



Social  
Enterprise UK

# FRONT AND CENTRE

Putting Social Value at the Heart of Inclusive Growth



## ABOUT SOCIAL ENTERPRISE UK

Social Enterprise UK is the largest network of certified social enterprises in the UK and the leading global authority on social enterprise business models and the policy environments which help deliver inclusive growth. Together with its members it is the voice for the future of business.

### **Social Enterprise UK:**

- raises awareness of the UK's social enterprise movement through advocacy and campaigns;
- builds the evidence base for social enterprises through its research;
- leads on public policy working as a strategic partner to governments from across the political spectrum. SEUK was instrumental in the passing of the Social Value Act;
- builds the markets and supportive ecosystems for social enterprises, working with some of the UK's biggest companies to support them expand their social impact and sustainability. In 2016 we launched the Buy Social Corporate Challenge which is seeing some of the UK's largest businesses aim to spend £1 billion with social enterprises by bringing them into their supply chains.

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# FOREWORD



## An alternative vision for society

There is a radical new approach driving economic, environmental and social improvement across communities. 'Social value' is gaining acceptance and being implemented across all levels of government from the countryside to city centres. More importantly, it is delivering results. Areas that are deploying a social value approach have seen higher levels of economic performance, better services and better outcomes for citizens.

Social value works where there is an acceptance by people, businesses and political leaders that we need to change the way that our society and economy functions. We must re-evaluate the fundamentals of what we are trying to accomplish and how we should achieve it. That will take bold leadership and a willingness to challenge previously accepted orthodoxy. This report is about those leaders, particularly at a local level, that have struck out and done things differently.

A lot has been written since the crash of the late noughties about the problems we face. People's experience of inequality, has been steadily rising. Environmental degradation has rapidly increased. Trust in business and politics, the fundamental building blocks of society, has been attacked.

But what is to be done? We believe that there are three fundamental shifts that we need to see, if we are to change the system.

First, we must put the needs and values of people back at the centre of decision making.

Markets, when they work well, should take into account not only the cost of production but also wider social and environmental impacts alongside ethical value to the consumer. But in practice, this rarely happens. Partly because this is complex. Partly because it is not in the interests of sellers to advertise their own failings. This has led us down a path where markets have focused on a narrow conception of value, namely the cost of production, rather than reflecting the needs and morals of people.

The goods and services we need have to be provided, but all too often, an immediate proposition based on cost alone leads to purchasing decisions that do not take either long-term or wider community value into account.

We need a new covenant between people, the state and business.

The second change is a need to challenge the notion that growth alone is good.



Far too much focus is put on GDP growth and absolute numbers of people employed. Yet as we have seen in recent decades, growth does not always lead to higher standards of living for the vast majority of people. Higher levels of employment don't necessarily reduce poverty. We are also increasingly aware of the impact that "dirty" growth is having on our planet.

We need to improve society and protect our planet. Rather than focusing on growth, we must deploy our resources (private and public) more effectively to deliver better outcomes for people. The focus should be on *real* value and transformation, rather than on paper growth.

Increasingly, government and business talk about the inclusive economy and inclusive growth. Increased awareness of the flaws in how we measure our economic performance is welcome. But we need to go beyond words and focus on how we redesign our politics and economy to focus on real improvements in people's lives.

Finally, we need to look at the structure of the entities which are delivering goods and services. Trust has been eroded because people don't believe that government, businesses and charities have their best interests at heart. Vague mission statements or declarations of values won't cut it any more. People want to know that leaders and organisations are focused on the best interest of society and can be held accountable for failures. This needs to be embedded in the decision making and accountability structures of organisations from the supranational to the local.

We need to move beyond a binary sense that either the state or for-profit businesses are the only two choices. We need a richer diversity of organisations delivering goods and services across our economy and society. This must consist of more social enterprises including co-operatives and community businesses alongside traditional voluntary and community groups. Some of these will be small organisations with specialised expertise. Others will be large entities with scale and reach.

Social value is a critical tool in delivering this alternative vision.

Changing the way that we spend money, capturing the wider impacts on society and the environment and holding organisations to account for these is essential for achieving the transformation our society needs. Leaders across the public sector, the private sector and third sector must embrace an alternative vision for society and the economy and keep this at the forefront of decision making. Alongside this, we need practical tools for delivering alternatives.

This report will show you how to deploy one big change, social value, to deliver a better society and protect our planet.

**Lord Victor Adebowale**  
**Chair, Social Enterprise UK**

# EXECUTIVE SUMMARY

## BACKGROUND AND CONTEXT

The Social Value Act came into force in early 2013, requiring commissioning bodies to think about wider social and environmental benefits when procuring new services. In this report, we explore the extent to which the Social Value Act has helped government, in particular local authorities, to deliver on their wider strategic priorities, and we explore how this could be used to drive inclusive growth.

As public sector budgets, especially those of local authorities, have been cut and they become more reliant on local revenue, social value has never been more important. As councils struggle to make budgets balance, social value can help commissioners think long-term, and can provide community resilience, increase employment opportunities and ensure early intervention to avoid future problems, driving down costs in the long-term.

Procurement is the biggest area of public expenditure: in 2017/18, government spent £284bn on buying goods and services<sup>1</sup> from external suppliers.<sup>2</sup> If we are to create an inclusive economy, where and how our money is spent will be crucial.

But social value also needs to be considered beyond procurement. Whether it be through asset transfer, grants or access to finance, making sure that these align to the social value priorities of organisations is essential.

Social value can be a broad spectrum from the individual, economic and added value associated with small charities to the addition of apprenticeships to larger business and infrastructure contracts. It is not one-dimensional and the way it is generated will differ depending on type of service or goods.

Previous research<sup>3</sup> has shown that while some parts of the public sector have begun to consider social value in their tendering process, the impact has been far from transformative on the sector as a whole, and this has been attributed to workplace culture being too risk averse and focused on cost savings, alongside issues of capacity within the public sector.

This report examines the extent to which these continue to be issues. We look at how social value and specifically the Act is being utilised and how some councils have overcome the perceived challenges of implementation. The report focuses on the extent to which social value has been embedded through processes and priorities within government. We have particularly looked at the understanding and awareness of the Act in local government among officers and councillors outside of procurement teams and examined the appetite to use the Act.

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<sup>1</sup> Institute for Government (2018) Government procurement: The scale and nature of contracting in the UK. Available at: [https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG\\_procurement\\_WEB\\_4.pdf](https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_procurement_WEB_4.pdf) Note: everything from goods such as stationery and medicine, through to the construction of schools and roads, the daily delivery of back-office functions such as information technology and human resources, and front-line services such as probation and social care.

<sup>2</sup> *ibid*

<sup>3</sup> Procuring for Good, Social Enterprise UK, 2016 Available at: <https://www.socialenterprise.org.uk/Handlers/Download.ashx?IDMF=e3c5b57a-929b-4d99-933d-b2317376d8cd>

## OUR METHODOLOGY

A detailed methodology is available in Appendix A. Our methods included desk-based research, a workshop, in-depth interviews and a roundtable with stakeholders, and surveys. We designed and distributed two separate surveys, one to the local authority workforce, receiving over 180 responses, and one to central government workers which received only 17 responses, so unfortunately could not be used. Further details about the local government survey can be found in Appendix B. We carried out case studies between January and March 2019 with over 30 stakeholders in Suffolk County Council, Sunderland City Council and the London Borough of Hackney.

## FINDINGS

Often, we have spoken about social value being a journey. At times it has felt that we have not been making much progress on that journey. But this report shows fresh momentum behind social value, the difference individuals can make, and major developments which will shape significant parts of our economy.

Our findings show that social value is currently linked closely to driving local growth. We want people to recognise that this growth can be more inclusive, at a national, regional and local level and be used to build the wealth of communities, if social value were used more strategically.

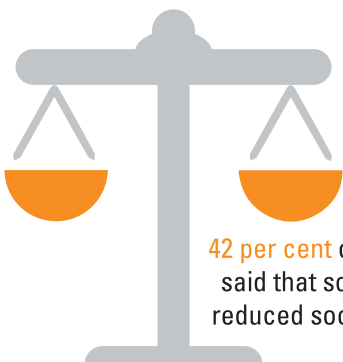
We can now report a much more positive picture for social value, driven by both Town Hall and Whitehall.



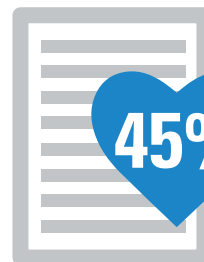
**Two-thirds** of local councils now have a good understanding of social value.



**82 per cent** of local councils believe that social value drives higher levels of growth.



**42 per cent** of local councils said that social value has reduced social inequalities.



Nearly **45 per cent** of survey respondents reported having a social value policy - a large increase from the **24 per cent** of councils in 2016



**£100bn**

Central government has now decided to evaluate social value across over **£100bn** in public spending.



If social value was deployed consistently and strategically across all levels of government, the impact could be truly transformational. We would have services that deliver on the needs of residents while creating value for all. We would have stronger economies and more equal communities. We would have a lower carbon footprint and greater environmental sustainability. This is a vision which everyone can get behind, regardless of their business or political belief.

## THE WAY FORWARD

This report primarily draws on evidence from where social value has been driven forward effectively and where areas have faced barriers in pushing this agenda. From this we have seen that three aspects which are critical for positive social value developments are:

- **Being More Strategic:** we look at the need to align and work with regional partners and anchor institutions to achieve more impact for social value. Social value and the Social Value Act are much more than simply a set of procurement rules. The provisions of the Act can further the wider strategic objectives of local authorities, and the communities they represent, by mobilising a council's purchasing power to support the social, environmental and economic wellbeing of a place. In particular, the Social Value Act can be a legislative tool to help achieve the inclusive economy and growth that many places need.
- **Embedding Social Value within Local Government:** we look at the opportunities for leaders and senior officers to drive social value strategies forward in their councils. Our research found that, to a great extent, social value is seen solely as the remit of procurement teams. However, for the Social Value Act to help foster inclusive growth, it is essential that it is embedded throughout councils and that leaders and chief executives are engaged in driving social value priorities forward.
- **Working with the Market:** we explore the need for a more collaborative relationship with providers to deliver social value outcomes. The last decade has seen councils' spending power diminish markedly. As a result, many have looked to build more collaborative relationships with providers and communities to address local challenges, bringing together their collective assets to deliver positive outcomes for their residents. Key to creating this trusting, collaborative relationship will be early engagement and clear communication with the market and communities, establishing a continuous dialogue during contract management.

Specific actions that can be taken are outlined below. More detail on these recommendations can be found throughout the report.

## **1. Central Government should lead by example. In particular, it should:**

- a. extend the Social Value Act to cover goods and works as well as services to catch up with existing best practice.
- b. include social value within its Industrial Strategy and other major policy strategies. We welcome the renewed leadership by the government in championing social value, but it is important that the golden thread of social value is woven through all its major policy statements.
- c. merge the Public Value Framework and Best Value Guidance with the Cabinet Office's emerging Social Value Framework to create joined up "Social & Public Value Framework" and ensure this framework recognises all types of social value.

## **2. In order to drive inclusive growth, social value needs to be considered more strategically at all scales whether that is ward level, within councils or regionally. To achieve this, local authorities should:**

- a. convene regional Social Value Taskforces in order to align social value priorities at the most appropriate level.
- b. specifically state their social value priorities within their corporate plans and strategies for inclusive growth.
- c. assign a senior leadership role specifically focused on delivering social value at both a political and operational level.
- d. have a dedicated training programme on social value, including for councillors and elected leaders.
- e. produce a "Social Value Budget" alongside the Financial Budget.

## **3. Government leaders (both central and local) must create a culture where staff have permission to experiment with social value.**

## **4. The Local Government Association (LGA) should make social value part of the Peer Challenge.**

## **5. All public bodies should shape social value solutions with their community and providers through regular forums and training events, active and continuous contract management and clear communication of social value priorities.**

# INTRODUCTION

Communities across the country are facing huge social, environmental and economic challenges, and local authorities are at the front line in seeking to address them. Yet these challenges arrive after almost a decade of dramatic cuts to local government budgets that mean responding to sluggish economic growth and rising inequality is harder than ever.<sup>4</sup>

## SOCIAL VALUE ACT

Critically, at a time when every penny of public spending must work twice as hard, councils need to draw on every tool they have to hand. In this report, we explore the extent to which the Social Value Act has helped government, in particular local authorities, to deliver on their wider strategic priorities, and we explore how this could be used to drive inclusive growth.

Procurement is the biggest area of public expenditure: in 2017/18, government spent £284bn on buying goods and services<sup>5</sup> from external suppliers.<sup>6</sup> If we are to create an inclusive economy, where and how our money is spent will be crucial. For example, thirteen per cent of all public tenders in the UK from 2006 to 2017 have gone to companies based in tax havens. So, while this lack of tax-paying may allow these companies to offer low costs, they do little to create value for our country or communities.<sup>7</sup>

The Public Services (Social Value) Act 2012 came into force in early 2013 and requires the public sector to “have regard to” an area’s economic, social and environmental well-being in making procurement decisions. The Act marked a significant shift from procurement practice over recent decades, which has primarily focused on cost reduction rather than value creation. Since the early 1980s, government has outsourced and procured services believing that ‘private businesses can do more with less and make the books balance’.<sup>8</sup> The failures of businesses such as Carillion have showed that we have tested this theory to destruction.

Social value is not a replacement for well-funded public services. But it recognises that we can do more with the money that we spend. This in turn can create stronger economies, better outcomes and reduces demand for acute services over time.

<sup>4</sup> RSA (2017) Inclusive Growth Commission: Making our Economy Work for Everyone. Available at: <https://www.thersa.org/action-and-research/rsa-projects/public-services-and-communities-folder/inclusive-growth-commission>

<sup>5</sup> Institute for Government (2018) Government procurement: The scale and nature of contracting in the UK. Available at: [https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG\\_procurement\\_WEB\\_4.pdf](https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_procurement_WEB_4.pdf)

<sup>6</sup> Note: everything from goods such as stationery and medicine, through to the construction of schools and roads, the daily delivery of back-office functions such as information technology and human resources, and front-line services such as probation and social care

<sup>7</sup> Skuhrovec, J. (2019) Tenders in EU: how much goes to tax havens?. DATLABBLOG. Available at: <https://blog.datlab.eu/eu-tenders-to-tax-havens/>

<sup>8</sup> O’Brien (2019) Interserve May Still Be Breathing But It’s Time The Government Smothers The System That Gave Birth To It. Huffington Post. Available at: [https://www.huffingtonpost.co.uk/entry/interserve-carillion\\_uk\\_5c5c6c97e4b0ac107d971c43](https://www.huffingtonpost.co.uk/entry/interserve-carillion_uk_5c5c6c97e4b0ac107d971c43)

Social value also needs to be considered beyond procurement. Whether it be through asset transfer, grants or access to finance (e.g. through the Public Works Loan Board),<sup>9</sup> making sure that these align to the social value priorities of organisations is essential. Social value can be a broad spectrum from the individual, economic and added value associated with small charities to the addition of apprenticeships to larger business and infrastructure contracts. It is not one-dimensional and the way it is generated will differ depending on the type of service or goods. This can also make it difficult for commissioners to evaluate, particularly for people-centred services, where social value is entwined with the service rather than a simple 'add on'.<sup>10</sup>

As public sector budgets, especially those of local authorities, have been cut and they become more reliant on local revenue, social value has never been more important. As previously mentioned, social value is not a replacement for vital funding. But as the public sector struggles to make budgets balance, social value can help commissioners think long-term, and it can provide community resilience, increase employment opportunities and ensure early intervention to avoid future problems, driving down costs in the long-term.

This report shows the impact that this alternative approach has had across the country, particularly at a local level. It shows a growing momentum for social value and for doing things differently. From inner London to the countryside, we have identified places where social value is changing things for the better. Places like Sunderland, which has become one of the fastest growing cities in the UK; like Suffolk, which has seen higher levels of pay growth than the rest of the country; and like Hackney, which has created more highly skilled jobs than the rest of London. These councils have embraced social value and they attribute at least some of their economic success.

