearly £300bn in purchasing goods, services and works every year, this call for £50,000 per annum for a programme of training for commissioners and procurement teams demonstrates the extent of underinvestment in the system. Meanwhile, central government has developed training for "central government buyers" on the new Social Value Model – but this training was solely for central government, despite the fact that many local authorities and other public bodies are using the model.

10 Cabinet Office, Making it easier for civil society to work with the state: progress update, March 2014
11 Reform, Please Procure Responsibly, March 2019

# A more robust, sustainable and better system?

The past decade can be seen as the pilot phase of social value. As Lord Young's review into the Social Value Act found seven years ago: 'Where it has been taken up, it has had a positive effect, encouraging a more holistic approach to commissioning which seeks to achieve an optimal combination of quality and best value'.[12]

The steady increase in awareness and usage of social value within procurement indicates that it has had a positive impact. The UK Government's approach to social value has strengthened over time, with central government departments now required to evaluate all contracts on the basis of social value – something that was unthinkable a decade ago.

However, developing a system to ensure that social value is effectively embedded across the entire public sector and our largest businesses will take time. This is why Social Value 2032 sets out a plan for the next decade. The roadmap we present is based on the barriers identified in this work and how they can be overcome.

We have identified four critical success factors to enable the adoption of social value approaches as standard practice across the public and private sectors:

1. A more consistent legal and regulatory framework
2. More systemic and holistic lifecycle engagement on social value, including strengthening shared language and purpose
3. Common standards and consistent measurement
4. Supply-side reforms

12 Cabinet Office, Social Value Act Review, February 2015

# THE ROADMAP

| | Short term (by 2025) | Medium term (by 2028) | Long term (by 2032) |
|---|---|---|---|
| **Policy**<br>Creating a consistent legal and regulatory framework | ■ Develop a 'Social Value Playbook' for the public sector<br>■ Mandate any social value commitments or indicators made in contracts over £5m to be published<br>■ Strengthen the Social Value Act | ■ Create a 'Common Framework' for social value across the devolved nations, combined authorities and local authorities<br>■ Introduce mandatory reporting on social value across all public bodies | ■ Expand the Social Value Act to cover all businesses with more than 250 employees<br>■ Change wording of the Companies Act s.396 to include social value within 'true and fair view of the state of affairs' of a company |
| **Leadership, purpose and culture**<br>Building a social value system with consistent understanding of purpose, use of language and strong leadership | ■ Create a 'Social Value Council' to bring together social value practitioners across all sectors to monitor and support the implementation of social value<br>■ Introduce mandatory training and accreditation for commissioners and procurement teams on social value within public bodies | ■ Create a Global Steering Group for the Social Value Taskforce<br>■ Appoint an accountable officer for social value in every public body | ■ Publish a league table of social value implementation amongst public bodies<br>■ Require all large businesses to report on their social value policy in their annual report and accounts |
| **Measurement**<br>Developing common standards and principles to measuring social value | ■ Invest in developing the evidence base and monitoring of social value<br>■ Launch an independent Commission to develop a regulatory framework for social value accreditation and measurement tools | ■ Create an 'Institute of Social Value' to generate, update, verify and monitor social, economic and environmental wellbeing impact data | ■ Introduce mandatory 'social value' audits every three years for public bodies and large businesses |
| **Implementation**<br>Strengthening supply chains to deliver social value | ■ Make a permanent VCSE Contract Readiness Fund | ■ Develop a 'Contracts Guarantee & Underwriting Finance Facility' | ■ Develop free simple tools for SMEs, social enterprises and charities to learn, implement and measure their social value |

**This roadmap was developed building on a decade of research and policy work by SEUK and partners, as well as roundtables, policy and peer learning delivered as part of Phase 1 of the Social Value 2032 programme.**

# POLICY

## Creating a consistent legal and regulatory framework

## The legislation

The Social Value Act was not required to enable public procurement officials to take social value into account; pioneering organisations had done so for many years. However, many practitioners in the public sector were concerned about potential legal challenges if they factored in social, economic and environmental wellbeing alongside financial and quality considerations. The Social Value Act provided legal assurance that these factors could, and in the case of public services, should be considered alongside factors of price and quality.

