



Public Health
England



UCL Institute of Health Equity

Local action on health inequalities **Using the Social Value Act to reduce health inequalities in England through action on the social determinants of health**

Practice resource: September 2015



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About the UCL Institute of Health Equity

The UCL Institute of Health Equity (IHE) is led by Professor Sir Michael Marmot and seeks to increase health equity through action on the social determinants of health, specifically in four areas: influencing global, national and local policies; advising on and learning from practice; building the evidence base; and capacity building. The Institute builds on previous work to tackle inequalities in health led by Professor Sir Michael Marmot and his team, including the Commission on Social Determinants of Health, Fair Society Healthy Lives (The Marmot Review) and the Review of Social Determinants of Health and the Health Divide for the WHO European Region.
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1.1. About this report

This practice resource was produced for Public Health England by Matilda Allen and Jessica Allen of the UCL Institute of Health Equity. The authors are grateful for the input and support throughout the project of an expert steering group:

- Dave Buck (The King's Fund)
- Dominic Harrison (Blackburn with Darwen borough council)
- Chris Brookes (UK Health Forum)

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Key messages

1. The Social Value Act came into force in January 2013, and requires public sector commissioners – including local authorities and health sector bodies – to consider economic, social and environmental wellbeing in procurement of services contracts.
2. The social value ambition is to get the most value for money from public spending. The prospect of reduced funding for contracting authorities increases the need to gain the greatest value per pound spent in local areas. For local bodies, considering social value can help to secure better service delivery, greater economic growth and improved community relations.
3. Creating social value has clear connections with efforts to reduce health inequalities through action on the social determinants of health – for example, by improving employment and housing. Defining social value with reference to the social determinants of health can help to reduce local inequalities, improve the health and wellbeing of local people and in the longer term reduce the demand on health services and other services.
4. Fulfilling social value requirements can help public sector commissioners to meet national legislative requirements and national priorities, including statutory health inequalities duties, integration duties and an increased focus on prevention in the health sector; and localism and place-based initiatives, sustainable development, the Local Government Act 2011 and the Equality Act 2010.
5. While some areas may perceive challenges about balancing the requirements of the Social Value Act against other legislation, such as EU procurement guidelines, the Act is in fact complementary.
6. Actions on social value include: employing local residents or target groups such as young unemployed people, building local supply chains, procuring with the voluntary, community and social enterprise (VCSE) sector, working with schools and young people, requiring contractors to pay a living wage and minimising negative environmental impact.
7. Key factors for success have been identified by contracting authorities who have embedded social value. These include ensuring strong leadership, involving a range of staff (including health and public health), reflecting other local and national priorities, making the case for action, building community involvement, providing training for staff, collaboratively producing a social value policy or framework, building market capacity and developing measurement systems.
8. Local examples of action show that some local contracting authorities have effectively tackled challenges in defining social value, building internal capacity and understanding, supporting providers to deliver and demonstrate social value, and measuring and monitoring effectively.
9. As yet, measurement and monitoring of social value is underdeveloped. Contracting authorities perceive this as a major challenge in implementing social

value. Measuring impact through existing methodologies such as social return on investment, through using existing key performance indicators or by designing local measurement systems, can help to build evidence to support the case for social value approaches.

10. Measurement is more likely to be effective where it is proportionate to the scope of the goods or services being delivered and the circumstances of the provider. It may also be helpful to aim to measure social value in ways that reflect other local systems, processes and priorities to demonstrate where acting on social value delivers other benefits. Where possible, effects and savings should be disaggregated to see who benefits, to ensure a focus on equity and equitable outcomes.

Introduction

The Social Value Act, which came into force in January 2013, requires all public sector commissioners to consider how they could improve the economic, environmental and social wellbeing of their population through their procurement activities.

This legal requirement embeds a wide set of considerations into the existing commissioning cycle and local spending activities. It creates a new opportunity and potential to use local and national commissioning to improve health and reduce health inequalities, through action on the social determinants of health.

In one year (2012-13), over £230bn was spent on public sector procurement of goods and services.¹ This annual expenditure provides an opportunity to generate value over and above the service or goods being commissioned. The Act, while useful at any time, is also an essential tool in a time of spending constraint, as it can help commissioners to ensure that each pound spent creates the maximum possible value for the population.

Public Health England (PHE) commissioned the UCL Institute of Health Equity (IHE) to assess the potential of the Social Value Act to support action to reduce health inequalities. This practice resource document is the outcome of this work and aims to:

1. Explain what social value means, and how and whether it is used
2. Set out the reasons to act on social value
3. Provide information, guidance and examples of local action for local public sector commissioners in order to increase social value in their procurement activities

The legislation applies widely to all public sector procurement organisations including central government departments. However, implementation varies significantly across sectors and organisations. Due to the newness of the legislation, and the variability of action and impact, this resource should be seen as a summary of the current state of play, rather than a final assessment. Social value in commissioning will continue to evolve as awareness and implementation increase, and this will build on the findings and assessments reported here. This practice resource encourages, supports and improves implementation of the Social Value Act in relation to reducing health inequalities.

Throughout the document, selected evidence and resources are highlighted in boxes such as this one. These are labelled in the following ways:

Intervention – an example of a strategy, programme or initiative taken by a local area, organisation or national government that it is felt may contribute to reducing health inequalities by acting on the social determinants of health. It has either been evaluated and shown to be effective or is considered to be an example of promising action.

Key messages – summaries of the key findings or action proposed in this document.

Key literature – summaries of academic studies or other reports that provide key information relevant to the chapter, often taking into account a range of different programmes or projects.

Practice resource structure and audience

The document consists of two main parts. Different parts of the resource are aimed at slightly different audiences:

Part A. Social value: what is it and why is it important?

1. What the Social Value Act is

This section provides an overview of the Act, what it means, when it applies and some information on who is currently using social value.

This will be useful to anyone who is interested in social value.

2. The value of social value

This section makes the case that acting on social value has clear benefits and can help to tackle health inequalities.

This will be useful to national and local policymakers and those in decision-making positions who would like more information on why to act on social value and how it can tackle health inequalities.

Part B. A guide for local public bodies

3. Local implementation

This section provides guidance for local contracting authorities, including factors for success, challenges and how to overcome them.

This section is for local organisations that are implementing or intend to implement social value in procurement and would benefit from detailed and comprehensive guidance. This includes commissioners, procurement staff and decision-makers in local authorities, NHS organisations, and other local and national public bodies.

4. Local examples of social value action

This section provides five longer examples of local action, including local processes and experiences of successes and challenges.

As with section 3, this section is for local organisations that are implementing or intend to implement social value in procurement who would like detailed guidance on how other areas have developed social value approaches.

5. Measurement and monitoring

This section gives examples of monitoring and measuring strategies that can be used in the area of social value, and some factors for success.

This would be of interest to local providers who have been asked to demonstrate social value to contracting authorities, and to the authorities themselves.

Sources and methods

Since the Social Value Act only came into force in January 2013, the focus of this practice resource is primarily on action and publications post-2012. Due to this limited time span, there is not an established collection of peer-reviewed academic texts on social value. However, there has been a long-standing focus on creating extra value from commissioning in many organisations, particularly local authorities, which predates the social value legislation. For this reason the experience and knowledge of practitioners, commissioners and providers has been relied upon heavily to inform this practice resource.

The majority of the sources and examples of local action are from England but some from other parts of the UK are cited where they are particularly relevant.

This assessment of the potential of the Act for action on health inequalities was informed by the following approach and methods:

1. An initial scoping meeting held at UCL on 8 July 2014, with a range of experts, practitioners, and relevant organisational representatives from a range of sectors, including academia, think tanks, national and local government, the NHS, practitioners and the third sector (a full list of attendees is available in the appendix).

2. Visits, phone conversations and meetings with local organisations which have been active in implementing the Act. These took place from March to November 2014 and included staff from public health, health sector, and local authority commissioning and procurement, as well as delivery partners including the VCSE sector. (A list of these contacts is available in the Appendix to this report.)
3. Desk-based research, focussing on interventions, reports, and research studies, primarily those published since 2012. The references section lists these.
4. Regular input, including advice, evidence, comment and reviews, with an expert steering group consisting of Dave Buck from the King's Fund, Dominic Harrison from Blackburn with Darwen borough council and Chris Brookes from the UK Health Forum.
5. A consultation on this practice resource, during which 22 experts from a range of organisations sent comments on the content and approach (see the annexe for more details).
6. Discussions with national policy leads including the Cabinet Office, NHS England, and PHE.
7. Building on the experience, expertise, and knowledge of the members of the Institute of Health Equity and their partners.

Part A. Social value: what is it and why is it important?

This part of the practice resource sets out what the Social Value Act says and what this means. It describes who is currently using the Act and some clear benefits derived from increasing action on social value, including the potential to reduce health inequalities and to meet a range of local and national legislative requirements and priorities.

1. Introduction to the Social Value Act

Key messages

1. The Social Value Act came into force on 31 January 2013. It requires public sector commissioners to consider economic, social and environmental wellbeing when they conduct procurement for services.
2. The Act aims to encourage wider public benefits for the community beyond the simple provision and delivery of the service being commissioned. For example, an NHS trust could contract with a social enterprise that employs and trains local unemployed young people.
3. The Act applies to a range of “contracting authorities”, including local authorities, acute trusts, clinical commissioning groups, other NHS organisations, fire and rescue services, education and early years services, police, housing associations and government departments. It applies in England and in some contracting authorities in Wales.
4. Currently, local authorities appear to be taking more action on social value than the health sector and there is more action locally than nationally.
5. Although two thirds of local authorities and housing associations in a survey reported considering social value across all the services they commission, only 13% were “very satisfied” with their social value processes. This highlights a clear need for more guidance and support.

1.1. Policy context

The Public Services (Social Value) Act 2012 was initiated in 2010 as a private members’ bill and had cross-party support. It arose from a number of national priorities and financial pressures. These included:

1. An increasing focus on getting the most value out of public spending, and for this to be more oriented towards broad benefits for populations

2. Increasing devolution and localism agenda placing more focus on local areas
3. A climate of austerity and reductions in public sector spending, which has created an increasing need to ensure the greatest possible effect with increasingly limited funds. Understanding the impacts of decommissioning services is also important
4. The recognition that lowest cost is not the only, or best, consideration of who to contract with and how to procure services, at both a national and local level. The Act provides a shift in focus from “cost” to “value”

A number of government departments have had involvement with the Act and its implementation, including the Cabinet Office, the Department for Communities and Local Government (DCLG), and the Department of Health (DH), which has funded a programme on social value and health for a number of local authorities, some of which are presented in the case studies in part B. PHE commissioned this practice resource. National public sector procurement of services is also covered by the provisions of the Social Value Act.

The Cabinet Office published a Review of the Social Value Act in February 2015, which set out a range of recommendations for future action on social value, many of which are supported by further detail in this practice resource. The review is summarised in section 2.6.

1.2. What the Act says

The Public Services (Social Value) Act 2012 (from here on referred to as the Social Value Act or the Act) became law on 8 March 2012 and came into force on 31 January 2013. The Act states, in reference to procurement of service contracts over a certain threshold, within public bodies in England and Wales, that:

“The authority must consider -

- a) how what is being proposed to be procured might improve the economic, social and environmental wellbeing of the relevant area, and
- b) how, in conducting the process of procurement, it might act with a view to securing that improvement”²

The Act also states some circumstances in which the duty does not apply – when there is an urgent need to arrange the procurement – and some authorities that are not required to comply with the Act (specifically, devolved Welsh ministries).

The Act covers public service contracts (including primarily service contracts with a works or goods element where the service element is greater in value), but not contracts for works or goods alone. “Public service contracts” refer to the process by which public bodies pay other organisations to provide services for the relevant

population (for example, a hospital contracting with a private provider for catering services).

1.3. What the Act means

Social value is defined broadly in the Act as improvements in economic, social and environmental wellbeing. Beyond this broad definition, social value has been conceptualised differently according to the contracting authority's own context and priorities.

The aim of including social value in commissioning is to achieve greater value from public expenditure. This means value not only of the particular service commissioned, but also the wider public benefits that are possible as a result of who receives the contract, how they deliver it, and what impact they have on local populations. Central to this is the difference between "cost", which refers only to the money spent, and "value", which not only includes cost but also a range of other desirable outcomes such as environmental, social and economic wellbeing. Generating positive social impacts can increase value for a given cost. As Social Enterprise UK states in its guide to social value, "Social value asks the question: 'If £1 is spent on the delivery of services, can that same £1 be used to also produce a wider benefit to the community?'"³

In many cases and for many contracting authorities, social value gives clearer permission for considerations that have long been included in procurement and wider activities. Increasing social value through commissioning was supported, but not created, by the Social Value Act. For some contracting authorities the focus on social value will be new.

Key literature: Social Enterprise UK examples of social value in procurement ³

Social Enterprise UK gives the following examples of procurement activities that include social value:

- "a mental health service delivered by an organisation that actively employs people with a history of mental health problems to help deliver the service
- a housing association contracts a private sector company to undertake repair work, and the company states they will promote careers in construction and trade to local schools, and employ young people and long-term unemployed
- an NHS trust commissions a patient group to run a series of consultation events, and the group uses its profits to increase beneficial activities in the local area"

Further examples are available in section 4 of this practice resource document.

1.4. What the Act covers

The Act applies to all bodies defined as contracting authorities in the Public Contracts Regulations 2006, except for Welsh authorities whose functions are wholly or mainly devolved.⁴ In 2015 these regulations will be replaced with the Public Contracts Regulations 2015 (PCR 2015).⁵ The draft PCR 2015 define “contracting authorities” as “the State, regional, or local authorities, bodies governed by public lawⁱ, or associations formed by one or more such authorities or one or more such bodies governed by public law”.⁵ This includes local authorities, acute trusts, clinical commissioning groups (CCGs), other NHS organisations, fire and rescue services, education and early years services, police, housing associations, government departments and national bodies such as DH, NHS England, and PHE. In the Welsh context, some equivalent or similar bodies are included – for example, health boards rather than CCGs.

This practice resource uses the phrase “contracting authorities” to refer to any organisation to which the Social Value Act applies, and “providers” to refer to any organisation which a contracting authority contracts to provide a service.

The scope of the Act itself is currently limited. Firstly, the Act only applies to contracts above the threshold for the application of EU procurement rules (currently £111,676 for central government bodies and £172,514 for other bodies). Secondly, the Act applies to the pre-procurement stage of commissioning, which is “the stage of the commissioning process where services are conceived and are designed and specifications developed and engagement with partners, stakeholders and current and potential providers takes place”.⁴ Thirdly, the Act stipulates that social value should be “relevant” and “proportionate” to what is being commissioned. Finally, it does not apply to goods or works contracts.

However, there is general approval, including from government,⁴ for extending the concept and practice of social value beyond some of these parameters. For example, the Cabinet Office states that considering social value in lower value contracts is “good practice” and that the Act only applies to the pre-procurement stage, as “that is where social value can be considered to greatest effect... [it] can inform the whole

ⁱ Bodies governed by public law have all of the following characteristics: “a) They are established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character; b) they have legal personality, and c) they have any of the following characteristics: i) they are financed, for the most part, by the state, regional or local authorities, or by other bodies governed by public law; ii) they are subject to management supervision by those authorities or bodies, or iii) they have an administrative, managerial or supervisory board, more than half of whose members are appointed by the state, regional or local authorities, or by other bodies governed by public law.”

shape of the procurement approach and the design of the services required”.⁴ The limitations of the Act, and how these can be overcome, are discussed in section 3.

1.5. Existing research on use of the Act

Current research and survey findings, and the view of stakeholders, suggest that recognition and implementation of social value varies significantly. Action is more widespread in local authorities, compared with national government departments, the NHS or other public sector bodies to which the Act applies. However, not all local authorities have embedded social value in their activities.⁶

An inquiry into local government procurement, conducted by the Communities and Local Government Committee and published in February 2014, reported that 65% of local authorities in England and Wales had changed their processes and practices as a result of the Act.⁷ However, it also noted that due to the lack of any requirement on contracting authorities to report on their implementation, it was difficult to evaluate the impact of the Act accurately.