The key element of driving this change has been leadership. Political leaders, chief executives and operational leaders have all taken the decision to embrace social value to drive change and have used their skills to embed it in their work. They have done this despite squeezed budgets and challenging economic circumstances. To a large extent, adversity has forced them to think differently and driven the search for new solutions.

Previous research<sup>11</sup> has shown that while some parts of the public sector have begun to consider social value in their tendering process, the impact has been far from transformative on the sector as a whole, and this has been attributed to workplace culture being too risk averse and focused on cost savings, alongside issues of capacity within the public sector.

This report examines the extent to which these continue to be issues. We look at how social value and specifically the Act is being utilised and how some councils have overcome the perceived challenges of implementation. The report focuses on the extent to which social value has been embedded through processes and priorities within both local and central government. We have particularly looked at the understanding and awareness

<sup>9</sup> Power to Change (2018) Investing in Localism: How local authorities can provide good finance for community business. Available at: <https://www.powertochange.org.uk/wp-content/uploads/2018/05/Localism-Working-paper-V3.pdf>

<sup>10</sup> NLGN, (2017) Social Value in Procurement

<sup>11</sup> Social Enterprise UK, (2016), Procuring for Good

of the Act in local government among officers and councillors outside of procurement teams and examined the appetite to use the Act. We have also briefly explored the approach Central Government is taking to implement social value across all contracts.

This project used a mixed methodology, combining quantitative and qualitative methods. A detailed methodology is available at Appendix A. Our methods included desk-based research, a workshop, in-depth interviews and a roundtable with stakeholders, and surveys. We designed and distributed two separate surveys – one for local government and one for central government. We received 180 survey responses to the local government survey but responses from the central government were poor and we only received 13 valid responses. Unfortunately, this meant that these results could not be used. Further details about the surveys can be found in Appendix B. We carried out case studies between January and March 2019 and interviewed over 30 stakeholders with many in our case study areas of Suffolk, Sunderland and Hackney.

From our research, we can now report a much more positive picture for social value, driven by both Town Hall and Whitehall.

- Two-thirds of local councils now have a good understanding of social value.
- 82 per cent of local councils believe that social value drives higher levels of growth.
- Nearly 45 per cent of survey respondents reported having a social value policy - a large increase from the 24 per cent of councils in 2016
- 42 per cent of local councils said that social value has reduced social inequalities.
- Central government has now decided to evaluate social value across over £100bn in public spending.

This report primarily draws on evidence from where social value has been driven forward effectively and where areas have faced barriers in pushing forward this agenda. From this we have seen that three aspects which are critical for positive social value developments are:

- **Being More Strategic:** In Chapter 1 we look at the need to align and work with regional partners and anchor institutions to achieve more impact for social value.
- **Embedding Social Value Within Councils:** In Chapter 2 we look at the opportunities for leaders and senior officers to drive social value strategies forward in their councils.
- **Working with the Market:** In Chapter 3 we explore the need for a more collaborative relationship with providers to deliver social value outcomes.

# 1 MAKING SOCIAL VALUE A STRATEGIC LEVER TO INCLUSIVE GROWTH

Social value and the Social Value Act are much more than simply a set of procurement rules. The provisions of the Act can further the wider strategic objectives of local authorities, and the communities they represent, by mobilising a council's purchasing power to support the social, environmental and economic wellbeing of a place. A wider consideration of social value can also help focus priorities outside procurement such as through asset transfer or access to finance.

In particular, the Social Value Act can be a legislative tool to help achieve the inclusive economy and growth that many places need. This transformative potential is increasingly being adopted across all levels of government, but particularly at a local level. Despite this, our research suggests that both central and local government could do more to integrate social value into their strategic decision making. Central and local government are taking a piecemeal approach to the Act, with neither using its provisions in a strategic way.

## MEETING THE NEED FOR THE INCLUSIVE ECONOMY AND GROWTH

Over the last few years, funding cuts have hit and divisions (both political and economic) have become increasingly stark across the country. Cities and regions in the UK are looking at how increasing inequality and low growth can be addressed. There is a growing recognition that urgent action is needed if we are to create an economy that is both stronger and more inclusive. This has been termed inclusive growth. Inclusive growth is economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.<sup>12</sup>

Much of the work that has been carried out on inclusive growth has looked at how we can 'produce' greater equality through investment in social infrastructure.<sup>13</sup> While new investment will support inclusive growth, we also need to consider how, where and why we spend our money currently and how that money is generated through an inclusive economy.<sup>14</sup> Already, local government recognises the potential for the Social Value Act to be a useful tool in promoting economic growth. Eight-two per cent of respondents to our local government survey reported that considering social value in procurement decisions promoted economic growth in their area.

<sup>12</sup> OECD (2019) Inclusive Growth. Available at: <https://www.oecd.org/inclusive-growth/>

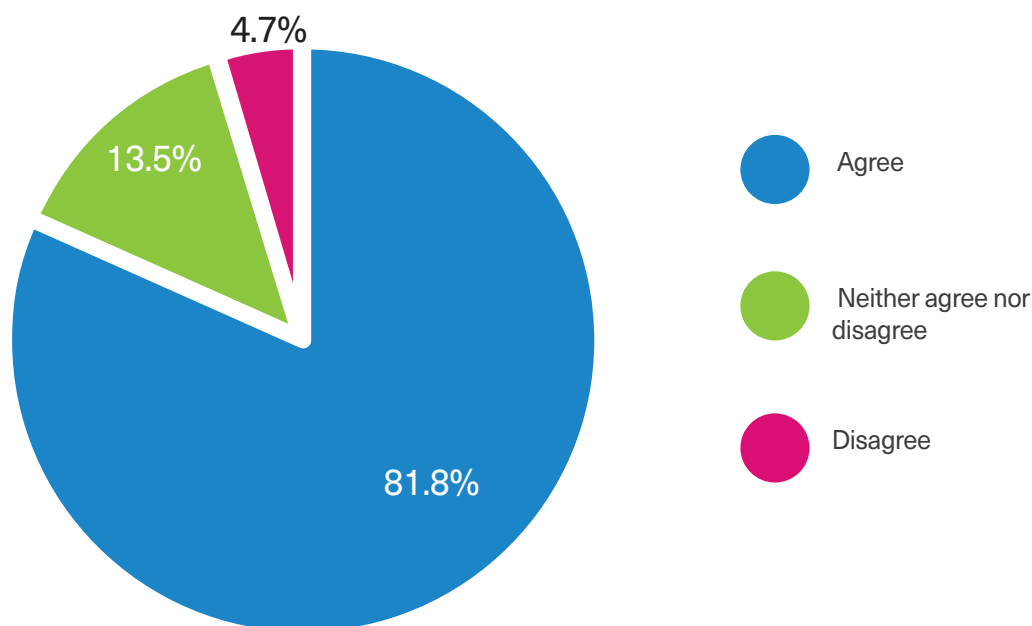
<sup>13</sup> RSA (2017) Inclusive Growth Commission: Making our Economy Work for Everyone. p. 36. Note: Social Infrastructure is defined as Investing in education, skills and employability support, mental health, affordable childcare Available at: <https://www.thersa.org/action-and-research/rsa-projects/public-services-and-communities-folder/inclusive-growth-commission>

<sup>14</sup> CLES, (2018), 'We need an Inclusive Economy not Inclusive Growth', Available from: [https://cles.org.uk/wp-content/uploads/2018/12/Policy-Provocation\\_We-need-an-inclusive-economy-not-inclusive-growth\\_191218.pdf](https://cles.org.uk/wp-content/uploads/2018/12/Policy-Provocation_We-need-an-inclusive-economy-not-inclusive-growth_191218.pdf)



## Social value can help to promote economic growth in my area

Local government respondents n=148



It was apparent from interviews and case studies that councils have found it easier to apply social value principles in relation to construction and waste contracts, where social value can be seen in terms of additional, easily quantifiable benefits, such as apprenticeships, or multiplier effects from using local suppliers. What can be harder for both commissioning bodies and providers to grasp is the additional, wide-reaching social value that can be found in people-focused services. Ironically, it is “services” which is covered by the current provisions of the Social Value Act rather than goods and works. The Act is increasingly out of date with best practice.

***“The big thing that’s romped ahead is construction. It’s limited in scope, the environment and jobs, which are short term. There’s now a push in construction to think about how to get longer term sustainable benefit from things beyond the construction phase.”***

– Officer, Metropolitan Council.

While the recognition by authorities of the economic growth potential of the Act is to be welcomed, our findings suggest that there needs to be a greater recognition of the importance of investment in social infrastructure – including public health, early years support, skills and employment services. There also needs to be greater appreciation of environmental impact, with the environment often being ignored compared with traditional economic measures.

Social infrastructure and protecting the environment should go hand in hand with investment in physical infrastructure and business development if growth is to be both inclusive and sustainable. The quality of social infrastructure has a first order impact on productivity and living standards.<sup>15</sup> A clean and safe environment is important for people's wellbeing. This is where the Social Value Act comes into its own. If used effectively, it enables councils to invest in a wide array of areas, including social infrastructure, when commissioning not just physical infrastructure but any service they deliver.

## CREATING SOCIAL VALUE TO UNDERPIN INCLUSIVE GROWTH

The Social Value Act can provide an important legislative lever to bring about inclusive growth, allowing councils to mobilise their significant procurement budgets to support it.

Procurement is the single biggest component of government expenditure:<sup>16</sup> in 2017/18, government spent £284bn on buying goods and services<sup>17</sup> from external suppliers. This amounts to around a third of all public expenditure.<sup>18</sup> As a result, procurement has the potential to do far more to shape the social and economic landscape.

Social value has made great progress, but we need to move beyond the original principles in the Social Value Act towards embedding social value strategically into all aspects of councils' work. Increasingly, councils have taken social value seriously, but it needs to be joined up with work on local industrial strategies. To reach its full potential, social value must not be locked into the "procurement box". It is not just about buying goods and services but should include everything the council does and how it does it.

Collaboration will be necessary to achieve this. Collaboration with communities and the voluntary sector; collaboration between local councils; collaboration with providers such as social enterprises and community businesses which have expertise in creating social value.

<sup>15</sup> RSA (2017) Inclusive Growth Commission: Making our Economy Work for Everyone, p. 8. Available at: <https://www.thersa.org/action-and-research/rsa-projects/public-services-and-communities-folder/inclusive-growth-commission>

<sup>16</sup> Institute for Government (2018) Government procurement: The scale and nature of contracting in the UK. Available at: [https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG\\_procurement\\_WEB\\_4.pdf](https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_procurement_WEB_4.pdf)  
Note: By comparison, £264bn is spent on grants, which includes all benefit payments, and £184bn is spent on pay for government employees

<sup>17</sup> Institute for Government (2018) Government procurement: The scale and nature of contracting in the UK. Available at: [https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG\\_procurement\\_WEB\\_4.pdf](https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_procurement_WEB_4.pdf)  
Note: everything from goods such as stationery and medicine, through to the construction of schools and roads, the daily delivery of back-office functions such as information technology and human resources, and front-line services such as probation and social care.

<sup>18</sup> Institute for Government (2018) Government procurement: The scale and nature of contracting in the UK. Available at: [https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG\\_procurement\\_WEB\\_4.pdf](https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_procurement_WEB_4.pdf)

## CENTRAL GOVERNMENT

To date there has been a mixed approach to social value by central government departments and very limited use of the Social Value Act in procurement. Some civil servants we spoke to felt that the Social Value Act was much easier for local authorities to embrace and apply as ‘there’s a more direct link to what is commissioned and outcomes for residents. We also struggled to gather a full picture of the understanding and awareness of the Act in central government, receiving relatively few responses from Whitehall. From subsequent interviews with officials, it appears that the poor response rate may at least in part have been the result of few seeing the survey as relevant to their role. If true, this is an interesting finding in itself: for social value to be embedded within government it will need to be understood and prioritised beyond the procurement functions.

More positively, central government has a renewed interest in the Social Value Act. Driven by ministerial interest, DCMS and the Cabinet Office along with Crown Commercial Services are currently undertaking work in this area, responding to Minister David Lidington MP’s proposals on extending the Act last summer.<sup>19</sup> Initially, it seemed that this interest in social value was driven by a desire to manage risk when commissioning and outsourcing, particularly in the wake of the collapse of Carillon, rather than to be transformative in promoting inclusive growth. However, the government’s most recent announcement<sup>20</sup> calling on business to do more to improve society, suggests that central government is expanding its vision of social value. This is a positive development and we call on the government to continue to further embed social value across its work.

Social value is addressed in the Civil Society Strategy. While the Civil Society Strategy has also received some traction across departments, for the Social Value Act to have a significant impact, it needs to be articulated clearly in key economic strategic policies like the Industrial Strategy.

***“There are major things coming from central government with no mention of social value in them. There are no guidelines around social value, no measures, no acknowledgement of social value.”***

– Officer, Metropolitan Council

<sup>19</sup> Lidington, D. (2019) Chancellor of the Duchy of Lancaster speech to Reform. Available at: <https://www.gov.uk/government/speeches/chancellor-of-the-duchy-of-lancaster-speech-to-reform>

<sup>20</sup> Lidington, D.(2019), Available from: <https://www.gov.uk/government/news/businesses-urged-to-do-more-to-help-improve-society>

The lack of consideration of social value in the National Industrial Strategy also means central government falls short in their leadership for local authorities. Each Local Economic Partnership (LEP) has been requested to develop local industrial strategies that should align with the national strategy. Given that the National Industrial Strategy makes no mention of inequality or the need to address disparities in economic distribution or the Social Value Act, it makes it more difficult for local areas to articulate the need for inclusive growth, and the role social value could play in their own industrial strategies.

Central government has committed to requiring all central government contracts to take account of social value (rather than just consider) and has proposed a minimum weighting of 10 per cent to social value in contracts. Central government's approach to delivering on this commitment is currently under consultation. On the one hand, this demonstrates a serious commitment to social value. However, there are some concerns that the proposed framework approach could be restrictive and counter to the original purpose of the Act, lacking the flexibility to encourage a more diverse provider market. In particular, the more rigid the framework the more likely it is that innovative social value - often generated by smaller, more local providers such as social enterprises, SMEs and charities will be missed. It is important that in communicating its new framework, central government stresses that this is a "bare minimum" and should not restrict innovation within government departments (or the wider public sector) but encourage and incentivise them to go above and beyond.

Another opportunity would be to connect HM Treasury's new "Public Value" framework<sup>21</sup> with discussions on social value. Public value is about creating better outcomes for citizens and as the framework notes this includes "personal, social and economic well-being". It is important that social value is fully integrated into the Public Value framework, to avoid a two-track approach within central government. Public value, best value<sup>22</sup> and social value are all mutually reinforcing, but central government needs to demonstrate this through its communications and practice.

## LOCAL GOVERNMENT AND DEVOLVED AREAS

***"We don't want cost saving; we want to mitigate budget cuts. We want to make sure we won't have increased costs in the longer term."*** – Officer, Metropolitan Council

<sup>21</sup> HM Treasury, (2019), 'The Public Value Framework: with supplementary guidance' Available from: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/785553/public\\_value\\_framework\\_and\\_supplementary\\_guidance\\_web.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/785553/public_value_framework_and_supplementary_guidance_web.pdf)

<sup>22</sup> DCLG, (2011), Best Value Statutory Guidance, Available from: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/5945/1976926.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/5945/1976926.pdf)

In an era of funding cuts within local government, much has been made of whether local authorities can afford to include social value in their tenders when they are looking for the service to be delivered at the lowest possible cost. This is a false economy on two fronts. While cheaper services can accrue short term financial wins, purchasing in this way can add to future costs. For example, if people are being employed on less than living wage salaries there will be associated costs for the council to support the employees with housing costs, free school meals etc. It also means that an opportunity is being missed to invest in ways that can reduce future demand on local authority services and stimulate inclusive growth in the local economy.