In the Green Paper on Transforming Public Procurement, the UK Government stated: 'We want to send a clear message that public sector commercial teams do not have to select the lowest price bid – and that in setting the procurement strategy, drafting the contract terms and evaluating tenders, they can and should take a broad view of value for money that includes social value.'[13]

The UK's National Procurement Policy Statement required contracting authorities - ie the public sector - to consider 'social value outcomes' from creating new businesses, jobs and skills in the UK, to improving supplier diversity, innovation and resilience, as well as tackling climate change and reducing waste.[14]

13 Cabinet Office, Transforming Public Procurement, December 2020
14 Cabinet Office, Procurement Policy Note – National Procurement Policy Statement, June 2021

Now the Procurement Bill, still going through Parliament at the time of writing, is an opportunity to embed social value more fully into the procurement system. Unfortunately, social value has not been included in the Bill – although the concept of 'public benefit' has been identified as one of the objectives within the Bill, alongside value for money. As has been noted repeatedly in the debate around the Bill, and in submissions from various stakeholders, the lack of reference to social value within it could create confusion for public bodies and suppliers to government. There is an opportunity to correct this within the guidance to follow the legislation.

## A comprehensive legal framework

The Social Value Act itself remains incomplete. The pioneering nature of the legislation meant that it was limited in scope, partly to ensure it did not create an unnecessary burden on the public sector – and after ten years, we can confidently conclude that it has not done so. Moreover, central government itself has recognised the benefits of social value, requiring it to be considered in all contracts by central government departments and bodies they oversee. However, this is not the case for local authorities or other public bodies, while procurement in health and social care also has its own sets of rules.[15]

If the main Procurement Bill is not going to update the legal regime around social value, the Social Value Act itself will need amending to ensure that all public bodies evaluate it within contracts, as well as making sure that its application covers all goods, services and works commissioned by the public sector. After Brexit, the UK now has greater levels of autonomy when it comes to legal and regulatory policy around procurement – although some aspects of policy are reserved to the devolved administrations.[16] There is no reason why the UK cannot create a consistent and comprehensive legal and regulatory framework for social value over the next decade, welcomed by commissioners and procurement teams and providers alike.

In Scotland, we have seen the development of 'Community Benefit requirements' through the Procurement Reform (Scotland) Act 2014. Community benefit requirements are similar to social value in England.[17] Community benefit regulation also goes further than current social

15 Department for Health and Social Care, Preview of proposals for the Provider Selection Regime, February 2022
16 Cabinet Office, Common Framework for Public Procurement, January 2022
17 Scottish Procurement and Property Directorate, Procurement Reform (Scotland) Act 2014: Statutory Guidance, Chapter Four – Community Benefit requirements, updated May 2022

value legislation in requiring public bodies to make statements on why they are not planning to integrate community benefit requirements into contracts – something that is not required in England. In Wales, the Well-being of Future Generations Act 'requires public bodies to consider not only social value but also the long-term impact of their decisions; to work better with people, communities and each other; and to prevent problems such as poverty, health inequalities and climate change'.[18]

This legislation is overseen by a Future Generations Commissioner for Wales, who has to regularly report on the implementation of the legislation. This requirement for public bodies to think long-term to support communities is in line with the principles of social value. In Northern Ireland, the Department for Finance has issued PPN 01/21, which has mandated that a minimum of ten per cent of the total award criteria must be allocated to social value for all contracts at or above the relevant procurement thresholds.[19]

The Social Value Act has delivered significant benefits to the public sector, with no reason why the same cannot be true of the private sector. Many large businesses already have corporate social responsibility strategies or sustainability policies, and the capacity to effectively implement social value. While companies are currently only required to provide a 'true and fair view of the state of affairs' of the company - primarily meaning the financial situation - shareholders, investors, customers and citizens increasingly want to understand the social, economic and environmental impact of businesses.

