



Cabinet Office

Social Value Act review - report

February 2015

# Social Value Act Review

February 2015

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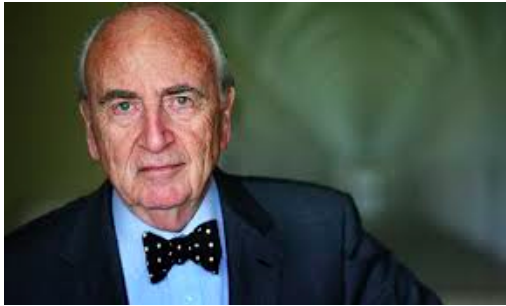
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# Foreword by Lord Young



The scope of this review was to look at the Social Value Act and how it has fared in its first two years. The review examined the issues affecting the awareness and adoption of social value, as well as the overall impact the Act has had not only on public bodies and their commissioning practice, but also on the providers and ultimately the end users of these services. As part of the process, the review sought to assess the grounds for recommending an extension to the Act and to consider how this might work in the future.

The first thing to note about the Act is that, where it has been taken up, it has had a positive effect, encouraging a more holistic approach to commissioning which seeks to achieve an optimal combination of quality and best value. In the two years that it has been in force, the Act has made a good start in this respect, encouraging commissioners to think about securing value through procurement in highly innovative ways which have generated significant cost savings and demonstrated a much more responsive way of delivering better services.

In recognition of this, I have made a significant intervention in the threshold

at which the Act applies. Recent, welcome changes to EU law have raised the threshold for contracts to be advertised in the OJEU dramatically, from €134,000/€207,000 to €750,000. This contained an unwelcome side-effect however, as the application of the Social Value Act is tied to that threshold, meaning that upon implementation of the change the Act would cease to apply to the vast majority of public service contracts.

I think this is quite the wrong direction of travel for the Act, and so I have asked the Minister for the Cabinet Office to enact an amendment to the Act through the Public Contracts Regulations 2015 (PCR 2015), so that the current threshold remains until further legislation might be able to prescribe a new level. This will maintain the current position and send a clear message about the importance and relevance of social value.

The Act has therefore proved popular and effective amongst those actively using it. However, this points to one of the early findings of this review: that despite its growing awareness amongst public bodies, the incorporation of social value in actual procurements appears to be relatively low when considered against the number and value of procurements across the whole public sector. This has made it difficult for the review to make a comprehensive assessment or a definitive recommendation about the grounds to extend the Act at this stage.

The review has also revealed that understanding about how to apply the Act varies, and that this has led to some inconsistent practice both in commissioning social value and bidding for social value contracts. Some key issues arose repeatedly during the review around how to define social value, and how and when to include it in the procurement process.

It is important to make clear that the Act, applied well, does not need to be bureaucratic and can help commissioners secure real value for money. However, *improper* application of the Act (for example asking for social value not relating to the subject matter of the procurement, or failing to engage with the local market before procurement starts) risks a return to the bureaucracy we have been working hard to eliminate from the procurement process - in particular, the abolition of complex Pre-Qualification Questionnaires, which have routinely shut small suppliers out of bidding for public sector contracts.

The third issue found by the review was the need for commissioners to be better able to measure and quantify the social outcomes they are seeking to embed in a procurement process. At its weakest, the current state of social value measurement can make it difficult for public bodies to differentiate the additional social value offered by one bidder over another. My concern here is twofold. In the first instance, procurement must remain a competitive process seeking best value for money. Secondly, social value has real potential to act as a value for money tool for

commissioners tackling severe cost pressures, but better measurement is essential to help the Act to take this form.

In conclusion, I can see the many positive benefits being delivered by the Act where it is operating well, but I believe that these issues of awareness, understanding, and measurement should be overcome before an extension of the Act is considered. Extending would not in itself address these issues, nor would it be helpful to move to legislation again before these issues are addressed.

I am excited about the Act's potential, but like many of the organisations we have engaged throughout this review, I am convinced that we have more work to do to improve the reach and application of the Act in its current form before we can make a robust case for extension. This next phase of the Act should be about implementation, and this report will describe the challenges in more detail, discuss how they might be addressed, and consider what more we can do (and in what circumstances) to promote and implement social value in commissioning and procurement.

I am keen that the positive work of the Act continues to develop, and that the momentum that is gathering behind it does not get lost. I would therefore recommend that a further review is undertaken within the next two years, to evaluate how much progress has been made against each recommendation, and what more should be done.

Finally, I would like to thank the review group for their work on this review. During the review, I was supported by Hazel Blears MP, Chris White MP, Ted Salmon (North East regional chairman of the Federation of Small Businesses), and Michael O'Toole (chief executive of Mentor UK and former Crown Representative for the Voluntary Sector).

I would also like to thank the many stakeholders who contributed to the review, including the 298 people who responded to our online survey, the 31 who submitted formal written responses, those who attended the 10 roundtables we organised, our individual interviewees, the six small businesses who worked with us from the Cabinet Office small business panel, and Oldham local authority, with whom we conducted a measurement deep dive.

A handwritten signature in black ink, appearing to read "Pauline". The signature is written in a cursive style with a horizontal line underneath the name.

# Executive Summary

The scope of this review was to look at how the Act has been operating in the two years it has been in force, including any barriers that exist to its implementation, and - as part of this analysis - to consider whether or not it would be a good idea to extend the scope of the Act.

We found that, where the Act is being used, it has a positive impact and that the variety (if not yet the number) of organisations that support the Act is quite striking.

In recognition of this, Lord Young and the Minister for the Cabinet Office have prevented the Act's thresholds from increasing to 750,000 euros when the new Public Contracts Regulations 2015 (PCR 2015) come into force. Under the PCR 2015, many health, social care and education services will fall under a new 'light touch' regime with a threshold of 750,000 euros. One of the effects of this would have been to raise the threshold of the Social Value Act for these services to 750,000 euros, unintentionally taking many of these contracts out of scope of the Act. Lord Young has asked the Minister for the Cabinet Office to prevent this from happening. This is an important recognition of the benefits the Act is starting to bring, and should send a strong signal to commissioners and providers about the Act's importance.

The review did find however that there is still some work to be done to fully develop the Act's potential, and that

three main barriers currently exist in this respect:

1. Awareness and take-up of the Act is a mixed picture.
2. Varying understanding of how to apply the Act can lead to inconsistent practice, particularly around:
  - knowing how to define social value and how and when to include it during the procurement process
  - applying social value within a legal framework and procurement rules
  - clarifying its use in pre-procurement.
3. Measurement of social value is not yet fully developed.

The review's central recommendation is that these three barriers should be addressed, and progress reviewed within the next two years. This will place us in a much stronger place to assess whether an extension should take place at that time.

A new Parliament will no doubt have a congested legislative timetable in its first 18 months, ruling out the likelihood of any immediate consideration about extending the Act. However, this gives us a window of time to strengthen the case for increasing its scope across public sector procurement. This should be based on what works effectively and how the benefits can be quantified and

extracted. It is important to highlight that commissioners are **already permitted to consider social value as widely as they wish**, and the review found several examples of commissioners finding great benefit in applying it to goods and works and below the OJEU threshold.

The following report sets out the review team's findings. These are summarised below and are covered in more detail in the main body of the report.

## Clarification on the Act and what we mean by extending it

### What is the Social Value Act

The Social Value Act requires commissioners to consider securing economic, social, or environmental benefits when buying services above the OJEU threshold. To comply with the Act, commissioners must think about how what they are going to buy, or how they are going to buy it, could add these benefits, and must also consider whether they should consult on these issues.

The Social Value Act can be seen as a tool to promote the wider uptake of a particular approach to commissioning for best value, namely social value. At its most useful, the Act can be a tool to save money in the context of severe public procurement cost saving pressures, and a way to think about public services in a more coherent way that plays into the redesign of services starting to emerge as a result of these pressures. To allow commissioners and providers to get the best use out of the Act, it is important to preserve its non-prescriptive nature and continue to

encourage the innovation that flows from this.

### What we mean by extending the Act

The Act currently imposes a duty within a specific set of boundaries: to consider social value in commissioning services above the OJEU threshold at the pre-procurement stage.

Importantly, it should be emphasised that **commissioners are already permitted to consider social value as widely as they wish** and it is considered good practice to consider social value, where relevant, across goods and works and below the OJEU threshold.

However, the review looked specifically at extending the legislation beyond these boundaries. This would mean extending the Act:

- to cover contracts for goods or works (or other types of contracts such as asset disposal or planning)
- to cover contracts with a value below the OJEU threshold
- so that commissioners would have to consider it at later stages of the procurement process
- to mandate that commissioners would have to include social value.

During the review, it emerged that this could in effect mean extending it 'vertically' (to make it more mandatory throughout the commissioning and procurement process) or extending it



horizontally (to make it apply in more situations, but only at the pre-procurement stage), or indeed both. The review found that extending the Act to make it more mandatory at this stage could risk adding a level of bureaucracy to the procurement process and shutting down the essentially innovative and non-prescriptive nature of the Act, and that this should therefore be avoided.

## Key findings and recommendations

### A positive impact so far

The review found that, where it is being taken up, the Act is having a positive effect. The review team was struck by the range of benefits being delivered by the Act (not just to local areas but also delivering nationally accrued savings), and the breadth of organisations - albeit across a relatively small sample size - that can see its potential (not just the voluntary sector but also commissioners and businesses big and small). Perhaps most notable was the emerging trend of commissioners using the Act to tackle the cost pressures they are facing, reflecting the very real potential for the Act to secure value for money, if implemented well.

We will therefore be preventing the Act's threshold for many services from increasing to 750,000 euros by enacting an amendment to the Act under the new EU Public Contracts Regulations that preserves the current thresholds, until further legislation might be able to determine new thresholds.

## Barriers and recommendations to address these

### (1) Awareness and take-up of the Act is a mixed picture

The review found mixed awareness and take-up of the Act as it currently stands - in this respect it has not yet expanded to fill its current boundaries. Local authorities and housing associations lead the way ahead of central government and health commissioners, but even within this the *extent* or *depth* of take-up varies - for example many commissioners are aware of the Act and report that they *consider* social value, but far fewer have a fully developed strategy or policy in place.

