Executive Summary

The Public Services (Social Value) Act 2012, which came into force in January 2013, sought to shift commissioning and procurement practices to include the consideration of wider benefits (social, environmental and economic) delivered to communities. It also aims to open up the public sector contracting market to Voluntary, Community and Social Enterprise (VCSE) organisations who are considered to deliver added value to communities. This report outlines the findings of a joint survey (carried out between August to mid October 2013) by the Society of Procurement Officers (SOPO), the Association of Chief Executives of Voluntary Organisations (ACEVO), the National Association for Voluntary and Community Action (NAVCA) and the Institute of Local Government Studies at the University of Birmingham on the impact of the Public Services (Social Value) Act 2012. The survey had two questionnaires; one for public sector respondents and the other for VCSE respondents. The number of responses received was lower than expected; 28 from the public sector and 21 from the VCSE, giving a combined total of 49 respondents. Although low, the responses give an interesting indication of the current situation which includes:

1. Awareness and expectations of the Act
   - There is a high level of awareness of the Act in both public and Voluntary Community and Social Enterprise (VCSE) organisations with a higher number of public sector organisations indicating that they have implemented the Act.
   - So far, the Act is rated as having a low level impact - however, respondents expect the impact to rise to moderate level by 2015 (or thereafter).
   - The results indicate that the Act is likely to have moderate impact in reducing the perception that EU rules restrict the inclusion of social and environmental factors in procurement.
   - The Act could have moderate to major impact if there were to be more understanding of social value among public sector staff.
   - The Act could have moderate to major impact if the application of the Act includes procurement activities which are valued at below the EU threshold (non-EU threshold), and also if the wording is stronger than it is in its current form.
   - For VCSEs, the two factors which could ensure the Act had a major impact would be removing the limitation on EU thresholds and broadening the scope to include non EU threshold procurement.

2. Changes (if any) which organisations are making as a result of the Act
   - Responses from the public sector participants show that, overall, changes made to commissioning and procurement processes as a result of the Social Value Act are minor. Activities were organisations have made minor changes as a result of the Act include; organisations’ commissioning goals, user consultation processes and contract specifications.
   - A comparison of the kind of added value outcomes or benefits sought in contract delivery before and after the implementation of the Social Value Act, shows that
employment opportunities, apprenticeships and effects on the local supply chain are the
top three outcomes to which organisations are giving increased priority.

- In contrast, VCSE respondents indicated that, in the light of the Act, the additional
  benefit they are most likely to offer when bidding for contracts, is social cohesion, with
  employment/jobs, reducing carbon footprint and energy saving outcomes given a lower
  importance rating.

- Many organisations indicated that they measure social and environmental outcomes;
  and a majority of those organisations indicated they have been doing this for more than
  three years; fewer indicated that they started doing it as a result of the Act. None
  indicated engaging external consultants to help them implement the Act. Two tools
  identified as commonly used to measure social and environmental outcomes were the
  Social Return on Investment and Social Audit & Accounting tools.

3. **The extent to which the Act has opened up (or is likely to open up) more contract
   opportunities for VCSEs**

- Respondents are neutral on the likelihood of the Act increasing VCSE organisations’
  access to public contracts and pre-procurement consultation.

- Respondents think the Act is likely to result in increasing the number of VCSE
  organisations working alone but focusing on a niche market or working more
  collaboratively to win public contracts.

4. **Establishing whether or not cost is a deterrent to pursuing social value outcomes**

- In terms of social, economic and environmental outcomes sought through contracts,
  respondents record no change or only minor change before and after implementation of
  Act. Environmental outcomes emerged as the lowest priority outcomes which are targeted
  in contract delivery, both before and after implementation of the Act.

- The number of respondents who said that including social value in commissioning and
  procurement will not lead to increases in cost is higher than the number who said it will
  lead to increases in cost. It appears that the cost of incorporating social value in commissioning
  and procurement is not deemed to be a significant deterrent.