A survey conducted by Social Enterprise UK (SEUK) in June 2014, involving 200 telephone interviews with senior leaders in 77 local authorities and 123 housing associations,⁶ found that:

- a third of organisations surveyed do not consider social value across all the services they procure
- 56% said that the Act had a low impact because they were already commissioning with social value in mind
- smaller housing associations and local authorities tend to be less advanced than larger ones in terms of social value policies, definitions and measurement
- only 13% of respondents were “very satisfied” with their social value processes

A survey of over 120 public authorities carried out by the Social Value Portal during July and August 2014⁸ indicated that while many public sector bodies had a good awareness of the Act (72%), there were still 24% that had a low awareness. The survey reported that 80% of public sector bodies believed that suppliers were not yet ready to respond and had little awareness of the Act and only 28% of local authorities had developed a social value strategy.

Other work by SEUK and the Institute of Local Government Studies has found that increased awareness has not (yet) translated into increased action, or consistency of action across functions.^{9 10} There have not been any surveys of the use of the Social Value Act in the health sector; the recent inquiry ‘Due North’ found that “the NHS has yet to take full advantage of the positive impact [the Social Value Act] can have on health and local economies through its employment and procurement processes”.¹¹

However, there is likely to be wider activity on social goals that has not been conceptualised as social value or has not been as a direct result of the Act. For example, corporate social responsibility and corporate citizenship models have often emphasised the social impacts of spending, and encouraged assessment and promotion of considerations broader than just cost in commissioning.

There also seems to be a particular view of what social value means – principally it has often been limited to choosing to contract with VCSE organisations, acting on employment measures and keeping the supply chain local.^{6 9} These are key areas and are likely to impact on health inequalities. However, there is potential to widen the conceptualisation of what can be done to deliver social value. As will be shown in the following section, there are many reasons to take action on the broad range of areas that constitute social value, and the health sector has a key role to play.

2. The benefits of working for social value

Key messages

1. Considering social value can have a range of benefits for contracting authorities, including improved image of the organisation, improved community relations and increased motivation and job satisfaction of staff. Local communities can benefit through improved service delivery, greater economic growth, wellbeing and quality of life, and an increase in local resilience.
2. There are currently reduced funds available to contracting authorities. This increases the need for gaining the greatest value per pound spent locally with a focus on social value. Acting to increase social value could reduce demand on health services and other services by improving the health and wellbeing of the population. Social value assessments can assist in decisions about what provision to decommission through analysis of the likely impact on a broad range of local social value outcomes.
3. Social value has connections with approaches to reducing health inequalities. Defining and implementing social value with reference to the social determinants of health could help to reduce local inequalities and improve health.
4. The health sector is a key actor for social value. The budgets spent locally on services create an opportunity to increase social value for local populations. This also meets other national legislative requirements on health care commissioners, such as statutory health inequalities duties, and national priorities such as those set out in the NHS five year forward view.
5. Acting for social value also meets other national policies and legislation, including localism and place-based initiatives, sustainable development, the Local Government Act 2000 and the Equality Act 2010.

2.1. Benefits for contracting authorities and communities

Those contracting authorities that have taken action on social value have generally reported that embedding a focus on generating social value in their contracting procedure has had positive impacts. The range of benefits for contracting authorities reported in survey results include:

- 82% state it improves the image of their organisation⁶
- 78% state it improves community relations⁶
- cost effectiveness can increase⁴ – 52% state it leads to cost savings⁶
- 83% state it adds value to procurement¹²
- all respondents state it is an opportunity to build capacity for local authority staff¹²
- it can lead to internal innovation⁴, including questioning the best use of taxpayers' money, changing the mind-set of service delivery, leading

to more innovative responses not based solely on price, and a better understanding of the priorities of other organisations⁶

- it increases the motivation and job satisfaction of staff⁶

Stated benefits for the local community include:

- 71% of contracting authorities surveyed state it improves service delivery⁶
- it keeps local authority spend in the local economy, delivering local jobs for local people,⁶ and creates a skilled and strong labour market¹¹
- it strengthens sustainability of neighbourhoods by encouraging economic growth⁶
- it increases the wellbeing and quality of life of the local population⁶
- it increases community confidence, resident involvement and links between residents and commissioners⁶
- it can lead to multi-agency team working, meaning fewer vulnerable cases are missed⁶
- The potential for creating multiple positive outcomes is largely due to the significant (and increasing) devolution of commissioning decisions to local areas. For example, £80bn is spent each year by local government on procuring goods and services¹³ and housing associations and the Homes and Communities Agency are investing a combined £6bn each year in new homes.⁶ Over 40% of local authority expenditure is on third party contracts (procurement) and this proportion is likely to increase.¹⁴ Investing in local neighbourhoods can also have a multiplier effect, where the benefit for the local population increases as local businesses, employment, and services all become more financially sustainable.¹³

The establishment of CCGs as a result of the 2012 Health and Social Care Act has given clinicians and clinical groups more responsibilities over purchasing services for local communities and potentially a greater opportunity to use this procurement and purchasing power to act for the wider social value benefit of the local community. The 2014 NHS five year forward view also stated that “NHS England intends progressively to offer them [CCGs] more influence over the total NHS budget for their local populations”,¹⁵ increasing the potential for creating social value through local health sector procurement.

However, not all local contracting authorities have more money to spend: most have seen dramatic reductions in funding recently. The importance of social value in this context is addressed in the following section.

2.2. The economic case for action

Recent reductions to local public sector funding increase the need for strategies that can deliver multiple positive outcomes from an increasingly limited funding pot. For

example, “in local government the scale of the funding gap is a staggering £16.5 billion a year by 2019-20”.¹⁶ Rather than remove the need for social value, scarcity of funding in fact increases the need for local authorities to become effective commissioners of social value from existing procurement.¹⁷ As the Cabinet Office states in reference to increasing demand, “increasingly, commissioners will need to identify better targeted, more innovative and radical service delivery solutions to meet this demand”.⁴ Social value can form a part of this strategy.

Social value provides a method by which to increase social, economic and environmental value for a set (and decreasing) level of public money and, in this way, may help to reduce overall costs by meeting multiple priorities simultaneously. While social value does not mean the same thing as lowest cost, it can result in lower overall costs. For example, if contracting for a catering service not only meets the initial aim (of providing catering services), but also helps to reduce local unemployment through a training and recruitment process that focuses on local unemployed young people, then each pound spent on this service is having a greater impact than the same pound spent on an alternative service that only provided catering services.

The IHE and PHE publication ‘Understanding the economics of investments in the social determinants of health’¹⁸ gives examples of the cost, cost–benefit and social return on investment calculations for a range of programmes that act on the social determinants of health. For example, employee wellness programmes return between £2 and £10 for every £1 spent; and each 16-18 year old NEET (not in education, employment or training) will have an estimated cost to society of £56,000 over their lifetimes based on welfare costs, lost tax and national insurance contributions, and costs to the health and criminal justice systems. Social value actions that tackle these (and other) areas can therefore reduce costs and be cost-effective. In addition, there are benefits that are not directly financial: for example, improvements to personal wellbeing and community resilience or cohesion as a result of increasing employment or other social value outcomes.

Increasing social value can also help to reduce the burden on other services such as unemployment support. In some cases, the fact that some of these savings accrue nationally (for example, to the Department for Work and Pensions and the Treasury) has been a barrier to action, as local contracting authorities do not feel the benefits directly. However, as stated above, a survey of housing associations and local authorities found that 52% reported that including social value in commissioning led to local cost savings for their own organisation,⁶ and 83% of local authorities in another survey stated social value would add value to procurement.¹²

Creating social value by reducing health inequalities could also have a direct benefit for the health care sector by potentially reducing demand on services (and therefore saving money). The Marmot Review calculated that, annually, inequality in illness accounts for productivity losses of approximately £31bn-£33bn, lost taxes and higher

welfare payments in the range of £20bn-£32bn and additional NHS healthcare costs of £5.5bn¹⁹. The sustainability of the NHS will increasingly depend on better prevention of illness, as well as efficiency in treatment. This was highlighted in the 2014 NHS five-year forward view (see section 2.4). Embedding social value actions across NHS commissioning decisions could help to meet this increasing need for effective prevention and lowered costs, by improving the health of the population and reducing inequalities (discussed in section 2.3).

Commissioning decisions can also reduce social value: for example, procurement that only considers financial cost could damage local working conditions, move money out of the local area, or reduce local skill acquisition or economic development. The wording of the Act refers to “improvements” in social, environmental and economic wellbeing. However, it is also essential to consider not only *adding* social value, but also ensuring that social value is not *reduced*.

Many contracting authorities, at national and local level, increasingly have to make decisions not primarily about what to commission, but what to stop commissioning. As the Local Government Association reported in 2014, “councils are currently half way through a scheduled 40 per cent cut in funding from central government. Having delivered £10 billion of savings in the three years from 2011-12, local authorities have to find the same savings again in the next two years”.¹⁸ This necessitates large-scale service decommissioning. In this context, social value can be used as a tool to minimise damage to the local population in decommissioning decisions – by evaluating which services are having the greatest positive impact on local economic, environmental and social wellbeing, and attempting to protect them.

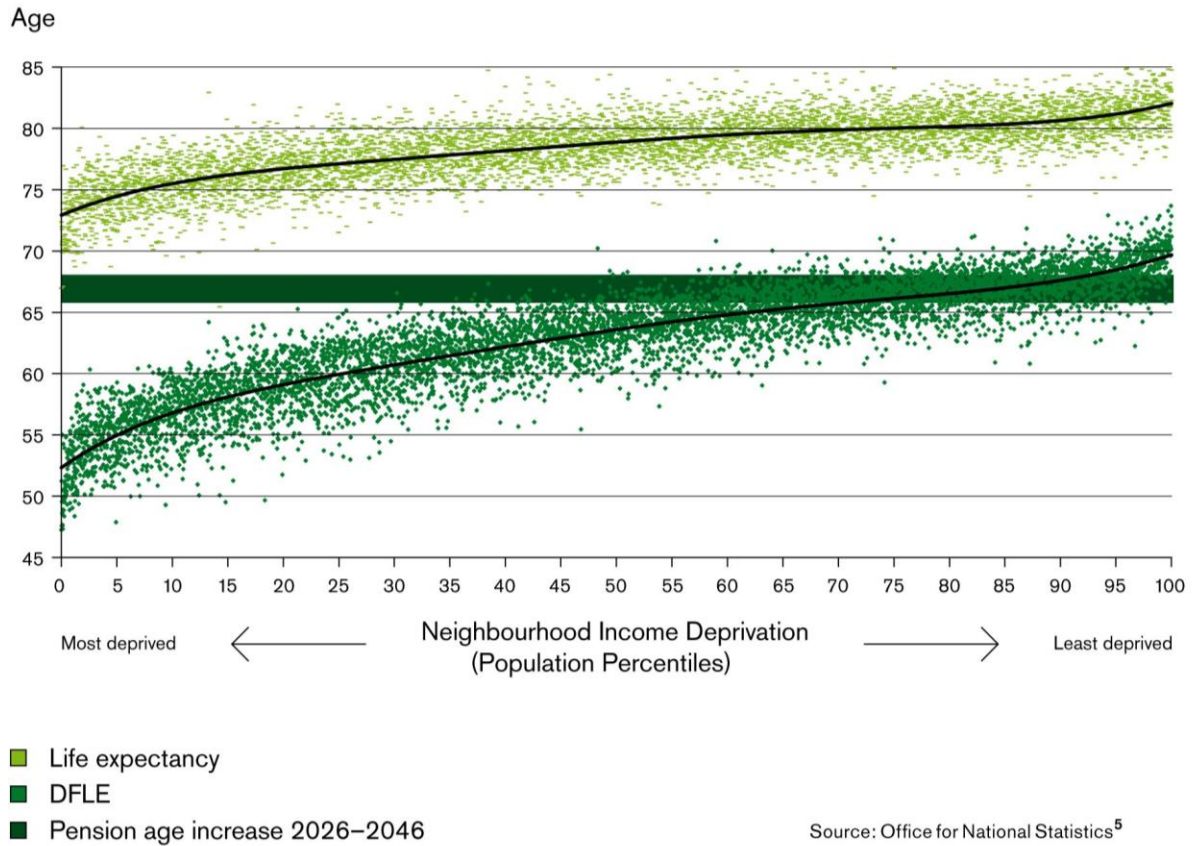
2.3. Connections with health inequalities and the social determinants of health

Acting to increase social value has clear potential to reduce local inequalities in the social determinants of health, which is likely to improve population health and contribute to reductions in health inequalities.

2.3.1. Health inequalities and the social determinants of health

Health inequalities are avoidable, unjust and create systematic differences in length of life, and presence of illness, between individuals and communities. For example, there is a difference of seven years in life expectancy between the most and least deprived communities in England. Between the same areas there is an even greater difference of 17 years in “disability free life expectancy” (DFLE) – the number of years someone can expect to live free of life-limiting illness. The graph below shows that these differences fall on a social gradient. This is not just an issue of rich and poor. Everyone below the top 1% has slightly worse health than they could have.

Figure 1. Life expectancy and disability-free life expectancy at birth, persons by neighbourhood income level, England, 1999–2003



Source: The Marmot Review ¹⁹

These inequalities, and the social gradient, exist within every country in the world for which data is available, and also between countries. The nature of these health inequalities, and what to do about them, was the focus of the 2010 report ‘Fair Society Healthy Lives’, known as the Marmot Review ¹⁹. The Marmot Review built on a body of work showing that many of the drivers of unnecessary health inequalities relate to inequalities in power, money and resources, and the way that these affect the conditions in which we are born, grow, live, work and age ²⁰. These are the “social determinants of health”. The Marmot Review set out six high level policy objectives to tackle inequalities in the social determinants of health, and thereby to improve health and reduce health inequalities (figure 2).

To realise these goals, action is needed across all sectors of society. This includes the policies of all government departments; the public sector at national, regional and local level; the commitment and expertise of the third sector and civil society; harnessing the power and influence of the private sector; and working with and for local communities and the national population.

Policies to lift and flatten the social class gradient shown in figure 1 and reduce health inequalities require action, which is universal, but with increasing resources and focus proportionate to need (proportionate universalism).

The purpose of this section is to show that acting to increase social value can, and should, reduce inequalities in health through action on the social determinants of health.

2.3.2. Social value, health inequalities and the social determinants of health

Social value is a broad and at times unclearly defined concept. The Act itself refers to “economic, social and environmental wellbeing”, which can lead to a wide variety of approaches called “social value”. This broad conceptualisation can cause difficulties about what is covered by the Act and criticism that social value is too vague.

However, it can also be a strength: local areas can define social value according to local needs and assets, as well as organisational priorities, strategies and policies. In addition, a broad definition can encourage a larger number of actions, across a range of areas, and many of these have the potential to improve health.

Improving economic, social and environmental wellbeing, if done in a way that distributes benefits equitably, is likely to reduce health inequalities. This also works in reverse: reducing health inequalities will improve economic, social and environmental wellbeing. While reducing health inequalities has not been the primary concern of most social value approaches to date, there is some indication that there is growing interest and action on using social value to address health inequalities ⁶.

Making connections between social value and health equity is particularly important as reducing inequalities is a clear objective of many public contracting authorities. Locating social value within this agenda can help to harness the structure, resources, evidence and clear actions that have been developed in relation to health inequalities for the benefit of social value approaches. These ambitions can be realised partly through “social value” procurement processes, commissioning decisions, contract management and “bending the spend” to clearly influence outcomes.