#### **Recommendation**

The Cabinet Office promotes better awareness and take-up of social value across the key parts of the public sector and business. This should focus on:

#### **Small businesses:**

- Work with cross-departmental SME champions to help them understand the potential of social value for small businesses.
- Work with members of the Cabinet Office SME panel to promote the concept of social value and understand how to involve small businesses in the process, for example producing some guidance or advice specifically targeted towards small businesses.

**Health:** Work with the NHS England and Public Health England Sustainable

Development Unit to set up a social value steering group with the aim of getting social value more embedded in strategic health commissioning.

**Central government:**

- Issue a cross-Whitehall paper on what each central government department has achieved to date on social value.
- Work individually with central government departments to aid understanding of how social value might apply to them, and, where real potential is uncovered, agree a commitment to further action.
- Engage senior civil servants and Ministers in championing social value, and consider ways to support these champions to network.

**Commissioners and procurement officers:**

- Continue to target senior commissioners through the Commissioning Academy and its associated products.
- Investigate ways to incentivise the take-up of social value (for example, conducting a deep dive into what makes one local authority take up social value more than another; looking at the possibility of conducting a one-off 'three years on' Social Value Awards which would gather and disseminate good practice; or looking at improving the stock of case studies).
- Work with existing procurement networks to include social value in professional development training.

The Cabinet Office should also continue to promote awareness and take-up amongst key areas where awareness was found to be growing, including the **voluntary sector** and **big businesses**.

**(2) Varying understanding of how to apply the Act can lead to inconsistent practice**

The review found that there are some gaps in understanding around how to apply the Act, and that this can lead to inconsistent practice. The Act, applied well, need not be bureaucratic and the review saw several examples of commissioners applying the Act well and finding great benefit in doing so - often under a great deal of cost and resource pressure. However, poor practice does run the risk of moving the Act from a useful procurement tool to something that adds bureaucracy without adding much value in return. The review was particularly concerned with safeguarding small businesses, including voluntary organisations and social enterprises, which are most vulnerable to additional burdens, against this risk.

The review found some small organisations that were enthusiastic about the Act and for whom practical application was not an impediment. However, we need to ensure that this is the case across the whole spectrum of small organisations.

The review found that a number of clear strands are emerging from the wide range of current practice, and that these could be helpfully grouped together into

a best practice methodology. Key elements of good practice included seeing social value in the context of wider organisational strategy, retaining a strong focus on pre-market engagement, understanding the legal parameters, focusing on securing value for money and measuring this, and understanding how social value should be included in each stage of the procurement process.

### **Recommendation**

Cabinet Office promotes better understanding of how to practically apply the Act, particularly around:

- knowing how to define social value and how and when to include it during the procurement process
- applying social value within a legal framework and procurement rules
- clarifying its use in pre-procurement.

The review has produced some best practice guidance (see **Annex A**), and the Cabinet Office will work with key stakeholders (including commissioners and procurers, large and small business, and the voluntary sector) over the next three months to disseminate this to commissioners and providers.

### **(3) Measurement of social value needs development**

It is our view that social value has great potential to act as a tool to help commissioners seek value for money within a competitive process (in fact, the primary purpose of

procurement). However, in order for social value to play this role more extensively, measurement of social value must be improved. The review found that whilst potential bidders are able to articulate the social outcomes they will provide, there is a lack of consistency and rigour around how these outcomes are quantified. This can make it harder for procurement officers to be reasonably objective when they are evaluating social value bids, and make it more difficult to assess the *additional* value for money provided by a social value offer.

### **Recommendation**

Cabinet Office supports measures to strengthen the framework for measuring and evaluating social value.

As part of the review, we have developed a framework and principles for the current state of social value measurement (**Annex B**).

However, we recognise that measurement needs further work, and in consequence of this we will ask Inspiring Impact, a ten year programme led by the voluntary sector to develop impact measurement, to build on the work they have done to date in order to develop the following aspects of social value measurement, over the next nine months:

- Develop a methodology for commissioners to assess the *additional* value provided by a social value contract (including developing a generally agreed way of measuring social value, possibly via consultation).
- Set standards for measurement,

considering what degree of measurement might be required for different types of procurement.

- Promote good measurement principles across sectors, paying particular regard to the need to avoid any potential burdens on small businesses, including voluntary organisations and social enterprises.

# Clarification on the Act and its Extension

## What is the Social Value Act?

### The wording of the Act

The Social Value Act asks commissioners to think about securing extra benefits for their area when they are buying services. Before they start procurement, commissioners should think about how the services they are going to buy, or the procurement process they are going to use to buy them, could secure the most valuable benefits for their area.

The benefits sought should depend on what would best meet that area's particular needs, and could be in the form of social benefits (for example reducing anti-social behaviour), economic benefits (for example increasing local employment), or environmental benefits (for example reducing local congestion).

The Act asks commissioners to *consider* social value. To comply with the letter of the Act, commissioners therefore only need to show that they have thought about these issues and have thought about whether they should consult on them. They can show this by documenting the internal process that took place to come to a decision on these issues, or by evidencing that they have spoken to their local provider market, service users, or community about them.

### The wider context of the Act

The Act is not an end in itself but is one tool to promote the wider uptake of a

particular approach to commissioning for best value, namely social value.

Social value is essentially about getting more value for money out of procurement, and this means the Act can be a useful tool for commissioners dealing with public spending reforms. Indeed, many commissioners told us that this was the only sense in which they could usefully and realistically think about social value - that either it would be pushed to one side in the face of spending pressures, or used as a way to negotiate them. As a 'nice to have' in the middle of this, it would fall through the cracks.

But to use the Act in this way - as a tool for smarter procurement - requires commissioners to think about services in a smarter way too. Rather than thinking about services in isolation or in the short term, under increasing cost pressures many commissioners are starting to reformulate services, thinking about their long term cost and sustainability, and how they can interlink by increasing or reducing pressures in other areas. The Social Value Act fits into this view of services, and is a useful tool to put some of this emerging thinking into practice.

So at its best, the Act can be a tool for smarter procurement in a world where value for money really matters. As a piece of legislation it is not meant to be prescriptive and this is central to allowing commissioners to use it in this way - commissioners must be allowed to innovate and try new approaches to get

the full reforming, reformulating potential out of the Act.

## What did we mean by extending the Act?

### **Commissioners are already permitted to consider social value as widely as they wish**

The Act itself currently applies to services above the OJEU procurement threshold (currently £111,676 for central government bodies and £172,514 for other bodies), at the pre-procurement stage.

However, it is important to note that commissioners are already permitted, and indeed encouraged, to seek social value for all relevant procurements - including contracts for goods and works, below the EU procurement threshold, planning, and asset disposal. For example, the review found widespread use of social value in construction contracts, and in furniture acquisition and disposal.

Many of the contracting authorities that use the Act are already applying it more widely than its current scope and find great benefit in doing this - not least because of the advantages they get from taking a 'whole social value' approach across their organisation. For example:

- Durham County Council considers social value for contracts above £50,000.
- Sunderland Council applies the Act to all procurements above £5,000.

- Birmingham Council states that its "implementation of the duties of the Act will be as wide as practicable and the Council will seek to secure social value outcomes from its commissioning activities with all providers, for services, works and goods, and for all contract values".

Therefore, commissioners are already free to consider social value as widely as they want to, and should feel confident in applying it to goods and works, below the OJEU procurement threshold, at later stages of the procurement process, and also to other emerging areas such as asset disposal.

### **Horizontal extension would be preferable to vertical extension**

However, the review did look specifically at whether it would be beneficial to extend the legislation itself beyond its current boundaries:

- to cover contracts for goods or works (or other types of contracts such as asset disposal or planning)
- to cover contracts with a value below the OJEU threshold
- so that commissioners would have to consider it at later stages of the procurement process
- to mandate that commissioners would have to include social value.

During the review, it emerged that there were two possible ways to interpret this extension:

1. 'Vertical' extension - The Act could be made deeper or more mandatory, by:
  - strengthening the requirement from 'consider' to 'have regard to', 'account for', or even 'implement', OR
  - requiring commissioners to consider social value at all stages of the procurement, effectively forcing them to include it in the tender documents for all procurements (rather than considering at pre-procurement whether it would be appropriate for each procurement).
2. 'Horizontal' extension - The Act could be made to apply more broadly - for example making it apply to goods and works contracts or to those below the OJEU procurement threshold. This would not change the nature of the Act as it stands, but would encourage commissioners to think about social value in more situations. Other examples of extending the Act horizontally that came to light during the review include contracts for planning and asset disposal.

Whilst those who responded to the review's online survey were supportive of the Act, discussion during roundtables and interviews suggested that making the Act more mandatory at this stage

would risk adding bureaucracy to the procurement process, by turning social value into a 'box' that every procurement officer had to tick, rather than something that could be applied where it would add value. This would risk undoing some of the positive steps that have been taken to remove bureaucracy from the procurement process, including the forthcoming removal and standardisation of Pre-Qualification Questionnaires (PQQs), and would effectively operate against smaller organisations with less capacity to absorb burdensome procurement processes.

Currently the Act is non-prescriptive and encourages commissioners to think about adopting new and creative solutions to the challenges they are facing - it appears to work best where it is picked up with enthusiasm and energy in the pre-procurement stage by a commissioner who wants to think about re-configuring a service for the better. Making it mandatory for all stages of procurement would move it out of this space and might therefore discourage this kind of innovation.

For this reason the review concluded that a vertical or mandatory extension *would not be beneficial to the Act* at this early stage of development.



# Key Findings and Recommendations

## A positive impact so far

To date the Act has had a positive impact *where it has been taken up*. This is not just for local areas but also for commissioners with a national remit (e.g. central government). It is also not just for the voluntary sector, with benefits being felt across a strikingly wide range of organisations (albeit from what currently appears to be a relatively small sample size).

## Local impact

The review found that commissioning for social value has a positive impact on the local area:

- Over 60% of respondents to our survey<sup>1</sup> believed that the Act had a positive effect on the local community, 82% thought it had a positive effect on the local economy, and 72% felt it had a positive impact on local business.
- A wide range of benefits were reported in our survey, including financial investment and environmental improvements (both 66%), use of local businesses in the supply chain (70%), employment for young and disadvantaged people (75%), and opportunities for training and local employment (83%).

<sup>1</sup> Our online survey received 298 responses from a range of commissioners, providers, and interested members of the public.