5. **Conclusion**

In conclusion, the survey findings show that the Social Value Act has not as yet resulted in
transformation of commissioning and procurement practices. However, given that the Act had
been in place for less than a year at the time of the survey, these findings must be regarded as
only preliminary. Moreover, given that there is high awareness of the Act in both public sector
and VCSE organisations, the impact could potentially be greater in the future. The differing
viewpoints which appear to underlie the varying responses to the survey raise some important
questions for future enquiry, including:
a) How are organisations interpreting the Social Value Act and to what extent is their interpretation limiting or facilitating the impact of the Act?

b) What are the emerging practices and approaches adopted which allow public sector organisations to overcome the barriers to seeking ‘social value’ benefits or outcomes on contracts being let.

c) To what extent does an approach which aims at delivering social value outcomes differ from the traditional commissioning and procurement approach?

d) What approach do organisations adopt to ensure that the value which is delivered from commissioning and procurement reflect the value of the multiple stakeholders?

e) What are the emerging threats or potential hindrances to VCSE organisations gaining more access to the public sector contracting market?

These questions will be pursued in the research which follows up this survey.
Main Report

1. Setting the background

Over the years, the emphasis on public bodies delivering efficiencies in their spending activities has caused many organisations to adopt commissioning and procurement goals and practices which focus on price or financial benefits, with social and environmental outcomes as subordinate outcomes. However, the effect of the financial crisis (2008) on communities and the growing recognition of government purchasing power in the market have meant, increasingly, that many citizens expect their governments to use commissioning and procurement to meet the social, economic and environmental needs of communities.

In January 2013, the Public Services (Social Value) Act 2012 came into force in England and Wales. As a piece of legislation, the Social Value Act seeks to make social value a key outcome in commissioning and procurement practices. This means that officers seeking to increase the value of their commissioning and procurement spend have the opportunity, legally, to include community value, be it social, environmental and economic in contract award decisions. A similar approach to public service delivery is also promoted in other policy documents, such as the Open Public Services White Paper, published in 2012, which urged councils to use the flexibility and freedom available to them to consider overall value, rather than only cost, in their spending decisions.

In the Act, the term ‘Social Value’ is not defined, thus allowing organisations to identify which outcomes they consider to represent Social Value. While this may be helpful in providing flexibility in terms of what outcomes organisations wish to pursue in relation to the needs of the communities in their area, it does present problems in terms of there being no common standard to measure or compare one organisation against another in relation to the social value outcomes they deliver. However, in outlining the aim of the Act Chris White, (the MP who initiated the bill) stated:

*The aim of the Act is to support community groups, voluntary organisations and social enterprises to win more public sector contracts and to change commissioning structures so that a wider definition of value rather than just financial cost was considered.*

http://www.chriswhitemp.com/social-value-introduction

The above objectives were echoed by the Minister for Civil Society, Nick Hurd, who also said that the Act offers two major opportunities: to help charities and social enterprises to unlock a public services market dominated by the big corporates, and to improve commissioning in a “risk-averse” public sector.

http://www.theguardian.com/society/2013/feb/05/social-value-act-public-services

In the light of the above, many people expect the Act to provide opportunities for organisations which can create and deliver community value to access the public sector procurement market. This view was reflected in the comment by Stuart Etherington (CEO of National Council of Voluntary Organisations), who described the Act as a:
‘little gem which has the power to radically transform our public services. It gives commissioners the green light to take into account the extra value charities bring’.

Also, in a joint communique, the chief executives of Co-operatives UK, NCVO, ACEVO, Charity Finance Group, NAVCA and Social Enterprise UK, underscored the opportunities the Act present to community and voluntary organisations saying:

We believe that the Public Services (Social Value) Act 2012 has the potential to transform the way our public services are delivered. ...... the Act represents an historic opportunity to ensure that public service procurement maximises the benefits to our communities and improves the well-being of our citizens.