## Consistency

Although the obligation to implement social value is consistent across central government, there is no requirement to report and publish information on the social value created. Local authorities and combined authorities have no requirement to publish information on social value, so if and how they do this is entirely at their own discretion. HM Treasury's Green Book has developed a standard for calculating and reporting wellbeing (through the WELLBY), but this is not a consistent standard across the public sector or in the Social Value Model developed by Cabinet Office.

18 Future Generations Commissioner for Wales, Well-being of Future Generations (Wales) Act 2015, accessed March 2023
19 Department for Finance, PPN 01/21 – Scoring Social Value, October 2022

Another challenge is the inconsistency of weighting social value.

For example:

- PPN 06/20 has created a consistent minimum ten per cent weighting of the final score on social value across central government departments for all contracts
- Some progressive authorities have instituted significantly higher weightings – such as Brighton and Hove Council, which can go as high as 30 per cent[20]
- Manchester City Council has a minimum 20 per cent weighting for social value, and an additional ten per cent environmental score[21]

Unfortunately, this is not the case across all local authorities and public bodies. Conversations throughout Social Value 2032 have found that some public bodies are not weighing social value at all in contracts, merely asking for organisations to 'tick the box' that they have considered social value. Others only value it at a very low level, such as five per cent of the total score. This means that larger businesses, social enterprises and charities face confusion about the balance of resources they should put into maximising social value. All providers, but particularly the smallest organisations, want consistency of approach on social value across the public sector.

There are also various sources of guidance and best practice approaches to social value, with no comprehensive guidance for implementation across the entire public sector – although central government's Social Value Model is influential. Meanwhile, the 'Sourcing Playbook' has consolidated expectations and good practice for public sector commissioners and procurement teams on how they work with external suppliers. A similar document on social value would help to create a common language in the public sector, help public bodies that are beginning their social value journey, and provide a 'go-to' guide for those that wish to understand the role of social value in helping to deliver better outcomes within the public sector.

20 Brighton and Hove City Council, Social Value Guide for Commissioners/Contractors & Procurement Officers & Suppliers, 2016
21 Manchester City Council, Social Value and Environmental Guidance for Suppliers and Bidders for Council Contract Opportunities, March 2021

| Short term (by 2025) | Medium term (by 2028) | Long term (by 2032) |
|---|---|---|
| ■ Develop a ‘Social Value Playbook’ for the public sector<br>■ Mandate any social value commitments or indicators made in contracts over £5m to be published<br>■ Strengthen the Social Value Act | ■ Create a ‘Common Framework’ for Social Value across the devolved nations, combined authorities and local authorities<br>■ Mandatory reporting on social value across all public bodies | ■ Expand Social Value Act to cover all businesses with more than 250 employees<br>■ Change wording of the Companies Act s.396 to include social value within ‘true and fair view of the state of affairs’ of a company |

# LEADERSHIP, PURPOSE AND CULTURE

## Building a social value system with consistent understanding of purpose, use of language and strong leadership

### Language

One of the benefits of the Social Value Act was an effort to create a shared language; to create a new terminology that could bring together a number of different ideas about how to use public procurement to deliver positive social, economic and environmental outcomes. If you ask a hundred people in the public sector or private sector what social value is, you will get a hundred different answers.
To some extent, the flexibility around the idea of social value is one of its great strengths. However, there is still significant confusion, and this lack of a shared language can make partnership building between public and private sectors challenging. It is clear that commissioners, procurement teams, providers and social value practitioners are often talking at cross purposes.