The involvement of public health, and in particular health and wellbeing boards and the local health and wellbeing strategy, is essential in order to maximise synergies between tackling health inequalities and increasing social value. The expertise and experience of public health teams within local authorities can be used to inform social value prioritisation and action.

Social value action to date has most often focused on securing more local employment or ensuring supply chains are local – and these are important areas of action to improve the social determinants of health. However, some commissioners have also taken a much broader view, to influence all the social determinants of health. Figure 2 consists of “social value” policies or actions described in external

sources (either case studies or reports on social value), mapped against the six Marmot policy objectives.

Figure 2. How actions to increase social value have been used to meet social determinants of health priorities

Marmot policy objective	Social value areas for action
Give every child the best start in life	Family approach to raising aspirations
Enable all people to have control over their lives and maximise their capabilities	<ul style="list-style-type: none"> Skill development programmes Training and apprenticeships Volunteering and “keep volunteering voluntary” Working with schools and young people, including curriculum support, careers advice Building individual resilience and mental health protection Supporting people with a learning disability or service users into training or employment Training for existing staff
Create fair employment and good work for all	<ul style="list-style-type: none"> Employ local residents (in local labour market) Reduce unemployment through targeted recruitment Employment of particular groups, for example, ex-offenders and those with long-term health conditions Youth employment Local economic regeneration Improvement in terms and conditions of employment, including security Jobs with high level of control for employees
Ensure a healthy standard of living for all (income)	<ul style="list-style-type: none"> Debt and welfare assistance advice Living wage Increase in median wage of employees Reducing gap between highest and lowest paid Parity in income between employees Reduced utility bills for residents
Create and develop healthy and sustainable places and communities	<ul style="list-style-type: none"> Environmental improvements, including recycling, carbon reduction, energy efficiency, and waste reduction Stimulating demand for environmentally-friendly goods, services and works Safety and anti-social behaviour projects

	<p>Community centres and “hubs”</p> <p>Social inclusion and integration, and tackling social isolation</p> <p>Investment in the local area, for example, via private sector through corporate social responsibility (CSR) strategies</p> <p>Increase number of local organisations with social purpose linked to communities, socially responsive governance, with fair and ethical trading</p> <p>Encourage local supply chains</p> <p>Investment in particular programmes, for example, fuel poverty reduction</p>
Strengthen the role and impact of ill-health prevention	<p>Health improvements</p> <p>Health and social care schemes</p> <p>People supported to live independently (for example, older people)</p> <p>Reduce sick absence of employees through improved health and wellbeing support</p> <p>Reduce avoidable hospital admissions</p>

The areas of action listed above show that many local contracting authorities are already working on social value areas, and that acting on social value does not require a wholesale redesign of local processes or entirely new local priorities. However, it is important that local contracting authorities encourage their contractors to deliver new and innovative programmes to increase social value, rather than only “re-badging” current activity.

It is also important to recognise that the second column, of social value actions, represents only part of the picture. There are many further ways in which social value actions could contribute to a reduction in health inequalities: for example, the potential to improve the earliest years of life and give every child the best start in life has been underdeveloped in social value work but there is great opportunity for action in this area. For instance, the IHE publication ‘An Equal Start’ provides a list of interventions and indicators that could help to develop social value approaches to activities in early years settings and children’s centres ²¹.

Part B gives more detail on what has been done by contracting authorities and contracted delivery organisations to increase social value at a local level.

2.3.3. Working to maximise long-term benefits

Beyond defining social value in relation to health inequalities and ensuring that action on social value also tackles the social determinants of health, there are two further important overlaps between social value and social determinants of health.

Firstly, the Act could encourage local areas to consider value for money on a “whole life” basis, taking into account long-term benefits or harm to the economy, the community and the environment. This is often overlooked in public sector commissioning, where structures and processes can tend to focus on immediate returns or outcomes, and on short-term spending timescales or commissioning cycles.

For example, the King’s Fund has previously reported that political incentives to change behaviour within the NHS are “focused on the short term. Acute and primary care trusts work to narrow, service-related goals and prefer investments that yield early results”.²² However, taking a longer term view is an essential component of work to tackle health inequalities.¹⁹ Acting on the social determinants of health requires a shift in thinking to find ways to fund programmes, which may show returns years or decades down the line. This is particularly difficult in a political context of short-term goals and focus, and for health sector professionals who are often trained, incentivised and encouraged to measure success by immediate outcomes as a result of treatment.

Secondly, social value can encourage approaches that consider the whole service. Public sector contracting and commissioning with external providers represents only one “touch point” in the whole life of that service: it is also necessary to consider what happens before and after the contracting process, and whether there is potential to increase social value across this process and in the widest range of activities undertaken by the provider. The importance of including social value across commissioning, delivery and measurement processes is discussed in part B of this practice resource.

2.4. Social value and the health system

The health system and health organisations play a significant role in creating social value. This includes local organisations such as clinical commissioning groups, commissioning support units, health and wellbeing boards, and acute trusts; and national organisations including NHS England, PHE and the DH. All are subject to the provisions of the Social Value Act.

There are three reasons why the health system requires particular focus.

Firstly, as described above, action has been relatively underdeveloped compared to other contracting authorities (with the possible exception of public health in local authorities).

Secondly, there is huge potential for action and impact by the NHS. In 2014, a King’s Fund publication presented a range of ways in which the NHS can tackle poverty and inequality through its spend.²³ That research showed that aside from its healthcare delivery function, the NHS contributes towards poverty reduction in the form of

employment, commissioning, and benefits-in kind – and that these can impact on income distribution, health and poverty. For example, income inequalities would be 13% wider between the top and bottom income quintile if the NHS did not exist, in part through the impact of in-kind contributions. NHS England had a budget of £95.6bn in 2013-14 with which to deliver the NHS mandate. Of this, £65.6bn goes to local health economy commissioners – CCGs and local authorities.²⁴ The NHS tends to play a proportionately larger role in areas of higher poverty, as these areas tend to have economies that are more dependent on the NHS (with the exception of London).^{23 25} Therefore, if NHS organisations were to harness their significant spending power and aim to impact on local and national poverty and inequalities through their commissioning and procurement, this would tend to have a greater benefit for those in greater need: a proportionate universalist effect.

Thirdly, acting on health inequalities is “relevant” to what is being commissioned. The Act states that when considering social value, bodies “must consider ... only matters that are relevant to what is proposed to be procured”² but in the case of the health sector, health inequalities are relevant to all procurement decisions as what is being procured is health-related. This gives CCGs, NHS trusts, public health commissioners and other parts of the health and care sector a clear incentive and responsibility to consider social value in all procurement, and to ensure that this activity is impacting on the social determinants of health. Actions to improve health behaviours are also a key priority for the NHS and can be incorporated into social value work.

The 2014 report of the Inquiry Panel on Health Equity for the North of England, ‘Due North’, recognised this potential and its link to social value, and recommended that “clinical commissioning groups and other NHS agencies in the North should work together to... lead the way in using the Social Value Act to ensure that procurement and commissioning maximises opportunities for high quality local employment, high quality care, and reductions in economic and health inequalities”.¹¹

Key literature: NHS standard contract 2015-16

The service conditions for the NHS standard contract 2015-16²⁶ state that “the provider must, in performing its obligations under this Contract, give due regard to the impact of its expenditure on the community, over and above the direct purchase of goods and services, as envisaged by the Public Services (Social Value) Act 2012.” It states that this applies to all services covered by the Contract, which are: A&E; acute; ambulance; cancer; continuing healthcare; pharmacy delivered community services; community; diagnostic, screening and/or pathology; end of life care; mental health and learning disability (including secure); NHS 111; patient transport; radiotherapy; surgical services in community; and urgent care/walk-in centre services/minor injuries unit.

2.4.1. NHS national priorities

The 2014 NHS five-year forward view¹⁵ set out a number of national priorities which closely align with social value. Firstly, it was clear on the need to focus on prevention and health inequalities. As set out above, acting on social value could help to reduce health inequalities and improve health, through action on the social determinants of health.

Secondly, the forward view set out the need for “new partnerships with local communities, local authorities and employers”. The Better Care Fund (previously known as the Integration Transformation Fund), which was announced in June 2013, provides £5.3bn to fund “local single pooled budgets to incentivise the NHS and local government to work more closely together around people, placing their wellbeing as the focus of health and care services”.²⁴ The forward view builds on existing programmes such as this to promote integration and broad partnerships. The examples of local action set out in section 4 all worked in partnership across boundaries in order to create a system that maximised social value.

Thirdly, a priority within the forward view is employment – in terms of increasing “NHS support to help people get and stay in employment” and the role of the NHS as an employer. In social value activity, employment has emerged as a priority.⁶

Finally, the document includes a broad aim of “engaging communities”, including through increasing the role of volunteering in the NHS, and building “stronger partnerships with charitable and voluntary sector organisations”. The five-year forward view describes a new, shorter and less burdensome alternative to the NHS standard contract in order to increase contracting opportunities with the VCSE sector. CCGs also have the option to provide financial support (grants) to voluntary sector organisations outside of the NHS standard contract, for work that is not about the purchase of specific clinical services.²⁶ These plans clearly align with social value action at a local level, where the VCSE sector has often been at the heart of local social value delivery and has at times found it hard to bid for the standard contract.

These priorities in the forward view, as well as a focus on inequalities, are reflected in the mandate from government to NHS England, which states that, “there are still too many longstanding and unjustifiable inequalities in... health outcomes for patients. ... NHS England is under specific legal duties in relation to tackling health inequalities and advancing equality. The Government will hold NHS England to account for how well it discharges these duties”.²⁷ These are the topic of the next section.

2.4.2. Statutory health inequalities duties

The Health and Social Care Act 2012 sets out two sets of duties that are of relevance to social value. Firstly, it places health inequalities duties on actors within the health

sector. Each CCG “must, in the exercise of its functions, have regard to the need to (a) reduce inequalities between patients with respect to their ability to access health services and (b) reduce inequalities between patients with respect the outcomes achieved for them by the provision of health services”.²⁸ Similar duties apply to the Secretary of State for Health (through agencies like Monitor and PHE) NHS foundation Trusts, and the NHS Commissioning Board, (now NHS England). These “inequalities duties” could be met by action on social value, if that action is appropriately designed and implemented in order to reduce local and national inequalities.

The Health and Social Care Act 2012 also states that each CCG must secure integrated provision of health services, and health services with health-related services or social care services, “where it considers that this would... reduce inequalities between persons with respect to the outcomes achieved for them by the provision of those services”.²⁸ As will be made clear throughout this practice resource, achieving social value often requires integrating across organisational and systemic boundaries, in order to define, deliver and demonstrate social value.

2.5. Other legislative and policy synergies

Acting to increase social value has clear overlaps and synergies with other local and national priorities. Combined with the clear connections to health and health inequalities as outlined above, this suggests two areas for action:

1. Social value can be a key part of a whole system approach where diverse actors and organisations join forces with other advocates for change, for example those involved in sustainable development, and integrate social value into their commissioning processes.
2. Those organisations that do not take part in commissioning themselves can take on an advocacy role and support and encourage others to consider social value and its connections to health inequalities in particular.

2.5.1. Localism and “place-based” initiatives

Approaches such as the whole place community budget pilot, similar programmes²⁹¹⁴, or the localism and place-based agenda in general all have clear synergies with social value programmes, particularly in terms of the focus on place, delivering more for a set amount of money, relying on partnership working and aiming There is an increasing focus on localism in English policy-making. As well as simply a devolution of decision-making, this includes “a greater emphasis on cooperation in the design and delivery of services, civic and councillor involvement in enabling change within place, and an enhanced role for private and voluntary and community sector partners in economic growth aspirations”.¹³

A focus on localism therefore includes considering population and place-based mechanisms for contracting authorities – of which social value is an important component. Social value actions can support and reinforce other place-based, system-wide actions such as community budgets and co-production. Where place-based mechanisms around social value work well, they can help to overcome budgetary silos, address poverty, influence the social determinants of health and potentially improve a range of other outcomes for the local population.^{13 14}

As an example, the recent “whole place community budget” programme¹⁶ was piloted in four areas in England, focusing on “the collaborative leadership of places, not of institutions”. The aim was to create aligned budgets in order to increase “political, executive and managerial partnership... across whole places”. This included councils, health, the police, local businesses, health and wellbeing boards, local economic partnerships, the private sector, the voluntary sector and the local community. The Local Government Association reported in 2013 that “the potential net benefit of whole place community budgeting is up to £4bn a year or £10.3bn-£22.5bn over five years”.¹⁶

2.5.2. Sustainable development

Sustainable development is about more than environmental sustainability – it also encompasses social and economic sustainability. The Sustainable Procurement Task Force defines sustainable procurement as “a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits to society and the economy, while minimising damage to the environment”.³⁰ The Joseph Rowntree Foundation explains that “personal wellbeing, social cohesion and inclusion, and ‘opportunities for all’ are part of the UK’s principles for sustainable development that should be considered by all contracting authorities, not just those that have a ‘poverty brief’”.²⁹

The connections to social value are clear and it is likely that by building social value, contracting authorities would also be meeting a sustainable development priority, and vice versa. In addition, there are clear synergies between sustainable development and health inequalities, as described in the Sustainable Development Commission report ‘Sustainable Development – the Key to Tackling Health Inequalities’.³¹

The NHS Sustainable Development Unit “provides expert advice and support to the health and care system in England to become a more sustainable organisation environmentally, financially and socially”.³² It recently published guidance on social value, summarised in the box below.

Key literature: NHS Sustainable Development Unit – creating social value module³³

This PHE and NHSE joint document sets out a vision for social value:

“A health and care system that actively and systematically adds social value to the local communities they serve, the care they commission and the products they procure. This means going beyond the simple provision and commissioning of services by ensuring core activities have a positive effect on people’s lives and maximise the investments made in health and care provision for demonstrable return on investment.”

The module also sets out five measures of success by 2020, which could help to guide and monitor improvements across the system. These are:

Organisations across the system have regularly assessed their local area and genuinely work to build stronger communities through effective partnerships. They continually review impacts of their contributions in order to improve the ways in which they protect and improve health and wellbeing.

Sustainable development management plans include robust social interventions alongside environmental ones to improve health, reduce environmental impact and enhance social value.

Commissioners and providers routinely use a tested framework for designing and implementing initiatives that have a demonstrable and positive impact on social value.

Tools for measuring and evaluating social value are commonly used by organisations and in local systems of care.

A cross-sector steering group for social value effectively encourages wider adoption across health and social care for instance through guidance and case studies that highlight good practice. It regularly reports on social value across the health and care sector.

The module sets out case studies and proposals for achieving system-wide social value, and presents the social determinants of health from the Marmot Review as some of its guiding principles.

2.5.3. The Local Government Act 2000

The Local Government Act 2000 sets out a responsibility for local authorities to promote wellbeing. This includes a requirement that “every local authority must prepare a strategy... for promoting or improving the economic, social and environmental wellbeing of their area and contributing to the achievement of sustainable development in the United Kingdom”.³⁴ This has clear overlap with social value requirements. As Social Enterprise UK states, “commissioning and procuring

for social value can help join up all the strategic aims of a public body. For example – every local authority has a duty to improve the economic wellbeing of an area. Commissioning for social value can ensure that the local authority uses its own purchasing power to do this”.³

2.5.4. The Equality Act 2010

Similarly, acting on social value may help local areas to fulfil their obligations under the Equality Act 2010, which includes a Public Sector Equality Duty (PSED), which requires authorities such as local authorities, government departments and CCGs to have regard to reducing inequalities in outcomes as a result of socio-economic disadvantage.³⁵ This Act “makes clear that public bodies can use procurement to drive equality, and may take ‘non-commercial matters’ into account in order to facilitate compliance with the PSED ... The duty also requires equality issues to be taken into account in the specifications of a contract, including what services are to be supplied and how, and the outcomes that are sought”.¹⁴

2.5.5. Health and health equity in all policies

Health in all policies (HiAP) and health equity in all policies (HEiAP) are policy strategies that encourage all sectors to consider the health and health equity impacts of their policy-making, spending and other activities. These approaches recognise that health is influenced by the social determinants of health and that action on health should therefore be taken across all sectors. The EU treaty obliges all EU policies to adhere to a HiAP approach,³⁶ and the World Health Organisation released a 2010 Statement on HiAP.³⁷ HiAP and HEiAP have clear synergies with social value approaches, and those seeking to integrate health considerations into their policy-making could usefully use social value approaches and vice versa.