Apart from opening more contract opportunities to organisations which create and deliver community value, the Act, as highlighted by Nick Hurd, also aims to change the way commissioning and procurement are carried out. Currently, public sector commissioning and procurement practices are perceived to be risk averse. This view was echoed in the Public Administration Select Committee report of July 2013, which stated that:

“we are concerned that the EU Directives, and the fear of breaching them, have driven a process-oriented, risk averse culture within the Civil Service which has inhibited efficient procurement and lengthened procurement times” (paragraph 16)
http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubadm/123/12305.htm

However, they went on to say that:

“We welcome the EU reform proposals which encourage public bodies to use procurement for wider social and environmental purposes. These reforms alongside the Public Services (Social Value) Act 2012, allow the public sector to take a much more considered approach to procurement which seeks to maximise the positive impact of public spending in ways which are already used by other EU Member States (Conclusion and Recommendation – paragraph 8)
http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubadm/123/12311.htm

And they also said:

The new provisions under the Social Values Act 2012 present a number of opportunities to take into consideration a range of factors in procurements, to look at the whole life cycle of a contract, goods or services  (summary of findings)
http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubadm/123/12312.htm#a7

While there is a high expectation that the introduction of the Act will result in commissioning and procurement practices which deliver wider benefits to communities, there are also concerns raised that the Act may not achieve these objectives because of inherent weaknesses in the wording. Hazel Blears, MP, speaking at a side event hosted by NAVCA in 2012, argued that the wording of the Social
Value Act is weak and as such, many local authorities will not pay attention to it. She went further to opine that the use of the word ‘regard’ is not strong enough to force organisations to incorporate social value into their commissioning and procurement activities. This concern is increase further by comments from the Minister for Cabinet Office, Francis Maude, who in responding to a select committee investigation on procurement in July 2013 opined that the Social Value Act is:

‘a permissive rather than a mandatory regime, so it is very much for public contracting authorities themselves to see how they want to use this, rather than for us to require it.

He went further to express his concern about ‘loading procurement with values and requirements other than getting what you want at the best price.’

http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubadm/123/130513.htm (answer to question 564)

His remarks, especially the latter, and the ‘weak’ wording of the Act have added to scepticism that the Act may not result in organisations making non-financial factors key priorities in their commissioning and procurement practices. Furthermore, the cuts in commissioning budgets, may make it difficult to have a shift in the balance from price to social or environmental outcomes.

Another concern is whether the Social Value outcomes delivered through commissioning and procurement exercises will be measured or not. Again Hazel Blear (MP) during the House of Commons debate on the bill highlighted the potential risk this could lead to arguing that:

‘unless there is a way of measuring and evaluating the social value achieved through a change in the commissioning process, I do not think that we will see the results that the Hon. Gentleman talked about’.

http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm111125/debtext/111125-0001.htm#column_609 (column 588)

From the above discussions, we see that there is both optimism and concern expressed regarding what impact the Act will have. While it is still too early to carry out a definitive evaluation of the effectiveness of the Act, research may assist in identifying emerging themes, practices and processes which can be the subject of further investigation for both academics and practitioners. In this spirit, I conducted a survey with three national membership organisations involved in public sector procurement and commissioning, with the aims to:

- examine awareness and perceptions of the Public Services (Social Value) Act 2012;
- identify changes (if any) which organisations are making as a result of the Act;
- establish whether or not the Act has opened up (or is likely to open up) more contract opportunities (VCSEs); and
- establish whether cost is a deterrent to pursuing social value outcomes.

2. Methodology

The survey was carried out jointly with three professional membership organisations namely; the Society of Procurement Officers (SOPO), the Association of Chief Executives of Voluntary Organisations (ACEVO) and the National Association for Voluntary and Community Action (NAVCA). Working with the above partners provided access to a wider number of participants within the
chosen samples and also, added the benefit of getting feedback from professionals within the field in developing the questionnaire.