### Purpose

There can also be confusion about the *purpose* of pursuing social value. In PPN 06/20, the Cabinet Office outlined the new Social Value Model as a way for central government to "take account of the additional social benefits that can be achieved in the delivery of its contracts"[22] – consistent with approaches in Scotland and Northern Ireland which have developed their own social value regulation. This is a much narrower view of social value than was originally proposed when the Social Value Act was passed, requiring public bodies to consider how they could 'improve the economic, social and environmental well-being' of the area that they are serving.[23]

22 Cabinet Office, Public Procurement Notice 06/20, June 2020
23 The National Archives, Public Services (Social Value) Act 2012, accessed February 2023

Others have linked the pursuit of social value to a greater role for social enterprise. Nick Hurd, then Minister for the Cabinet Office, said in a debate on the Act that it outlines how the government wanted to 'open up the public services markets to a broader diversity of suppliers, and we have been specific about wanting to encourage social enterprises, charities and the voluntary sector to have a bigger role' as well as to achieve 'maximum value in our [UK's] spend'.[24] In the wake of the collapse of Carillion, David Lidington - then Chancellor of the Duchy of Lancaster - said that social value was a way to ensure that suppliers to the public sector 'meet the high standards we need to protect our environment and employ workforces which represent our diverse society, including people with disabilities and those from ethnic minorities'.[25]

The point is that the overall aim of social value is more than simply securing additional benefits to the public sector – although that is important. As Andy Burnham, Mayor of Greater Manchester, said: 'Unlocking social value is important because it is about improving people's lives'.[26] In *Creating a Social Value Economy,* we argued that social value 'is a strategic tool but is often considered from a purely operational perspective'.[27] When building a system that can expand the potential of social value, we need to think more widely, creating a holistic vision for how we can improve the lives of people and protect the planet.

A lack of a shared purpose is part of the reason why developing transformative partnerships between the public, private and social enterprise sectors is challenging. There can be tensions between those providers and suppliers focused on improving the lives of people and the environment and those in the public sector that see social value purely through the lens of additional benefits and efficiency. This can make developing transformative partnerships difficult to achieve, because of the mismatch between leveraging additional resources from suppliers and providers versus considering social value in its broadest sense. The best examples of social value commissioning and procurement tend to be those where there is a shared set of goals across organisations agreed from the outset, but flexibility in how they are delivered. A shared purpose helps to create the trust to enable that flexibility.

The role for government, combined authorities, local authorities, business, charities and social enterprises as we develop a better system for social value is to articulate a clear sense of purpose. Efficiency, high standards from suppliers and transparency must all be part of this shared purpose. However, the ultimate reason for implementing social value effectively is to improve the lives of people and protect the planet.

24 Hansard, Columns 1212 & 1213 Daily Hansard Debate, 19 November 2010
25 Cabinet Office, Businesses urged to do more to help improve society, 11 March 2019
26 A. Burnham, Andy Burnham on the importance of social value, 12 March 2020
27 Ibid.

Social value in procurement ideally means spending money on projects that deliver high levels of positive social and environmental benefit in themselves, but also create positive wider social and economic benefits to communities, with providers and supply chains run in such a way that they too deliver a positive contribution to people and planet.

## Culture and leadership

Culture and leadership can enable social value to flourish. Social value is ultimately implemented by people, usually in teams, who are required to navigate complex issues with varying levels of experience. Time and again, we have heard about the importance of leaders in setting the tones and giving permission to teams within organisations to advance the pursuit of social value. Senior figures across business, social enterprise and charity have all played a critical role at a political level in engaging their organisations with maximising social value. The good news is that the benefits of social value are being increasingly understood, which is driving changes in behaviour and culture. We are seeing positive developments in understanding wider concepts of value. The growing movement to promote 'ESG' (environmental, social and governance) standards in the private sector, and kitemarks such as 'B Corporations', are examples of the recognition that organisational models themselves have value beyond the core services or products that they provide.

However, part of the challenge is that commissioning and procurement within the public and private sectors are diffuse, with thousands of organisations taking part. Within this, adopters of social value are themselves often working in large organisations where they are trying to shift behaviour.

The social value system can be strengthened through steps that foster greater accountability, awareness and responsibility for driving social value. Challenges and opportunities to address here currently include:

- There is no UK body or organisation monitoring the overall implementation of social value. The Cabinet Office and Department for Culture, Media and Sport share responsibility for social value policy. However, this only considers social value in relation to the public sector.
- Although training for central government buyers has been implemented, it is not clear whether this will be regularly repeated. Moreover, this training is relatively narrowly focused on the Social Value Model.