By strengthening social value clauses in contracts, councils can invest in early intervention and produce longer term financial savings. However, while over half of the respondents to our survey believed that the Social Value Act had led to better outcomes for their residents, only 25 per cent felt they had already saved money as a result. More encouragingly, nearly 65 per cent felt their council had the potential to do so, with sufficient commitment from senior leadership teams.

Some of this challenge is cultural and some is technical. Many public bodies continue to operate in silos where it is hard to read “savings” across different departments or service areas. This can make it hard for officials to identify where social value is being created and whether other departments are seeing the benefits from their spending. More needs to be done to connect and pool information across different public bodies so that an accurate picture of social value is created. Culturally and politically, there has been a greater focus on place in recent years with institutions getting better at working together to focus on outcomes across a geographical area. Yet budgets and spending are rarely pooled at the level of place. We need to overcome risk aversion and the culture of protectionism if we want to see social value achieve its maximum potential.

That being said, the Social Value Act is being used to deliver some excellent work on a local level. Councils are more positive towards the Act than we have found in previous research. Fifty-three per cent of our local government survey respondents said that the Social Value Act had led to more joined up thinking and 55 per cent felt that it had led to better outcomes for residents. Although some see social value as just something for procurement, others see social value as something much more transformative.

**Hackney Council has launched its own energy company that will supply clean affordable energy, investing in the borough's own capacity to generate renewable electricity and re-investing profits back into the local area. The council is taking into account food miles, use of plastic and emission targets in its school meal procurement specifications.**

Initiatives like Locality's 'Keep it Local'<sup>23</sup> campaign offer a real opportunity to drive this agenda forward. The organisation is working with Lloyds Bank Foundation for England and Wales to maximise social value, particularly looking at how this can be done through local organisations.

Use of social value was particularly strong when councils were working together either in devolved areas or in groupings of their own. Increasingly central government has recognised the importance of place in economic development and public service reform. The recent shift towards devolution to city and county regions (particularly in England) has opened a new opportunity for groups of local authorities to take on greater strategic investment and planning responsibilities.

To get the most out of social value it needs to be aligned to a council's corporate strategy and to be considered at the appropriate geographical scale. Some challenges, such as unemployment, may be best addressed at a regional or combined authority level. It is important that councils collaborate with each other and with other anchor institutions (e.g. Further Education colleges, the NHS) to make sure that social value priorities are aligned for greater impact. Using social value to drive inclusive growth will require local authorities to work together with private businesses and third sector organisations to create stronger institutional foundations in our towns, cities and regions.

■ **Sunderland City Council** is one of 12 local authorities that is part of NEPO (North-East Procurement Organisation) that has ensured that the political leadership of the 12 councils are engaged in shaping the strategic value and importance of public procurement to help communities. NEPO now has a commitment from the political and council leaders to recognise the strategic importance of procurement and how it can really shape service delivery and collaboration. Each authority's Director of Finance, councillors and Heads of Procurement meet regularly to share best practice and improve procurement processes in the region. In 2017/18 local authority spend with North East registered suppliers was significant at 60 per cent (£1.6b) of which 65 per cent was with the region's small and medium sized enterprises (SMEs).

In some places, we have also seen this approach applied to a limited number of other policy areas, notably in health and social care in Greater Manchester.<sup>24</sup>

**Wirral Metropolitan Council** have used the Social Value Act to help co-design their community care market, linking the market to local recruitment and retention. The authority is now developing a programme of opportunities, to enable care leavers to move into apprenticeships through their supply chain. They have also used the Act to take a greener approach to procurement; for example, using recycled plastics to build roads.

<sup>23</sup> Locality, (2019), Keep it Local, Available from: <https://locality.org.uk/policy-campaigns/keep-it-local/>

<sup>24</sup> RSA (2017) Inclusive Growth Commission: Making our Economy Work for Everyone, p. 32. Available at: <https://www.thersa.org/action-and-research/rsa-projects/public-services-and-communities-folder/inclusive-growth-commission>



- In **Manchester**, the Social Value Act is seen as a tool to deliver on Greater Manchester's strategic priorities. It is something that the Mayor has taken ownership of and driven forward. The ten councils in Greater Manchester have a long history of working together, giving a good basis to collaborate on their approach to social value, and a Greater Manchester Social Value working group was established in 2015 that shares good practice. STAR<sup>25</sup> Procurement – a shared procurement service for some of the 10 GM councils – works across the councils, guided by priorities that have been agreed by all. Social value is expressed as meaning fairer work, health and happiness for every Manchester resident. They use a 20 per cent social value weighting in procurement contracts to boost local neighbourhood economies, while minimising impact on the environment. In 2016-17, Greater Manchester spent £320 million on procurement, 71 per cent of this spend went to local companies, 70 per cent of suppliers paid all their staff an hourly rate in excess of the real Living Wage. The top 300 suppliers had created an estimated 1160 jobs within Greater Manchester, and an estimated 705 apprenticeships as well as an estimated 68,862 hours of volunteering & community sector support activities.<sup>26</sup>
  
- **Surrey County Council**, Brighton and Hove City Council and East Sussex County Council are partners in a shared services organisation – Orbis<sup>27</sup>. The business invested time and capacity in building social value criteria relevant to all three councils into its work as well as spending time developing the local provider market through delivering training and supplier engagement events. As specialists, Orbis have the skills and opportunities to pilot new approaches relevant to a regional level, for example including social value in a procurement framework which runs across the three councils. The company has also shared its frameworks online which has enabled other councils to take a similar approach.

Local providers need to be directly engaged by local anchor institutions (universities, hospitals, colleges and other major employers rooted in their local areas) to build communities, drive up productivity and stimulate demand. At a local level, this means an approach based on deep understanding of local communities and local assets; connecting people to quality jobs; resourcing place regeneration as well as business investment; and helping businesses keep ahead in the context of Brexit.<sup>28</sup>

- **Coventry's** local anchor institutions are being brought together to develop an improved understanding of social value and align social value priorities within the city's anchor institutions. The anchor institutions include Coventry City Council,

<sup>25</sup> Star Procurement (2019) Star Procurement website. Available at: <https://www.star-procurement.gov.uk/star-procurement.aspx>

<sup>26</sup> CLES (2017) Manchester and City Spend Analysis 2016/2017 [https://cles.org.uk/wp-content/uploads/2018/03/MCC-sspend-analysis-201617-web-version\\_CLES-2018.pdf](https://cles.org.uk/wp-content/uploads/2018/03/MCC-sspend-analysis-201617-web-version_CLES-2018.pdf)

<sup>27</sup> Orbis Partnership (2019) Orbis Partnership website. Available at: <https://www.orbispartnership.co.uk/>

<sup>28</sup> RSA (2017) Inclusive Growth Commission: Making our Economy Work for Everyone, p. 10. Available at: <https://www.thersa.org/action-and-research/rsa-projects/public-services-and-communities-folder/inclusive-growth-commission>

Coventry University, Warwick University and housing associations and will encourage a closer relationship between voluntary, community and social enterprise (VCSE) organisations and anchor institutions to contribute to delivering Coventry's city priorities through social value. This will be delivered through workshops and training sessions and encourages key strategic decision-makers to place more importance on social value in the city.

Additionally, social value can be considered, beyond procurement, on a very local scale. There is evidence that smaller organisations often deliver social value benefits for their local authorities<sup>29</sup> but are frequently too small to consider bidding for contracts with social value clauses.

- **Sunderland City Council** operates “Area Committees” to address problems at the local ward level, which tackle challenges using grant funding, given to VCSEs. The priorities and values stem from the City Plan and encourage more interaction with local VCSEs to work towards local and city objectives, with the intention of producing social value for Sunderland, with no direct link to the Act. An example of this is the creation of an online marketplace for those in furniture poverty to buy upholstered furniture at heavily discounted prices. Local VCSEs worked with the council to collect furniture for free, instead of the usual £20 collection cost for an individual, and then upholster furniture to display on the online marketplace. Those identified as being in furniture poverty were given a code that gave a heavily discounted price.

## THE WAY FORWARD

**Social value should be considered a key instrument in delivering an area's wider strategic objectives, and especially in creating inclusive growth. To do this:**

- **Central Government must extend the Social Value Act to cover goods and works as well as services to catch up with existing best practice.** Social value has always been more than just service delivery and the evidence suggests that the fastest growing areas are in construction and waste management. These pioneers have managed to create social value despite uncertainty about what is permissible. Legislation needs to catch up with what is happening on the ground and spread best practice across all levels of government.
- **Social value needs to be considered more strategically at all scales whether that is ward level, within councils or regionally.** To achieve this:

<sup>29</sup> CRESR and Sheffield Hallam University (2018) The Value of Small. Available at: <https://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/value-of-small-final.pdf>

- **At a regional level, Combined Authorities, LEPs and Councils should convene “Social Value Taskforces”.** Local authorities and other public sector bodies and anchor institutions need to collaborate on a regional level to align social value priorities at the most appropriate level. Not every issue can be dealt with at a local level (e.g. transport) and it is important that political and operational leaders are brought together to ensure that opportunities to generate social value are maximised. This will create more inclusive economies and foster greater collaboration.
- **Central government must lead by example and include social value within its Industrial Strategy** and other major policy statements. We welcome the renewed leadership by the government in championing social value, but it is important that the golden thread of social value is woven through all major policy statements. The Industrial Strategy is the most important as this is shaping economic policy at a national level, with significant investment behind it, and is where the opportunities for creating social value are greatest.
- **Central government should merge the Public Value Framework and Best Value Guidance with the Cabinet Office’s emerging Social Value Framework to create a joined up “Social & Public Value Framework”.** One of the barriers to social value being deployed is that there is a lack of coordination between different frameworks. Central and local government often talks about the same thing in a variety of different ways. Public value and best value are both methods for maximising the outcomes generated by public money, as is social value. These three approaches should be brought together to encourage all departments and all public bodies to integrate effective decision making, value for money and social value together and it must include recognition of the range of social value generated by different providers. This should be alongside updating the Social Value Act.

## 2 EMBEDDING SOCIAL VALUE WITHIN LOCAL GOVERNMENT

*“The Social Value Act has seen a change in services, better outcomes and a better mix of providers but it has felt like a long haul”* – Procurement Officer

The Social Value Act was introduced in 2012, but councils have changed immeasurably since then. Funding cuts have seen councils transformed, becoming ever more entrepreneurial. Many have rethought their roles as commissioning councils as well as their relationships with providers and communities. But funding pressures have led some to focus primarily on reducing costs, rather than creating value. Significantly, our research has found that, to a great extent, social value is seen solely as the remit of procurement teams. However, for the Social Value Act to help foster inclusive growth, it is essential that it is embedded throughout councils and that leaders and chief executives are engaged in driving social value priorities forward.

### BEYOND PROCUREMENT

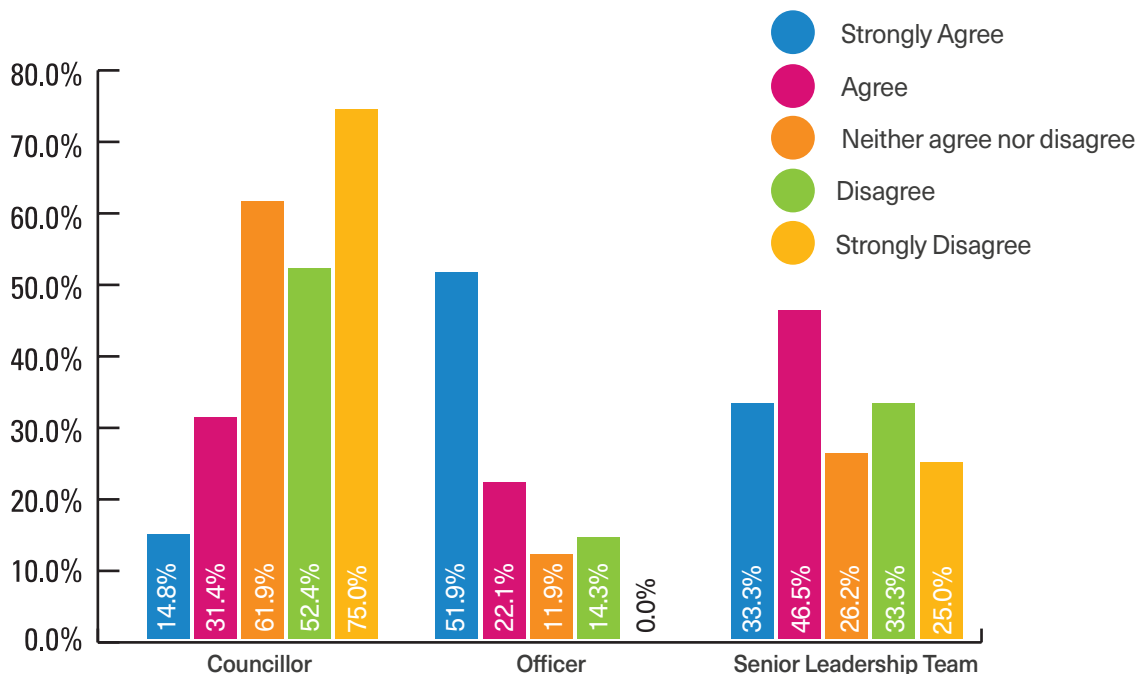
The growing level of awareness of the Social Value Act across local government is encouraging. Almost two thirds of the respondents to our survey (63 per cent) reported that they have a good understanding and knowledge of the Social Value Act, and only 14 per cent felt that they did not.

Some have viewed social value as merely an issue of procurement compliance rather than something of strategic importance. The agenda often seemed to be viewed as done and dusted: one senior officer told us that the term is “very 2012”. Where senior officers and councillors are engaged in what could be considered social value priorities, these priorities are rarely referred to as ‘social value’ and as such, there seems to be a disconnect between inclusive growth and what could be a key tool in its creation. This has meant that while there is an understanding of social value within local government, that understanding can be quite patchy.

*“Our strongest areas in social value is construction and waste, [but] you’ll have pockets across the council doing different things on social value.”* – Officer, County Council

### I have a good understanding and knowledge of the Social Value Act

(by council type role n=180)



Nearly 80 per cent of the senior leadership team, and 74 per cent of officers, felt they have a good understanding and knowledge of the Social Value Act. However, comparatively few councillors (46 per cent) felt that they understood and have knowledge of the Act. Only just over 15 per cent felt confident in their knowledge compared to 52 per cent of officers.

*“The Social Value Act, works as it is, but only people in the organisation that want to know about it have taken an interest in it.”* – Officer, Metropolitan Council

These results show that there is a mixed understanding and knowledge of the Act throughout councils. It seems that the closer your role is to the specific and technical provisions of the Act (i.e. those in procurement and service delivery), the higher understanding and knowledge appears to be. It is also procurement officers that noticed the impact of the Act, with some noting that the Act allowed them to do things that were not possible before. Importantly it has also encouraged them to become more proactive contract managers.

***“The Social Value Act has allowed us to do things we weren’t allowed to before”*** – Procurement Officer, County Council

A council may have a strong social value framework and policy, but if this is not integrated through the council and driven by the leadership, then it is not as effective as it might be.