Given the likely differences in responsibilities between purchasers and providers, two separate questionnaires were developed; one for the public sector (purchasers) and another for the VCSE (providers). Some of the questions in the public sector questionnaire were also mirrored in the VCSE and vice versa. This is because the response to those questions do not necessarily depend on whether or not the respondent is a purchaser or provider.

The questionnaires for the two target groups were first drawn up by the researcher, and then copies were made available to selected members in SOPO and NAVCA to provide ‘critical friend’ comments as a pilot process. Three officers with senior roles in procurement and commissioning within local authorities from SOPO provided comments while from the VCSEs four individuals provided feedback. The comments were incorporated into a final questionnaire. In addition, before sending out the questionnaires, the researcher also provided final copy to a colleague at work, to provide feedback on the timing as well as how easy it was to understand the questions. Again the comments provided were incorporated and the final copies issued to contacts at the three partner organisations.

The targeted sample respondents for the survey were commissioners, procurement professionals and those working in or for voluntary, community groups, social enterprises and charities. These sample respondents were chosen because of the pivotal role they have in the effective implementation of the Act, and because of their involvement in making decisions, designing processes and running the commissioning and procurement exercises.

Distribution of the questionnaires was done via e-newsletters from the partner organisations, which cover most of their members. For some participants, the distribution was through group email lists. A brief write up outlining the objectives of the survey as well as the potential benefit to participants was provided. This was followed by a web link which participants could use to complete the questionnaire on a secure site hosted by Survey Monkey. Also, the survey was publicised on the INLOGOV twitter account, with links to the two questionnaires for those wanting to participate. During the time when the survey was live, reminders were sent out to potential respondents, reminding them of the closing date, and encouraging those who hadn’t completed the survey to do so.

The number of responses received was lower than expected; 28 from the public sector and 21 from the VCSE, giving a combined total of 49 respondents. It is worth noting that some questions were also skipped, giving lower numbers of responses for some questions. The reasons for this low response rate have not been formally investigated by the researcher.

3. The Findings

3.1 The level of awareness and perception of the Public Services (Social Value) Act 2012

The result shows more organisations communicated the Act to staff than those that did not. Only a few respondents indicated they don’t see the need for the Act.
On staff expectations about the Act, the results show that public sector respondents expect the impact of the Act on commissioning and procurement to be moderate in 2015, while its impact from the time of implemented to now has been rated as being low. They also indicated that the Act is likely to have moderate impact in reducing the perception that EU rules restrict the inclusion of social and environmental factors in procurement.

VCSE organisations respondents expect the impact of the Act on VCSE organisation as key partners in public service delivery in 2015 to be moderate while its impact since implementation is rated as being low.
In terms of how the current scope and wording of the Act is perceived, public sector respondents indicated that the impact of the Act could be between moderate and major if there were more understanding of social value within the organisation. They also indicated that the impact of the Act could be moderate if the application of the Act includes procurement valued at below the EU threshold (non-EU threshold), the scope were broader and the wording made stronger. For VCSEs, removing the limitation of the Act to only procurement which are valued above EU threshold and broadening the scope of the Act were the two factors identified that would strengthen the Act to have moderate to major impact.
On the implementation of the Act, the majority of public sector respondents indicated that their organisation have implemented the Act.
3.2 Changes (if any) which organisations are making as a result of the Act;

As mentioned earlier, there is a high expectation that the implementation of the Act will result in changes being made to commissioning and procurement practices. In view of this, public sector respondents were asked to indicate the changes (if any) they have effected so far in their commissioning and procurement practices and processes since the coming into force of the Act. The responses, shown in the table below, indicate that overall the changes were minor. However, in some areas the changes were more than minor, e.g. commissioning goals, user consultation and specifications.