- While the UK has significant knowledge and expertise, we can also learn from other countries. We have an interest in ensuring effective and common standards in social value measurement and reporting to ensure our global competitiveness.
- Some local authorities have a Cabinet Member responsible for social value or a senior officer who has social value within their brief, and central government has the VCSE Crown Representative – but consistent leadership around social value in the public sector is still missing. Having an accountable officer for social value in every public body would give social value leadership from within. Tools have been developed to track the maturity of public bodies in development of social value, such as the Social Value Maturity Index developed by the Social Value Portal.

| Short term (by 2025) | Medium term (by 2028) | Long term (by 2032) |
|---|---|---|
| ■ Create a 'Social Value Council' to bring together social value practitioners across all sectors to monitor and support the implementation of social value<br>■ Introduce mandatory training and accreditation for commissioners and procurement teams on social value within public bodies | ■ Create a Global Steering Group for the Social Value Taskforce<br>■ Appoint an accountable officer for social value in every public body | ■ Publish a league table of social value implementation amongst public bodies<br>■ Require all large businesses to report on their social value policy in their annual report and accounts |

# MEASUREMENT

## Developing common standards and principles to measuring social value

## Common standards

The biggest risk to the future of social value is arguably the lack of confidence in the measurement, tracking and scoring of social value. Social value is a broad subject matter that requires a significant amount of experience, expertise and data to make effective judgements. Over the past decade, we have seen the rapid development of dozens of tools to measure and track social value – most notably the Themes, Outcomes and Measurements Tool (TOMs) that has been promoted by the Social Value Portal. Unfortunately, these tools also require people to understand social value and its complexity, as well as the benefits and limits of the tools being used. Training and understanding is patchy at best, and can be limited to a simple webinar or workshop.

Across the measurement tools that are being developed, there are significant variations in approaches and standards. The development of HM Treasury's Green Book's supplementary guidance on wellbeing has provided a new standard and approach for measuring aspects of social value, as well as being more detailed than those advocated by the Cabinet Office's Social Value Model and other tools such as the National TOMs. However, major issues remain unresolved:

- There is no 'gatekeeping' process for the development of new tools or measurement standards for social value. In practice, any organisation or individual can develop a tool or approach to measuring social value and begin marketing that to the public sector or private sector.
- Social value measurement and training is currently a 'wild west' where any individual or organisation can set themselves up as a social value consultant or market a social value measurement tool. This is creating significant confusion for public bodies, businesses and social enterprises who are under increasing pressure to measure and account for their social value but do not always know the most effective way to do this.

- Without coordination and consistency, there is a danger that friction will be develop between various different standards. An ongoing debate persists between quantitative and qualitative measures of social value – and some sceptics that believe that social value cannot be truly measured at all.
- Some of these tools are also being provided ‘cost-free’ to public bodies, but with the costs borne by those bidding for contracts which means that there is no incentive for public bodies to effectively check the effectiveness of some tools. Financial models are often opaque.
- There are significant costs to providers from multiple tools and approaches being used by different organisations which can make it difficult to showcase the real ‘social value’ of the organisation. Smaller organisations are also at risk of being disadvantaged, as the costs (both financial and time) to demonstrate the monetised benefits of social value increase.

Variation and competition have been helpful, in that they have created a significant bank of experience and expertise that is invaluable to the future development of social value. At the same time, the confusion that having so many different varieties of approaches and measurements risks undermining confidence in social value itself, as different organisations argue about the validity of different approaches and the trust that should be placed in them. It is off-putting to the organisations that want to embed social value within their decision making but simply do not know where to go - and importantly, who to trust - in that work.