2.6. National level implementation

The Social Value Act applies not only to local contracting authorities but also to national ones. Therefore, national contracting authorities such as government departments and Parliament have three roles in relation to social value: firstly, to support, encourage, and hold accountable local contracting authorities to increase action on social value; secondly, they must also define, deliver and demonstrate social value in their own procurement; there is also a potential additional third role of measuring and monitoring social value implementation activity across England for some government departments.

There are four good reasons for national contracting authorities to take action on social value and to support others to do the same. Firstly, it is a clear legal responsibility to at least consider social value, and how they could deliver it through their procurement activities. Secondly, central government departments spent approximately £150bn on procurement (in 2009-10),³⁸ a power and opportunity that

could be better harnessed to deliver a range of additional benefits for the population, not least improving health and tackling inequalities. Thirdly, in a context of austerity and funding cuts, finding new ways of working and getting the most out of decreased spending become increasingly necessary.¹³ Finally, acting on social value can help to demonstrate progress in relation to a range of other legal requirements, national strategies and related departmental priorities, as set out in the preceding two sections.

For national contracting authorities whose functions apply to the whole UK, it is important to consider that social value “would have to consider the area of the UK, even if the contract of framework agreement is only directly relevant to a part of the UK”.⁴

There has been a range of actions taken by the Cabinet Office and others to support local areas, some of which are included in this practice resource, below. For example, in 2013 the DH set up and funded a programme on social value and health, which initially worked with four local authority areas. The aim of the programme was to offer support and facilitation to local authorities and partners to develop their social value work, particularly in reference to improvements in health. In the second year, this was extended to four further areas. This programme was delivered by SEUK and the Institute for Voluntary Action Research (IVAR), and some of the participating authority’s activities are presented in the examples of local action in part B.

In addition, the NHS Sustainable Development Unit has published a module on social value, summarised in the Key literature box above, which sets out guidance on increasing social value for NHS organisations. This complements its “metrics” module, which addresses how to measure and demonstrate social impact.

The Cabinet Office has also undertaken a range of activities, such as integrating information on social value into its Commissioning Academy,³⁹ a programme run for senior commissioners in the public sector, and funding SEUK to produce a Social Value Hub.⁴⁰ The Cabinet Office has also published a review of the Act, summarised in the key literature box below.

The National Audit Office has an audit and scrutiny role, which could be beneficial in assessing how the Act is applied at a national level, alongside the role of Local Authority Overview and Scrutiny Committees at a local level.

It may be the case that many other government departments are also considering social value in their own procurement, or supporting local organisations to do so and holding them to account when they do not – but this was not the focus of this programme of work. Additionally, much activity is in its earliest stages, and not yet public.

Key literature: Lord Young's Social Value Act review ⁴¹

In February 2015, the Cabinet Office published a review of the Social Value Act, in order to evaluate how the Act has been operating in its first two years and if there is a case for extending its scope.

The review reported 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”

The new Public Contracts Regulations 2015 would have meant that many health, social care and education services under €750,000 in value would have been taken out of the scope of the Act. However, Lord Young and the Minister for the Cabinet Office have prevented the Act's thresholds from increasing, thereby keeping much of commissioning within the boundaries of the Act.

Three main barriers exist that have prevented the Act from reaching its full potential:

“Awareness and take-up of the Act is a mixed picture”

“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

Measurement of social value is not yet fully developed

“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 below the OJEU [Official Journal of the European Union] threshold.” The review recommends reviewing whether to extend the Act in two years' time.

The review recommended that:

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 small and medium sized enterprise (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

Health:

- Work with NHSE and PHE's 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 uptake 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

Recommendations on applying the Act, and measuring and monitoring, can be found in sections 3 and 5 of this practice resource.

Key literature: sources of further information about the Act and social value concepts

The social value legislation is still relatively new, and there is still some confusion regarding what exactly it means, how it can be used, and legal issues. Some organisations have published useful resources that can help with these questions.

The **Social Value Hub** is a free resource hosted by Social Enterprise UK, partnered with NCVO, National Housing Federation, NHS Confederation, and NAVCA. It provides links, statistics, articles, case studies, presentations, reports, guides, tweets and videos on social value in the UK.⁴²

Social Enterprise West Midlands (SEWM) has a social value section on its website which provides news, case studies, resources (toolkits, impact, guides, procurement, business charters, social investment and social accounts) and information on champions.⁴³

NAVCA (National Association for Voluntary and Community Action) devotes a section of its website to social value, which includes information about the Social Value Act, champions and e-network, blogs and articles, and a selection of frameworks, strategies and toolkits⁴⁴.

The **Local Government Association** has done a range of work in this area⁴⁵, including providing links to further documentation on social value and how to measure it.⁴⁶

The **Royal Society for Public Health** has written a guide to “assist commissioners in the development of strategic and tactical approaches for commissioning health improvement programmes in line with their statutory requirements under the 2012 Health and Social Care Act”, which emphasises the importance of tackling the social determinants of health.⁴⁷

Part B. A guide for local public bodies

Part B provides more detailed and practical information and guidance about social value for local contracting authorities. It sets out information that demonstrates the importance of local public contracting organisations taking action on social value, how to include this in commissioning and procurement, how to support local providers, some initial information on measuring and monitoring as well as examples of local action.

3. Local implementation

Key messages on local implementation

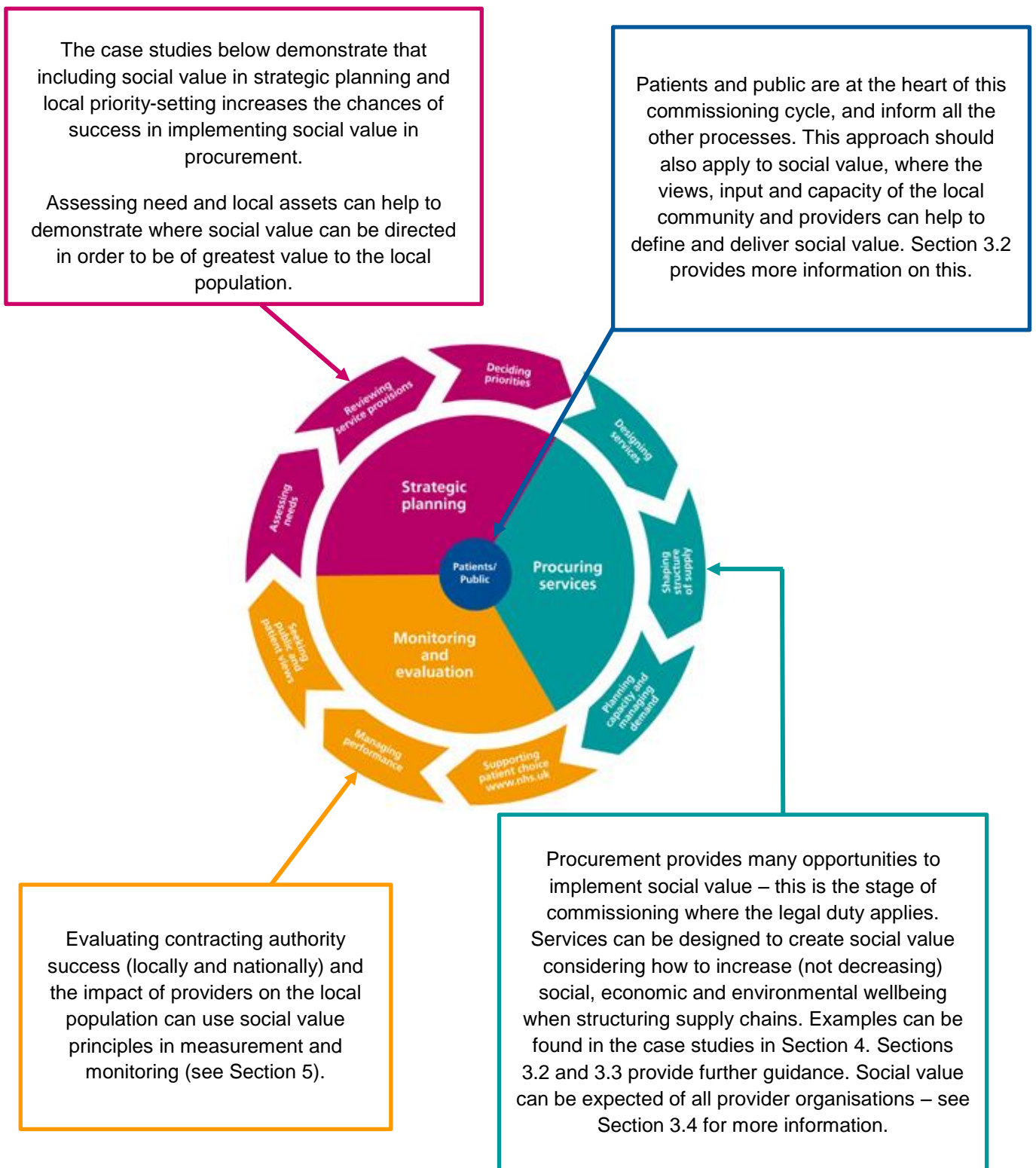
1. Factors for success in prioritising social value approaches include:
 - nominating a “lead” or “champion” for social value
 - ensuring involvement of a range of staff internally and externally, who are supported to understand social value and can provide links to other departments and activities – in particular health and public health
 - ensuring that social value action is coherent with, and mapped onto, organisational and local plans and published priorities
 - making the financial as well as social case for action, and ensure that there is political leadership and support
 - building strong community involvement and community championing of a social value approach
2. Factors for success in implementing and delivering social value approaches include:
 - collaboratively producing a written policy or framework on social value
 - providing training, in particular for procurement staff, which addresses legal and practical issues
 - working with the local community and local providers to effectively define, deliver and demonstrate social value
 - developing and integrating a clear measurement system to ensure social value improvements are demonstrated and monitored
3. Central to many success factors is the importance of working in partnership and across silo boundaries to deliver collaborative approaches.
4. Local contracting authorities have experienced challenges in defining social value, building internal capacity and understanding, supporting providers to deliver and demonstrate social value, and effectively measure and monitor.
5. While there are perceived challenges about balancing the requirements of the Social Value Act against other legislation, such as EU procurement guidelines, the Act is in fact complementary.

6. Contracting authorities can support and assist local providers to deliver social value. The VCSE sector may have some advantages in this area, but this does not mean that private sector providers should not also be expected to act on social value.

3.1. Social value in the commissioning cycle

The Social Value Act itself only applies to the pre-procurement stage of commissioning. However, as can be seen in the examples of local action later on in this section, a successful local social value strategy requires consideration beyond this stage alone. Figure 3 represents the NHS commissioning cycle (published by the NHS information centre), but could apply equally to any contracting authority's commissioning.

Figure 3. Social value in the commissioning cycle



Source of commissioning cycle diagram⁴⁸

Key literature: Lord Young's Social Value Act review: recommendations on practically implementing the Act ⁴¹

The review recommends that the Cabinet Office promotes better understanding of how to apply the Act practically, 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 and the Cabinet Office will work with key stakeholders (including commissioners and procurers, large and small businesses and the voluntary sector) to disseminate this to commissioners and providers.

3.2. Factors for success in local social value strategies

Defining and delivering social value, and ensuring that social value is effectively established in local procurement, can be a significant strategic and technical challenge. It requires senior leadership, wide support from stakeholders and a shared strategic vision for delivering procurement that drives social value. It also requires capacity within the procurement team and support for providers. Measurement can help to monitor success, discussed further in section 5.

A guide produced by Social Enterprise UK provides an overview of stages and important elements of a social value approach³

1. "Think about what social value means to your organisation
2. Engage your wider community in establishing what social value means to them
3. Develop a policy for social value commissioning and procurement (based on 1 and 2)
4. Consider how these policies can be translated into verifiable requirements within the core of a tender specification
5. Develop the weighting to be applied to social value criteria and develop criteria to judge the tenders
6. Set up monitoring and performance management of the successful contractor based on value, and achieved in partnership"

From the five examples of local action presented later in this section, and a range of other reports and research findings, some key "factors for success" emerge for local contracting authorities to effectively take action on social value. These are summarised below, arranged into three over-arching actions: build internal

(organisational) capacity, work with the community and providers, and working in partnerships to integrate across organisational silos.

3.2.1. Building internal capacity

The Act is a relatively new requirement so it is essential to ensure that local contracting authorities take steps to build internal capacity – particularly in procurement teams – in order to ensure that social value is included in the contracting authority’s tenders and contracts, and that this will lead to positive outcomes. Some key features emerge from examples of good practice, described below.

Nominate a lead or champion

It is important to have someone, or a small number of people, leading social value action within a contracting authority. This necessitates having a lead or “champion” responsible for communicating the importance of social value and ensuring that social value is embedded into contracts and influences delivery. In one survey 66% of local authorities and housing associations contacted stated that they had nominated a lead for social value, and that this had reduced challenges in implementation.⁶

It is important that the lead is in a senior, and relevant, position within the authority. In Halton, for example, a key lead role has been taken on by the director of transformation for both the local authority and the CCG. Shropshire council’s designated lead and champion on social value is the councillor with responsibility for adult services and commissioning.⁶ It may also be sensible to appoint a lead who has a political role, as in Shropshire, as embedding social value needs strong political leadership.⁵⁰

Get the right people round the table

However, strategies are unlikely to work unless there is a broad range of internal staff involved.

In the local authority context, it is important to involve councillors and political leadership^{10 50} and senior managers in different departments.¹⁰ To ensure that improving health and tackling inequalities is at the heart of the approach, public health staff should be key players, and GP champions possibly recruited to strengthen the involvement of CCG commissioning.⁵¹

Intervention: Social Enterprise West Midlands (SEWM) champions scheme⁴⁹

The SEWM social value champions are staff from local government and CCGs in the West Midlands area who are responsible for driving forward social value in their organisations. The SEWM website provides the names, email addresses and phone numbers of these champions.

Ensuring representation or input from local economic partnerships will also help to ensure other local strategies are incorporated into the social value approach.¹³ It is essential to have procurement staff represented, as without their commitment, social value is likely to remain a vague idea rather than a concrete reality. Social value needs to be made not only possible, but easy to act on, for procurement staff. Representatives from across the contracting authority should be involved to ensure that the whole local spend is considered. In some cases, formalising these arrangements can help to avoid inconsistent progress associated with staff leaving or moving jobs. Flux in personnel has been cited as a barrier to social value commissioning.^{50 51}

Some areas have created joint social value steering groups that include a range of commissioners, such as the local authority, CCG, health and wellbeing board and housing association staff (Salford and Halton are example areas). Where this is possible, it is likely to increase coherent, effective action across a local area, and ensure that social value is embedded in a larger number of contracts and projects. Involving providers and representatives of the community is also important, as is discussed in the next section.

Produce a written social value policy or statement

In most of the examples of local action presented below there has been collaboration between a range of contracting authorities and providers to create a social value policy or statement. This has been recommended^{6 14} for a number of reasons.

Firstly, the process of creating a written policy enables the contracting authority to come to a shared, cross-organisational working definition of social value along with targeted outcomes and a clear list of key performance indicators (KPIs). This should also be based on communication with the local population, and an understanding of what local needs and assets are, as well as local strategies or priorities. This local narrative and a shared definition can help to get public and organisational buy-in and support, and increase coherence across contracting authorities about what they are aiming for and how it can be achieved.