In addition, I asked the public sector respondents to rank their organisation’s priorities in terms of the value added outcomes they sought to deliver from their commissioning and procurement activities, before and after the coming into force of the Act. The result shows that before the Act was
implemented, employment opportunities were the dominant outcome sought in contract delivery. However after the implementation of the Act, there is more emphasis being placed on local supply chain, training, apprenticeships and employment outcomes.

In contrast, VCSE respondents indicated that the value added benefit they are likely to include in their offer when bidding for contracts, in the light of the Act, is social cohesion, with employment/jobs, reducing carbon footprint and energy saving outcomes rated just above the low importance mark.
Regarding the measurement of social and environmental outcomes, the responses show that organisations measure these outcomes through contracts. A majority of those organisations indicate they have been doing this for more than three years; fewer indicated that they started doing it as a result of the Act. None indicated engaging external consultants to help with implementation of the Act. Two tools identified as commonly used to measure social and environmental outcomes were the Social Return on Investment and Social Audit & Accounting Tools.

3.3 Assessing whether or not the Act has opened up (or is likely to open up) more contract opportunities for VCSEs

The results suggest that, so far, the Act is not likely to increase VCSE organisations’ access to public contracts nor will it increase pre-procurement consultation. Rather, they indicate that, VCSE organisations are likely to adopt collaborative approaches or operate in niche markets as the way forward under the Social Value Act.
3.4 Establishing whether or not cost is a deterrent to pursuing social value outcomes

Public sector respondents were asked to specify the outcomes to which their organisation tended to give higher priority in awarding contracts before and after the Act was implemented. The results show no marked changes after the Act. However, it is worth noting that among the three broad outcomes; social, environmental and economic, it is the environmental outcomes which are given least priority as outcomes to be targeted in contract delivery.
Both the public sector and VCSE questionnaires asked respondents about their views on whether including social value in commissioning and procurement will lead to increases in cost and also whether austerity will force organisations to make price a top award criterion. In both public sector and VCSE organisations, the number answering ‘No’ was higher than those answering ‘Yes’ but in both cases the highest responses were ‘Don’t know’.
4. Discussion and Conclusion

This survey explored four issues; a) public sector and VCSE awareness and perception of the Act, b) the impact (if any) of the Act, c) whether or not the Act has resulted in increasing access for VCSE organisations to public sector contracting market and d) whether a social value approach will increase the cost to commissioning and procurement activity.

The findings show that, while there is a degree of awareness among both public and VCSE organisations about the Act, only minor changes have so far been made to commissioning and procurement practices. In view of the expectations expressed earlier by proponents that the Act will lead to the transforming of commissioning and procurement practices, this relatively minor effect is disappointing. It raises the question of whether the Act will need time to have any major impact? Or whether the minor changes are a reflection of organisations having already amended their commissioning and procurement processes in line with previous legislation or policies to incorporate social and environmental outcomes? Ruth Cadbury (Deputy Chair of the LGA's Improvement and Innovation Board) in February 2013 observed that:
Councils have already made headway, using social value approaches to help them save money and deliver services with a wider social impact. There are examples up and down the country of councils who have been taking a social value approach for years, such as Kirklees Council’s long-standing community investment programme, Durham County Council’s whole life value programme, and Manchester City Council’s inclusion of social value in its construction and other contracts. (http://www.local.gov.uk/first-features/-/journal_content/56/10180/3869785/NEWS#sthash.OMUXpSOO.depuf)

This suggests that some organisation may have already adopted approaches which deliver similar outcomes sought by the Social Value Act. It also suggests that some organisation may find it easier to adopt Social Value practices than others, simply because similar processes and practices already exist in the organisation. This means there will be some organisations which are likely to emerge as leaders in terms of good practices or examples to follow on how to achieve the outcomes sought by the Act.