## Central impact

Take-up of the Act by central government departments has been more limited, but the review noted that even locally commissioned projects and organisations can have a significant positive impact nationally:

***Example of central impact – Emmaus Communities***

Emmaus is a federation of social enterprises that offers homeless people a home for as long as they need it, as well as meaningful work in a social enterprise. They say that doing this helps to restore self-esteem that is often lost when someone is homeless and provides stability that makes it more likely an individual can overcome homelessness long term.

Although Emmaus is not contracted by central government departments, they have also calculated a number of savings accrued centrally from their work, including fewer rough sleepers, reduced pressure on statutory services from homelessness, fewer people on housing lists, fewer people claiming benefits, reduced substance misuse, reduced crime, and fewer health problems.

Savings calculated include £1,478,506 to the Department of Health in NHS and emergency costs, criminal justice savings to the Ministry of Justice of £778,435, and welfare savings of £1,252,030 to the Department for Work and Pensions. In fact, 59% of its £5,956,583 saving to the state was accrued to central government.



## Impact on small organisations

The review found that the Act can also have a positive impact on small organisations (both small businesses and voluntary organisations), provided commissioners are mindful of the need to avoid bureaucracy or unfair competition for smaller providers.

Generally, smaller organisations are well placed to provide social value and so the Act provides a source of competitive advantage for them. Voluntary organisations often provide social value as part of their core business, but we also worked with a number of small business owners who (although they had not previously heard of the Act) felt that they were well placed to provide the kind of innovative, locally specific services commissioners might ask for under the Act.

The review found examples of commissioners using the Act to increase local spend with small and medium sized organisations, because they recognise that these organisations are well placed to provide local value. Lambeth Council has increased the amount spent with local SMEs from £159 million to £180 million, while decreasing overall spend. Durham has decreased traditional spend by approximately £30 million but is still able to spend over half of its expenditure (51.8%) with SMEs, and 31.4% of this with small or micro businesses. Both councils are at the forefront of implementing the Social Value Act.

However, inconsistent application of the Act does contain some risks for small

firms, and working towards better practice (see below and **Annex A**) will help them to benefit from the social value agenda without putting them at a disadvantage in the procurement process.

In particular, commissioners should be mindful of:

- asking an open ended social value question (as they might have done previously in Pre-Qualification Questionnaires), which requires bidders to pull together all the information they have on social value
- asking for outcomes that are not relevant to what the bidders do as part of their core business and/or not proportionate to what they could provide (good pre-market engagement with bidders can help commissioners to avoid this)
- not being clear enough about how they would like to see social value articulated in bids - taking the time out to measure social value can be harder for smaller organisations with less capacity and so it is important they are able to get it right first time.

### ***Example of a small business providing social value - Station Taxis***

Station Taxis, contracted by Sunderland Council, is a small business that is able to provide social value. They deliver benefits to their local area in a way that fits with their business model (that is, the additional service and benefits provided are a natural adjunct to what

they do anyway).

This small business provides the following social value:

- helping to safeguard University of Sunderland students by allowing them to take taxis back to their accommodation even when they don't have any cash by accepting their Student Union Membership Card as guarantee of payment
- supporting 100 of their 400 self employed drivers to undertake maths and English courses
- employing six apprentices
- providing two business mentors
- publicising local firms and retailers by producing a loyalty card brochure that promotes local businesses and uses lower advertising rates to maximise the benefit to those firms and the community.

### Impact on large businesses

Interestingly, the review found that social value is not simply the preserve of the voluntary sector or even of small local providers. Its positive impact is also being felt increasingly by large businesses.

Large businesses see providing social value as good business sense. For example:

- Up-skilling workers is of shared interest to large firms in the construction industry (which is set to create 224,000 jobs in the next five years to meet the

requirements of government projects) and public authorities.<sup>2</sup>

- Investing long term in the communities they work with makes sense for environmental services firms such as Veolia, whose contracts can range up to 27 years in length.

There is increasingly a sense that providing social value is part of the wider direction of travel for big business. Philip Green, Chairman of Carillion, has said, "Pressure is increasing from government, the public, the media, regulators and customers for business to behave responsibly... Consumers are getting even harder to reach and engage. Consumer scrutiny of business behaviour is growing. Ignoring these pressures is commercially destructive."<sup>3</sup>

Large businesses therefore see social value as an exciting opportunity and many are further developing their thinking around this (for example, Veolia is continuing to develop a full social value strategy). During the review, big businesses told us they wanted better measurement of social value to help them progress this further.

### ***Taking a social value approach: Fujitsu***

Potential suppliers to global ITC company Fujitsu must demonstrate that they share the company's

<sup>2</sup> Construction Skills Network  
Figures: <http://www.citb.co.uk/research/construction-skills-network/uk/>

<sup>3</sup> Trading for Good *Supply Chain Social Value Report* -  
[http://www.tradingforgood.co.uk/documents/socialvalue/tfg\\_fujitsu\\_social\\_value\\_report.pdf](http://www.tradingforgood.co.uk/documents/socialvalue/tfg_fujitsu_social_value_report.pdf)

environmental, social and human rights values during the procurement process. Fujitsu also works with its suppliers to help them increase their own social value.

This is particularly important with SMEs, which are a vital part of the supply chain and innovation network and make up around half of Fujitsu's UK supplier base. Fujitsu provides support on SMEs' responsible business activities, and has developed its own dedicated SME charter, which enshrines the relationship and the support that Fujitsu provides.

Fujitsu also has a two year charity partnership and encourages suppliers to become involved in charitable initiatives, for example a run in aid of the previous partner, Shelter, raised more than £71,000. Fujitsu's new charity partner is Action for Children and similar opportunities for fundraising will be open to suppliers over the next two years.

### Value for money

Importantly, the review found that social value can deliver a positive impact in terms of achieving better value for money.

This can be in three main ways (details and examples are provided in **Annexes A and B**):

1. straightforward cost savings, for example by contracting an organisation to provide some of the social outcomes commissioners would had to have paid for themselves, or by using pre-market engagement to better design a service so it is

more effective and ultimately wastes less money

2. getting more 'hits' for your £1 - that is, contracting an organisation to deliver a service in such a way that it will save money for other parts of the organisation
3. reducing waste - contracting an organisation that will deliver its service in a way that reduces waste in other parts of the service 'life cycle' and saves money later down the line

## Barriers and recommendations to overcome these

Despite the positive impact discussed above, the review did find evidence of three key barriers to the Act's wider implementation.

### (1) Awareness and take-up of the Act is a mixed picture

The review found a mixed picture of awareness and take-up of the Act, and there was a strong sense that the Act has not yet filled its current boundaries in this respect. More work is needed to improve awareness and take-up.

#### Awareness of the Act

It is difficult to get an accurate sense of how many people are aware of the Act. 86% of the 298 respondents to our online survey stated they were familiar with the Act, but this was a self-selecting sample with responses more likely from those who already knew about the Act.

Wider awareness is therefore likely to be lower, and the review has provided some anecdotal evidence to suggest that whilst awareness of the Act is quite high amongst some groups (local authorities, housing associations, the voluntary sector, and increasingly big business), it is still relatively low amongst others:

- The small businesses we talked to had generally not heard of the Act before and thought that awareness amongst small businesses was low, except in some areas where a concerted effort had been made to raise awareness (for example the Federation of Small Businesses' 'Keep Trade Local' campaign in the North East).
- Our interaction with central government departments suggested that whilst most departments have amended their generic procurement guidelines to make reference to the Act, this awareness has not permeated through to the departments' own procurement teams.

A number of the voluntary sector providers we met at conferences and roundtables reported that in their experience local commissioners were still not familiar with the Act, suggesting that even amongst those groups with higher awareness, such as local authorities, the level of awareness is mixed.

## Take-up of the Act

The review found an important difference between general awareness of the Act and commissioners actively taking it up and embedding it into their processes. 71% of respondents to our survey believed that social value was considered less often before the Act was introduced, but the review found variation in the extent and depth of this consideration.

### Take-up amongst local authorities and housing associations

The review found that whilst local authorities and housing associations are leading the way, levels of take-up within these organisations still vary.

A recent survey by Social Enterprise UK reported that 60% of local authorities and housing associations are considering social value in procuring all services.<sup>4</sup> Similarly, a February 2014 inquiry by the Communities and Local Government Committee was told that 65% of local authorities in England and Wales had changed their processes and practices as a result of the Act<sup>5</sup>, and recent research by the team behind the Social Value Portal suggests that around 50% of local authorities have at least something in place to consider social value.<sup>6</sup>

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<sup>4</sup> Social Enterprise UK *Communities Count* <http://www.socialenterprise.org.uk/advice-services/publications/communities-count-the-four-steps-unlocking-social-value>

<sup>5</sup> <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmcomloc/712/712.pdf>

<sup>6</sup> <http://socialvalueportal.com/> The team has consulted 214 local authorities.

However, the Social Value Portal's research has also revealed a lower level of social value being actively taken up to the extent that it is embedded into the organisation's strategy and processes. Only 11% of local authorities consulted mention the Act within their procurement strategy, and only 9% state that they have a task force in place and are developing a social value strategy.

Whilst 53% of commissioners responding to our survey thought that social value was considered in more than half of contracts, only 27% of providers agreed. This further illustrates the split outlined above - whilst commissioners might feel they are *considering* social value, providers see less evidence that they are actively taking it up.

### **Take-up amongst central government departments**

The Act's concept of 'local area' has contributed to a feeling that the Act is less relevant to central government. In fact, the Act can be equally relevant here, but is perhaps best considered in terms of 'stakeholders' rather than 'local area'. For example, the Ministry of Defence is interested in ex-service personnel, rather than any one local area, and has recently let the management of its training estates to Landmarc, which employs 50% ex-service personnel.

A more thorny issue for central government departments is that of where social value benefits accrue - whereas all the benefits purchased by a housing association or local authority

will accrue directly to their own residents or tenants, benefits purchased by central government departments are more likely to fall outside of their direct remit. However, this challenge is not insurmountable - for example, social impact bonds are emerging as a way to facilitate commissioning for shared outcomes across departments.<sup>7</sup>

### **Cross-government working: the Youth Engagement Fund**

The Youth Engagement Fund (YEF) is a £16.04 million payment-by-results fund and is funded by Cabinet Office, DWP, and MoJ, and supported by DfE, BIS, and Home Office.