***Social value is “being pushed ‘sometimes’ or ‘to an extent’ but it’s hard to give one answer across the council and that yes/no is sometimes too simple.”*** – Officer, Unitary Authority

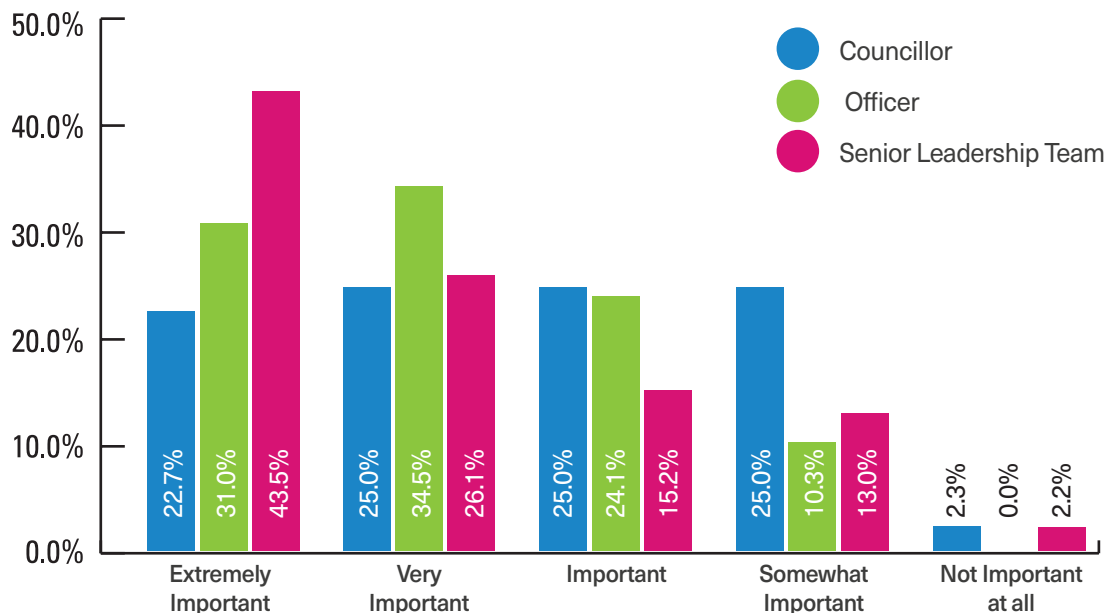
Ad hoc use of the Social Value Act to create some additionality to contracts is better than nothing, but it should not take the focus away from embedding social value at a strategic level. In fact, if a broader social value approach is advocated by leadership (particularly councillors), where social value is not just applied at pre-procurement stage, but is taken into account in all transactions, supply chains, contract management, asset management and planning decisions, the ability and capacity to deliver on corporate priorities increases dramatically.

## KEY ROLES IN EMBEDDING SOCIAL VALUE

Nearly all respondents felt that greater interest from senior decision-makers and leaders in supporting social value would be important to achieving the Act’s full potential. Leadership teams (both officers and members), will need to work together to empower commissioning and procurement teams to use the Act to drive better outcomes. However, our research found that councillors are less convinced that their leadership role is necessary to drive forward social value in commissioning. This is unsurprising given the history of procurement over recent decades. Until recently, governments have sought to depoliticise procurement and commissioning, emphasising legal constraints around competition and diminishing choice. This has left councillors feeling unable to challenge and steer the direction of how public money is spent.



### The importance of greater interest from senior decision-makers and leaders in supporting social value, by council role type (n=119)



Social value needs to be seen as more than something the procurement team does to comply with legislation: it is not sufficient to simply delegate the matter to a junior staff member as a Social Value Officer.

Without leadership and clear direction from members and from senior officers, not least Chief Executives and Finance Directors, it is unlikely that social value will be embedded across the council so that it can support wider strategic objectives.

- **Members** have a central role in setting the strategic direction of the council and of holding their officers to account. If social value principles are to be embedded across the authority, it is essential that they develop their own understanding and knowledge of the Social Value Act and ask if the council is getting the best outcomes for residents from purchasing decisions. Members do not need an in-depth knowledge of the legal technicalities, simply an understanding that the Act means that the council can procure with purpose, to ensure that the council's spending has a positive impact for its residents and supports their corporate priorities. Only five councils of 118 that responded to our survey told us that they offer some kind of training or induction for members on social value.
- **Chief Executives** can make the link between how the Act can be used as a tool for delivering wider strategic priorities, as well as setting the wider culture within the authority. Practically, CEOs can prioritise investment in training on social value and decide to place responsibility for it nearer to the corporate centre. They can also set

the tone for relationships with providers and stakeholders to reflect the authority's commitment to social value principles. If officers view their Chief Executive fostering collaborative, trusting relationships with key local institutions and potential providers, it is more likely that those attitudes will be replicated across the authority. For example, in one authority we heard about how their in-house legal team had become a barrier to the council driving through new and innovative approaches. The Chief Executive sought a second legal opinion from outside of the council to find a way to make the desired changes. Once the in-house legal team saw this happening, the culture in the team changed and they were more supportive, becoming creative in finding ways to deliver new approaches, rather than responding with a risk averse 'no'.

- **Finance Directors** have an important role to play in shaping how procurement teams approach purchasing generally and the implementation of the Social Value Act specifically. This is because FDs are central to identifying and articulating what value for money means to the council. As well as emphasising the creation of value over simply cutting costs, they can help to shape the whole authority's approach to social value. There are good prudent reasons for doing so, not least in making the most of the constrained resources councils have. The attitude of the FD to risk and their openness to new approaches is also important. By contributing to a more permissive culture in which officers are enabled to seek alternative solutions and find ways to maximise the value of spending for residents, officers are free to maximise their use of social value. The Finance Director of one local authority talked about this using the analogy of shopping at 'John Lewis' – you might get the product cheaper elsewhere, but it would end up costing more in terms of repairs or replacement, so it made sense spending slightly more in the first place as “you get what you pay for”.
- **Service and Contract Managers** - While leadership is critically important to embedding a social value approach across the whole council, everyone has a part to play, including Service and Contract Managers. Some Procurement Officers that we spoke to expressed their frustration at being unable to convince these colleagues of the importance of social value in their contracts. One highlighted that this was something that those managing construction contracts had found easier to grasp as social value was an 'add on' to contracts, whereas service managers that were tendering for people focused services found it more difficult to understand social value as they felt their contract already provided for social value. For instance, the focus for most small and medium sized charities is creating value for the individuals who engage with their services and activities day in, day out.<sup>30</sup>

<sup>30</sup> CRESR and Sheffield Hallam University (2018) The Value of Small. Available at: <https://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/value-of-small-final.pdf>

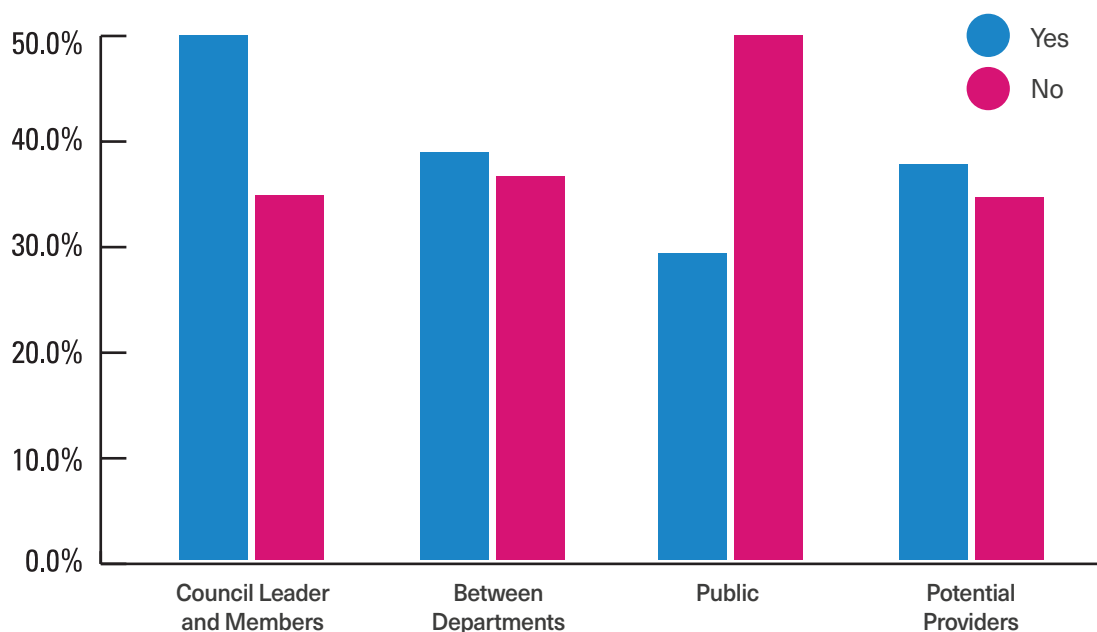
## COMMUNICATE FOR CULTURE CHANGE

Currently, councils do little to communicate their approach to social value, especially with the general public. Greater effort to engage the public in conversations about the wider impact services are having could help to spark a virtuous circle.

*“Take a step back, there’s a much bigger picture locally, residents are much more keyed into: what am I getting out of this?”* – Procurement Officer, County Council

If the public are asking questions about the added value the council is creating through their purchasing, then council leaders and members will be increasingly interested in mechanisms like the Social Value Act that allow them to achieve better outcomes for their residents. This is something that even those authorities that are more mature in their approach to social value are only just starting to invest in or work out how to do effectively. Salford’s ‘10% Better’ campaign<sup>31</sup> has been particularly effective. It is also important that communities are engaged in order to improve the way that social value is created by councils. In early stages, social value has been generated from the perspective of commissioners, with social value being interpreted in terms of savings to council budgets. While this is a good starting place, over the long term, social value needs to become responsive to the values and needs of local people. This will make social value truly transformative for communities. Improved communication is vital in achieving this.

### Communication of social value to: (n=132)



<sup>31</sup> Social Value in Salford, (2019), Available from: <https://www.salfordsocialvalue.org.uk/10-better-campaign/>

In addition to this, even within the leadership team itself our survey suggests that social value is not widely discussed. Around 35 per cent of council survey respondents do not communicate their social value to councillors or between departments. This is a critical barrier to embedding the principles behind social value in the culture and practice of local government.

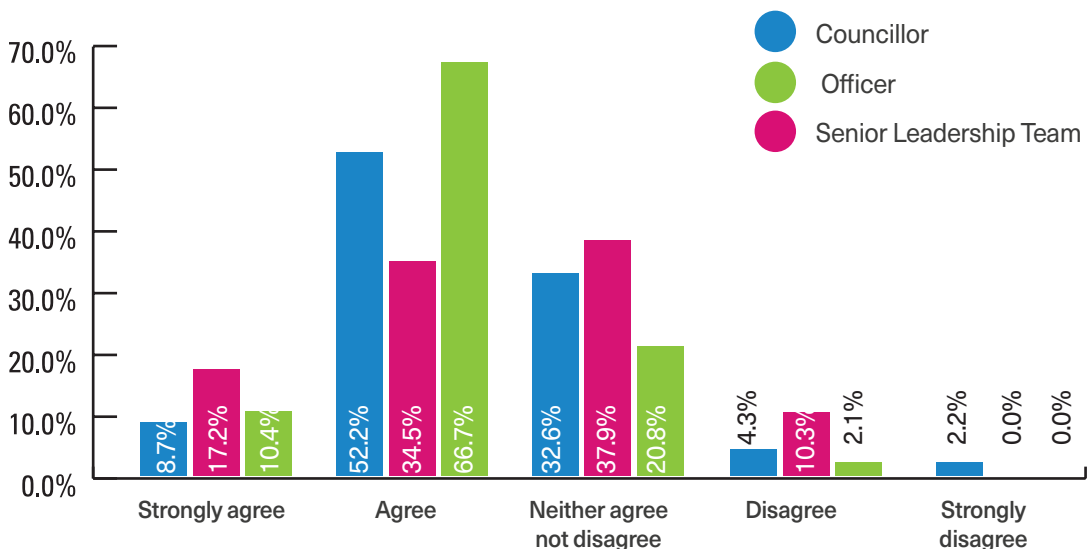
*“A lot of decision makers and politicians intuitively understand something by “social value”, but unfortunately that differs from person to person”* – Head of Service, County Council

If social value priorities are to become more embedded and strategic, it is important that councillors and officers have a shared understanding, and communication is key to achieving this.

## THE CHALLENGE OF MEASUREMENT

Critical to a shared understanding of, and to generating support for, social value is being able to measure the change that its application is creating. That requires the development of clear mechanisms for calculating impact and the use of nuanced proxies where it is not possible to directly measure social value. Local councillors and officers remain concerned that certain aspects of social value cannot be quantified, and it is important that steps are taken to improve confidence in measurement so that there is belief and buy in for the data that is generated around social value.

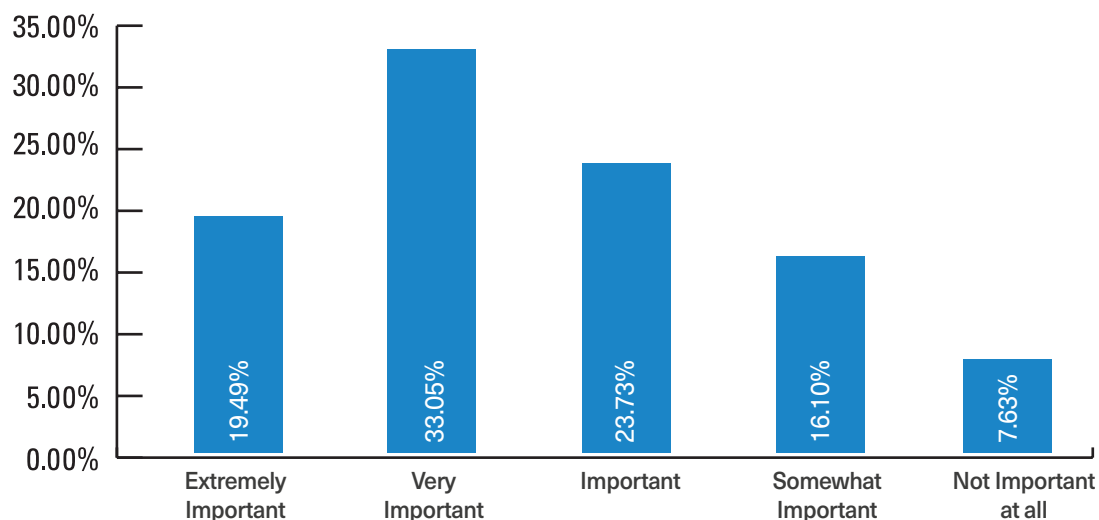
### My council accepts that there are certain aspects of social value that can't be quantified (n=123)



Problems of measurement are still cited by survey respondents as a barrier to wider adoption of social value approaches. Overall, 45 per cent of respondents did not believe they could confidently measure social value impacts. Senior officers (77 per cent) and, to a certain extent, councillors (61 per cent) seem to be more at ease with the 'unquantifiable' nature of social value compared to officers (52 per cent). Qualitative evidence of social value should be accepted, even if it is marked in a quantitative way for ease of comparison. In any case, local councillors and council officers need to be given greater confidence in the use of data to measure and direct social value, otherwise there is a risk that social value will always play second fiddle to financial value. Greater confidence in assessing the impact of social value will encourage greater use and support it being embedded more fully into strategic decision making.

*“What’s not helping is the proliferation of measurement tools. We need to know when to use them. They’re not the place to start, you need to know what to measure before you can measure it.”* – Officer, Metropolitan Council

#### Extent to which improved, and more guidance and frameworks are important for measuring social value (n=118)



Over half of respondents to our survey agreed that a better framework for measuring social value is important. However, it was evident that such frameworks need to be adaptable on a local level, to suit local circumstances and priorities. There was little appetite for a national, centralised measurement approach, with few respondents agreeing that this was important, and 60 per cent of chief executives saying that it was not important at all. This is welcome, as social value is different for different people and communities. Without differentiation there is a risk that inappropriate actions are taken to deliver value – the emphasis must instead be on recognising the different ways in which social value is generated.

From interviews with councils that are using current frameworks such as the National TOMs (Themes, Outcomes, Measures) Framework,<sup>32</sup> many had already made changes or were looking at ways of adapting the framework to suit their local needs, so that it was better able to capture the full extent of social value created by their commissioning. For less confident councils, the way TOMs has been presented means some feel they cannot adapt it. This may limit the scope of their approach to social value, by creating the impression that what they can do is defined by the framework: one council officer we interviewed had wanted to change an outcome on the TOMs framework but felt unable to do so without specific permission. While this is not the intention of the TOMs framework, this is driven by a lack of confidence by councils about how to measure and evaluate social value.