## Building confidence

There are standards and bodies of practitioners that are seeking to bring order to this work. For example:

- Social Value UK has developed a strong set of principles and ideas about how social value is to be done
- The Social Value Taskforce informs the TOMs tool
- The Social Audit Network and other groups provide support to those wishing to understanding social value
- There are groups working within sectors, such as waste management, construction and rail
- The British Standards Institute and other bodies have also sought to bring their expertise into this space

It is unrealistic, and unwanted, to bring uniformity to the system. We should welcome innovation to support progress, and there is still a great deal of work to be done to better understanding and communicate social value. Even within financial reporting – which has been developing over several hundred years – there is a sophisticated network of different standards setters, accrediting organisations and sector councils. But although financial reporting allows you to use different software, hire a variety of consultants and present information differently, there are common standards and – in theory – accountability for practitioners.

Key development needs to enable real progress in this area include:

- Consistency in principles and language
- Greater confidence in how we measure and report social value
- Some form of accountability to give people confidence in who they work with – developed in partnership between the public, private and social enterprise sectors as well as practitioners and experts on social value
- A conversation with a global dimension, as countries across the world seek to implement social value within their own economies (even if it is called something different), and an opportunity for UK PLC to sell our expertise and innovation to this growing global economy
- Heavy involvement from government in supporting this development

Some councils are now tracking and reporting their local spend, while central government tracks and reports its progress in achieving its SME target. However, there is currently nothing similar for social value. This makes it difficult to know whether we are delivering maximum value for money for taxpayers and to compare the performance of different public bodies. Data is currently hard to find on the overall use of social value approaches in the public sector, and there is limited data on the private sector.

| Short term (by 2025) | Medium term (by 2028) | Long term (by 2032) |
|---|---|---|
| ■ Invest in developing the evidence base and monitoring of social value<br>■ Launch an independent Commission to develop a regulatory framework for social value accreditation and measurement tools | ■ Create an ‘Institute of Social Value’ to generate, update, verify and monitor social, economic and environmental wellbeing impact data | ■ Introduce mandatory ‘social value’ audits every three years for public bodies and large businesses |

# IMPLEMENTATION

## Strengthening supply chains to deliver social value

## Supply chains

Public bodies and large companies cannot deliver social value on their own. They are dependent upon their supply chains to achieve the outcomes they are commitment to delivering, this as well as drawing on the expertise within communities and those that they are seeking to help.

One of the reasons why VCSE (voluntary, community and social enterprise) organisations have been closely linked to the idea of social value is because there is a recognition that in order to achieve different results, we need to bring in the expertise and knowledge of different types of organisations. Small and medium sized businesses have also had an important role to play, through bringing their knowledge of the places they work and their expertise in developing new products and services. There is a huge opportunity here.

## Buy Social Corporate Challenge

We can see from SEUK's Buy Social Corporate Challenge that there is significant demand for social enterprises to work with public and private sector organisations to deliver social value. Through this challenge, over 1000 social enterprises have supplied goods and services to thirty large businesses, many of these providing services and goods to the public sector.[28] The impact has been significant, supporting nearly 3,000 jobs and seeing £26m of profit reinvested back into social and environmental causes. However, the £225m spend through the challenge is only a fraction of the hundreds of billions of pounds being spent by private companies every year.

28 Social Enterprise UK, Buy Social Corporate Challenge – Year 6 Impact Report, September 2022

Demand for social enterprises, charities and SMEs that can deliver positive social, economic and environmental impact is growing – but the supply of organisations, whilst also growing, is not keeping up with demand. This is a mismatch between the scale of business that the public and private sectors want to do with organisations, and the size of those organisations and their capability to deliver.

This risks creating a 'bottleneck', with commitments to deliver social value increasing through contracts in the public and private sectors, while the supply of organisations to deliver fails to meet up with demand. This mismatch will eventually create disillusionment and undermine the confidence in our ability to deliver social value, reducing ambition and seeing the UK miss the positive opportunities it can and should be creating.