A written policy that outlines a definition of social value and how it can be achieved (including indicators or measurement policies) can also make it easier for procurement staff to include social value requirements in their tenders and contracts and can also help to share local social value definitions with potential suppliers, so that bidders know how to maximise their chances of winning tenders by incorporating social value actions.

Policies or statements can also usefully link in to health inequalities and actions that could impact on the social determinants of health locally, such as those outlined in section 2.3. This could be especially relevant for those organisations, such as CCGs, with health inequalities duties.

Finally, a written policy can enable measurement and monitoring, and contract management of social value delivery in specific contracts.

Intervention: Knowsley Council social value framework ²⁹

Knowsley Council has adopted a ‘social value statement’, which defines social value as “outcomes, measures and activity that will create strong and well-connected public, private and social sectors that enable communities to be more resilient”.

The council has selected six high-level outcomes and 29 potential measures that will achieve this (examples below). It applies social value to all relevant council activities (for example, in-house services and asset transfers), not just external procurement.

It is also providing development, business support and funding for social enterprises.

Knowsley social value outcomes and indicators

Outcomes	Example of indicator
Increase in community resilience	Proportion of working-age population in work
Reduction in demand for public services	Number of people supported to live independently
Impact of volunteers	Number of new volunteers
Impact of community businesses	Number of community businesses with social purpose linked to communities
Private sector investment in communities	Level of investment in Knowsley as part of CSR
Residents making socially responsible decisions	Increase in recycling rates for household waste

Knowsley Council has already included social value in contracts for domiciliary care worth £8m, young carers worth £50k, sexual health worth £2.9m, substance misuse worth £5.3m and smoking cessation worth £1.6m.⁵²

Ensure local system alignment

All local contracting authorities have a number of strategies, programmes and plans already in place. The best way to achieve social value is to integrate it into these existing systems rather than in isolation from them. For example, Liverpool CCG has mapped social value onto its CCG organisational objectives and ensured it is compatible with broader city plans and strategies. Ensuring that social value integrates into other local priorities such as adult social care¹² and local economic development plans¹³ will also require working across organisations – for example, with the Local Enterprise Partnership (LEP) and local providers (this is discussed further in the next section).

Provide training for staff

Providing training, particularly for procurement staff, will increase knowledge, confidence and success in including social value in commissioning.^{50 51} As will be discussed in section 3.3, there has been some concern about legal and regulatory barriers to including social value requirements in tenders. Training should address these issues in particular.

Many local authorities seem to be providing training¹² but this has not necessarily been extended to other contracting authorities such as CCGs. Training may be even more necessary in health organisations, in order to enable staff to have a greater understanding of place-based, population, preventive commissioning. For example, the professional training of GPs could recognise social value and how it might operate via a commissioning role in CCGs, and management staff in health organisations could also be specifically targeted. Health and public health professionals could then champion social value at all levels.

3.2.2. Working with the community and local providers

The local community has a key role in defining local social value and identifying needs, assets and priorities, and the involvement of potential providers can help to maximise social value action.

Intervention: Oldham social value procurement framework⁵³

Oldham local authority has adopted a social value procurement framework to ensure that the £232m spent each year with 5,700 trade suppliers considers social value consistently. The framework includes the themes “jobs, growth, and productivity; resilient communities and a strong voluntary sector; prevention and demand management; and a clean and protected physical environment”.

Each of these themes has one or more outcomes and a range of examples of what this means in practice for suppliers. Each procurement exercise and each contract includes at least one of the outcomes from the framework.

All areas that have been successful in integrating social value into commissioning have involved a wide range of partners before designing contracts or putting a bid out to tender. The process of defining social value for a local area can include standardised local assessments such as the joint strategic needs assessment (JSNA)⁴⁷ but this should be supplemented by communication with the local voluntary and community sector and the local community, including service users.^{4 12 17 50 54} As the NHS Confederation states, “voluntary and community sector organisations hold unique evidence about local community assets and needs. Voluntary and community sector knowledge can be combined with data collected by statutory bodies to offer a richer, more accurate picture of communities”.⁵⁵ Service users can also identify new

ways in which provision could increase social value. Some formal mechanisms can enhance this process – for example, ensuring that the voluntary, community and social enterprise (VCSE) sector is represented on the health and wellbeing board (HWBB).⁵¹

Intervention: action by housing associations⁶

Circle Housing, London, has a sustainable communities team which works with procurement teams. It engages with residents to ensure service is fit for purpose and contractors are creating suitable employment and training opportunities. The procurement will deliver £120m of savings over ten years. It is also strengthening supply chains to create enterprises that can deliver its services and mission. Over ten years, this will create 500 apprenticeships, 309 work placements and 166 volunteering opportunities with a projected social return on investment (SROI) of £6.8m.

North Star Housing Group, Stockton-on-Tees, has asked contractors to commit themselves to provide social value to a monetary value of 0.25, equating to 1% of the total cost of any contract.

This consultation should also scope the capacity and potential of local providers. Section 3.4, on providers, gives more information on how local contracting authorities can support providers to deliver social value and tender effectively for contracts under social value provisions. However, it is important initially to understand what local providers are already delivering, what their connections are with local communities, and how they might already be creating social value. This should form part of a wider programme of building market capacity, so that a range of providers are fully supported and engaged and able to best meet social value aspirations.

Working with the community and local providers can also influence the shape and content of policies, programmes and services.⁴ This has sometimes been called “co-production”, which is defined as “where communities and citizens engage in collaborative service design, with the aim of narrowing key inequalities, addressing poverty, adopting an asset-based approach and giving participants a way to grow their capabilities and improve their own situations”.¹³ Working with the community can also “reduce silo thinking, improve services and make them more accountable to local people, bring the whole system of residents, services and elected representatives to bear on complex issues and problems, and encourage a greater level of accountability between residents and services”.⁵⁶ All of these benefits are likely to make it easier for contracting authorities to define, deliver and demonstrate social value.

Key literature: A guide to community-centred approaches for health and wellbeing⁵⁷

This guide, published by PHE and NHS England, describes community-centred approaches for health and wellbeing and calls on local health partners to consider how community-centred approaches can be used to improve health and tackle health inequalities.

The guide includes information on approaches that work for health and wellbeing, grouped around four strands: strengthening communities; volunteer and peer roles; collaborations and partnerships; and access to community resources.

Intervention: City & Hackney CCG⁵⁸

Example 1. Medicines wastage

A report from DH estimates that unused medicines cost the NHS around £300m every year; of this, an estimated £110m-worth is returned annually to pharmacies for safe disposal. In line with the CCGs' commitment to minimising waste, the prescribing programme board of City & Hackney CCG was successful in bidding for funds to undertake a medicines waste campaign in this London borough.

The campaign was made up broadly of two parts: a three-month patient campaign delivered through posters and leaflets displayed in GP practices and community pharmacists and London Transport bus advertisements, and a community pharmacy audit to assess the scope of medicines waste.

The audit results suggested that each year at least £1m of medicines issued in City & Hackney are not being taken as intended.

By focusing on the environmental aspects of medicines wastage, City and Hackney CCG has been able to add social value to its work by:

- improving patients' understanding of waste and how taxpayers' funds can be better used
- freeing resources to provide other medicines initiatives to improve patient care
- engaging patients in an ongoing dialogue about how they can control some of the impacts of their care pathways

Example 2: Social value

City and Hackney CCG Mental Health Programme Board is using the "commissioning for quality and innovation" (CQUIN) payment framework to drive organisational change and innovation by encouraging providers to adopt a community psychiatry model to ensure wider dissemination of mental health skills

and knowledge across communities and families.

The CQUIN is designed to incentivise engagement with voluntary sector organisations across the borough to improve access to evidenced-based therapies. By using existing community assets to integrate the care pathways, the CCG is successfully delivering additional social value from mainstream health services.

This commitment to engaging local communities not just in service design but also in service delivery pays a wider social dividend by:

- tackling stigma and discrimination in the field of mental ill health
- using NHS resources to build community capacity to manage mental ill health
- up-skilling families and communities to support their peers in times of emotional and mental distress

Additionally, the CCG is using a range of alliances across the child and adolescent mental health services (CAMHS), psychological therapies, dementia, primary care and crisis to improve the integration of service partners with a clear focus on involving voluntary sector and social enterprise groups. This increased engagement at a grassroots level of community partners is increasing the network of social capital which our residents can access. It normalises their experiences and provides them with support in locations which are close to their homes and communities.

3.2.3. Working in partnership, integrating and tackling silos

Local contracting authorities that have embedded and delivered social value have tended to take a broad view of which sectors and organisations should be involved, and have seen partnership working, integration and tackling silos at the heart of their social value activities.

Involving a wide range of partners from across the local authority, the health and social care sector, education and early years, police, the local enterprise partnership, other public services and local providers can contribute to a coherent local strategic vision for social value, reduce duplication in delivery and in processes (for example, organisations can share measurement strategies for social value), and help to ensure longevity and sustainability. In addition, partnership working on social value can reveal opportunities for joint commissioning or joint delivery of programmes at a local level.

All of the longer examples of local action presented in Section 4 focused on partnerships and cross-agency working. In some cases, local social value programmes have also built in partnership working with local, regional or national VCSE sector organisations that are not providers of services but operate as infrastructure or umbrella organisations to support and promote local provider VCSE organisations; or with regional government, who can offer support and advocate for social value approaches.

This also responds to other local pressures. The Civica report ‘The changing landscape for local government’⁵⁹ emphasised that in the future, “the role of the local authority will become one of integration”. In this context, maximising the value achieved from spending at a local level will be increasingly important.

Intervention: Social value in Wales

The Social Value Act applies to those public authorities in Wales whose functions are not wholly or mainly Welsh devolved functions. However, social value can also be considered outside of these boundaries.

Value Wales has been set up by the Welsh government to increase best practice in procurement across the public sector in Wales, which spends £4.3bn a year on external goods and services.⁶⁰ Value Wales promotes increased savings through collaboration, improved energy efficiency, protecting the economy by encouraging smaller and more local suppliers and seeking reinvestment in local communities, and building procurement capability. These areas have clear relevance for social value.

As an example of local action, United Welsh provides housing for communities in South Wales. Its 2014 annual report⁶¹ stated that:

- its advisers had supported tenants to access additional income of £666,000 over the past year
- its employment training and support service had moved 26 tenants into work
- it has installed solar panels and other energy efficiency measures, resulting in a saving of over £93,000 for tenants over 12 months
- it has outsourced nearly £750,000-worth of work to social enterprises, and won the Social Enterprise Market Builder award at the Wales Social Enterprise Awards

The Welsh government website also provides case studies of innovation and collaboration in public service.⁶²

Intervention: Salford Royal NHS Foundation Trust⁶³

Many contracting authorities have been taking action on a wider concept of value than just financial cost, for a long time before the social value legislation. This example of activity by the Salford Royal NHS Foundation Trust provides an example of such a strategy, which is now linked in to the local social value work led by the local authority (see the Halton example in section 4).

The 2011 Live Well, Work Well strategy for Salford Royal NHS Foundation Trust set out a three year plan to improve the health and wellbeing of patients and staff, and to

ensure that the trust contributes positively to the lives of local people and the environment in which they live.

The strategy is refreshed regularly. Selected achievements are presented below.

Patient and staff health and wellbeing:

- successful implementation of the alcohol assertive outreach team - unplanned admissions and A&E attendances for the patients most frequently attending A&E due to alcohol, drug use or self-harm reduced by around 50%, and cost savings of £750,000 achieved over two years
- introduction of the SRFiT programme in partnership with Salford Community Leisure, to offer physical activity sessions to staff on site four evenings a week, at a discounted rate

Social responsibility:

- in partnership with Jobcentre Plus, Salford Council, Salford College, construction partner Cofely and others, the trust has moved 130 people who were receiving income support into employment during 2013-14
- during 2013-14, 340 of the new starters were recorded as residents of Salford and in total 52% of those employed by the trust are from Salford
- with Salford Foundation Inspired to Aspire programme, the trust is currently working on a new support programme for 16-19 year olds and mapping out new ideas to support unemployment with Damson Restaurants

Sustainability and environmental impact:

- the trust has an impressive recycling record, with around 85% of all waste being recycled
- in supporting Sustrans in bidding for funds from the Cycle City Ambition Grant (CCAG) scheme, Salford has received £2.1m of Department for Transport grant funding, to deliver a number of cycle routes across the city
- new cycle storage and shower facilities have been built on site for staff, to encourage more staff to cycle to work

3.3. Local challenges with using social value approaches and how to overcome them

Many contracting authorities have found it difficult to implement social value approaches, due to a range of challenges, particularly those discussed below.

1. Difficulties in defining social value

The wording of the Act is open and broad, leading to some concerns that everything (or nothing) could be considered to be social value. This can hinder efforts to implement social value actions, as a lack of clarity about scope leads to difficulties in the procurement process. Section 2.3 on the interrelationships between social value and health inequalities suggests defining social value with reference to the social determinants of health. In addition, many of the processes described in the preceding section on “success factors” can bring about local, cooperatively produced definitions of social value. The examples of local action below give examples of how some contracting organisations have defined social value.

2. A lack of internal capacity or understanding within contracting authorities

While action on improving outcomes for the local population has been at the heart of most contracting authorities for a long time, the particular legal requirements and restrictions of the Social Value Act have not. This, combined with a reduction in budgets and available staff in many areas, has resulted in some concerns that it is too challenging to implement the Act. The preceding section set out actions that can help to build internal capacity. In addition, making the case that social value can achieve multiple goals (including local economic development), build community resilience, and act as a useful tool in an economic climate of reduced budgets can all help to build local understanding and action.

3. Difficulties experienced by providers in delivering and demonstrating social value

Even if contracting authorities embed social value across their procurement processes, it can be hard for providers to deliver these social value requirements. Capacity-building is needed not only in commissioning but also in delivery. Social value can be increased by encouraging providers to think differently about what they need to do in order to win contracts, as part of an improvement process – where the expectation of social value inclusion in tenders encourages suppliers to improve their social value offer. Some information on this is provided in section 3.4, which sets out some advice to contracting authorities on how to support providers, particularly smaller VCSE sector organisations.

4. Difficulties in monitoring and measuring social value, and in understanding what success would look like

Measurement and monitoring is a commonly cited barrier to effectively implementing social value approaches,⁶ and an area where there has been comparatively less attention thus far. An uncertainty or lack of clarity over how to measure social value can prevent organisations from implementing social value at all, and in the longer term insufficient measurement systems make it hard to tell what impacts have

resulted from particular actions. Some issues around measurement are presented later in section 5.

The examples of local action in the following section also speak to these challenges and provide practical examples of how local contracting authorities have overcome barriers to implementation.

There are also some perceived barriers about balancing use of the Act with other relevant legislation. The purpose of this section is to address these commonly cited barriers to implementing the Act on a practical level. There are three questions that need to be addressed:

1. Does the social value duty conflict with EU procurement legislation?
2. Does the social value duty conflict with the duty of best value?
3. Do the limitations of the Act mean that contracting authorities cannot implement the Act in most of their commissioning?

Complying with EU legislation while working for social value

EU procurement legislation states that, “the award of public contracts by or on behalf of Member States’ authorities has to comply with the principles of the Treaty on the Functioning of the European Union (TFEU), and in particular the free movement of goods, freedom of establishment and the freedom to provide services, as well as the principles deriving therefrom, such as equal treatment, non-discrimination, mutual recognition, proportionality and transparency”.⁴⁴ There have been some concerns that this prevents social value clauses in procurement that relate to benefitting the local area, as this may discriminate against bidders, sub-contractors or employees from across the EU.

There are also EU guidelines on achieving best value, stating that non-commercial concerns should not be permitted to count in the awarding of contracts – which would seem to prevent social value (non-commercial) clauses in contracts.