This is also a concern regarding central government's proposed framework approach for social value which could unintentionally limit creativity and innovation within local government. Although the framework is only meant as a minimum guideline for central government departments, it will influence practice at a local authority level. We need clarity from central government that this is not meant to be a "national" framework, that it is a minimum standard and that there is room for innovation above and beyond their proposals. Similarly, it is important that this recognises the different types of social value that are generated.

## LACK OF SENIOR RESPONSIBILITY FOR SOCIAL VALUE

A lack of senior responsibility for social value was shown from our own research process. We contacted senior leaders within councils (both officers and members) and were told 'you should speak to our procurement team'. If social value is pigeon-holed as simply procurement, it can quickly become very limited. As nothing more than a procurement regime, social value cannot become what it should be: an expression of what is important to a council.

**Sunderland City Council** have taken this approach (see appendix C), the Heads of Procurement and of Policy work together to ensure that the City Plan can be supported by procurement. This has led to more joined-up working within the council and service managers now see their role in delivering social value as part of their wider priorities.

The siloing of social value is reflected in council structures too. Just over 58 per cent of respondents reported having an elected member responsible for social value. Officers at a county council we spoke to talked about the difficulty in getting their social value policy sponsored by a councillor to take it to cabinet. Where a designated member exists, they are most commonly the member with responsibility for the Finance, or Finance and Resources portfolio. There's perhaps a practical reason why social value responsibility

<sup>32</sup> The Social Value Portal. The National Toms Framework 2019. Available at: <https://socialvalueportal.com/national-toms/>



most commonly sits with those who hold finance portfolios, as it will be the reporting line for the Director of Finance or Head of Procurement who will most often have responsibility for implementing the Act. Having a named member with responsibility for social value does reflect an attribution of a certain amount of importance to it, but it also suggests that it is not necessarily being seen as the wider strategic planning tool that it could be.

**Suffolk County Council's** approach and priorities for social value have been distilled to a simple A4 'plan on a page'. This has made it easy for providers to understand what the council is expecting in their social value offer and it allows them to tailor and adapt their responses to wider questions of social value in an appropriate and useful way for the council. This provides information that is accessible, easy to understand, interpret and can be used in all tender documents (see appendix E).

## ALIGN POLICY AND PROCUREMENT

The Social Value Act is a tool to deliver a council's corporate priorities, not least in creating inclusive growth. Social value priorities need to be included in, and emanate from, a council's corporate strategy as they have done in Sunderland City Council and Kingston Council. Procurement teams and policy teams need to work together to ensure that their priorities are symbiotic.

A Social Value Policy can be useful to articulate a council's social value priorities. Nearly 45 per cent of survey respondents reported having a social value policy - a large increase from the 24 per cent of councils in 2016,<sup>34</sup> but it is crucial that this is linked to a council's overall corporate objective.

Crucially, embedding social value cannot be a one-off activity, with a policy document as the end result: it needs ongoing attention and investment. In one authority that we spoke to, external consultants were engaged to develop a social value approach, in partnership with local health commissioners and with the support of the council leadership. Despite the work initially apparently gaining traction, three years later there was little understanding amongst officers as to what the council was trying to achieve through its use of the Act and the framework that had been developed.

In **Kingston**, the council's Corporate Plan 2019-2023 outlines the priorities and the basis on which the council will make decisions. Their social value framework aims to maximise social value from all external relationships to benefit Kingston communities and businesses and help them achieve their strategic outcomes. As part of this they have committed to ensuring that social value criteria are part of every commissioning process and that they can identify the key outcomes for RBK [Royal Borough of Kingston].<sup>33</sup> Each contract has a 'social value ask' which consists of outlining the specific actions and outcomes that are expected of social value. This ensures that social value is not just a priority for procurement teams but is an organisational objective for all those working for and with the council.

<sup>33</sup> The Royal Borough of Kingston (2019) Corporate Plan 2019 – 2023. Available at: [https://www.kingston.gov.uk/downloads/file/3020/kingston\\_councils\\_corporate\\_plan\\_2019-23](https://www.kingston.gov.uk/downloads/file/3020/kingston_councils_corporate_plan_2019-23)

<sup>34</sup> Social Enterprise UK (2016) Procuring for Good. Available at: <https://www.socialenterprise.org.uk/procuring-for-good>

## CREATE A PERMISSIVE CULTURE

Ninety-two per cent of respondents felt that a less risk averse culture was needed if social value was to become a more effective strategic lever in their council's armoury. As one workshop participant noted "culture is driven by the political body". The Social Value Act is itself a permissive piece of legislation. It supports councils to be able to proactively procure with purpose. It purposefully does not define what social value is or specify how it should be applied so that it can be adopted in the best way possible for each local area.

However, the permissive nature of the legislation means that it does require a certain kind of culture and approach to fulfil its potential. Officers used to more directive guidance can struggle with this flexibility. To maximise the potential of the Social Value Act, councils need to develop a more permissive culture that is supportive of innovation, to find what works in specific places and for contracts within particular markets. Previous research<sup>35,36</sup> has cited examples of how a permissive culture can be fostered, for example via co-production. Nothing has a bigger influence on the quality of service delivery and overall impact than the culture and practices of the workforce.<sup>37</sup> One senior officer described to us how they trust employees to:

*“get the work done” and “get the right outcomes” for residents* - Senior Officer, London Borough

This chapter has examined the role of leadership from both within local authorities as well as the role of government. What leadership can do, both within local authorities but also nationally, is help officers to deliver maximum social value for their council but also nationally find ways to support and trust councils to confidently measure social value.

## THE WAY FORWARD

For social value to have a meaningful impact on the social, environmental and economic wellbeing of places, it needs to have a strategic importance for councils. It needs to be viewed as the business of officers and members beyond procurement and seen as a way of delivering on corporate priorities, such as inclusive growth. Members,

<sup>35</sup> University of Birmingham, (2017), '21st Century Public Servant', Available at: <https://21stcenturypublicservant.wordpress.com/21st-century-public-servant/21st-century-public-servant/>

<sup>36</sup> NLGN (2016) Outside The Box: The council workforce of tomorrow. Available at: <http://www.nlgn.org.uk/public/wp-content/uploads/Outside-the-Box.pdf>

<sup>37</sup> NLGN (2016) Outside The Box: The council workforce of tomorrow. Available at: <http://www.nlgn.org.uk/public/wp-content/uploads/Outside-the-Box.pdf>

chief executives and directors of finance will need to recognise the role that they play in driving social value forward. Their actions will determine how social value is perceived within the council and the priority it is given.

- **Government leaders (central and local, officers and politicians) must create a culture where staff have permission to experiment with social value.** Senior leadership teams need to establish a permissive and trusting culture for commissioners and procurement officers to ensure that the Social Value Act is reactive to local conditions and applied on an appropriate level. To do this all combined authorities, councils, LEPs, and public bodies should:
  - Specifically state their social value priorities within their corporate plans and strategies for inclusive growth. This will ensure that social value is not seen as a “luxury” but is fully integrated into decision making within all public bodies.
  - Assign a senior leadership role specifically focused on delivering social value at both a political and operational level. Social value is a cross-cutting issue, in a similar way to finance or HR. Only when there is focused and committed leadership on social value will staff feel that they have the backing and permission to embed social value and innovate to drive inclusive growth. This will ensure that social value supports the long-term financial priorities of the council.
  - Have a dedicated training programme on social value, including councillors and elected leaders. In the same way that staff are trained on cyber security, diversity or financial management, social value should be a cross-organisational training priority. Opportunities to maximise growth and use public money effectively are being ignored because personnel are not aware of how they can develop social value. Training should also highlight the different ‘types’ of social value that can be generated. This will boost social value and save councils money over the long term.
  - Produce a “Social Value Budget” alongside the Financial Budget. It has long been a principle that financial transparency improves performance in public bodies. The same approach should be taken to social value. Alongside their financial budgets, public bodies should outline and quantify what social value they have produced across all departments and projects over the financial year. This would enable public bodies to be held to account for the social value that they have produced and look at how they can make improvements in future years. Social value can only be increased if we know where we are now and have accurate baselines to compare future performance. Leaders need to know what decisions to take to increase it and where they can invest resources. Effective measurement is critical to achieving that. What is measured will be different in different communities, but we should move

towards standardisation of methodologies whilst ensuring that all aspects of social value are incorporated, recognising the value of qualitative data and not just driving measurement towards quantitative values.

- **The Local Government Association (LGA) should make social value part of the Peer Challenge Programme<sup>38</sup>** Peer challenge is a proven tool for improvement. It is a process commissioned by a council and involves a small team of local government officers and councillors (from another council) spending time at the council as peers to provide challenge and share learning. Councils reported to us that they were unsure of how well they were doing on social value compared to other councils. If social value evaluation was to be part of the LGA Peer Challenge Programme it would encourage councils to share best practice and allow them to benchmark their approach to social value against each other.

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<sup>38</sup> LGA. Peer Challenges. Available at: <https://www.local.gov.uk/our-support/peer-challenges>

# 3 WORKING WITH THE MARKET

*“If the local authority is not here to improve local social and economic outcomes, what are we here for?”*

– Officer, County Council

The last decade has seen councils’ spending power diminish markedly. As a result, many have looked to build more collaborative relationships with providers and communities to address local challenges, bringing together their collective assets to deliver positive outcomes for their residents. This creates an opportunity to shape the market, to reset the relationship between communities, providers and commissioners and, importantly, to align the purchasing decisions of local authorities, working with their providers, with joint objectives for inclusive growth. Key to creating this trusting, collaborative relationship will be early engagement and clear communication with the market and communities, establishing a continuous dialogue during contract management.

The Social Value Act was originally intended to broaden the provider market and make it easier for social enterprises and voluntary and community organisations to bid for and win public sector contracts. As the author of the Act, Chris White, said in the second reading of the debate: “We need to create the opportunity for voluntary organisations, social enterprise, charities and socially responsible businesses to thrive. That will not happen by itself.”<sup>39</sup> However, structural challenges surrounding commissioning and procurement still make it difficult for SMEs, social enterprises and community businesses, as well as the voluntary and community sector, to really take advantage of the Act.<sup>40</sup> Market conditions have changed over this period too, with councils rethinking their approach to commissioning services<sup>41</sup> even before the collapse of Carillion and other outsourcing bodies prompted a reappraisal across the public sector.

*“The maturity of responses coming back, in regard to the social value questions, has improved greatly over the time period”* – Procurement Officer, County Council

Things have moved forward but much more could be done to develop the market, achieving a triple bottom line: a more diverse provider market; better outcomes; and a more equitable distribution of social and economic value.

<sup>39</sup> House of Commons (2010) Public Services (Social Enterprise and Social Value) Bill. Available at: <https://publications.parliament.uk/pa/cm201011/cmhansrd/cm101119/debtext/101119-0001.htm#10111964000001>

<sup>40</sup> CRESR and Sheffield Hallam University (2018) The Value of Small. Available at: <https://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/value-of-small-final.pdf>

<sup>41</sup> NLGN (2012) Commissioning Dialogues. Available at: <http://www.nlgn.org.uk/public/2012/commissioning-dialogues-3/>

## COMMUNICATING SOCIAL VALUE

*“We’re increasingly asked about social value in tenders, with specific questions on it, but they are often scored low, and it very much varies depending on the commissioner. Despite being a social enterprise with 30 years’ experience and 10 years of measuring our impact, we’ve never yet won a contract based on social value”*

– Social Enterprise Provider

In line with our findings outlined in Chapter Two, providers also reported finding it difficult to decipher exactly what the social value priorities of a council are. Social value approaches are not uniform between local authorities, nor are they uniform within councils. While social value priorities must continue to be locally determined, it is important that councils articulate them clearly. This does not appear to be the case currently. Only 29 per cent of councils reported communicating their social value priorities to the community and only 37 per cent to providers.

Not only does such communication enable a broader range of providers to enter the market, but better relationships between providers and commissioners can also support the creation of higher social value. A number of councils we spoke to talked about how, as their spending power has diminished, they are looking to build more collaborative relationships with providers to address local challenges, bringing together their collective assets to deliver positive outcomes for their residents. Key to these collaborative, open and transparent relationships is communicating a council’s approach and priorities for social value. Again, ‘Keep it Local’ is supporting this approach around its core principles of: starting with the place and the person; maximising local social value; building community capacity; simplifying processes and creating a level playing field; and involving local people through co-design.<sup>42</sup>

## UNPICKING SOCIAL VALUE

The size and purpose of a provider organisation often determines their approach and interaction with commissioning authorities. Through this research we found organisations adjusting to new ways of working with central and local government bodies, many of whom appear to be on a journey towards more shared responsibility for delivery for their residents and communities, and away from a contractor-contractee relationship.

<sup>42</sup> Keep it Local, Locality [www.locality.org.uk/policy-campaigns/keep-it-local/about-keep-it-local/](http://www.locality.org.uk/policy-campaigns/keep-it-local/about-keep-it-local/)

One issue that is continuously raised around the Social Value Act is that larger businesses have a greater capacity to invest in bid writers to respond to social value questions. Consequently, many businesses and organisations that are motivated by a social purpose have had more difficulty in articulating how they create social value in their responses to bids, despite typically delivering high levels of value due to the intrinsic way that they work. There is a key role for commissioners to work with the market to ensure that all providers are able and willing to deliver on the social value priorities they wish to see. Training can play a key part in this.

Another approach is ensuring more nuanced and sophisticated measurement of social value at a local level. National frameworks and standards make it easier for large organisations to bring their economies of scale to bear. Locally driven measurement and evaluation, with social value determined as far as possible by the needs of communities, will enable smaller organisations which are responsive to those needs to flourish.

***“You come from a sector that is very aware of social value, you take it for granted that you are social value”***

– Medium Sized Charity

As noted by procurement officers, social value can be a challenge to evaluate for people-centred services, where social value is entwined with the service, such as in social care. This was also reported as a challenge for providers. Small and medium sized charities, community businesses and smaller social enterprises, in particular, reported difficulty in articulating social value as it is often so intrinsic to what they are already delivering. As research has shown, small and local charities tackling complex social issues generate value for individuals, the economy and community.<sup>43</sup>

There was also a concern that the social value asked for in some tenders was tending towards a list of very specific social value benefits, such as offering the use of office space to local voluntary organisations or volunteering opportunities. While useful, these benefits are quite prescriptive and potentially easier for larger organisations to offer as smaller ones are unlikely to have assets to contribute. Larger organisations are better able to compete in bidding processes, with greater capacity to write tenders and define their social value offer, and this can mean that innovative social value offers are missed.

***“Our best example is where one authority was commissioning for change, rather than a straight forward re-commissioning of a service, we were able to offer quite an innovative approach designed around the social impact we thought the service could have”*** – Social Enterprise Provider

<sup>43</sup> CRESR and Sheffield Hallam University (2018) The Value of Small. Available at: <https://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/value-of-small-final.pdf>



There is evidence that smaller organisations often deliver social value benefits for local authorities<sup>44</sup> but are frequently too small to consider bidding for contracts with social value clauses or, if able to bid for a contract, find it harder to articulate their social value in bids due to internal capacity, skills and a lack confidence.

However, some organisations did report that having to focus on 'unpicking' social value had helped their organisation, even smaller bodies, to think more about what they could do.

***“There has been an element of what you do and unpicking it, but the Social Value Act also makes you think about what more you could do”***

– Third sector provider

**ENGIE** has worked closely with Cheshire West and Chester Council to develop an effective value offer for their joint venture, Qwest. One of their core social value offers is employee volunteering time to support local charitable projects. They have found that offering employee volunteering time has had a positive impact on their company productivity reducing the number of sick days taken and increasing retention rates. The long-standing relationship between the business and the local authorities has also led to the development and launch of a white label energy offer 'Qwest Energy' for the area. The new company focuses on lowering bills for local residents, particularly those at risk of fuel poverty and supporting de-carbonisation. For every new customer, Qwest Energy makes a contribution to a new community fund to re-invest in the local community including support for projects to tackle fuel poverty.