The YEF will use social impact bonds to reduce the number of young people who become NEET by improving the education and employment outcomes for disadvantaged young people and those at risk of disadvantage aged 14 to 17 years of age in England.

As well as testing new programmes and financing mechanisms for preventing young people from becoming NEET, the Youth Engagement Fund is also testing new models of cross-government working to tackle complex and cross-cutting issues. These issues are often held back by siloed spending, insufficient preventative spend, poor coordination between central and local, and limited replication of 'what works'.

The YEF has direct financial contributions from DWP, MoJ and CO, and indirect financial contributions from BIS, DfE and HO. Pooling budgets can be difficult and

<sup>7</sup> The Cabinet Office Centre for Social Impact Bonds supports the development of social impact bonds and provides further information: [http://data.gov.uk/sib\\_knowledge\\_box/home](http://data.gov.uk/sib_knowledge_box/home)

time-consuming. The Fund gets around this by using an outcomes payments approach. The idea is that as departments only pay if their desired outcomes are achieved, it is easier for them to allocate money to the Fund.

The YEF has also used new models of governance, which includes setting up a cross-government director level advisory board and a cross-departmental policy team. The commercial and live running phases of the YEF are being delivered by DWP, which has the most appropriate systems and expertise to fulfil these roles.

### **Take-up amongst health commissioners**

There is limited evidence about health commissioners, but anecdotally we hear that there is limited take-up of the Act, and a recent NAVCA survey of voluntary sector chief officers suggested that only 4% of clinical commissioning groups (CCGs) have a social value strategy in place.<sup>8</sup>

### ***Health commissioners using the Act: Start in Salford***

Start in Salford has had a contract with Salford CCG for a number of years.

Its Inspiring Minds programme supports vulnerable people to build confidence and self esteem through participation in creative activities delivered by professional artists, including visual arts, photography, gardening, woodwork, textiles, willow crafts and calligraphy,

<sup>8</sup> <http://www.navca.org.uk/news/view-article/navca-publish-results-of-their-annual-chief-officers-survey-1>

among others. The project helps people to move into pathways including employment, volunteering, leisure activities or education.

A youth arts project is also offered at weekends supporting disabled children and their siblings.

Start aims to double the social value it creates over three years. Its first SROI report, in the second of the three years, has estimated a Social Return on Investment of between £6 and £10 for every £1 invested.

### **The importance of leadership**

Strong leadership is key to encouraging wider awareness and take-up of social value. Leadership by example is therefore a strong theme running through the recommendations we have made to encourage awareness and take-up (below).

Whilst many of these recommendations are for the Cabinet Office to initiate, there is great potential for voluntary organisations and businesses big and small to take a strong leadership role in the development of social value, and to encourage the greater take-up of social value directly amongst each other.

There are already some good examples of organisations encouraging others to take up social value by adopting it themselves and setting a precedent:

### ***Leadership by example: Houses of Parliament***

The House of Commons and House of Lords have now committed to including social value in all their future



procurement processes.

They were accredited as 'Buy Social' organisations by Social Enterprise UK in November 2014 in recognition of the social enterprises that have been awarded contracts to provide goods and services to each House of Parliament. Some examples of this are:

The **Jubilee Hall Trust** charity won a contract to run a gym for MPs and staff working in Parliament. As well as promoting fitness and wellbeing, it invests profits into community outreach programmes including dance classes for older people and healthy eating programmes for obese children. Surpluses are also used to subsidise gym memberships for people on low incomes.

**Belu Water** won a two-year contract to supply bottled water to Parliamentary dining rooms, canteens, and select committee meetings. It gives all profits to the charity WaterAid, which improves access to safe water, hygiene and sanitation around the world, and has donated £650,000 since 2011. The social enterprise is 100% carbon-neutral and its bottles are made from recyclable glass.

**The London Early Years Foundation Nursery**, a social enterprise, won a contract to run a nursery for the children of MPs and their staff. Profits are invested in offering apprenticeships, training staff and growing the business to reach more children from diverse backgrounds including disadvantaged areas. 48% of parents across the enterprise's 30 nurseries get free places. Parents are also supported to extend children's learning at home.

### **Recommendation**

The Cabinet Office promotes better awareness and take-up of social value across key parts of the public sector and business. This should focus on:

#### **Small businesses:**

- Work with cross-departmental SME champions to help them understand the potential of social value for small businesses.
- Work with members of the Cabinet Office SME panel to promote the concept of social value and understand how to involve small businesses in the process, for example producing some guidance or advice specifically targeted towards small businesses.

**Health:** Work with the NHS England and Public Health England Sustainable Development Unit to set up a social value steering group with the aim of getting social value more embedded in strategic health commissioning.

#### **Central government:**

- Issue a cross-Whitehall paper on what each central government department has achieved to date on social value.
- Work individually with central government departments to aid understanding of how social value might apply to them, and, where real potential is uncovered, agree a commitment to further action.
- Engage senior civil servants and Ministers in championing social value, and consider ways to support these champions to

network.

### **Commissioners and procurement officers:**

- Continue to target senior commissioners through the Commissioning Academy and its associated products.
- Investigate ways to incentivise the take-up of social value (for example, conducting a deep dive into what makes one local authority take up social value more than another; looking at the possibility of conducting a one-off 'three years on' Social Value Awards which would gather and disseminate good practice; or looking at improving the stock of case studies).
- Work with existing procurement networks to include social value in professional development training.

The Cabinet Office should also continue to promote awareness and take-up amongst key areas where awareness was found to be growing, including the **voluntary sector** and **big businesses**.

## **(2) Varying understanding can lead to inconsistent practice**

When the Act is applied well, it can operate as a tool for commissioners to secure real value for money under challenging circumstances, and can be applied in a light touch way that is not bureaucratic or burdensome. However, how the Act is applied is critical in determining whether it can in fact be used in this capacity, or whether it falls

into the space of being a bureaucratic addition - a 'nice to have' that doesn't add much value but that seems to take up time and resource nonetheless.

### **Areas of inconsistent practice**

Although there is some excellent practice around commissioning social value, the review did find some variation in this picture. Recurrent problems heard by the review included:

#### **Lack of pre-procurement focus**

Many reported that the pre-procurement emphasis of the Act had been forgotten, whereas pre-engagement is actually essential to good practice:

- Knowing what the local market can provide avoids asking for outcomes which are not relevant to bidders' business or proportionate to what they can provide (see below on legal challenge) or inadvertently pushing out smaller providers.
- Thinking about social value when designing a service encourages innovation and ensures services are well designed for service users.
- Leaving social value to the procurement stage risks it becoming a box to be ticked, rather than something proactively taken up to improve a service.

#### **Fear of perceived legal challenge**

The review learnt that fear of legal challenge and lack of clarity around what is legally permissible is preventing some commissioners from being able to implement social value. The review



found that whilst this threat appears to be minimal, adopting certain practices can help to minimise any *potential* threat (for example that of bidders contesting the process in a non-legal setting).

### Asking for social value

The review heard some instances of procurers asking an open-ended social value question during the procurement rather than asking for bids that would achieve certain social value outcomes.

Again, this approach adds bureaucracy (not least for small bidders) without adding any substantial value, and goes against the Government's work to remove bureaucracy from the procurement process (for example by reforming the use of Pre-Qualification Questionnaires).

### What does good practice look like?

It is therefore clear that how the Act is applied will help to determine whether it is really value adding or simply bureaucratic - the review has identified several strands of best practice that taken together will help commissioners to get the best out of social value and make sure it falls on the right side of this line.

### Good practice for commissioners

A ten-point plan for successfully commissioning for social value is outlined below:

1. Identify what your organisation's social value priorities are.
2. Understand what is legally permissible.

3. Identify what kinds of outcomes are important for a specific contract.
4. Identify how you can secure value for money through this contract.
5. Find out what the market could feasibly provide.
6. Think about whether the procurement process excludes certain providers.
7. Write social value outcomes into the service specification, balancing a clear requirement with encouraging innovation.
8. Clearly communicate to bidders how you want to see their social value offers articulated.
9. Select a successful bidder through the procurement process.
10. Manage the contract, measuring the social value that bidders deliver.

It is important to note that the majority of the focus here is on the *pre-procurement stage of the process*. Full guidance is provided at **Annex A**.

### Good practice for providers

Providers also have a part to play in adopting best practice. They might wish to consider the following five points (also outlined in more detail at **Annex A**):

1. Understand the needs of the local area and the contracting authority's priorities.
2. Think about how social value can be incorporated into your core business or can be a natural

adjunct to it, rather than forming an unrelated 'add-on'.

3. Identify your social value offer and think about how it is relevant to the types of contracts you will be bidding for.
4. Articulate your social value offer - quantify the value for money you will provide and make the case for your social value offer being a way for commissioners to navigate cost savings pressures.
5. Use social value as a route in to commissioners - helping them understand the full range of innovation you can provide, ensuring services are well designed for your stakeholders, and ensuring the procurement process does not exclude certain types of provider.

### ***Recommendation***

Cabinet Office promotes better understanding of how to practically apply the Act, particularly around:

- knowing how to define social value and how and when to include it during the procurement process
- applying social value within a legal framework and procurement rules
- clarifying its use in pre-procurement.

The review has produced some best practice guidance (see **Annex A**), and the Cabinet Office will work with key stakeholders (including commissioners and procurers, large and small business, and the voluntary sector) over the next three months to disseminate this to commissioners and providers.

## **(3) Measurement of social value needs to be developed**

### **Potential for development**

Whilst it is clear that social value provides a range of benefits, measurement of these benefits might be termed 'immature': whilst many organisations talk about the outcomes they have achieved, and even the impact or difference that these make, fewer organisations seem able to put a value to these impacts by quantifying them in monetary terms.

However, impact measurement is a growing field, and some good progress is being made. For example, Inspiring Impact is a ten-year programme (the first two years of which were funded by the Cabinet Office), which aims to develop the field of impact measurement. Inspiring Impact provides an online hub full of free impact measurement tools and resources (<http://inspiringimpact.org/listings/>) as well as leading projects to develop best practice around impact measurement. One major area of progress has been the development of unit cost databases and financial proxies for social outcomes, which organisations can use to evaluate the difference made by their intervention.