However, EU procurement legislation is actually supportive of social value in procurement.⁶ The European Parliament has stated that in public procurement, the guiding principle should be the “criterion of most economically advantageous tender, in terms of economic, social and environmental benefits – taking into account the entire life-cycle costs of the relevant goods, works or services”.⁶⁴ The terms used here are almost identical to the phrase “economic, social and environmental wellbeing” in the Social Value Act.

More specifically, EU legislation also states: “Measures aiming at the protection of health of the staff involved in the production process, the favouring of social integration of disadvantaged persons or members of vulnerable groups among the persons assigned to performing the contract or training in the skills needed for the

contract in question can also be the subject of award criteria or contract performance conditions provided that they relate to the works, supplies or services to be provided under the contract. For instance, such criteria or conditions might refer, among other things, to the employment of long-term job-seekers, the implementation of training measures for the unemployed or young persons in the course of the performance of the contract to be awarded”.⁴⁴

The key to ensuring that contracts comply with EU legislation is to make sure that “suppliers from across the EU and beyond are able to compete on an equal footing for any contracts advertised”.⁴ For example, the word “local” should not be used as a required feature in contract specifications, but the contract can require “the successful contractor to work with named local agencies that make the links to the targeted community”.²⁹

In fact, quite apart from being compatible with social value in procurement, EU legislation and funding provide real opportunities to increase action on social value. The EU provides funds to local enterprise partnerships, in the form of the European Social Fund. The 2014-20 funding is to be used on three aims: “promoting sustainable and quality employment and supporting labour mobility; promoting social inclusion, combating poverty and any discrimination; and investing in education, training and vocational training for skills and lifelong learning”.⁶⁵ Well-designed social value initiatives could focus on these priorities and gain access to funding.⁶⁶ Similarly, social value actions that are focused on environmental improvements could bid for EU funding in the low carbon theme.⁶⁶

Working for best value and social value

Intervention: Manchester City Council⁶⁷

“The Centre for Local Economic Strategies conducted research into the multiplier effect from Manchester City Council’s (MCC) commissioning and procurement spending. MCC specified social value in all of their construction contracts and a number of other key areas, and the research found that the council’s £184m of local spending was transformed into £687m through the multiplier effect of its local supply chains.”¹⁴

The best value duty in the Local Government Act 1999ⁱⁱ stated that “a best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”.³⁰ Some contracting authorities have interpreted this as

ⁱⁱ The best value duty applies to local authorities, to services, goods and works contracts, throughout the process, to any value contract, whereas the Social Value Act applies to all contracting authorities, in services contracts only, at the pre-procurement stage, only above relevant EU procurement thresholds.

a barrier to including social value in commissioning, believing it would be an extra cost and therefore not achieving best value.

There has been some confusion surrounding the apparent distinction between lowest cost and best value, or value for money. Contracting authorities do have a responsibility to ensure value for money (or best value), but this does not mean lowest cost⁴. Value for money (or best value) is defined as “the optimum combination of whole-of-life costs and quality (or fitness for purpose) of the good or service to meet the user’s requirement”.³⁰ The best value statutory guidance issued by DCLG in 2011 clarified this issue, stating that, “under the Duty of Best Value, therefore, authorities should consider overall value, including economic, environmental and social value, when reviewing service provision. As a concept, social value is about seeking to maximise the additional benefit that can be created by procuring or commissioning goods and services above and beyond the benefit of merely the goods and services themselves”.⁶⁸ This makes it clear that social value is entirely compatible, and in fact required by, best value or value for money approaches.³⁰ In addition, social value can help to reduce costs, as was discussed in section 2.2.

A related issue is that of the non-commercial nature of many social value initiatives. Usually, non-commercial considerations are not permitted in public sector contracts; however, they can be included if this is needed to meet the requirements of the Social Value Act. In order to allow this, in 2012 a subsection was inserted into the Local Government Act of 1988.³⁰

Using the principles of the Act more widely

The Social Value Act technically only applies to services contracts, at the pre-procurement stage of commissioning, and above EU procurement thresholds. In some cases, this has been seen as a barrier to maximising social value, as it has been presumed that social value should *not* be included outside of these parameters. This leaves a large area of action where social value is presumed not to apply – for example, over a third of local authorities that have a contractual relationship with the voluntary sector spent less than the EU thresholds.⁷

However, extending the range of contracts that include social value is in fact encouraged by the Cabinet Office, which states in a public procurement policy note that “commissioners could, as a matter of good practice” consider social value in contracts that are not directly included in the provisions of the Act. It states: “This may be particularly relevant in lower value contracts where services for citizens are being commissioned and procured.” It later gives examples as “welfare, social and health services”⁴. One way to extend action to goods and works contracts and below EU procurement thresholds is through adopting “‘social/community benefit’ policies as part of the sustainable procurement policy of each contracting authority”.²⁹

It also seems that defining and applying social value broadly is a feature of success in taking successful action locally. There is a consistent tendency among areas that have been successful in implementing social value policies to consider it as an issue above and beyond the requirements of the Act (for example, all the examples of local action in the following section). This is partly because if the motivation for acting is *only* to comply with the Act, then opportunities for innovation, cost-saving and commissioning in a new and better way will likely be overlooked.⁶

Successful approaches have also tended to extend consideration of social value across the whole commissioning cycle, not just in pre-procurement. This means considering social value in deciding local priorities, designing services, contract management (including the quality of delivery), and de-commissioning.^{10 14}

Nor does the Act specify the extent to which social value should be valued or weighted within a tender or contract, where it is included. This means that in some cases the “score” for social value during the tendering process is very low. However, other contracting authorities have given social value a significant weighting in tendering processes: for example, a recent tender for housing support services in Birmingham included a 20% weighting for social value (alongside 20% on price and 60% on quality). See the intervention example in NHS Greater Glasgow and Clyde below for more details.

Some areas have taken social value as a broad local strategy and principle, and promoted social value outside formal contractual arrangements.¹² For example, Salford’s action on social value has led it to name itself a ‘social value city’. This wide-scale integration across the city and implementation in a broad range of ways is likely to have a far greater impact on the health and wellbeing of the local population than a single-sector, small scale and contract-by-contract approach.

Intervention: NHS Greater Glasgow and Clyde procurement

The New South Glasgow Hospital project, due to be completed in 2015, is the largest design and construction project in Scotland. The site of the new hospital is close to areas of high deprivation, and the contracting authority, NHS Greater Glasgow and Clyde, included social, economic and environmental benefits and support for wider regeneration in the surrounding communities in the programme of work.

A Joseph Rowntree Foundation publication that includes this as a case study stated that “legal advice indicated that it was appropriate to include targeted recruitment and training requirements in the specification because of the established links between employment and health: increasing employability and employment falls within the scope of NHS powers”.²⁹

Results, as of July 2013, included:⁶⁹

- creation of 320 new jobs since the start of the new project, including 213 new entrants
- creation of 58 apprenticeships and 154 young people undertaking work experience placements
- approximately 2,000 life-long learning opportunities created for employees
- a sustained programme of engagement with schools, colleges, universities, local residents, community groups and local charities
- a 96% landfill diversion rate and low energy design
- local SMEs receiving 65% of available work packages

A summary of good practice for procurement

Organisations will need to stipulate individually at the time of tender that social value is a strategic priority for the local contracting authority and that providers will need to detail how they plan to deliver social value as part of the tender. Contracting authorities should also explain that a responsibility for or action on social value must be a requirement of the supply chain where there is a lead provider.

The following box provides a summary of good practice in ensuring social value is core to a contract and meets legal requirements. It is extracted and summarised from a publication by NAVCA and Anthony Collins Solicitors.³⁰

Key literature: Summary of good practice in procurement ³⁰

Good practice for ensuring social value is core to a contract:

- check your powers – especially for large or broad contracts
- identify a policy basis for action (short term)
- adopt an explicit policy (longer term)
- include in the business case
- include social value in the core requirements and ensure it is non-discriminatory
- include reference in contract notices to ensure you are upfront. If it's not in the contract notice, it's not in the procurement!
- include in pre-qualification questionnaire (PQQ) and specification
- use in the award process
- deliver through a “partnering approach”; don't just leave your contractors to it

Environmental, social and economic considerations in award criteria must:

- be linked to the subject matter of the contract
- not confer an unrestricted freedom of choice on the authority

- be expressly mentioned in the contract documents or tender notice
- comply with all the fundamental principles of community law, in particular the principle of non-discrimination

Do not use the word “local” in procurement as it will be discriminatory. However, you can use targeted requirements that reflect Europe-wide priorities – unemployed, social isolation etc. More information on this is given in Section 3.3.

3.4. Providers

The main focus of this practice resource is local contracting authorities; other reports give detailed advice for providers, particularly VCSE sector providers (see the Sources of further information box at the end of this section for details). However, this section provides a short summary of what providers can do to deliver and demonstrate social value, some common factors for success and how to overcome challenges.

Does the type of provider matter?

There is a common conception that social value either requires or suggests the involvement of smaller, local or VCSE sector organisations as providers. Local and national contracting authorities will assess their own context to make decisions about who to contract with, but some observations, based on discussions with contracting authorities, providers and experts, are provided here.

Firstly, there are some benefits to particular provider organisations. Smaller, local organisations may have greater understanding of, and connection to, the local community. VCSE sector organisations tend to have a social purpose as a guiding principle, making them well placed to improve social circumstances and implement social value. They are often key local assets which social value can build on. Social enterprises, defined by the European Commission as “positioned between the traditional private and public sectors ... devot[ing] their activities and reinvest[ing] their surpluses to achieving a wider social or community objective either in their members’ or a wider interest”,⁷⁰ have been particularly central to much social value work thus far. In one survey of commissioners, 90% of respondents were very satisfied or satisfied that social enterprise was a route to delivering social value.⁶ This may be partly because 84% of social enterprises actively recruit staff locally, and 52% employ those who are disadvantaged from the labour market.⁶⁶ In addition, 38% of social enterprises are based in the 20% most deprived areas of the UK – over three times the proportion of mainstream SMEs.⁶⁶

Therefore, contracting with social enterprises and a range of local VCSE organisations may be an effective way for contracting authorities to increase social value. On the other hand, larger or private sector organisations can and must also be required to provide social value.

By interpreting social value as a VCSE provider issue, contracting authorities may miss opportunities to hold larger, private sector organisations to account for their impact on their own staff, the environment and the local community. A Joseph Rowntree Foundation publication states: “social enterprises are good at delivering social/community benefits but they face barriers in competing for larger contracts. More will be achieved by including social/community benefit requirements in larger contracts that are mostly delivered by private companies”.²⁹

Contracting authorities must also recognise that larger organisations (both private and third sector) may be better placed to *demonstrate* social value, due to increased resources with which to conduct detailed measurement and monitoring strategies, but this does not necessarily mean that they are better at *delivering* social value.⁵⁴

There are also good opportunities for collaboration and co-delivery across different types of provider, for example, larger national organisations could partner with smaller local organisations to deliver social value more effectively. Larger providers in facilities management and construction also often subcontract to social enterprises.¹⁰

Areas that are embedding social value are doing so in contracts with a mixture of private, public and third sector organisations. In a SEUK survey, over 90% of respondents reported partnering with public or third sector organisations to deliver social value, 75% partnered with the private sector and respondents tended to be more satisfied if they partnered with a mix of different sectors rather than just one type of provider.⁶

How contracting authorities can support providers

Many providers will already be undertaking activities that build social value, but may not have direct experience of demonstrating or evaluating these activities. A New Economy publication from 2013 states that “social enterprises often fail to articulate and communicate their social value proposition in a way that demonstrates their unique selling points”.⁷¹ Contracting authorities can support providers to recognise and demonstrate impact and existing activity, as well as to design and deliver new initiatives.

Intervention: CleanStart⁶

CleanStart, Trafford, is a social enterprise set up by Trafford Housing Trust. It employs ex-offenders from the local community to carry out clearance and maintenance on properties in order to reduce re-offending. They also receive vocational and pastoral support. The police have estimated reduced re-offending rates and criminal justice cost savings for the 40 ex-offenders who have been through the programme since 2008 could total savings of £10m.

Supplier engagement and communication

Contracting authorities can involve providers in the process of defining social value for the local area: for example, local market testing to identify local businesses for bids, partnership working with business networks such as local chambers of commerce, federations of small businesses, local and regional voluntary sector development and support organisations, and supplier engagement to communicate what the contracting authority requires and expects around social value, are all likely to increase impact and capacity among providers¹². Supplier networks should be maintained across the commissioning cycle to ensure support and communication is maintained.

Contract design

Secondly, contracts can be designed in ways that do not discriminate against smaller VCSE organisations, which may be in a good position to deliver social value. Breaking contracts into smaller lots that local and small businesses are in a better position to bid for, developing consortia, ensuring swift payment, and reducing bureaucracy by standardising documents and streamlining assessments can all create a more level playing field.^{12 29 51 72}. For larger contracts, it is important to design the specification so that it does not discriminate against some capital structures. For example, smaller providers have reported that they can find it hard to bid for work programmes which require a high level of initial capital investment and payment-by-results mostly in the longer term.⁵⁴ Some larger contracts will be beyond the capacity of smaller organisations, in which case encouraging large providers to co-deliver with partner smaller VCSE organisations may help to deliver social value at a local level.

Provider organisations can also have more impact and involvement in commissioning if they can co-produce with NHS providers service models that build VCSE provision into clinical pathways.⁷³ Examples include St Mungo's relationship with London's University College Hospital on homeless pathways, a service provided by the hospital which offers advice and guidance to homeless patients to reduce the numbers that are discharged back onto the streets⁷⁴ and Sheffield Citizens Advice's relationship with Sheffield health and social care foundation trust, which involves offering specialist advice on housing, employment and debt to those using mental health services, in order to improve their lives and reduce future hospitalisation with mental illness.⁷⁵

Training and capacity-building

Thirdly, the contracting authority can offer training and capacity-building to increase knowledge and skills among providers, including support in how to bid for tenders.¹² This should include guidance on what and how to measure in order to demonstrate social value. As SEUK states, "the contracting authority should specify ways in which

service performance of [the social value] requirements can be verified: unverifiable requirements are unlawful, as well as being ineffective!”¹⁴ Support can be offered through suppliers’ networks, online portals and tools, or official training programmes. This provision could usefully include information on the connections to health and health inequalities.

Intervention: The Landmarc Difference, Social Enterprise UK ⁷⁶

Landmarc Support Services Limited is a commercial business which partners with the Ministry of Defence, “to ensure that the military training estates deliver a safe and sustainable place to train for our armed forces ... Landmarc is committed to increasing the economic, environmental and social value it generates through its activities and the organisations it works with.” The Social Value Act created “further impetus” for this work, and its activity helps to meet the requirements of the Act.