Similarly, other organisations reported that they had benefited from delivering social value as their own productivity had improved, and they were often more likely to win new contracts as a result of their commitment to social value.

## ENGAGING FOR SOCIAL VALUE

***“Austerity has affected our ability to engage the market and sometimes it is just a ‘round robin’ to give views – really we need people in the room and to have a one-to-one conversation.”*** – Commissioner, County Council

<sup>44</sup> CRESR and Sheffield Hallam University (2018) The Value of Small. Available at: <https://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/value-of-small-final.pdf>

As funding cuts have hit, councils are redefining their relationship with the community and increasingly need to build partnerships and to collaborate with the community<sup>45</sup> and providers, to assess what services are needed and what can be delivered, and to increase understanding amongst potential providers about how the authority works. This continuous conversation is key to ensuring that the market can respond effectively to the demands placed upon it, including in relation to the social value priorities of local authorities.

Ongoing engagement can take a number of forms, from hosting regular ‘meet the buyer’ events to providing training on how the commissioning and procurement process works. In addition, councils can benefit from engaging with local provider networks, such as the

Chamber of Commerce or the local voluntary infrastructure body.

One charity told us how, because of their council’s open and transparent way of working:

#### **Small Charity (Request to be anonymous)**

This is a small local charity offering services to support women who have unequal access to services, including asylum seekers and women with learning disabilities. The organisation is funded by a mixture of grant and contracts, from both national and local government. It has a good relationship with their local authority:

“Generally, the local authority does see our social value and looks for ways to support us to deliver it, they are good at involving the local VCSE in consultations when re-commissioning services, and we understand they’re limited by their budget. There’s a drive towards encouraging partnerships to bid for services, and support from the local authority to do this, which shows their thinking is in the right place, they just don’t always understand the complexities this brings for bidding and delivery.”

*“The charity has changed its mind-set, four or five years ago, if we’d been asked (by the council) to run services differently, we would have refused. But we know we’ll have support from the council to do this, we’ll work out a way that we can do it together”* – Third Sector Provider

Most of the local authorities we spoke to understood and valued the social value offered by smaller VCSE organisations and sought to support their work in some way.

<sup>45</sup> NLGN (2019) The Community Paradigm: Why public services need radical change and how it can be achieved. Available at: [http://www.nlgn.org.uk/public/wp-content/uploads/The-Community-Paradigm\\_FINAL.pdf](http://www.nlgn.org.uk/public/wp-content/uploads/The-Community-Paradigm_FINAL.pdf)

### **The Befriending Scheme, Community Business, Suffolk**

The Befriending Scheme was founded 30 years ago with the aim to support those with learning disabilities to experience normal everyday activities. The organisation has developed a relationship with Suffolk County Council over the last couple of decades. A small Carer's grant from the council in the late 1990's contributed to the core costs of the service.

It was not until 2014 that the council recognised the preventative value of the services the organisation delivered, and the cost savings these made for the council, awarding the organisation an annual preventative service grant which again made a contribution to core costs. Suffolk Council also part funded a SROI (social return on investment) audit of the Befriending Scheme which demonstrated the financial return the organisation gives back to the community for any investment in it.

Policy changes as a direct result of central government cuts in the last few years have meant not only the end of grants from the council, but also the switch to personal budgets in social care and a new way of working for the organisation. The Befriending Scheme now charges its service users directly. There continues to be a relationship with the council via free safeguarding training and long-standing connections with colleagues, which supports the organisation.

The Befriending Scheme will be opening a Care Farm later this year, which will use farming and animals as a form of therapy. It is intended to be a business addressing social need, running on a cross-subsidy model and it's expected that more social enterprises and community businesses will spin out of the venture. It is hoped that this work will be supported by the new relationship between Suffolk Council and Power to Change and will deliver on the social value priorities for the county as well as support the Befriending Scheme to be more sustainable.

## **TRAINING FOR SOCIAL VALUE**

Some of these challenges can, in part, be tackled by providing training on the procurement and commissioning process for all providers, as Suffolk County Council does.

***“Attending the training built my confidence and made me realise our organisation could bid for a contract. I understood the process, and had built relationships with the commissioning and procurement team”***

– Local Charity Provider

Training sessions for providers help to build relationships as well as a being seen as a safe space to discuss what has gone wrong or right. Suffolk County Council has been providing training for the last 10 years and the sessions have helped to give providers the confidence to take part in the commissioning process. One participant noted that:

*“The training provided useful information on how the local authority required providers to demonstrate their understanding of social value in the context of a limited word tender presentation”* – Provider

NEPO (North-East Procurement Organisation) have also provided training for providers to ensure that local businesses understand social value. Through engagement with local business hubs and a particular emphasis on SMEs and social enterprises, NEPO delivers regular workshops and training to take them through their members' procurement and social value processes.

## ACTIVE CONTRACT MANAGEMENT FOR SOCIAL VALUE

Throughout the research, both commissioners and providers told us that social value commitments became meaningless unless they were actively monitored through contract management. Too often, councils appeared to lose focus on contract management for social value once a service had been commissioned, with a lack of clarity about where responsibility for this should sit.

Yet active contract management is central to the kind of collaborative relationships that can deliver better service outcomes, secure greater social value, and identify new opportunities. It enables both commissioner and provider to keep social value creation in mind as the contract plays out. To be effective, however, the way contracts are monitored matters: without proper attention, there is a danger of setting KPIs that have potentially meaningless outcomes at the outset, which makes it easy for both sides to 'game the system'. There is a responsibility on providers to collaborate in good faith, but moreover local authorities need to invest in agile and active contract management if they are to achieve best value from their contracts and deliver greater social impact.

Suffolk County Council described how one of their commissioners used to refer to 'we' – meaning the council and the provider – when talking about who was delivering the service. While a provider had been commissioned to deliver a service, the council still saw the service as a joint responsibility and would work with the provider to overcome any challenges. This also meant that the relationship was more relaxed and the provider more inclined to be adaptive to the council's needs. While the council had official contract management meetings on a quarterly basis, they were in fact in regular contact – every couple of weeks – with the providers.

### P3 - National Charity and Social Enterprise

P3 is a charity and social enterprise that delivers people centred services including housing, support to people involved in the criminal justice system and young people and families.

Ninety-five per cent of their services are commissioned by local authorities or national government.

As an organisation they prefer to work with local authorities that are keen on social value, they tend to avoid bids that are weighted on price and focus on those that are weighted on quality and social value. They are confident they are able to articulate their social impact and doing this well helps to build relationships with commissioners and local authorities.

As a result, councils have approached them to deliver more social value, in one case P3 were invited by a local authority to bid for a Social Impact Bond to tackle homelessness. Often the councils might not recognise what they are asking for as social value.

There's a sense that the understanding of social value is still developing amongst commissioners, increasingly tenders are including questions on social value and social impact. Councils are facing difficult challenges with finances and in many cases are looking to social value and the Social Value Act as a way to get more for their money. But it's still very dependent on who is doing the commissioning. Local authorities that are thinking about total place, and their communities tend to be more receptive to the social value that P3 can offer.

## THE WAY FORWARD

While it is important for social value to be considered strategically both regionally and within councils, it is also essential that councils and providers work collaboratively to deliver social value outcomes. Government at all levels needs to work with the market to ensure that they are ready to provide social value and have a relationship with commissioners and contract managers that mean that they can be flexible and adapt as contracts are delivered. To do this:

- **All public bodies should shape social value solutions with their community and providers.** Social value is effectively delivered when solutions are co-produced with the community and providers but to get the best outcome for citizens, public bodies need a clear vision and strategy. This can be done through:

- Regular forums and training events so that social enterprises, businesses, voluntary organisations and citizen groups can understand priorities and feed in their expertise.
- Active and continuous contract management, to keep social value creation in mind as the contract plays out through regular dialogue with providers and measurement of outcomes.
- Clear communication of social value priorities, for example through a plan on a page.
- Recognise and explore opportunities outside of procurement and the Social Value Act to foster social value. This can be via grants, asset transfers, supply chains, and building networks with anchor institutions (including the VCSE sector).

# CONCLUSION AND RECOMMENDATIONS

Over the last ten years government, and particularly local government, has changed immeasurably. Funding cuts have led to a reduction in services and a redrawing of the relationship between councils, communities and providers.

At the same time, cities and places in the UK are grappling with how to deal both with a sustained period of low growth and high inequality.<sup>46</sup> There is a growing recognition that urgent action is needed if we are to create an economy that is more inclusive.

If social value was deployed consistently and strategically across all levels of government, the impact could be truly transformational. We would have services that deliver on the needs of residents while creating value for all. We would have stronger economies and more equal communities. We could have a lower carbon footprint and greater environmental sustainability. This is a vision which everyone can get behind, regardless of their business or political belief.

Often, we have spoken about social value being a journey. At times it has felt that we have not been making much progress on that journey. But this report has showed fresh momentum behind social value, the difference individuals can make, and major developments which will shape significant parts of our economy. The challenges of implementation, for example around quantifying social value, of improving understanding across all parts of government and of communicating this with the public, should not be underestimated, but they are surmountable.

In this report, we have set out a clear vision of how social value can be used to deliver an inclusive economy and discussed the ways in which each player can help to build on the progress that has already been made, respecting the different challenges facing different areas. Specifically, we have identified a number of mechanisms, outlined below, which would help to achieve this overall vision.

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<sup>46</sup> RSA (2017) Inclusive Growth Commission: Making our Economy Work for Everyone. Available at: <https://www.thersa.org/action-and-research/rsa-projects/public-services-and-communities-folder/inclusive-growth-commission>



## RECOMMENDATIONS

1. **Central Government should lead by example.** In particular, it should:
  - a. **extend the Social Value Act to cover goods and works as well as services to catch up with existing best practice.** Social value has always been more than just service delivery and the evidence suggests that the fastest growing areas are in construction and waste management. These pioneers have managed to create social value despite uncertainty about what is permissible. Legislation needs to catch up with what is happening on the ground and spread best practice across all levels of government.
  - b. **include social value within its Industrial Strategy** and other major policy statements. We welcome the renewed leadership by the government in championing social value, but it is important that the golden thread of social value is woven through all major policy statements. The Industrial Strategy is the most important as this is shaping economic policy at a national level, with significant investment behind it, and is where the opportunities for creating social value are greatest.
  - c. **merge the Public Value Framework and Best Value Guidance with the Cabinet Office's emerging Social Value Framework to create joined up "Social & Public Value Framework".** One of the barriers to social value being deployed is that there is a lack of coordination between different frameworks. Central and local government often talk about the same thing in a variety of different ways. Public value and best value are both methods for maximising the outcomes generated by public money, as is social value. These three approaches should be brought together to encourage all public bodies to integrate effective decision making, value for money and social value together and must recognise the range of different ways that social value can be generated.
  
2. **In order to drive inclusive growth, social value needs to be considered more strategically at all scales whether that is at ward level, within councils or regionally.** To achieve this local authorities should:
  - a. **convene Regional Social Value Taskforces** - Local authorities and other public sector bodies and anchor institutions need to collaborate on a regional level to align social value priorities at the most appropriate level. Not every issue can be dealt with at a local level (e.g. transport) and it is important that political and operational leaders are brought together to ensure that opportunities to generate social value are maximised. This will feed higher levels of inclusive growth and foster greater collaboration.

- b. **Specifically state their social value priorities within their corporate plans and strategies for inclusive growth.** This will ensure that social value is not seen as a “luxury” but is fully integrated into decision making within all public bodies.
  - c. **Assign a senior leadership role specifically focused on delivering social value at both a political and operational level.** Social value is a cross-cutting issue, in the same way that finance or HR are. Only when there is focused and committed leadership on social value will staff feel that they have the backing and permission to embed social value and innovate to drive inclusive growth. This will also ensure that the right balance is struck between social value and financial value.
  - d. **Have a dedicated training programme on social value, including councillors and elected leaders.** In the same way that staff are trained on cyber security, equalities and financial management, social value should be included. Opportunities to maximise growth and use public money effectively are being ignored because personnel are not aware of how they can develop social value. Training should also highlight the different ‘types’ of social value that can be generated.
  - e. **Produce a “Social Value Budget” alongside its Financial Budget.** It has long been a principle that financial transparency improves performance in public bodies. The same approach should be taken to social value. Alongside their financial budget, public bodies should outline and quantify what social value they have produced across all departments and projects. This will enable public bodies to be held to account for the social value that they have produced and look at how they can make improvements in future years. Social value can only be increased if we know where we are now. Leaders need to know what decisions to take to increase it and where they can invest resources. Measurement is critical to achieving that. What is measured will be different in different communities, but we should move towards standardisation of methodologies that recognise the value of qualitative data as well as more quantifiable information.
3. **Government leaders (both central and local) must create a culture where staff have permission to experiment with social value.** The senior leadership team needs to establish a permissive and trusting culture for commissioners and procurement officers must ensure that the Social Value Act is reactive to local conditions and applied on an appropriate level.

- 4. The Local Government Association (LGA) should make social value part of the peer Challenge Programme.**<sup>47</sup> Peer challenge is a proven tool for improvement. It is a process commissioned by a council and involves a small team of local government officers and councillors from another local authority spending time at the council as peers to provide challenge and share learning. Councils reported to us that they were unsure of how well they were doing on social value compared to other councils. If social value evaluation was to be part of the LGA peer challenge programme it would encourage councils to share best practice and allow them to benchmark their approach to social value against each other.
  
- 5. All public bodies should shape social value solutions with their community and providers.** Social value is effectively delivered when solutions are co-produced with the community and providers but to get the best outcome for citizens, public bodies need a clear vision and strategy. This can be done through:
  - a. Regular forums and training events so that social enterprises, businesses, voluntary organisations and citizen groups can understand public bodies' priorities and feed in their expertise.
  - b. Active and continuous contract management, to keep social value creation in mind as the contract plays out through regular dialogue with providers and measurement of outcomes.
  - c. Clear communication of social value priorities, for example through a plan on a page.
  - d. Recognise and explore opportunities outside of procurement and the Social Value Act to foster social value, via grants, asset transfer, supply chains and building networks with anchor institutions.

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<sup>47</sup> LGA. Peer challenges. Available at: <https://www.local.gov.uk/our-support/peer-challenges>

# APPENDIX A: METHODOLOGY

**Literature and Policy Review:** A desk-based literature review was conducted, looking at research and policy evidence on the Social Value Act, social value, sustainable procurement, as well as policy literature on community wealth building and inclusive growth. This included publications by membership bodies, academic research and sector-and role-specific literature as identified in the footnotes.

**Interviews:** In-depth, semi-structured interviews with senior stakeholders from local government (CEXs, councillors and leaders, Directors of Finance) and procurement officers contributed to our initial knowledge of how the Social Value Act is currently used and helped to tailor the questions effectively for the survey with their insights and experiences of social value. We also interviewed providers to understand the relationship between them and commissioning bodies and the impact that the Social Value Act had had on them and the services they deliver

**Roundtable:** We brought together commissioners, elected representatives, senior officers and civil servants and other stakeholders to discuss the key challenges and opportunities of the research project. With roughly 24 people participating in the discussions, we used the roundtable to test emerging analysis which came out of the earliest interviews, and to guide the questions on the survey.

**Survey:** We circulated two social value surveys; one was sent to officers, councillors and senior leaders in local government, and a second survey was sent to officers working in central government with procurement responsibility. The local government survey was sent to over 3,000 contacts from our database of procurement officers, officers, directors of finance and senior leadership including CEOs and councillors. Our local government survey received 180 valid responses, while our central government survey went out to over 700 contacts. It was circulated by government contacts but we only received 13 valid responses. Unfortunately, this meant that the central government results could not be used. The surveys were emailed directly and circulated via social media, and by our partners.