The advent of the idea of social value was accompanied by a wider ambition to support the growth and development of social enterprises, trade by charities and SMEs. It was during this period that we saw the development of the world's first social investment wholesaler, a commitment to spend one-third of central government procurement with SMEs and an 'Investment and Contract Readiness Fund' to help charities and social enterprises bid for contracts and investment. A VCSE Contract Readiness Fund has been developed by the Department for Culture, Media and Sport.[29]

However, more work is needed to expand the number of social enterprises and charities that can deliver social value, and to help SMEs transition to more 'socially enterprising' models that increase their ability to deliver positive social, economic and environmental impact. A growing market of organisations able to deliver positive, social and environmental impact is critical to the success and expansion of social value over the next decade.

## Strengthening and supporting

Contract readiness funds have been shown to work for VCSE organisations. The Social Investment Business' Investment and Contract Readiness Fund enabled social enterprises to win £154m in contracts between 2012 and 2014. However, there was a nine-year gap between

29 Department for Culture, Media and Sport, VCSE Contract Readiness Fund: Application Guidance, 30 November 2022

the development of the last Contract Readiness Fund and the current fund proposed by DCMS. At the same time demand for support has remained and interest in working with social enterprises and charities has grown in the public and private sectors.

Social enterprises and charities seeking to win contracts often find getting access to capital challenging. Yet the social investment market can support the ability of social enterprises, charities and socially impactful SMEs to gain access to contracts and scale up. During the pandemic, social investors increasingly experimented with loan guarantees as a way to unlock finance for social enterprises, for example. The UK Government already operates an Export Finance Guarantee to support businesses taking risks by exporting overseas. Big Society Capital also provided guarantees for social enterprises and charities bidding to run rehabilitation services. There is an opportunity here.

Free tools will need to be created to help smaller organisations understand and implement social value, including webinars, free online courses and simple tracking and measurement tools. Developing this could be the responsibility of the Institute for Social Value or commissioned by the government from a suitable third party.

| Short term (by 2025) | Medium term (by 2028) | Long term (by 2032) |
|---|---|---|
| ■ Make a permanent VCSE Contract Readiness Fund | ■ Develop a 'Contracts Guarantee & Underwriting Finance Facility' | ■ Develop free simple tools for SMEs, social enterprises and charities to learn, implement and measure social value |

# CONCLUSION

We are not starting from scratch. Many aspects of what we need to successfully harness the potential of social value already exist. Crucially, there is a growing group of people and organisations who are committed to making decisions that generate greater social value through their own operations.

To take this to the next level, we need a plan. We need to channel the resources of the public, private and social enterprise sectors in the right direction. Government will be one of the biggest beneficiaries as we reap the rewards of greater consideration of social value, and therefore needs to take an active role in its implementation, as well as investing in the infrastructure and system of support.

Based on conversations and discussions across the country with organisations from a range of different sectors, from people starting their social value journey to expert practitioners, this Roadmap lays out some of the next steps – but this can only be the start. Building a truly effective social value system requires the input and commitment of many stakeholders, including the UK Government, and will take time and investment. This is a journey; this Roadmap proposes the short-term, medium-term and long-term actions that can take us forward.

This Roadmap lays out an ambitious agenda across the public and private sectors as well as social enterprises and charities. Hundreds of billions of pounds of social value can potentially be generated over coming years – bringing tangible improvements to people's lives, the communities they live in, and the planet that we depend upon. If we want to level up the country, achieve Net Zero, create a stronger and fairer society, improve the health and wellbeing of millions of people, we need to work together to achieve success. None of this can be achieved through individuals, organisations or sectors working in isolation.

The good news is that there is a growing coalition of organisations and individuals who believe in social value and working together. We have a strong platform to achieve success over the next decade – but we have no time to waste.