### **Current limitations**

There is clear potential for the field of social value to benefit from these developments, to reach its potential as a value for money tool. However, it will be

important to tackle the following challenges that currently exist:

- lack of clarity about which measurement technique to use when, from the many different techniques that exist
- lack of clarity about what procurers want to see measured (which might risk adding a burden to smaller bidders)
- lack of quantification and an ability to compare like with like, making it harder to compare bids objectively and understand what the additional value for money offered by social value might be (for example, a procurer is often unable to see that the social value element of a contract is worth e.g. £15,000 and therefore unable to make a reasonably objective decision about whether to pay an extra e.g. £10,000 for it - either against a non-social value bid, or against another social value bid).

#### **A note on innovation**

Of course, being overly prescriptive about measurement can risk shutting down innovation. As with any procurement, commissioners and procurers need to seek the balance between objectivity and subjectivity, specification and innovation. However, improving measurement of social value should mean that doing this for social value procurements is no more challenging than doing it for any other procurement, particularly when social value is considered from the pre-procurement phase.

#### **Recommendation**

Cabinet Office supports measures to strengthen the framework for measuring and evaluating social value.

As part of the review, we have developed a framework and principles for the current state of social value measurement (**Annex B**).

However, we recognise that measurement needs further work, and in consequence of this we will ask Inspiring Impact, a ten year programme led by the voluntary sector to develop impact measurement, to build on the work they have done to date in order to develop the following aspects of social value measurement, over the next nine months:

- Develop a methodology for commissioners to assess the *additional* value provided by a social value contract (including developing a generally agreed way of measuring social value, possibly via consultation).
- Set standards for measurement, considering what degree of measurement might be required for different types of procurement.
- Promote good measurement principles, paying particular regard to the need to avoid any potential burdens on small businesses, including voluntary organisations and social enterprises.

# Annex A

## Guidance on Practical Application

### Good practice for commissioners and procurers

#### Identify what your organisation's social value priorities are

Organisational or local priorities provide a framework for considering social value. This ensures that social value is:

- *relevant* to the organisation or area's strategic objectives (important for reducing any threat of legal challenge - see below)
- *valuable* in terms of meeting specific needs that have been identified and supporting a wider strategy to meet these needs.

Local commissioners may consider their area's particular needs (for example high youth unemployment, bad congestion, or gang crime), whereas national commissioning bodies may focus on how social value can support a specific set of stakeholders across multiple areas (for example young ex-offenders).

It is important for commissioners to publish their social value priorities so that bidders can think about how they could support these. This will also present an opportunity for providers to suggest innovative solutions that the commissioner may not have thought of.

Selwood Housing's mission is to improve homes and communities. Within this, it wants to promote better communities by improving the neighbourhoods that its residents live in, for example through financial inclusion for tenants, employment opportunities, and reducing homelessness. Selwood has opted to use social value as a way to achieve this strategic objective, and includes a social value clause (the 'Silva' clause) in its contracts. To date, this has secured 63 work placements, one full apprenticeship, 42 community labour days where organisations work on community projects, and £14,000 pledged towards tenant events and prizes.

The Ministry of Defence has an interest in what servicemen and women do once they have left the military, especially given the health and unemployment challenges often faced by veterans. It was therefore agreed that Landmarc, as part of its contract to manage the department's training facility estates, would partner with Recovery Careers Services to help wounded, injured and sick ex-service officers back into employment. Landmarc provides volunteering, training and work placement

opportunities and estimates that over 50% of its employees are ex-military. Landmarc credits the Social Value Act with providing “further impetus for Landmarc’s approach”.<sup>9</sup>

## Understand what is legally permissible

There is a perception that commissioning for social value is made difficult by EU Public Procurement Rules and a fear that attempting to do so increases the risk to commissioners of legal challenge. In fact, the Social Value Act adds a duty to what is already a power under EU legislation. The obligation to accept the “Most Economically Advantageous Tender” (“MEAT”) expressly includes considerations of price, quality, and social value and the European Commission has emphasised the permissive nature of the rules and the appropriateness of their use for social policy objectives, particularly in and in relation to the 2014 Directive, due for implementation in the UK in 2015.

On a practical level, commissioners working within reasonable parameters do not meet legitimate challenge, and the threat of actual legal challenge is in any case low given the difficulties and risks in mounting a challenge. Social value is a progressive and permissive concept, which may develop through effective consultation, imaginative commissioning, and creative supplier service design, and preferably a combination of the three.

To achieve the most beneficial results and to minimise any threat, commissioner should adopt the following good practice:

### Writing social value outcomes into the service specification

The fundamental principle of the Public Procurement Rules is objectivity in *how* public authorities purchase services. The Rules are therefore not concerned with determining *what* a public authority seeks to purchase, but with the purchasing procedure. Where social value is being procured, it is therefore advisable to write it into the service specification, which describes ‘*what*’ service is being procured.

Of course, in doing this, commissioners will not want to shut down innovation by pre-determining what bidders are able to offer. Pre-market engagement can help commissioners understand the full range of possibilities available. Additionally, whilst commissioners may want to describe the outcomes they are seeking in the service specification, they might wish to leave the market to suggest ways that these outcomes can be delivered in their tenders.

### Being relevant and proportionate

It is important to ask for social value outcomes that are relevant to the service being procured, and proportionate (i.e. that bidders could reasonably be expected to provide). Social value can perhaps be best described as procuring something that

<sup>9</sup> [http://www.socialenterprise.org.uk/uploads/files/2013/09/suk08\\_landmarc\\_medressinglepg\\_r22.pdf](http://www.socialenterprise.org.uk/uploads/files/2013/09/suk08_landmarc_medressinglepg_r22.pdf)

would benefit from being thought about in a wider way (as an element in the optimum design of a service), rather than buying something completely unrelated. Buying something completely unrelated would probably not be following the MEAT criteria, as the MEAT would be most likely to be provided by the bidder who had an interest in the area.

Relevant and proportionate social value can be achieved by asking for outcomes that support a wider organisational strategy, and by conducting pre-market engagement to find out what it is possible for the local market to provide.

### **Complying with other EU rules**

The MEAT criteria require the selection of the service provider offering the optimum balance of price, quality, and social value. Commissioners must comply with the EU Treaty principles of non-discrimination, equal treatment, transparency and proportionality and the prescriptive rules ensuring objective process. Engaging with social value, following those principles and rules, raises no greater prospect of legal challenge, and indeed the Social Value Act makes such engagement an express duty for services above the OJEU threshold.

### **Sound commissioning and procurement practice**

The higher the standard of commissioning and procurement processes within which social value is applied, the less chance there is of legal challenge. Commissioning and procurement processes are of a higher standard when they are: part of a coherent strategy; integrated between and in themselves; informed by meaningful consultation; and when the *purpose* of a required service remains the primary consideration and is served by rather than led by formal procedure.

Durham Council secured financial education and support for local credit unions through their banking tender. This was possible because:

- They wrote these social outcomes into their service specification - this meant that later on, a procurement officer would just need to assess bids in the normal way against the 'fixed point' of this service specification, rather than having to make a subjective decision about incomparable social value offers.
- They knew that what they were asking for was relevant and proportionate - they talked to the provider market before they started procurement and learned that banks were able to provide these social outcomes.

These social outcomes supported Durham Council's overall strategy - they were also therefore relevant in this sense.

## Identify what kinds of outcomes are important for a specific contract

The Act encourages commissioners to speak to their local market/community to find out what they need from specific services. This helps to ensure that the service is fit-for-purpose and helps commissioners to understand the full range of innovation that providers could bring to the service (i.e. which they may not have thought of themselves).

Social value outcomes should be linked to the organisation's overall social value priorities and should support the organisation's wider strategy for meeting specific needs.

Newham public health talked to the community to find out why a mosque-based smoking cessation service wasn't working. They found that the service would be better taken up if it was delivered by people from within that community, and therefore trained the community to deliver the services themselves, which resulted in a 50% drop in smoking rates.<sup>10</sup>

## Identify how you can secure value for money through this contract

Social value can help commissioners to get more value back from the money they spend on services, which ultimately stretches this money further. This can be in the form of straightforward cost savings, but can also be in the form of achieving more outcomes from a single £1 spent, or thinking of innovative ways to reduce waste.

### Cost savings

Circle Housing's repairs and maintenance service is on track to realise circa £80 million worth of cost saving over 10 years, subject to market conditions and fluctuations. This is because they have rationalised their contracts at the same time as mandating social objectives within their procurement model, for example, securing one apprenticeship for every £0.5 million worth of contract. This has led to social value being created through the supply chain and funded by the supplier, which would have otherwise been funded by Circle Housing.

### Getting more hits for your £1

Cleanstart was set up in 2008 by Trafford Housing Trust. It employs prolific offenders to clean and clear houses. Over 40 ex-offenders have been through the programme, 22 are now in permanent employment and only 4 have re-offended. Police have estimated possible savings of £10 million, from reduced re-offending rates and criminal justice system costs.

<sup>10</sup> NHS Confederation report *Comparing Apples with Oranges* <http://www.nhsconfed.org/voluntary>



A 2014 SROI analysis by Cleanstart looked at reduced expenditure on crime, job seekers, incarceration, and offender management, and calculated savings of £442,740 to Greater Manchester Police, £404,318 to the prison service, and £110,562 to DWP from Jobseekers Allowance.

### **Reducing waste**

Doncaster Council and SITA UK contracts Doncaster Refurnish to collect unwanted items and refurbish them for low-income households, as part of the council's household waste collection service. Doncaster Refurnish also offers volunteering and training for the long-term unemployed and people with mental health problems.

Rather than just thinking about the point at which the furniture gets picked up, the council has thought about what happens after it is picked up, and contracted Doncaster Refurnish who can get lots of value out of this phase of the furniture's life - in 2014 they stopped 504 tonnes of furniture going to landfill, supported 10,500 individuals/families who might otherwise have used loan sharks, provided 11 ex-offender work placements and 79 training work placements for long-term unemployed people, and engaged 149 students in educational activities.

### **Find out what the market could feasibly provide**

Speaking to the local provider market before procurement starts will help commissioners to ensure they are only asking for things that are relevant and proportionate - that is, asking for things that bidders could realistically provide. Often, providers will also have innovative ideas about social value outcomes that commissioners might not have thought of.

The review found that providers across the spectrum of small businesses, large businesses, and voluntary organisations were keen to come in and talk to commissioners about the design of services.