**Case Studies:** A 'longlist' of potential case studies was initially produced using insight from our early survey responses and knowledge from early interviews and the literature review. We then shortlisted the potential case studies to ensure a good balance between geographical locations, type of council and size of council. The case studies were also selected to correspond to early themes emerging from our interviews and literature review. The three case studies selected were Suffolk County Council, Sunderland City Council and the London Borough of Hackney which represented three local authority types (a metropolitan borough, a county council and a London

borough), in three regions of the country (North East, East of England and London). Case studies were carried out through in-person interviews with officers across the councils, elected members and providers. Between January and March 2019, we carried out between 10 and 12 interviews in each case study area. The case study interviewees were selected to ensure representation of procurement officers, senior officers and elected members and providers. All quotes from the interviews which are included in the report have been anonymised for the purpose of the research.

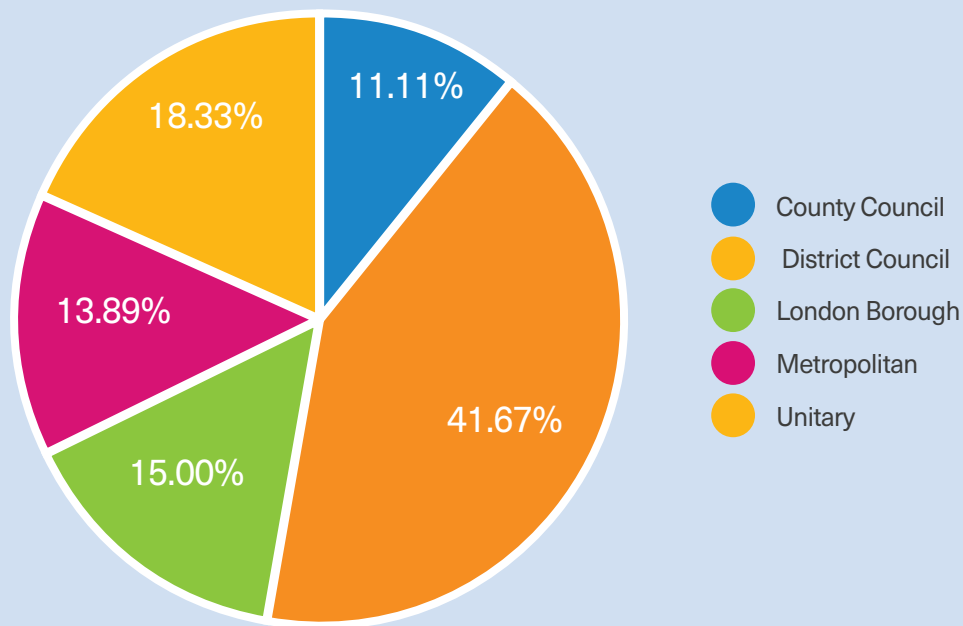
**Workshop:** We conducted a workshop in January 2019 in London. This workshop tested the findings of the research by engaging 30 procurement officers, senior officers, central government representatives and social enterprises and voluntary sector organisations. In particular, as well as discussing ongoing challenges, we asked workshop participants to imagine they could design their relationship with providers from scratch.

## APPENDIX B: ABOUT THE LOCAL GOVERNMENT SURVEY

This survey was sent to over 3,000 contacts and received 180 valid responses.

We had a good range of different types of councils in England participating in our survey, with respondents most likely to work for district authorities. This is to be expected given over 50 per cent of council are district councils. We had lower representation from councils in the north-east (3.3 per cent) although there are fewer councils in this region than others. Officers, made up of Heads of Services, Service Managers and Officers, were the lowest number of respondents with 23 per cent. Councillors were the highest percentage of respondents with 39.5 per cent, and Senior Leadership Team, made up of CEO, Chief Executive's team and Directors (including Director of Finance) had 37.8 per cent.

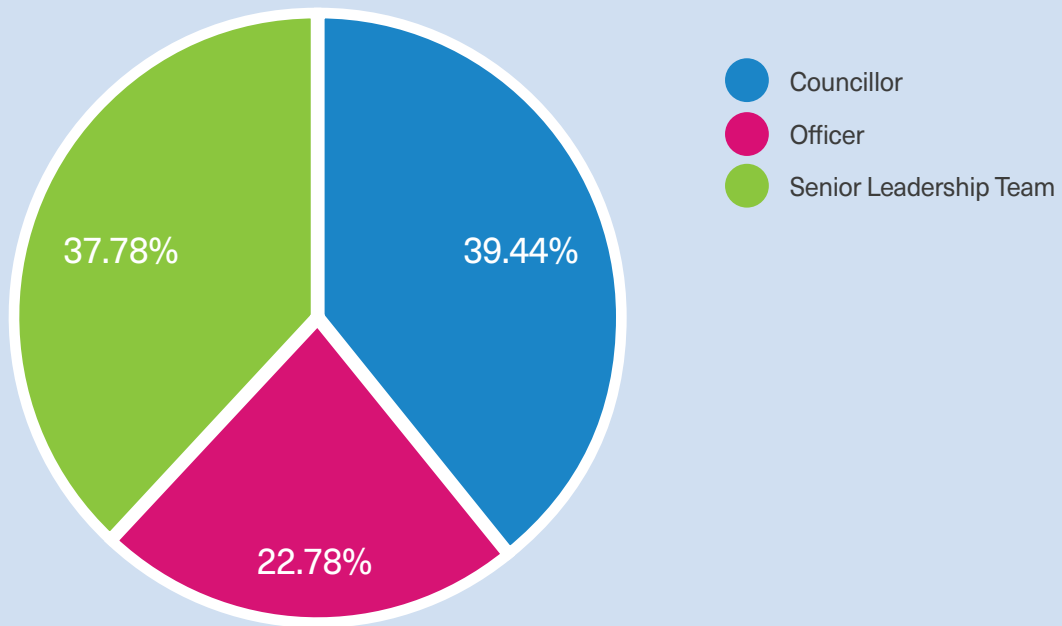
**Type of Authority** (n = 180)



**Region** (n = 180)



**Role** (n = 180)





# APPENDIX C: SUNDERLAND CITY COUNCIL

## BACKGROUND

Sunderland City Council is located within the North East of England, with the district of South Tyneside to the north, Gateshead to the north-west and County Durham to the west and south. In 2015, Sunderland has recorded a total population of around 277,000. Sunderland is also part of the devolved North-East Combined Authority, the legal body that brings together the four councils which serve County Durham, Gateshead, South Tyneside and Sunderland. Sunderland Council's procurement spend in 2016/17 was £285 million.

## ALIGNING SOCIAL VALUE WITHIN THE COUNCIL

Sunderland is a city undergoing exciting transformation and economic regeneration. In 2019-2020 Sunderland City Council will start to implement an updated and ambitious City Plan. Through its delivery Sunderland will be:

- A dynamic, digitally connected city where business invests and regeneration continues, where people have access to great employment and education opportunities and the city centre boosts economic growth and prosperity
- A healthy, cleaner and more attractive city where people enjoy good health and wellbeing, and live happy, independent lives
- A vibrant city where more people spend their leisure time, every neighbourhood is safe and welcoming, and where every resident can feel proud of where they live

The City Plan also seeks to address the challenges the council faces and aims to set new approaches to the delivery of council services and collaborative working to contribute to the City Plan through a refreshed set of council values: "We innovate, we enable and we are respectful"

Since the introduction of the Social Value Act, social value benefits are considered for goods, works and service contracts above £5k.

## POLICY AND PROCUREMENT

The Policy and Procurement teams in Sunderland have been working to ensure that the Dynamic, Healthy and Vibrant City themes of the City Plan and their associated commitments are reflected in procurement opportunities. The Heads of Procurement and Policy meet regularly to ensure new policies and procurement processes reflect corporate priorities and embed social value across the council.

The corporate leadership team have encouraged a broader network of multi-disciplinary teams across the council in order to create more collaborative relationships with service managers and heads of service across the council to consider social value.

To ensure each procurement over £5k considers council priorities and maximises social value opportunities, the procurement team work closely with service areas on a one-to-one basis, project by project. Procurement have found this approach most effective to help service managers and heads of service across the council to understand social value best when they have a project that “brings it to life”. They are able to clearly go through the procurement and commissioning process with social value as an integral part of it. This includes the need to contract manage social value outcomes, and a new contract management system to make this simpler and easier has been in place since 2016 to ensure social value outcomes are regularly checked.

Sunderland has used the opportunity the Social Value Act provides to support residents, communities and businesses and these changes have achieved some excellent outcomes such as:

## THE NORTHERN SPIRE PROJECT

A highway/road bridge, situated on the west side of the city over the River Wear connecting the Wessington Highway to Pallion. Awarded to Farrans Victor Buyck Joint Venture, the social value achievements realised from this contract were officially acknowledged as an exemplar project for client, contractor and community engagement and Sunderland were shortlisted in the category of Community Engagement Project of the Year in the 2018 Construction News Awards held on 12 July 2018.

Social Value - Community Engagement Activity	Proposed Output	Benefits Achieved
Work Placement (16 – 19 years)	3	56
Work Placement (14 – 16 years)	1	7
Curriculum Support Activities – individual engagement	3	3
Graduates - persons	1	9
Apprentice Starts - persons	3	5
Existing apprentices - persons	2	4
Apprentices completions - persons	1	1
Jobs Advertised through local employment vehicles	8	16
Aspire – persons	20	47
Site Visits	10	97
Teacher Insight Visits – persons	20	24
Research Projects	3	4
Considerate Constructors Scheme Presentation - persons	20	29
Safety Sam Visits	2	6
Careers in Construction – persons	20	1,560
Employability Skills Workshop - persons	25	91
Pupils reached during School Visits (additional statistic)		1,992

## THE A19 ENTERPRISE ZONE HIGHWAYS INFRASTRUCTURE WORKS

Contract for highways infrastructure works awarded to Esh Construction Ltd who's team of Added Value Coordinators set up, managed and coordinated the added social value activities for the duration of the contract, from tender stage to project completion which achieved the following:

Social Value	Benefits Achieved
Apprentices (Project initiated)	3
Apprentices (existing)	5
Work Experience Placements (school students)	25 days
Undergraduate Placement	1
School engagement programme	5 schools, 600 pupils
Primary School STEM programme	6 schools, 280 pupils
Site Visits	50
Charitable donations	£1,838

## SUNDERLAND STRATEGIC TRANSPORT CORRIDOR (SSTC3)

The latest link in the dual carriageway between the A19 and the City Centre. The SSTC3 project links the Northern Spire phase 2 of SSTC to Phase 1 St Mary's Way / Livingstone Road Re-alignment. The contract was awarded to Esh Construction Ltd. This project was used to pilot the national Themes, Outcomes and Measures (TOMS) social value toolkit which provides a minimum reporting standard for measuring social values in a fair and transparent way.

Key themes included in the various social value target measures are centred around the following:

- **Jobs** by promoting local skills and employment through activities such as school visits, training opportunities, apprenticeships, improved employability of young people;
- promoting **Local Supply Chain**; and
- initiatives aimed at creating a **Healthier Community**.

The total social value commitments have a community value worth of **£23,160,116** to the city of Sunderland and will be managed through the council's contract management and supplier relationship plans.

### Aligning Social Value on a Regional Level

Sunderland City Council is one of 12 local authorities that is part of NEPO (North-East Procurement Organisation). It has been a member since 1976, long before the north-east began working as a combined authority. Over the last 40 years NEPO has made a major contribution to both stimulating North East businesses and helping local authorities to make savings. In 2017/18 local authority spend with North East registered suppliers was significant at 60 per cent (£1.6bn) of which 65 per cent was with the region's SMEs. Importantly, it is the North East's approach to procurement that enables this to happen, by working together, to fuel economic prosperity, inward investment and growth.

Rather than just being a procurement hub, driving efficiency, NEPO's hub and spoke model has ensured that the political leadership of the 12 councils is engaged in shaping the strategic value and importance of public procurement, not just for councils but to help business and communities too. In addition to this, officers also meet regularly to ensure procurement and social value priority alignment. Critically, NEPO now has a commitment from the top table - Members, Chief Executives and Directors to recognise the strategic importance of procurement and how it can really shape service delivery.

There are four major governance groups:

- **Collaboration North East (CNE)** – this group comprises each Head of Procurement from NEPO's 12 member authorities and meets to review proposals and influence recommendations to maximise opportunities and benefits from the Collaborative Work Programme in the region.
- **Director of Resources Group** - this group is made up of a finance or resources director to advise and collaborate on the challenges of the financial decisions around procurement and commissioning.
- **Collaborative Procurement Sub-Committee** – this group comprises a councillor from each of NEPO's member authorities, to advise, scrutinise and inform collaborative procurement activity across councils and set the strategic direction for procurement in the region.
- **Leaders and Elected Mayors Group** – as the name suggests, this group comprises the Leader or Elected Mayor of each member authority. The group has overarching strategic and policy responsibility for the collaborative procurement services.

NEPO have also formed a Social Value Delivery Group to address the requirements of the Public Services (Social Value) Act, specifically to ensure that procurement processes actively encourage suppliers to achieve improvements to the economic, social and environmental wellbeing of the region. With representation from officers and leaders in each of its member authorities, this group encourages each authority to proactively promote social value, regardless of the stage they are at with the process through sharing of best practice and case study projects that have provided excellent social value. For example, Stockton-on-Tees Borough Council has recently invested significantly in its CCTV network, control room and network systems and with the help of NEPO and its member authorities including Sunderland, provided 39 per cent social value on a £234,000 contract, delivering £10,000 of local spend, 2 new full-time positions and 39 weeks of apprenticeships, on a contract with an SME in the region.

NEPO has now developed a work programme which identifies what will be procured at a national, regional and local level. This is vitally important to identify where gaps and opportunities to explore social value exist. The programme is organic and will continuously evolve and develop to enable the North East to maximise opportunities to deliver social value opportunities.

### **Aligning Social Value with Local Providers**

Sunderland Council operate "Area Committees" to address problems at the local ward level, which tackle challenges using grant funding, given to VCSEs, which allows it to avoid going through the procurement and commissioning processes.

The priorities and values still stem from the City Plan and encourages more interaction with local VCSEs to work towards local and city objectives, with the intention of producing social value for Sunderland, with no direct link to the Act. There are 5 Area Committees in Sunderland with different priorities, each with an assigned Area Committee Lead.

An example of this is the creation of an online marketplace by Sunderland East's Area Committee for those in furniture poverty to buy upholstered furniture at a heavily discounted price. Local VCSEs worked with the Council to collect furniture for free, instead of the usual £20 collection cost for an individual, and then upholster furniture to display on the online marketplace. Anyone can purchase from the online marketplace, but those identified as being in furniture poverty were given a code that gave a heavily discounted price.

The early evidence from the pilot project suggests that the Sunderland East Area Committee has contributed to reducing bulky waste fly tipping, (parts of the city reporting 2,000 incidents of fly tipping over 3 months) and reducing furniture poverty in East Sunderland. The exact figures of how much difference can be attributed to the pilot project will be released in a report later this year.

This dissection of regional, city and local actors work towards focussed goals that make the commissioning process more efficient, delivering social outcomes and contributing to the region and city's objectives.

# APPENDIX D: HACKNEY COUNCIL CULTURAL AND LEADERSHIP

## BACKGROUND

Hackney is an inner London Borough. In 2018, the population was estimated at roughly 275,000. At the turn of the century, the borough was one of the most deprived areas of London, declared bankrupt in 2000. Today the council is financially sustainable and is one of the fastest growing boroughs in terms of GDP in the last few years. The council's average yearly procurement spend is around £300m.

## KEY CHALLENGES

Similar to most councils, reduced funding has put increasing pressure on non-statutory services in Hackney.

As a result of this, the council have developed new working relationships with partners in Hackney to continue to deliver services for residents. The council have been reviewing their relationship with local businesses, social enterprises and the voluntary and community sector to support them to continue to deliver non-statutory and preventative services for their residents.