# ANNEX: A BRIEF HISTORY OF SOCIAL VALUE

| | |
|---|---|
| **Early 2000s** | Pioneering work by Mark Cook and Richard Macfarlane produced guidance for how public bodies could generate "community benefit" through contracts in the early 2000s.[30] |
| **2010** | Social Enterprise UK's 2010 Manifesto called for the development of "social and environmental criteria to be incorporated in all procurement decisions."[31] |
| **2012** | Private Members Bill received royal assessment and became the Public Services (Social Value Act) 2012. It required public sector organisations to consider social value when procuring public services. |
| **2013** | Commissioning Academy – established to provide professional development for public sector commissioners to increase the effectiveness and efficiency of government.[32] |
| **2016** | From April 2016, the Commissioning Academy will be delivered by the Public Service Transformation Academy, a not-for-profit social enterprise, led by public service consultants RedQuadrant, the Whitehall and Industry Group charity and other leaders in commissioning with specialist know-how, who are well-placed to design and deliver exceptional leadership programmes and are committed to the aims of transforming the public sector.[33] |
| **2018** | The VCSE Crown Representative - Claire Dove CBE acts as an intermediary between the government and the voluntary and social enterprise sectors since February 2018 to champion the Public Services (Social Value) Act 2012 and to improve commissioning practices.[34] |
| **2018** | In light of the Carillion collapse, government announced a package of new measures in June designed to promote a healthy and diverse marketplace of companies bidding for government contracts and pledges to explicitly evaluate social value in contracts rather than just consider it.[35] |
| **2019** | As a result of the collapse of Carillion, the Government launched the Outsourcing Playbook designed to improve the way that government works with private companies.[36] |

30 R. Macfarlane & M. Cook, Achieving community benefits through contracts: law, policy and practice, December 2002
31 Social Enterprise Coalition, No more business as usual, 2010
32 https://www.gov.uk/guidance/the-commissioning-academy-information
33 https://www.gov.uk/guidance/the-commissioning-academy-information
34 https://www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources
35 https://www.gov.uk/government/news/government-announces-major-changes-to-rebuild-trust-after-carillion-25-june-2018
36 https://www.gov.uk/government/news/updated-outsourcing-playbook#:~:text=The%20Outsourcing%20Playbook%20contains%20rules,possible%20value%20for%20the%20public.

| | |
|---|---|
| **2020** | Procurement Policy Note 06/20 - taking account of social value in the award of central government contracts was published in September 2020.[37] It introduced: a new model to deliver social value through government's commercial activities; a requirement that social value is explicitly evaluated not just 'considered' in all central government procurement and a 10% minimum weighting across applicable government contracts. The Social Value Model sets out 5 themes (COVID-19 recovery, Tackling Economic Inequality, Fighting Climate Change, Equal Opportunity and Wellbeing) and as well as policy outcomes and delivery objectives under each of these. |
| **2020** | In December, the full Social Value Model was published including guidance for use and a quick reference table with a requirement that it is applied to all new procurement activities from January 2021.[38] The model provides further context and definition around each theme and policy outcome as well as providing a set of metrics against each policy outcome. |
| **2020/2021** | Government training 4000 commercial buyers across government to take account of social value and procure successfully from all types and sizes of businesses and organisations, including charities and social enterprises.<br><br>The VCSE Crown Representative hosted a series of contract readiness webinars to highlight opportunities the Social Value Model holds for VCSE organisations. It also provided the latest information and opportunities from central government and heard from key external speakers championing social value in their organisations.[39] |
| **2022/2023** | A new UK Procurement Bill is in the process of going through parliament. It will replace the Public Contracts Regulations 2015, the Utilities Contracts Regulations 2016 and the Defence and Security Public Contracts Regulations 2011.[40] Concerns have been raised that it does not explicitly mention social value and an amendment to include social value has been rejected.[41][42] The Bill is expected to come in to force towards the end of 2023/early 2024. |
| **2023** | Social Procurement Connect launches in January. It is a SEUK initiative designed to support organisations to add social value and impact in their supply chains. |

37 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/921437/PPN-06_20-Taking-Account-of-Social-Value-in-the-Award-of-Central-Government-Contracts.pdf
38 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/940826/Social-Value-Model-Edn-1.1-3-Dec-20.pdf
39 https://www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources
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42 https://www.civilsociety.co.uk/news/missed-opportunity-as-government-rejects-social-value-procurement-clauses.html

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