Clearly, the approach to this pre-market engagement should be proportionate and, to facilitate the process, should fit into a wider context of good working relationships between commissioners and the local market.

### ***Examples of innovative provision***

Lambeth Council had £20,000 to spend on youth offending services. Instead of taking the traditional approach of buying in a youth offending service, they decided to bring together young offenders to work with the council on a grant fund. The young people decided the outcomes for the grant, evaluated bids, and selected the winner - a project that would involve the whole community in a talent competition.



Knowsley Council recently transferred one of its assets – an ex-school site - to Activate Arts, an organisation which runs further education programmes for young people with disabilities and provides a number of community facilities. Activate Arts has now created the Bracknell Centre, which will provide education, training and employment support for people with learning difficulties and disabilities. It will also support new social enterprises on site, providing new jobs in areas such as horticulture and catering, and provide a number of community facilities. Rather than just selling off this asset, Knowsley Council has used it to secure benefits for Knowsley by supporting learning for disadvantaged people and growth of local social enterprises.

The social enterprise Unlimited Potential was awarded a contract by Salford City Council, which found that some people were not likely to use traditional stop-smoking services. Its Smoke-Free Spaces programme aims to reduce the harm caused by second-hand smoke by promoting smoke-free environments. They employ local people to speak to other local people about making their homes smoke-free, which reduces the health impact of second-hand smoke, makes it less likely that other younger relatives in their household will start smoking, and for some is a step towards quitting altogether. In 2013/14, 5,886 households in Salford pledged to become smoke-free, while 3,684 pledged to make their cars smoke-free. A survey of 20% of these people found that nearly half of them had reduced their smoking six months after signing the pledge, while more than a quarter had quit altogether.

### **Think about whether the procurement process excludes certain providers**

The procurement process can unintentionally exclude the types of provider who would be best placed to provide the kinds of benefits the commissioner wants. For example, thinking about whether the procurement process excludes smaller organisations (for example through excessive documentation, high financial thresholds, or large contract sizes) can make a big difference to the kinds of benefits it is possible to secure.

During 2013 Durham County Council tendered for a contractor to build timber-framed buildings on Gypsy/Roma Traveller Sites around the county. As well as asking bidders to use sustainably sourced timber, they undertook an assessment at the pre-procurement stage to identify any barriers that might be faced by smaller or local bidders. This helped the Council to ensure that the process was not too onerous for these bidders, resulting in the winning contractor (Karlin Timber Frame) being a local small business.

The Council also recognised that small, local businesses might be better placed to provide learning for adults who find it difficult to engage with mainstream learning, due to their ability to provide specialist forms of learning. They therefore split the contract

into smaller lots, allowing organisations to bid for the elements of the contract they felt best suited them. The Council also opted not to apply a financial turnover threshold or credit score to this tender, recognising that this is often a barrier for smaller or newer organisations. As a result, the majority of the 13 bidders were small local organisations, community groups, and social enterprises.

Finally, when re-tendering its Cathedral Bus service which links various locations in Durham, the Council simplified its tender process and removed the financial turnover threshold and credit score requirements. This resulted in the contract being won by local SME Stanley taxis, which was also able to cut emissions by using electric vehicles.

As a result of approaches like these, in 2013/14 51.8% of the Council's spend (just under £272 million) was with SMEs, 31.4% of this went to small or micro businesses, and 31.2% of the Council's spend was with SMEs in County Durham.

### **Writing social value outcomes into the service specification - balancing a clear requirement with encouraging innovation**

Writing social value outcomes into a service specification will help to reduce the threat of legal challenge as it allows procurement officers to assess bids against a standard criteria, rather than trying to compare very different social value offers, which naturally increases the level of subjectivity in decision making.

However, the commissioner and procurement officer need to seek a balance between being clear about the social value requirement and allowing room for innovation. To achieve this, the commissioner might describe the kinds of outcomes they are looking for in the service specification, but leave bidders to suggest specific ways of achieving these outcomes in their individual tenders. Good pre-market engagement should give bidders an opportunity to share innovation with commissioners. The challenge of balancing innovation and a clear requirement within commissioning is not specific to social value, and is something that all commissioners must grapple with.

For contracts above the OJEU threshold, it is important to make reference to social value in the contract notice if it is going to be included in the specification.

### **Clearly communicate to bidders how you want to see their social value offers articulated**

The review found a degree of frustration from providers who want commissioners to give more guidance on presentation of social value offers, including how they would like to see these measured. This is particularly important for smaller bidders who may only be able to invest time in measuring their social impact once and will therefore want to make sure that the measurement approach they have chosen is accepted.

## Select a successful bidder through the procurement process

Some organisations have reported asking a social value question in their Pre-Qualification Questionnaire (PQQ). In 2015 PQQs will be abolished below the OJEU threshold and standardised above the OJEU threshold, so this will no longer be possible. Instead, where social value is being sought it should be included at the Invitation to Tender stage:

1. The social value outcomes being sought should be described in the service specification.
2. In the ITT evaluation criteria, social value should form part of the quality weighting. The amount of weighting specifically given to social value, within the overall quality evaluation, should be made clear.

<i>Example:</i> An ITT might have the following weightings:	Organisation 1 score (/10)	Organisation 2 score (/10)
60% price	7 x 60% = 4.2	4 x 60% = 2.4
40% quality:		
• quality element 1 = 15%	8 x 15% = 1.2	8 x 15% = 1.2
• quality element 2 = 15%	6 x 15% = 0.9	9 x 15% = 1.35
• social value = 10%	5 x 10% = 0.5	6 x 10% = 0.6
<b>Totals:</b>	<b>6.8</b>	<b>5.55</b>

Where possible, procurement officials should make use of numerical values provided in the bid (for example the number of apprenticeships, or the financial proxy attached to getting an ex-offender into work under the HACT wellbeing analysis methodology). This will support the procurement official to make a reasonably objective decision, although there will be instances where they will need to use an element of subjective judgement (for example, when considering less tangible factors such as the inherent value created by local relationships) as with any 'normal' procurement decision.

## Manage the contract, measuring the social value that bidders deliver

Both commissioners and providers who engaged with the review felt that pre-procurement focus of the Act risks allowing commissioners to neglect contract management. As with any other element of a contract, the social value delivered should be monitored - particularly as this is an emerging field where both commissioners and providers will benefit from learning how social value is being delivered in practice. Better measurement of social value will support this process.

Knightstone Housing wanted to ensure that social value was an integral part of its new maintenance and repairs contracts, to support its strategic aim of helping residents to access work.

In the contract notice Knightstone included a reference to social value: “Under this contract the contractor and its supply chain will be required to actively participate in the achievement of social objectives relating to participation in community investment projects and employment and training programmes within the locality of the contract.”

In the ITT, Knightstone asked bidders to commit to the percentage of person-weeks to be delivered by trainees, the amount of work placements available as a percentage of person-weeks needed to complete all the work, and the value of community investment opportunities provided as a percentage of the total contract value. They weighted this question in the ITT at 4%.

In terms of contract management, Knightstone asked for recruitment and training statements to be provided, progress schedules and reports on recruitment and training every 13 weeks, the required number of person-weeks to be delivered by trainees, and for vacancies and work placements to be advertised with Knightstone’s nominated organisations. Knightstone is now monitoring what is being delivered and plan to publish their first social impact report in June 2015. They will report on several outcomes including number of job opportunities, number of people into work, availability of work experience/volunteering placements, provision of courses and training, number of community activities, and amount of money paid for Knightstone to deliver community activities on their behalf.

## Good practice for providers

The ten points outlined above are largely for commissioners, whose duty it is to consider social value before buying services above the OJEU threshold. However, providers clearly also have an important role to play here, and can also follow some important elements of good practice.

### **Understand the needs of the local area and the commissioner’s priorities**

The Social Value Portal (<http://socialvalueportal.org/>) provides a free map of contracting authorities with attached social value policies and strategies. Otherwise, individual contracting authorities should provide details of their strategy and local priorities.

### **Think about how social value can be incorporated**

Think about how you can incorporate social value into your core business or make it a natural adjunct to your core business, rather than an unrelated ‘add-on’.

Organisations are likely to provide more value by delivering social value outcomes where the relevant skills or resources to deliver these stem from their core business activities.

Providing social value as part of the core business will also be less burdensome for smaller businesses, which may find it more difficult to find the resources to deliver extra, unrelated activities.

Veolia, an environmental services firm, provides recycling, waste management and heating services to residents in the London borough of Southwark. Veolia delivers a number of social value benefits that are additional to its core environmental services business, but are relevant to this core business. For example over one year Veolia recorded the following:

- a Community RePaint programme that has diverted 16 tonnes of paint from landfill, benefitting 69 community groups and 400 individuals
- generating £18,000 in re-sale value for the British Heart Foundation by diverting 12 tonnes of material from landfill
- donating 340kg of tools to the Conservation Volunteers
- inviting 741 pupils to the Recycling Discovery Centre to raise awareness about recycling amongst young people
- sending 16 tonnes of small WEE and cathode ray tube lights to CRISP who use them to train unemployed people in electronics before sending them on for recycling.

*(For an example of how smaller organisations are able to incorporate social value into their core business, please refer to the Station Taxis example provided above).*

### **Identify your social value offer**

It is important to think about how your offer is relevant to the types of contracts you will be bidding for.

Willmott Dixon has chosen to focus on youth unemployment and inspiring young people, community transformation, and social exclusion. In the labour intensive construction industry, skills are important. Willmott Dixon also understands the potential of well-designed buildings to improve health and wellbeing, and recognises that regeneration can have a big impact on transforming communities.

### **Articulate your social value offer**

Quantify the value for money you will provide and make the case for your social value offer being a way for commissioners to navigate cost savings pressures.

Back in the Game is a programme run between Isos Housing and Sunderland FC which aims to inspire, motivate and up-skill unemployed adults.

It has calculated the return on investment for one quarter of an annual delivery contract as follows:

- 5 people in employment, at £8,700 per job = total: £43,500
- 27 people with raised career aspirations, at £4,800 per person = total £129,600
- 32 participants with increased fitness levels, at £2,354 each = total £75,328
- 24 people improved their self-confidence, at £1,195 each = total £28,680
- 27 people gained a certificate in work skills, at £947 each = total £25,569

### Use social value as a route in to commissioners

The Social Value Act encourages pre-market engagement, and you can use this to: help commissioners understand the full range of innovation you can provide; ensure services are well designed for your stakeholders; and ensure the procurement process is open to you.