Landmarc commissioned a report to examine its social value impact, which found:

- 51% of Landmarc’s supply chain expenditure is with SMEs, including social enterprises. This amounts to 60–70% of the organisations Landmarc contracts with
- Landmarc has partnered with Recovery Careers Services to support wounded, injured and sick ex-service officers into employment
- Landmarc’s apprenticeship scheme will support more than 20 apprentices in its first year
- Landmarc has launched a Rural Enterprise Hub
- Landmarc 100 is a £100,000 kick-starter fund which will provide financial support and mentoring time for up to 100 start-up rural enterprises over the next three years
- all 1,300 Landmarc staff have been externally trained in sustainability awareness
- Landmarc forecasts that it will make a combined £750,000 investment and contribution over the next two years to rural communities through some of its initiatives

Economic savings and contributions:

- Through increasing economic activity in rural communities, Landmarc’s activity and supply chain generated £90m gross value added (GVA) for the UK in the financial year 2012, and £474m GVA since 2008
- Landmarc and its partners have contributed over £600,000 of pro bono expertise in land management support and advice
- Landmarc reinvested profits of almost £2m

Environmental impact:

- Landmarc reduced its CO₂ emissions by 7% in the financial year 2012–13

- 94% of all waste on the Landmarc-operated training estate was diverted from landfill in FY13, up from 70% in FY12

Key literature: sources of further information – local implementation

- SEUK guidance provides much more information about how to create social value policies and embed them in procurement. It also includes suggested wording for an OJEU (Official Journal of the European Union) notice and a checklist for contracting authorities¹⁴
- The Scotland-based Social Value Lab organisation and website provide information and case studies on social value in Scotland and further afield. It works in the areas of social research, service design and innovation, strategy and collaboration, evaluation support and social impact measurement⁷⁷
- The Centre for Local Economic Strategy (CLES) has proposed a framework for integrating social value into the commissioning and procurement process¹²
- The Joseph Rowntree Foundation has produced a document with many case studies and further guidance on how to tackle poverty through public procurement²⁹
- The Social Value Portal provides access to a range of case studies and measurement strategies including advice about developing a strategy⁷⁸
- NCVO and partners have produced a toolkit for charities that provides guidance on social value and commissioning in relation to children's services.⁵⁰ This includes examples of social value questions in tenders and guidance on how to articulate and deliver social value

4. Local examples of social value action

This section presents examples of local action in detail – in order to show how the Social Value Act has been implemented in five local areas. These examples provide information and detail relating to many of the success factors and challenges presented above. These examples have been co-authored by those involved in implementation at a local level, and all follow the same format.

There are many other areas and organisations that have adopted social value approaches. Some of these are included in “intervention” boxes throughout this practice resource; others are available on external databases and sources, such as the Social Value Hub.⁴⁰ Further lists of useful sources can also be found in boxes throughout this practice resource.

4.1 Halton

Co-authored by Mark Swift – Wellbeing Enterprises CIC; and Dave Sweeney – Halton CCG and local authority

Name: Halton borough council, Halton Clinical Commissioning Group and Halton VCSE

Type of organisation (commissioner/provider; sector): Group of authorities, led by local authority, CCG and VCSE organisations

Definition of social value: Halton defines social value as “a commitment to improve individual, environmental and economic wellbeing to reduce inequalities of all forms in Halton.” Its social value vision is “everyone in Halton recognising their contribution to social value and the changes it can bring about to reduce inequalities and improve wellbeing.”

Actions to increase social value: Halton has set out an ambition to ensure that its “annual influenceable spend” of over £70m, which is used to trade with 2,462 organisations, 88% of which are SMEs, is used in a socially responsible way. To do this, it has used the six priorities for action identified in the Marmot Review in order to ensure that the “social value” contributions it cultivates correspond with what the evidence shows will help to tackle health inequalities. The Halton Sustainable Community Strategy, which sets out the overall vision, priorities and strategic context for Halton, underpins the social value work in procurement. Local action on social value has gone beyond the requirements of the Act.

Within NHS Halton CCG the group has committed to look at the approximately £180m-worth of contracted services to embrace social value. Training will start in 2015 to ensure the main contract holders are working up their social value offer. STHK Hospital, Warrington & Halton Hospital Trust and 5 Boroughs Partnership Mental Health Trust are in the first wave of this training.

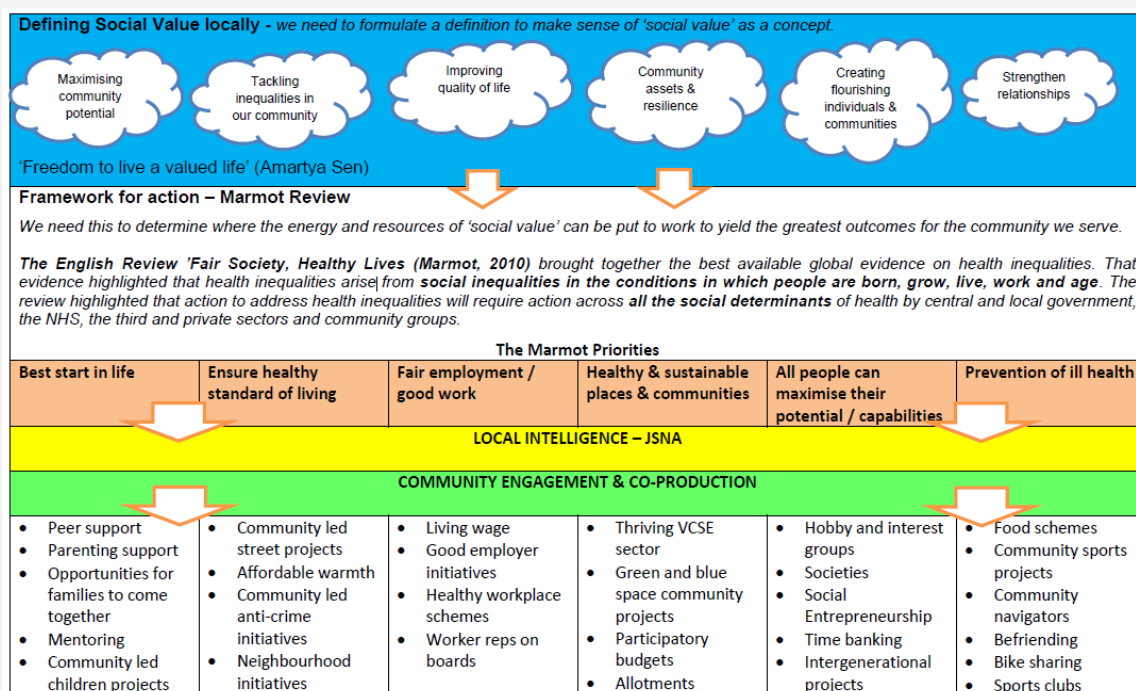
Action in Halton is, in part, a result of it being one of the areas in the DH-funded social value in health and care programme, delivered by SEUK and the Institute for Voluntary Action Research.

Halton’s approach has combined a top-down approach – putting in place policies and processes of procurement, with a bottom-up approach – mobilising individuals and communities to be innovative and entrepreneurial in their approaches to affecting the change that’s needed locally. This is an iterative process that involves mobilising capabilities, strengths and assets, and resourcing people and agencies to drive the change that they want to see for their communities.

Social value has now been included in a number of award processes, and will be present in all the contracts of the Acute Healthcare providers, ensuring they contribute to the prevention agenda. Halton has “social value proofed” all CCG commissioning plans for the next five years, and social value is considered in all £170m of local spending.

Social value framework: Halton’s social value framework is based around the Marmot Review.

Figure 4: Halton’s social value framework



Leadership and partners: The approach has been led by a social value core group which includes the director of transformation (jointly appointed at the CCG and council), the operational director, senior policy officer and category manager procurement from the council, the CEO of the local Citizens Advice Bureau, the CEO

of Halton and St Helens VCA, and the CEO of Wellbeing Enterprises CIC (a social enterprise healthcare provider).

In order to inform the approach to social value, Halton has gathered information from a range of sources, including the views of local people and local data sources.

Links with other local strategies or priorities: The health and wellbeing strategy (HWBS), the joint strategic needs assessment (JSNA), and data from public consultations, as well as regular consultation with the local community and providers, have informed the Halton social value approach. Their social value actions are mapped onto Halton's five sustainable community strategy priorities as well as the six Marmot priorities.

Examples of social value in procurement: Social value was included as a voluntary clause in the recent highways term maintenance procurement process (jointly procured with Warrington borough council). In the invitation to tender (ITT) document, there was a criterion called "added social value and community benefits", which made up 4% of the points available. The winning contractor's response went into significant detail of what they planned to do to work with other organisations (including schools) in order to build skills, reduce unemployment, increase apprenticeships and training and support local charities and community projects.

Future plans: For each procurement opportunity above £1,000 Halton will undertake a social value "opportunity assessment" to identify output indicators and outcomes that are appropriate, relevant, transparent and proportionate. The aspiration is to include at least one social value outcome in every procurement process. The identified outcomes are included in the award criteria, in the evaluation matrix, and then build into awarded contracts and progress monitored.

Measurement and monitoring: Halton is currently developing a set of KPIs that sit underneath the aspirational social value challenges. Bids will be weighted and compared for their relative impact against the agreed KPIs.

Challenges experienced and how they were overcome:ⁱⁱⁱ

Seeking the "buy-in" of stakeholders from a wide array of sectors: "This was an important consideration as constrained budgets and pressures mean that there is a tendency for agencies to focus their attentions 'inwardly' on internal challenges as opposed to 'outwardly' on shared objectives that required collaborative action. To overcome this Halton invested a considerable amount of time and resources at the beginning of the programme (and throughout) to develop a collective understanding what 'social value' meant to Halton as a community – by sharing ideas and insights in group sessions. We also agreed that we would welcome experts from a broad

ⁱⁱⁱ The quotes in this section are from Mark Swift and Dave Sweeney, co-authors of this example.

array of disciplines to the borough to help us expand our understanding and cultivate a sense of confidence in the group that our underlying approach was sound before we moved on to develop our social value framework and procurement process.”

Time pressures: “We resisted the temptation to speed through the implementation of the Act within the designated 12 month period of the Department of Health programme in favour of adopting an iterative approach in which partners discovered and shared insights that guided our approach over time. By doing so this strengthened working relationships between agencies, ensuring everyone developed a deeper understanding. It has also expanded the swell of support for our approach far beyond traditional networks. It has also given us enough time to progress through the appropriate checks and balances as we ready ourselves to implement the approach.”

Factors for success

Community championing. “Both the CCG and local authority had already made a commitment to invest in community health and wellbeing approaches and to involve everyone in improving health outcomes. Both agencies had invested in a local social enterprise, Wellbeing Enterprises CIC, which was trailblazing community-led approaches to alleviate pressures on primary care services. Wellbeing Enterprises CIC was tasked with identifying new opportunities to sustain such efforts locally and the CEO of this organisation recognised the potential of the Social Value Act to leverage new investment into the health and wellbeing sector, in partnership with the voluntary, community and social enterprise sector. Wellbeing Enterprises CIC, Halton CCG and the local authority then submitted a successful application to the DH/SEUK/IVAR social value programme.”

Strong leadership. “The social value programme has been driven by the strong leadership of the director of transformation and operational director of the local authority who have played an critical role at every stage of the process, from seeking executive level backing to bringing together key strategic partners to supporting the procurement process work and importantly ensuring that social value requirements were embedded into the contracts of major healthcare partners such as acute hospitals.”

Purposeful partnerships: “Despite the challenges facing provider agencies, as soon as they were on board there was a strong resolve to work together in the best interests of the community. The support from the larger local providers attracted a wider ‘community of interest’ – creating a ‘centre of gravity’ made up of intrinsically motivated people and agencies. Together we worked through a systematic process of learning and discovering the ‘right way’ to implement the Act for our community. This process ensured that more and more agencies were drawn in to the process over time.”

Independent facilitation. “We were fortunate to have secured the support of the DH/SEUK/IVAR social value programme. The independently facilitated group sessions ensured that we had an objective perspective in meetings and events. The programme support meant that discussions were documented and that partners were provided with regular updates. Funding made available through the programme paid for expert opinions and presentations and covered the costs of hosting events and meetings. It also afforded us an opportunity to meet with and share learning with the other boroughs which were selected as part of the pilot programme. This way, ideas could be cross-fertilised and we were able to establish a network of support beyond the confines of our geographical boundaries.”

More information: Contact Dave Sweeney – dave.sweeney@halton.gov.uk

4.2 Salford

Co-authored by Anne Lythgoe, Salford Council

Name: Salford City Partnership

Type of organisation (commissioner/provider; sector): Group of local contracting authorities and providers, led by the local authority, CCG, Salford CVS and a local social enterprise

Definition of social value: In Salford, social value is defined as:

- Social – people, culture, interactions
- Environmental – the place in which people live, the planet, use of resources
- Economic – money flow, financial resources
- Something that is meaningful to local people
- More than just the Social Value Act
- More than just a financial transaction

Actions to increase social value: The Salford City Partnership (which includes the local authority, health sector, and providers) has worked at three parallel levels – strategic, commissioning and procurement, and provider – to build social value. Action has been concurrent, interlinked and interdependent across these levels; using the analogy of railway tracks describes how commissioners and providers develop together. The local authority has integrated social value into the whole commissioning cycle and gone beyond the Act in its implementation. Local action is, in part, as a result of Salford being part of the DH funded social value in health and care programme, delivered by SEUK and IVAR.

The partnership has a social value action plan which consists of five key areas of work: create a social value charter for Salford; test ideas and practice; produce a toolkit of information; give advice and guidance and provide training and awareness-

raising; and evaluate. It has made a direct link between social value and the social determinants of health in its joint health and wellbeing strategy (JHWS).

The aim of the Charter, shown below, is to make Salford a “Social Value City”, which “means that the majority of public, community and voluntary sectors are signed up to this charter and the principles contained within it ... we are also seeking commitment around social value from the many private sector businesses in the city.” The CCG has incorporated social value into its five-year strategy and is conducting mandatory training on social value for its members.

All contracts over £100,000 must now specify the social value which is being delivered in the reporting process to the procurement board.

Social value charter: Salford has a social value charter which it expects local organisations to sign up to.

Figure 5: Salford social value charter

Salford City Partnership	PROPOSED CHARTER : Social value in Salford		
<p>VISION: In Salford, we will look for relevant social, environmental and economic value from everything that we do, including service delivery, commissioning and procurement; and aim to use the ‘Salford pound’ to obtain the greatest benefit for local citizens. Social value considers more than just the financial transaction and includes: Happiness 🌟 Wellbeing 🌟 Health 🌟 Inclusion 🌟 Empowerment 🌟 Poverty 🌟 Environment</p>			
<p>We are committed to the following principles:</p> <table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; width: 50%;"> <ol style="list-style-type: none"> 1. optimising the social, environmental and economic well-being of Salford and its people in everything that we do 2. thinking long-term – turning investment into long-lasting outcomes 3. working together across sectors to provide social value outcomes 4. having values including inclusion, openness, honesty, social responsibility and caring for others 5. having a clear and current understanding of how social value can make Salford a better place to live 6. Working together to measure, evaluate and understand social value, as well as reporting publicly to the people of Salford about the social value that </td> <td style="vertical-align: top; width: 50%;"> <p style="margin-left: 20px;">we create</p> <p><i>Commissioning will:</i></p> <ul style="list-style-type: none"> • ask clear, appropriate questions and embed social value in policies, commissioning and procurement frameworks • give social value significant and proportionate weighting within procurement criteria and decisions • include social value in contract monitoring and management • engage with providers on an ongoing basis around social value <p><i>Delivery will:</i></p> <ul style="list-style-type: none"> • embed tools for monitoring and reporting social value as part of organisational processes • offer social value as part of tender submissions </td> </tr> </table>		<ol style="list-style-type: none"> 1. optimising the social, environmental and economic well-being of Salford and its people in everything that we do 2. thinking long-term – turning investment into long-lasting outcomes 3. working together across sectors to provide social value outcomes 4. having values including inclusion, openness, honesty, social responsibility and caring for others 5. having a clear and current understanding of how social value can make Salford a better place to live 6. Working together to measure, evaluate and understand social value, as well as reporting publicly to the people of Salford about the social value that 	<p style="margin-left: 20px;">we create</p> <p><i>Commissioning will:</i></p> <ul style="list-style-type: none"> • ask clear, appropriate questions and embed social value in policies, commissioning and procurement frameworks • give social value significant and proportionate weighting within procurement criteria and decisions • include social value in contract monitoring and management • engage with providers on an ongoing basis around social value <p><i>Delivery will:</i></p> <ul style="list-style-type: none"> • embed tools for monitoring and reporting social value as part of organisational processes • offer social value as part of tender submissions
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<p>We will know whether our principles are making a difference by evaluating such things as:</p> <table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; width: 50%;"> <ul style="list-style-type: none"> • the flow of money in the local economy (LM3) • value of public contracts placed with local providers • the size of contracts and providers who deliver them • the level of understanding of the benefits of social value in commissioners and providers </td> <td style="vertical-align: top; width: 50%;"> <ul style="list-style-type: none"> • the questions asked by commissioners and procurement teams • whether social value is included in all policies, strategies and decision-making • how many and what sort of organisations have signed up to the social value charter • the capacity of local providers to report their social value </td> </tr> </table>		<ul style="list-style-type: none"> • the flow of money in the local economy (LM3) • value of public contracts placed with local providers • the size of contracts and providers who deliver them • the level of understanding of the benefits of social value in commissioners and providers 	<ul style="list-style-type: none"> • the questions asked by commissioners and procurement teams • whether social value is included in all policies, strategies and decision-making • how many and what sort of organisations have signed up to the social value charter • the capacity of local providers to report their social value
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Salford now proposes to develop a formal accreditation arrangement for the social value charter, which complements the city mayor’s employment standards charter and the living wage city initiative, and will actively encourage local organisations to sign up and embed a social value approach into their operation.