One issue specific to Hackney is the significant inward investment it needs to manage as a result of its closeness to the City of London. In recent years, there has been a boom in construction projects as well as a number of high-profile international businesses setting up offices in the borough. Hackney Council is working hard to find ways that this investment can be managed carefully and have a positive impact for all the residents in the borough.

In particular they have looked to procurement. The Social Value Act is applied to contracts on a project by project basis, with no set weighting, so that there is flexibility to adapt to the market, organisation and service that is being provided. Critically, social value is "not just followed as a tick-box" as they have implemented a Sustainable Procurement Impact Assessment (PRIMAS) since 2008. The PRIMAS assesses the negative and positive impact of what is being procured on social, economic and environmental outcomes for Hackney residents. If it is assessed that the proposed procurement will have a negative impact on Hackney residents, then ways are looked for to mitigate that effect by changing the subject of the contract, amending the



service specification or the tendering and social value questions. As a result suppliers bidding for council tenders are assessed by their ethical, economic, social and environmental impact on residents.

The approach means that social value is very much “a part of what [they] do, not an add-in”.

For example, a recent school catering contract worth £5 million had a social value and environmental and sustainability weighting of 5 per cent and 15 per cent respectively, as well embedded sustainability and social value principles across the contract. It included KPIs such as reducing food miles, paying the London Living Wage, and using local suppliers and supply chains, all delivering on Hackney’s “greener, safer and fairer” corporate objectives.

A cabinet member is collaborating closely with the procurement team to drive the social value outcomes, and Hackney are investing in improved contract management tracking for social value to check whether suppliers are delivering the social value they are set out to.

## HOW HAS HACKNEY ACHIEVED THIS?

From the Mayoral manifesto, to the community strategy and corporate plan - all align and voice the same message. This has meant that it is clear for officers and residents alike to see the priorities that the council is working towards. This is driven by regular consultations with residents –who are engaged and know what is being done to tackle their concerns. The council have a ‘tree of strategies’, so each department’s strategy clearly aligns to the central corporate plan. This provides a clear message and guidance for officers to work towards.

Members regularly meet with officers to pass on concerns raised by residents and for officers to report on progress on delivering on the strategy. There is a clear message from senior officers and members as to what they value, and they meet frequently with officers so that everyone is clear on the priorities and the issues that need to be addressed. For example, one officer we spoke to was asked on a regular basis to brief both the mayor and a cabinet member on social enterprises in the borough. There is an attitude at senior officer level that you need to examine the impact of spending and commissioning decisions over the long term, and view things by impact on residents, not just by their financial value – “you get what you pay for”.

In order to make sure that these values are embedded throughout the council, it was recognised that a more permissive culture and greater collaboration (both within the council and externally with providers) was needed.

## A PERMISSIVE CULTURE

Hackney has created a work culture for all staff that permits creativity and innovation and is based on finding the best solution for the residents and borough of Hackney. Both Councillors and Senior Officers approach to finding outcomes focuses on delivery and achieving their priorities, with an openness to how they are achieved. Using agile and lean project management methodologies has encouraged council employees to “think outside the box” and laterally, to get the best outcomes. The leadership trusts those that work in the organisation and Senior officers instil trust and a “sense that people are capable of making decisions” and create an environment where “it’s going to be okay” if mistakes are made.

## COLLABORATION

Heads of Departments or Services, officers within departments and the chief executives’ team will regularly meet with councillors and the Mayor, ranging from once a month to perhaps twice a week, to update and check progress which drives the strategic goals of the council. An internal referral guide of who to contact within the council employees, based on responsibilities in departments, facilitates this collaboration, while a proactive feedback loop between residents and councillors ensures that community issues are dealt with promptly. This internal guide is also shared between departments to foster collaboration and draw on expertise within the council.

In response to their reduced income the council are piloting a more collaborative approach with service providers to deliver adult advice services. The service has been developed in partnership with voluntary and community providers in Hackney and tests new approaches to commissioning and contract management. The officer we spoke to felt that the social value of voluntary and community organisations can be lost in the commissioning process. There is a belief in the intrinsic social value community organisations and social enterprises offer to Hackney and it is hoped that this new way of working allows the borough to benefit from that additional value. The pilot is grant funded, organisations have been ‘commissioned’ on a purpose basis rather than a tender specification or outcomes. The contract management of the grant is designed to be collaborative and focused on the user experience , with council officers working closely with provider employees to achieve the benefits needed for Hackney residents.

## INVESTING IN THE SOCIAL ENTERPRISE SECTOR

The value of social enterprise to the borough, and its role in contributing to Hackney's social value priorities, is expressed in Hackney's manifesto for social enterprise, "We believe that it is possible to use our entrepreneurial energy and spending power to create a fairer society with less inequality. We envision a society that is built upon caring for ourselves, each other and the planet, where diversity is valued and everyone has an equal opportunity to flourish." The manifesto states that "We who sign this manifesto see that strengthening the social enterprise sector in Hackney is a way to achieve this vision." Responsibility for social enterprises sits across the Area Regeneration and Communications departments, where a social enterprise network is facilitated, and social enterprises are viewed on an equal footing with other local businesses. Specific actions taken by the councils to support social enterprises includes:

- Providing affordable workspace to Hackney's social enterprises through the Council's Approved Workspace Provider list either in the form of social enterprises letting the affordable workspace from the developers or social enterprises being signposted to the affordable workspace offered in these premises.
- Introducing a policy requirement in the Local Plan that requires all new workspaces be delivered to a minimum standard of fit out to make it easier for small businesses to access space.

## MANAGING INWARD INVESTMENT

Key departments work closely to manage the larger corporations and development projects in the borough and ensure that they provide social value benefits for residents.

There is a new emphasis by the council on supporting residents into meaningful and quality work and utilising the companies setting up offices in the borough. The Hackney 100 project<sup>48</sup> creates work experience and work opportunities for young Hackney residents, and residents with a disability or health condition, with companies based in and investing in the borough. Recently Hackney Council has been working closely with Amazon, who are opening new offices in the borough, to ensure that they are offering quality work experience for Hackney residents.

<sup>48</sup> London Borough of Hackney, (2019), Hackney 100 Project, Available from: <https://hackneyworks.hackney.gov.uk/hackney100>

# APPENDIX E: SUFFOLK COUNTY COUNCIL

## ABOUT SUFFOLK COUNTY COUNCIL

Suffolk County Council is located in the East of England and has a population of 733,000. Its yearly procurement spend in 2018/2019 was £606.8m.

The Council's current corporate strategy puts inclusive growth, health, care and wellbeing and efficient and effective public services at its core, with the acknowledgement that it can only be delivered in collaboration with both public and private providers. There is a focus on making sure the money that they do have, works as hard as it can for Suffolk citizens, and the Social Value Act is seen as one way of achieving this.

The local VCSE has been key to creating and delivering social value in Suffolk and since the passing of the Social Value Act, Suffolk County Council has taken a number of actions to invest in its relationship with providers and working with the VCSE, to further its approach to social value.

## INVESTING IN RELATIONSHIPS WITH PROVIDERS

In response to concerns raised by the local VCSE sector the Council worked with local representatives to understand the challenges providers face in engaging with the commissioning and procurement process. This led to the development of a 'Good Practice Guide For Commissioning, Contract Management, Grant Funding and Procurement', which has since evolved into guiding principles for commissioning.

The Council has tried to work with increasing transparency and mutual understanding between themselves and providers. Their Social Value Policy has been developed in collaboration with the VCSE sector and the Suffolk Chamber of Commerce.

A number of actions have helped the council create a more trusting relationship with providers.

### **Clear Communication of Social Value Priorities**

Suffolk County Council's approach and priorities for social value have been distilled to an A4 page. This has made it easy for providers to understand what the Council is expecting in their social value offer and helps providers to tailor their responses to social value questions in an appropriate and useful way for the council.

### Building Understanding

The County Council has run regular free training over the last 10 years on bid writing and the commissioning and procurement process. This has helped to build relationships between providers and the council as well as providing a safe space to discuss what has gone wrong or right for providers in previous bids. The aim of the training is to give people the confidence to take part in the tender process and articulate their social value offer.

For officers, social value face to face training within the council has also been developed. The training explains the links between the corporate priorities and the council's social value priorities. Attendees make social value pledges about how they can deliver social value in their day to day work. These are followed up 12 months later to help the council understand how embedded their social value approach is and to identify any barriers to the pledges being fulfilled.

### Investing in Contract Management

There has been a strategic decision to invest in contract management, and empower people to do it effectively, both in creating new positions but also in training individuals already in post within the council. This has been driven by a desire to 'take care of the money that we do have' and ensure that services are accountable and provide the very best outcomes for Suffolk. It means that there are good examples of relationships with providers being proactively managed, with any issues identified and discussed before they become problems that impact on delivery. Because of the way social value is being built into contracts and commissioning it means it is an ongoing conversation. There are formal quarterly meetings with providers, but contract managers are in regular email contact. Some of the contract managers were described as 'radical' by the provider we spoke to, they felt they were on the same side, seeing the bigger picture and seeking to achieve the same outcomes; 'They look at the goal and outcomes they want to achieve and deal with the red tape later'.

### Length of Contract

For those with contracts with the Council the length of contract has been important. Two providers we spoke to had previously received annual grants and spent much of the year justifying spend or applying for the next grant. Three-year contracts with extensions have made a huge difference to both organisations' ability to plan and get on and deliver the work they have been contracted to do as well as develop their social value offer. This was the case with a recent contract for supervised and supported accommodation for children in care and care leavers aged 16-18. It has a value of £1,900,000, over 3 years with an optional 24-month extension. The social value offered (which was weighted at 5 per cent) included the recruitment of local staff and meaningful volunteer opportunities. A campaign to end youth homelessness and supporting young people to engage in social action opportunities was also offered. The length of the contract has meant that the provider could plan more strategically, and they report that it was easier to develop a more sustainable social value offer to deliver over a period of time.

**The above approaches have particularly helped small and medium sized providers.**

## HOW BUILDING RELATIONSHIPS WITH THE VCSE HELPS TO DELIVER SOCIAL VALUE FOR SUFFOLK

*‘Genuine partnership and that services were designed together’* – Provider

A recent contract to deliver family support exemplified how closer and more open relationships between providers and the council result in better social value returns, with both organisations working to the same outcomes. The provider was awarded a contract worth £190,000 over 3 years with a 24-month extension to deliver family support. The provider CEO had attended the Council’s training on the tender process, and this helped her feel more confident to both articulate her organisation’s social value and to bid in the first place.

The relationship between the provider and the council has changed considerably in recent years, from a contractual one to one of more equal partnership. Originally funded by annual grants the provider used to provide support to under 4s. The Council asked if they could change their offer to increase the age of children they could support. Because of the supportive relationship that has evolved with the council and commissioners the management team of the provider was open to making this possible. They described having a ‘genuine partnership and that services were designed together’. This is helping to foster ways of delivering on wider social value priorities, such as shared office space as well as creating employment opportunities locally for volunteers.

The social value offered by the provider as a result of the Council’s investment in them, has resulted in an economic benefit of £1.33 for every £1 invested by the local authority due to the additional funding that the provider can attract.

There has also been a senior level commitment to working more constructively with communities to tackle some of the county’s challenges, driven by Suffolk County Council’s CEO in 2017 and supported by Power to Change. The council committed to a feasibility study which recommended a collaborative approach to drive up community engagement and community-led activity and entrepreneurship. It highlighted strategic priorities that it felt community-led activity could tackle, such as rural isolation and services for young people (these drew on the Council’s Joint Strategic Needs Assessment, and the input from all the stakeholders engaged with in the county).

In late 2018 Suffolk Council and Power to Change signed an MoU and now co-fund work in Suffolk.

Power to Change has appointed local partners to raise awareness and build up community capacity to initiate community businesses, community-led development, and in general greater community action and engagement – through a range of activities and small grants. They started work in early 2019. One organisation that they have worked with is The Befriending Scheme.

## WORKING WITH A COMMUNITY BUSINESS

The Befriending Scheme was founded 30 years ago with the aim to support those with learning disabilities to experience, normal everyday activities like everyone else.

The organisation has developed a strong relationship with Suffolk County Council over the last couple of decades. Originally funded via a carers' grant the council began to recognise the preventative value of the services the organisation delivered and the cost savings that made for the council and awarded the organisation a preventative service grant.

Policy changes in the last few years have meant not only the end of grants from the council, but also the switch to personal budgets in social care and a new way of working for the organisation. The Befriending Scheme now charges its service users directly. There continues to be a relationship with the council via free safeguarding training and long-standing connections with colleagues which supports the organisation. Suffolk Council also part funded a SROI (Social Return on Investment) audit of the Befriending Scheme which demonstrated the financial return the organisation gives back to the community for any investment in it.

The Befriending Scheme funded by Power to Change will be opening a Care Farm later this year. It is intended to be a business addressing social need and it is expected that more social enterprises will spin out of the venture. This work will be supported by the new relationship between Suffolk Council and Power to Change and will deliver on the social value priorities for the County as well as support the Befriending Scheme to be more sustainable.

# ABOUT OUR PARTNERS

## THE CORDANT GROUP



The Cordant Group, founded in 1957, is a family run business and one of the UK's largest Social Enterprise on a mission to improve society, person by person.

As a social enterprise, we're about so much more than just jobs. We're about helping thousands of people to live good lives. We know that the profit-led ways of big business are a thing of the past. Our success lies in our positive impact. We're welcoming a new era of shared values, enhanced cooperation and building a stronger society together, person by person.

We're proud to create an environment where talented leaders and game-changers, who share our passion for purpose, are given the opportunity to succeed and change lives.

The Group remains a clear leader in recruitment and facilities services, offering the following industry leading, integrated services;

- Technical services; HVAC, planned and reactive maintenance
- Cleaning services; high level, data centre and deep cleaning, upholstery, telecoms and IT equipment
- Security services; manned guarding, loss prevention, keyholding, alarm response
- Building projects; construction, reconfiguration and renewal of mechanical and electrical systems
- Permanent and temporary recruitment across multiple sectors
- Health and wellbeing; occupational health, mental health and the care sector
- Education; teaching and classroom assistants

## ENGIE



ENGIE is a leading energy and services company focused on three key activities: production and supply of energy, services and regeneration. Our 17,000 employees combine these capabilities for the benefit of individuals, businesses and communities throughout the UK & Ireland.

We enable customers to embrace a lower carbon, more efficient and increasingly digital world. Our customers benefit from our energy efficient and smart building solutions, the provision of effective and innovative services, the transformation of neighbourhoods through regeneration projects, and the supply of reliable, flexible and renewable energy. ENGIE improves lives through better living and working environments. We help to balance performance with responsibility, enabling progress in a harmonious way.





## LLOYDS BANK FOUNDATION

Lloyds Bank Foundation for England and Wales partners with small and local charities who help people overcome complex social issues. Through long-term funding, developmental support and influencing policy and practice, the Foundation helps those charities make life-changing impact. The Foundation is an independent charitable trust funded by the profits of Lloyds Banking Group as part of their commitment to Helping Britain Prosper.

[www.lloydsbankfoundation.org.uk](http://www.lloydsbankfoundation.org.uk) @LBFEW



## POWER TO CHANGE

Power to Change is the independent trust that supports community businesses in England. Community businesses are locally rooted, community-led, trade for community benefit and make life better for local people. The sector is worth £1.05 billion, and comprises 7,800 community businesses across England who employ 33,600 people.

From pubs to libraries; shops to bakeries; swimming pools to solar farms; community businesses are creating great products and services, providing employment and training and transforming lives. Power to Change received its endowment from the National Lottery Community Fund in 2015. Power to Change received its endowment from the Big Lottery Fund in 2015. 5% of our endowment is used for our in-house Research Institute.

[www.powertochange.org.uk](http://www.powertochange.org.uk) @peoplesbiz







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