In Bristol, the Royal National Institute of Blind People (RNIB), working with commissioners, provided evidence on the prevalence of sight loss and the most cost-effective interventions for reducing blindness, which was used to support the case for the new patient support service in Bristol Eye Hospital and to defend cuts to the rehabilitation service. The RNIB has also developed the Sight Loss Data Tool to help health and wellbeing boards map the local needs of blind and partially sighted people and those at risk of sight loss.<sup>11</sup>

### Further resources

The Cabinet Office funded Social Enterprise UK to set up an online hub full of free tools and resources for anyone who wants to understand more about social value. As well as a range of material explaining the Act, the site includes a number of case studies and a useful 'mythbuster' tool: <http://socialvaluehub.org.uk/>

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<sup>11</sup> NHS Confederation report *Comparing Apples with Oranges* <http://www.nhsconfed.org/voluntary>

# Annex B

## Measurement Framework and Principles

To measure their social value, organisations will essentially need to be able to measure the impact their social value interventions are having.

This is a growing field and a good degree of progress has been made, including for example the opening up of new resources for impact measurement (for example, the Inspiring Impact Hub) and the development of unit cost databases.

However, further work is required to develop this more specifically for the field of measuring social value, so that commissioners are better able to evaluate the additional value for money offered by one bid against another. The Cabinet Office will continue to work with Inspiring Impact to develop this work.

### Approaches to measuring social value

To measure their social value, organisations need to measure the impact they are making. Impact measurement is a growing field, and as such a wide range of techniques exist which can be used to measure social value.

At present, despite the presence of these techniques, social value measurement lacks generally accepted techniques, standards (i.e. so that people know what to measure and when), and clarity around what commissioners want to see.

This makes it difficult for bidders to know which technique to use when, and difficult for procurers to compare like with like. The Cabinet Office will work with Inspiring Impact over the next nine months to address these challenges.

In the mean time, the following section seeks to clarify *some of* the main techniques that currently exist.

#### **Economic or financial assessments**

Economic or financial assessments attempt to create ratios or net economic / financial estimates of impact.

#### **Social Return on Investment (SROI)**

SROI was found by the review to be one of the best-known social value measurement techniques. However, it is a more comprehensive and in-depth technique, which can

take several months to complete. It provides a narrative of how much value an organisation creates or destroys, and a ratio to show how much value is secured from every £1 of investment.

Further information on SROI can be found here:

- Complete guide to SROI (including chapter five on how to calculate the SROI ratio): <http://www.thesroinetwork.org/sroi-analysis/the-sroi-guide>
- SROI self-assessment tool: <http://inspiringimpact.org/listing/sroi-self-assessment-tool/>

Circle Housing used monetary values or financial proxies from the HMT Green Book to calculate their SROI.

For one of their c.80 employment and skills programmes they have calculated an SROI of £5.40 (£75,470 divided by £14,000 gives a ratio of 1 to 5.4):

- **Input:** £14,000 (£10k fund plus £4k staff costs)
- **Output:** £12,000 from Job Centre Plus to support programme; 80 people supported
- **Outcome:** 10 into employment including 3 NEETs, 22 put through accredited training, 13 into further education, 25 into volunteering/work placements, 30 increased confidence in their abilities
- **Impact:** £29,141 JSA savings, £16,500 for NEETs, £5,131 for NVQ level 1 accreditation, £12,698 reduced NHS cost for depression (identified at start)

### Cost-benefit analysis

A cost-benefit analysis compares the monetary values of costs and benefits, to establish what the net cost or benefit of an intervention might be. To support this, an increasing stock of unit cost data is emerging.

The Treasury Green Book explains how to conduct a social cost-benefit analysis as a way to appraise a project and includes some information on estimating costs/benefits that do not have a market value: <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

Unit cost databases provide lists of costs that can be used to calculate cost savings arising from a particular intervention:

- New Economy: <http://neweconomymanchester.com/stories/832-unit-cost-database>
- Personal Social Services Research Unit: <http://www.pssru.ac.uk/>



The total cost of the Argyll Red Cross Community Transport (CT) service is £94,566 (with £58,000 provided by Argyll Council). The service provides the following savings/benefits:

- £270,000 from using the CT service instead of taxis (this would be the cost if all Ct journeys were replaced by taxis)
- £34,000 carer costs (based on miles travelled at the standard carer rate of £7.50, plus time and costs for the carer)
- £27,500 saved via volunteering input (40 hours of volunteer time per week at the 2009 average weekly wage of £13.23)
- £8,840 local retail spend from the CT trips (1,768 journeys for local shopping with assumed £10 minimum spend per trip)
- £9,180 local leisure/recreation spend from the CT trips (1,768 journeys for recreation and 1,904 for social excursions with assumed £5 minimum spend per trip)<sup>12</sup>

(Whilst this example only shows the benefits of a service against what is paid for them, the same technique could be used to understand the value of proposed social value outcomes within a bid and assess this against the price being quoted to provide that element of the service, in order to make a decision about whether this would provide value for money.)

### Well-being / satisfaction measures

Well-being or satisfaction measures try to summarise social impact in terms of how happy or satisfied people feel. An increasing bank of financial proxies for wellbeing is developing.

### Financial proxies

The Housing Associations' Charitable Trust (HACT) has developed a bank of financial proxies for various wellbeing outcomes. They have also developed a calculator tool to help organisations use these values:

- Guide to the approach: <http://www.hact.org.uk/measuring-social-impact-community-investment-guide-using-wellbeing-valuation-approach>
- List of financial proxies: <http://www.hact.org.uk/social-value-bank>

First Ark Group used financial proxies for wellbeing outcomes to calculate the value of their projects:

- They invested £23,333 in a project to support female residents into self-

<sup>12</sup> Hitrans 2011 CT economic analysis report

[http://www.hitrans.org.uk/documents/value\\_of\\_community\\_transport\\_economic\\_analysis.pdf](http://www.hitrans.org.uk/documents/value_of_community_transport_economic_analysis.pdf)

employment, resulting in 21 unemployed women beginning start-ups and a HACT value of £285,495 (21 x £13,595: the wellbeing value for women in the northwest moving from unemployment to self-employment).

- They invested £79,200 in recruiting apprentices, resulting in 32 apprenticeships and £81,120 HACT value (32 x £2,535: the wellbeing value for undertaking an apprenticeship in the Northwest).

### Natural or sector-specific measures

These might include, for example: jobs created or sustained for employment; educational attainment for education; or reduced crime, offending, or reoffending for criminal justice and rehabilitation.

What works analytical services compare results for people who have been through an intervention to results for a comparator cohort of people:

<https://www.gov.uk/government/publications/justice-data-lab>

## Tools and resources for measuring social value

### Inspiring Impact

Inspiring Impact is a ten-year programme, the first two years of which were funded by the Cabinet Office. It seeks to develop impact measurement and is led by the voluntary sector. Inspiring Impact hosts an online website full of free impact measurement tools and resources. These can be found at <http://www.inspiringimpact.org/listings> and are a valuable set of resources for anyone seeking to measure their social value.

### Social Value Portal

The Social Value Portal (<http://socialvalueportal.com/>) is a new resource that can be used by those wishing to measure their social value.

The Centre for Citizenship, Enterprise and Governance (CCEG) has developed the social earnings ratio as a quick, low cost, high volume way to assess social impact. It is calculated by dividing the social value by the money spent on it. This can be calculated using very simple information (e.g. the CSR budget, the carbon reduction, and the number of people helped), and is meant to provide a single metric that can be used as a quick benchmark:

- <http://socialvalueportal.org/dataentry.php>
- <http://www.cceg.org.uk/#!research/cmp>

The Social Value Portal also provides a number of free spreadsheet tools - these take the form of templates which users can fill in to identify their financial and non-financial benefits:

- <http://socialvalueportal.com/>
- <http://socialvalueportal.org/>

## Guiding principles for measuring social value

This is a growing field, and a number of organisations are producing helpful guiding principles for good impact measurement.

### Inspiring Impact

Inspiring Impact has developed a Code of Good Impact Practice, which outlines the four main stages that should take place in good impact measurement, and eight principles for good practice: <http://inspiringimpact.org/wp-content/uploads/2013/04/Code-of-Good-Impact-Practice.pdf>)

### G8 Impact Measurement Working Group

The G8 Impact Measurement Working Group has also produced some impact measurement guidelines, which set out the four phases of good impact measurement and explain the requirements of each phase:

<http://www.socialimpactinvestment.org/reports/Measuring%20Impact%20WG%20paper%20FINAL.pdf>

### Social Enterprise UK (SEUK)

Following the Communities Count report SEUK and PwC are developing guidance on practical approaches to measurement and monitoring of impacts. This guidance is anticipated to be available through the SEUK website in March 2015.

### Further guidance

Further guidance on measurement principles can be found on the Inspiring Impact Resource Hub at [inspiringimpact.org/listings](http://inspiringimpact.org/listings).

Another source of interest may be the work of the GECES sub-group on impact measurement: [www.siaassociation.org/sources/european-commission](http://www.siaassociation.org/sources/european-commission)

## Measurement deep dive - Oldham Council

As part of the review, Cabinet Office economists conducted a 'deep dive' into two contracts let by Oldham local authority, estimating the social value from the contract information provided.

The below case studies help to demonstrate the following:

- It is possible to secure a range of benefits from social value commissioning that can be quantified.

- Measurement of social value is often complicated by limited data availability – a range of assumptions have been used here to calculate values, however a similar approach could be taken using real values where available.<sup>13</sup>
- Whilst this shows the value of the benefits that might have been secured from these contracts, it does not show how the provision of social value has affected the cost of the contract.

### Oldham case study: banking services contract<sup>14</sup>

Bidders were asked where they had:

- benefitted the local supply chain
- provided or enhanced apprentice or training opportunities and local employment
- added value to the local community.

The successful bidder, Barclays:

- partners with charities and the community to understand local needs
- employs apprentices
- delivers sessions led by volunteers, including a life skills programme for students aged 11-19, and money skills for disadvantaged people
- is also looking to teach interview skills at a local youth centre every month.