Delivering ‘Social Value’ outcomes is likely to require adopting different approaches or practices, backed by appropriate policies, which target wider benefits through contract delivery. Furthermore, it is likely to require that societal value, or what Moore (1995) refers to as ‘Public Value’, will be the key driver and determinant of outcomes which commissioning or procurement seek to deliver. For most practitioners, the EU rules are perceived to hinder the pursuit of social and environmental factors but this research has shown that the Act could have a moderate impact in changing that perception. This means, more practitioners may, if there are the relevant senior management support and policies in place, consider social and environmental factors when undertaking commissioning and procurement exercises.

Local government discretion means that even though there are national policies which promote the use of commissioning and procurement to pursue wider benefits for citizens, it is how the leaders of individual organisation chooses to interpret and implement these policies which will dictate the practices relating to Social Value. According to Murray (2007) elected members usually get involved when setting out strategic goals. However, given the move towards making outcomes reflect the needs of communities promoted in the Social Value Act, and the shift from a central government driven agenda to a local agenda, promoted by the Localism Act (2011), could there be a different role for elected members? And what is the benefit to them from commissioning and procurement policies and practices which deliver social, economic and environmental outcomes?

As mentioned above it is how both senior managers and elected members interpret the Act which will determine the practices that commissioners and procurement professional adopt in relation to achieving social value. The survey result indicates that the Act needs strengthening in order for it to have moderate or major impact. Also, there is a need for greater understanding of the Act among public sector staff, if its impact is to be major. This raises the question to what extent does an individual organisation’s interpretation of the Act hinder or facilitate the impact of the Act on commissioning and procurement practices?

In the ‘Building a Stronger Civil Society’ paper (HM 2010) and the green paper on modernising commissioning, the coalition government recognised the role of the voluntary, community and social enterprise sector as key partners in providing services which maximise value delivered to communities. As such, one of the aims of the Act is to open up the public sector contracting market to VCSE organisations. However the survey findings indicate that the Act is unlikely to provide more access for VCSE organisations to public contracts. One of the reasons for this identified in the survey
is that the Act only applies to procurement with a value above the EU thresholds\(^1\). Together with the government push for organisations to collaborate or use consortia purchasing arrangements, this is likely to have an impact on VCSE organisations being able to compete against other bigger private organisations in gaining contracts from the public sector. Hence, as the survey indicates VCSE organisation see adopting collaborative approaches or operating in niche markets as the way forward under the Social Value Act. Having said that, there may be other barriers stemming from local policies or practices which are not identified in the survey, that need investigating so as to identify approaches which could enhance VCSE organisations’ chances of gaining more contracts.

In conclusion, while the findings of this research cannot be used to draw conclusion on what impact the Act will have on commissioning and procurement practices in the future (because it has not yet been implemented for a sufficiently long period to judge), it has nonetheless, highlighted areas which need further investigation to help identify the policies and practices which are being adopted by individual organisations to increase the value delivered through commissioning and procurement.

The questions which arise for further enquiry include:

a) How are organisations interpreting the Social Value Act and to what extent is their interpretation limiting or facilitating the impact of the Act?

b) What are the emerging practices and approaches adopted which allow public sector organisations to overcome the barriers to seeking ‘social value’ benefits or outcomes on contracts being let.

c) To what extent does an approach which aims at delivering social value outcomes differ from the traditional commissioning and procurement approach?

d) What approach do organisations adopt to ensure that the value which is delivered from commissioning and procurement reflect the value of the multiple stakeholders?

e) What are the emerging threats or potential hindrances to VCSE organisations gaining more access to the public sector contracting market?

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\(^1\) EU procurement thresholds are revised every two years. For contracts which are above the thresholds, it means there is a requirement to conduct the procurement processes and award of contracts under EU public procurement directives. The most recent thresholds came into force in January 2014 and they include: Supply and service contracts awarded by central government bodies subject to the WTO GPA, the threshold is £111,676, Supply and service contracts awarded by other contracting authorities, the threshold is £172,514 and Works contracts, subsidised works contracts and works concession contracts is £4,322,012. Note: When the new EU directives are implemented, it is likely these threshold might change.
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