Here we give an indication, based on a number of conservative assumptions, of the type and value of benefits that Barclays' volunteering opportunities and apprenticeships might bring. However due to lack of robust data, there are other considerable benefits that we have not quantified here, e.g. the benefit to recipients of skills training.

### Apprenticeships<sup>15</sup>

We assume that one level two apprenticeship would be achieved:

- Barclays has so far provided 1000 apprenticeships nationwide. Information is not available on the precise number of apprenticeships delivered in Oldham. As Oldham accounts for 0.35% of the UK population, we assume Barclays might deliver at the same rate as they have nationally, providing 3.5 apprenticeships in Oldham.
- To illustrate apprenticeship benefits, we assume that out of 3.5 apprenticeships at least one level two apprenticeship qualification would be achieved.

Value of apprenticeships:

- According to the New Economy Unit Cost Database<sup>16</sup>, one person achieving a level two apprenticeship brings value of £16,802 p.a. due to the likely improvement in job prospects and production. This breaks down as:

<sup>13</sup> Because we have used estimates, values have not been discounted or inflated.

<sup>14</sup> Further detail: <http://www.coopinnovation.co.uk/case-studies/oldham-the-provision-of-banking-services/>

<sup>15</sup> Barclays Money Skills for young people in education: <http://www.nsafs.co.uk/wp-content/uploads/2013/08/Barclays-Money-Skills-for-young-people-in-education.pdf>

- £836 to HM Treasury through increased revenue
- £1,283 to the apprentice through increased earnings
- £14,683 to the employer and society through increased production
- To illustrate possible social value, we have used the value associated with a single year of benefits from an apprenticeship. This assumes that there will be at least one year during which the person completing an apprenticeship benefits from having done so.

*Possible social value from apprenticeship programme: £16,802*

## **Volunteering**

Although exact data on the amount of volunteering time generated through the contract is not available, we estimate that 735 hours might be spent volunteering: *(105 in FE colleges + 510 in schools + 120 in the youth centre = 735)*

- We assume that there might be 3.5 volunteers per FE college (based on current allocation averages), across two FE colleges in Oldham, conducting at least three hours per year of skills sessions throughout the five year contract: *3.5 volunteers x 2 colleges x 3 hours x 5 years = 105 hours of volunteering*
- We assume that 1 volunteer would do 1 hour at each of Oldham's 102 schools over the five year contract (based on looking at Barclays' current schools programme and the assumption that skills sessions might be less involved and thus shorter in schools than colleges): *1 volunteer x 1 hour x 102 schools x 5 years = 510 hours of volunteering*
- We assume that monthly sessions at the Mahdlo youth centre will involve 2 volunteers for one hour sessions each month for the five year contract: *2 volunteers x 1 youth centre x 12 months x 5 years = 120 hours of volunteering*

Value of volunteers' time

- We have valued the volunteers' time at the national median wage of £13.03 (with further data it would be possible to value it at the volunteers' actual wage rate, or at the market rate for similar roles).
- Value of volunteer hours =  $£13.03 \times 735 = \mathbf{£9,577}$

*Total social value estimate = £9,577 + £16,802 = £26,379*

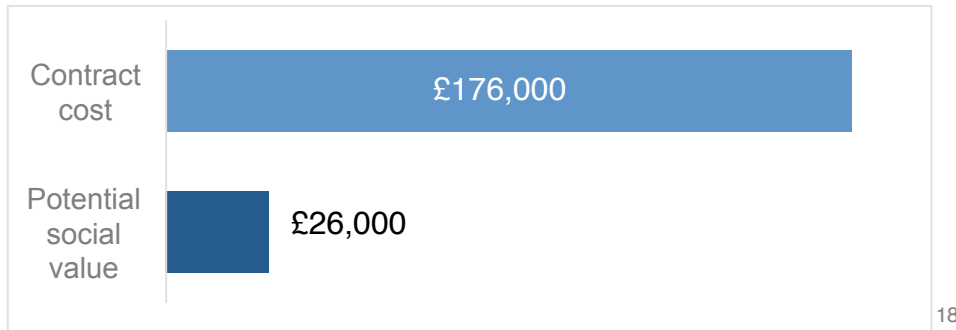
## **Banking services contract – potential social value**

With an annual contract cost of £35,000 this contract represents a 12% annual saving on the previous banking contract and is worth £175,000 over its five-year lifetime.

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<sup>16</sup> These are annualised lifetime benefits based on a level two apprenticeship qualification in financial services. The New Economy unit cost database can be found here: [http://neweconomymanchester.com/stories/832-unit\\_cost\\_database](http://neweconomymanchester.com/stories/832-unit_cost_database)

It is possible that the social value benefits from this contract may be worth 15% of the £176,000 cost of the contract over five years.<sup>17</sup>



### Oldham case study: graffiti removal contract

Bidders were asked to set out any specific measures within their tender that would effectively add a social value element to their offer.

The successful bidder, an SME, offered to:

- provide a work experience placement
- sponsor awards for local gardens
- clean the community centre exterior and provide one week of community work free of charge
- clear pathways for elderly residents
- use local suppliers to repair and maintain equipment.

Here we give an indication of the value that the free services and work experience in this contract might bring. However, there are other benefits that have not been quantified here due to lack of data, e.g. the increase in social cohesion and local wellbeing from well-maintained gardens.

### Free services

Value of community work: £481

- We assume that one week (37 hours) of community work is provided each year of the two year contract:  $37 \text{ hours} \times 2 \text{ years} = 74 \text{ hours}$
- We have valued the community work at the national minimum wage of £6.50 per hour:  $£6.50 \times 74 \text{ hours} = \mathbf{£481}$

Value of path clearing: £113

<sup>17</sup> Figures are provided to the nearest £1000: the contract is worth £35,188 per annum, or £175,940 over five years.

<sup>18</sup> Again, this figure is to the nearest £1000. The actual figure estimated was £26,379.

- Clearing the pathways of elderly residents should reduce the risk of falls – to illustrate the value of this activity, we assume that at least one such fall resulting in an A&E attendance might be prevented during the two-year contract.
- New Economy’s unit cost database estimates the average cost of one A&E attendance as £113:  $1 \text{ prevention} \times £113 = \mathbf{£113}$

Total value of free services therefore stands at:  $£481 + £113 = \mathbf{£594}$

## Work experience

Value of savings to Job Seeker’s Allowance:

- According to a DWP study<sup>19</sup>, work experience is expected to reduce unemployment benefits claimed by the equivalent of 5 days off benefits over 21 weeks. For a year, we assume impacts continue for at least two such periods (42 weeks) and result in the equivalent of 10 days off benefits. We assume that this level of impact will apply to the person completing the placements under this contract, either through helping an unemployed person move into work, or, in the case of someone currently in education, through helping to prevent a period of worklessness when they leave school<sup>20</sup>.
- New Economy’s unit cost database estimates that the Exchequer saves £10,025 per year for each workless JSA claimant entering work<sup>21</sup>. 10 days = 2.7% of a year. We assume 2 people are involved over the two years of the contract. The total value can therefore be estimated as:  $£10,025 \times 0.027 \text{ years} \times 2 \text{ people} = \mathbf{£549}$

Value of increase in employment:

- A DWP study estimates that one work experience placement will increase employment by 8 days over 21 weeks.<sup>22</sup> For a year, we assume impacts continue for at least 42 weeks and result in 16 days extra employment. We assume a day’s work consists of 7.5 hours.
- We assume that one placement is provided in both years of the contract.
- The total employment increase will therefore be:  $16 \text{ days} \times 2 \text{ people} \times 1 \text{ placement} \times 7.5 \text{ hours per day} = 240 \text{ hours}$ .
- If we value this work at the national minimum wage of £6.50 per hour we can estimate a total value from increased employment of:  $240 \text{ hours} \times £6.50 = \mathbf{£1,560}$

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<sup>19</sup> DWP, April 2012, work experience programme impact analysis:

[www.gov.uk/government/statistics/work-experience-programme-impact-analysis](http://www.gov.uk/government/statistics/work-experience-programme-impact-analysis)

<sup>20</sup> The DWP study<sup>4</sup> is based on participants who are currently out of work and receiving JSA. We are aware that impacts may differ for those who are still in school, but in the absence of appropriate data here we assume that a similar amount of worklessness is prevented for in-school participants as reduced for out-of-work participants.

<sup>21</sup> This figure is mostly composed of savings in benefits payments (estimated at £9,446), but also fiscal benefits from improved health (estimated at £579)

<sup>22</sup> DWP, April 2012, work experience programme impact analysis:

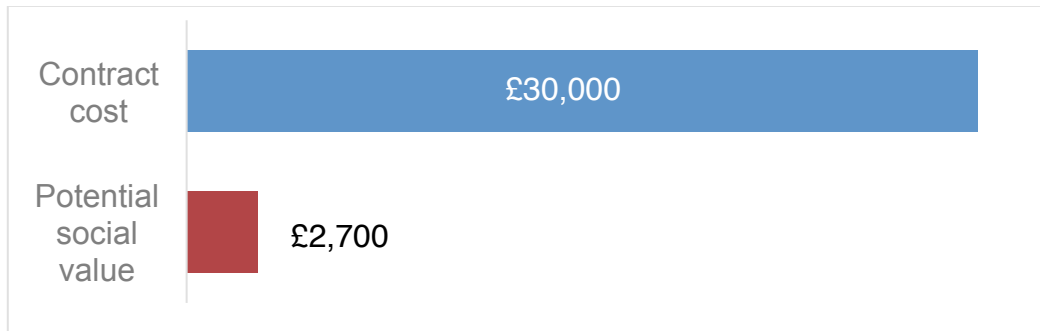
[www.gov.uk/government/statistics/work-experience-programme-impact-analysis](http://www.gov.uk/government/statistics/work-experience-programme-impact-analysis)

The total value of work experience from Job Seekers Allowance savings and increased employment can therefore be estimated as:  $£549 + £1,560 = \mathbf{£2,109}$

Total social value from this contract might therefore be:  $£594$  (*free services*) +  $£2,109$  (*work experience*) = **£2,703**

### **Graffiti removal contract – potential social value**

It is possible that the social value benefits from this contract may be worth 9% of the £30,000 cost of the contract over two years.<sup>23</sup>



<sup>23</sup> Figures are provided to the nearest £1000.