Leadership and partners: The partnership is led by the Health and Wellbeing Board and forms part of the JHWS. However, the approach is multi-agency and includes the city council, CCG, local Foundation Trust and the VCSE sector. The city partnership works with over 50 partners across Salford. It has agreed that social value will be central to service provision, regardless of who the provider is. The charter and approach have been agreed by the city mayor.

Links with other local strategies or priorities: Social value action in Salford is linked to the city plan and also complements the Salford city mayor's employment standards charter, which encourages local employers to create training and opportunities for disadvantaged people within Salford, purchase goods and services within Salford and create good standards, such as a living wage and no zero-hours contracts.

Examples of social value in procurement: Social value was included in the Pendleton PFI – a private finance agreement to refurbish and redevelop one of the most deprived areas of social housing in the city. The inclusion of social value led to a commitment to create 500 new employment opportunities, 190 apprenticeships, 2,000 work experience opportunities, one-third of the supply chain based in Salford and 50% of work delivered by local SMEs. The PFI plans to track changes to health inequalities over the 10 year programme.

In commissioning Salford's integrated drugs and alcohol service, the invitation to tender core service questions included the following question on social value: "With reference to the city plan and city mayor's charter for employment standards, please provide a method statement which describes how you will bring additional social, environmental and economic value to Salford through the delivery of this service, and how this will be measured and evaluated. These outcomes must be at no additional cost to the council."

During procurement for a public health framework in Salford (potential investment of up to £28m), the pre-qualification questionnaire (PQQ) included a 15% weighting for social value in the tender evaluation. The question included was: "The council's corporate objectives include maximising employment opportunities, reducing worklessness (long-term unemployment) and the wider regeneration of the communities that it serves. Applicants should supply evidence of their track record in meeting similar requirements (known as social value) in the services they deliver." The PQQ asked for two examples of how tenderers had provided "social value to the community".

Future plans: The aim is for the majority of organisations within Salford to be signed up to the charter. There is also an interactive toolkit available which can be used by providers to help them deliver and demonstrate social value.

Measurement and monitoring: The city partnership has started developing an evaluation, to ask the questions: "Are we making a difference for Salford and its

residents through social value? Is what we are doing helping us to make that difference? Has the social value HC (Health Care) programme helped us to do the right things?" Its evaluation aims to be simple and focus on a small number of priority indicators.

All signatories to the charter will be expected to collect information and report progress to the Salford city partnership. The city partnership will develop measures for improving social value across the city, and will also monitor the SV charter on an annual basis.

The evaluation will not include newly developed and prescribed indicators, but will use a standard methodology for social accounting.

Salford city council also has a contract register in place that monitors procurement expenditure; currently 40% of council expenditure is spent in Salford, 70% in Greater Manchester and 86% in the North West. It aims to increase these figures through use of the charter and toolkit.

Challenges experienced and how they were overcome^{iv}

Leadership: "The Salford approach is essentially a behaviour change programme and has required leadership across the partnership and at a number of operational levels. Helping people to lead and not follow has proved to be a challenge at all stages. Encouragement, support and a regular chance to share in discussion has helped participants to gain confidence in their individual work."

Language: "A major barrier early on was the language used around social value – including agreeing a definition of 'social value'. Terms such as 'social return on investment' proved to be controversial, with commissioners meaning obtaining a social return *from* the investment of their funds, while providers thought that the complex SROI tool would be required for all contracts. Again, facilitated discussion and recording of agreed language has helped reduce barriers in this area."

Capacity/time/understanding: "The time needed to arrive at a joint and shared understanding of social value should not be underestimated, and although many participants supported the principle of a social value approach, the current climate of complex financial and operational demands felt by the majority of organisations perhaps led to a perceived lack of capacity. Focusing in on small steps from which people could see a positive change helped many organisations to move forward and seeing peers starting to measure social value gave confidence to others."

Buy-in: "It was found that having 'buy-in' from the staff and volunteers of small community organisations was as important as having the city mayor and political support to drive the programme forward."

^{iv} The quotes in this section are from Anne Lythgoe, co-author of this example.

The Social Value Act: “The Act is a short piece of legislation and its accompanying guidance gives a lot of latitude for different interpretation. The Salford partnership agreed that this was also an opportunity and set out to push the boundaries of the meaning of the Act.”

Factors for success

Relevance: “This work has been shown to have relevance to a range of priority areas in public sector reform, including the ‘managing demand’ and prevention agendas. Helping partners to understand the relevance of the outcomes which could be achieved from this approach, whether as a commissioner of services, or as a provider with an edge in competition, has been one of the factors for success.”

Political leadership/HWB board: “Although pockets of social value work were going on across the city prior to the recent programme, having the political leadership of the HWB Board and the strategic driver in the JHWS has helped provide a strong mandate for this work.”

External partnerships: “Working in partnership across all sectors and with all sizes of organisations has helped embed a social value approach, with multiple peers to discuss ideas and share practice.”

Shared learning, experience and facilitation: “Building from the assets that already existed – learning from the existing pockets of good practice – Salford was able to encourage partners to help each other. For example, City West Housing Trust published social accounts and are now supporting other organisations to do the same. Furthermore, having external facilitation at key points in the programme gave the programme a profile that some partners found important in order to prioritise attendance.”

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www.partnersinsalford.org/socialvaluesalford.htm

4.3 Liverpool

Co-authored by Sarah Dewar, Liverpool CCG

Name: NHS Liverpool Clinical Commissioning Group

Type of organisation (commissioner/provider; sector): NHS contracting authority

Definition of social value: Liverpool CCG has provided a goal for each of the social value areas:

- Economic wellbeing goal: Improve health outcomes for adults and children by reducing poor health associated with low income.

- Social wellbeing goal: improve health outcomes by creating an enabling society that maximises individual and community potential, reducing poor health associated with social context.
- Environmental wellbeing goal: improve health outcomes through approaches that reduce health inequalities and mitigate climate change, creating healthy places and communities now and for the future.

Actions to increase social value: Liverpool CCG (LCCG) has developed a social value strategy and action plan, taking forward recommendations from the CCG Health Inequalities Action Learning Group report *All Equal All Different*, the Mayoral Health Commission and the *Marmot Review*. One of the aims of the strategy is to reduce local health inequalities. It also enshrines the sustainable development strategy approach for NHS Liverpool CCG.

LCCG has agreed to go beyond the provisions of the Act and to “adopt a broader, more strategic social value commitment which supports better outcomes.” The social value approach aims to place social value at the centre of its thinking and policy, commissioning and practice and ensure that the way LCCG invests and acts achieves the most benefit to the local population by maximising the impact of clinical services, supporting non-medical solutions and positively influencing the social determinants of health.

LCCG’s social value objectives are to embed social value into all commissioning and investment processes, build understanding across partners, rethink models of care, use resources efficiently, work in partnership to improve health outcomes and track impact.

It has provided a range of social value goals and sets out how to apply them in the procurement process. Providers are required to set out how they will deliver a selection of social value outcomes over the life of the contract. In most cases, measures will be included in the specification.

Social value framework: LCCG has three frameworks, one on each domain of the Act. Each of these presents LCCG objectives, outcome domains, relevant outcome ambitions, internal performance measures, potential measures for suppliers, and metrics. The economic wellbeing framework is depicted in Figure 6.

Leadership and partners: The approach has been led by the CCG but is based on engagement and consultation with NHS Trusts, VCSE sector organisations, SMEs and the public.

Links with other local strategies or priorities: Liverpool has a social value task force, in order to ensure that commissioners in the city use the Social Value Act. The Liverpool City Council and Liverpool Fairness Commission have committed to procuring services from organisations that can demonstrate social value.⁷⁹

The CCG's social value plans also tie into the local health system's transformation agenda, *Healthy Liverpool*, and are influenced by local sustainability strategies.

Figure 6: Liverpool CCG economic wellbeing framework

Social Value: Economic Wellbeing – Improving Incomes and Education to Improve Health Outcomes					
Liverpool CCG Objective	Relevant Outcome Domains	Relevant Outcome ambitions	Liverpool CCG Internal performance measure	Potential measures for suppliers	Metrics
To improve health outcomes	Preventing people dying prematurely	Secure additional years of life for people with treatable mental & physical health conditions	LCCG investment in local economy through contract spend.	Proportion of supply chain spend that is with SMEs / social enterprises/ constituted community groups	% of supply chain spend 0-10% / 11-20% / etc...
			Proportion of supply chain spend that is with Liverpool based businesses/ SME/ social enterprises/constituted community groups.		
To maximise value from our financial resources and focus on interventions that will make a major difference	Improving quality of life of people with Long Term Conditions	Improving health related quality of life of people with LTCs/mental health	LCCG contribution to local people in employment	Number of FTE jobs created / sustained	Number of new FTE jobs / FTE sustained
			LCCG reducing debt stress, low pay and poor working conditions.	Employees paid a Living Wage throughout the supply chain. No zero hours contracts in the supply chain Accreditation to workplace wellbeing charter Support for financial advice	0-79% / 80% + 0-79% / 80% + Accreditation – level attained – bronze 30, silver 60 gold 100 etc...
To build successful partnerships which promote system working and integrated service delivery	Helping people to recover from episodes of ill health or following injury	Increasing the number of people having a positive experience of hospital care, GP care & community care	LCCG contribution to skills development and employment of local people	Number of (relevant) people supported into employment (relevant could mean to the procurement/priorities could be unemployed people, young people, disabled people etc ..)	Numbers
To hold providers of commissioned services to account for the quality of services delivered	Ensuring people have a positive experience of care		LCCG contribution to skills development and employment of local people	Number of work experience/apprenticeships/formal training opportunities provided	Numbers
			Additional investment leveraged in to Liverpool communities	Amount of investment brought in to communities through grants, private sector investment and reinvestment of profits...	% of contract value

Source: ⁸⁰

Examples of social value in procurement: Social value is now included in all the CCG internal business case processes. The three frameworks present a menu of social value measures which can be prioritised for including in relevant contracts. Living wage and carbon reduction have been built into several service specifications. Sustainable development and social value commitments including living wage are being included within contracts with the nine main NHS provider trusts in Liverpool for 2015/16. Key programmes to take forward work with the VCSE sector in the city also reflect application of social value principles, for example LCCG is working with a large range of VCSE organisations on new approaches to engaging diverse communities in health care planning.

Future plans: The next two phases of the approach, phases 3 and 4, are as follows:

- Phase 3: Apply, test out and engage more widely; establish benchmarks and evaluation methodology; continue liaison to create a city-wide approach and build capacity in partners and providers.

- Phase 4: Review, refine, improve and integrate with relevant emerging national and local plans and approve an amended and longer term approach as required.

Measurement and monitoring: LCCG is in the process of developing measurement tools. It plans to measure progress using the NHS Good Corporate Citizen tool and report annually on progress in delivering the action plan and delivery against the aims. There are also some metrics provided in the frameworks which are being included within contracts as appropriate, for example carbon reduction measures.

Challenges experienced and how they were overcome^v: “The issue of compliance will be a key one to ensure that the inclusion of requirements in contracts is followed through and can be tracked. The working and measurement of requirements to withstand challenge in a competitive provider landscape is an ongoing area of challenge which continues to be worked through by gradual introduction of key social value elements rather than a blanket approach. In some cases tender documentation has been specific in requirements and then included an option for bidders to set out how they propose to maximise social value in delivery. There is a challenge in ensuring sufficient priority is given to consideration of the issues early enough in the process and to continue to work with providers and partners to increase social value through deliver. Increasingly a culture shift will need to occur to maximise potential and this is a long-term process.”

Factors for success: “Strong leadership from the governing body and a clear strategy and action plan to follow through on the commitment.”

More information: Contact Sarah Dewar – Sarah.Dewar@liverpoolccg.nhs.uk
www.liverpoolccg.nhs.uk/Library/About_us/Publications/Social_Value_Strategy_LCCG_2014.pdf

4.4 Blackburn with Darwen

Co-authored by Dominic Harrison and Laura Wharton, Blackburn with Darwen council

Name: Blackburn with Darwen

Type of organisation (commissioner/provider; sector): Local authority (working with partners)

Actions to increase social value: In 2011, Blackburn with Darwen (BwD) Care Trust Plus (an integrated adult social care /PCT commissioning body) became part of a social value board set up by the North West strategic health authority, and in 2012

^v This quotes in this section are from Sarah Dewar, co-author of this example

it developed a local stakeholder group for social value development. Social value is now a HWBB strategy priority. Blackburn with Darwen is currently doing three things to generate social value from their local spend:

1. Developing a local social value self-assessment tool and piloting it within specific public health contracts

In 2012 Blackburn with Darwen Care Trust Plus, working with NHS commissioners, the council and the community and voluntary sector developed a social value self-assessment tool for providers to demonstrate their added social value. NHS commissioners agreed to take the responses into account when awarding contracts. Providers are assessed on a range of areas, which are listed below in the “measurement” section of this example. The tool has been tested with two of the largest local NHS trust service provider contracts for public health and they will be asked to develop an action plan to address any unutilised opportunities for local social value development identified in the assessment. The next step is to see how the tool could be used across all major local public sector contracts including use in the pre-qualification questionnaire process and to assess competitive tenders.

2. Analysing and maximising local public sector spend with local businesses (see below for more information)

3. Investing in local social enterprises as part of its public services reform

In addition, a platform (Hive) has been created to facilitate greater business-to-business relationships and collaboration.

Social value self-assessment tool: The social value self-assessment tool is described below, under “measurement and monitoring”.

Leadership and partners: The approach has been led by the council, with the involvement of local NHS bodies, providers and the community.

Examples of social value in procurement: Public health has revised the local model of drug treatment to support recovery rather than continued drug service dependence. A key element is providing support for a local social enterprise in Darwen – Café Hub (<http://cafehub.org.uk/café/>) – which provides a drug- and alcohol-free venue for people in recovery.

Measurement and monitoring: Blackburn with Darwen council uses analysis software *Spendpro* to map where local spend is going. The council has also moved to an e-procurement system (the chest) that provides greater access to local, registered suppliers and thus increase opportunities for local spend. A total of 120 council officers have been trained on this e-procurement system and 600 local suppliers have registered to be notified of opportunities. In 2012/13 48% of the council’s total spend was with Lancashire-based suppliers; in 2014/15 this increased to 55%.

The self-assessment tool provides detailed information on social value implementation and is designed for local commissioners to use with providers. This tool consists of 10 topics:

1. Investing in the workplace through access to high quality occupational health
2. Increasing employability and providing high quality employment opportunities for local people
3. Reducing congestion by promoting sustainable travel
4. Increasing prosperity and opportunity in the borough (support for businesses in BwD)
5. Promoting community cohesion and diversity and equality
6. Increasing educational attainment, especially in English and Maths
7. Increasing social capital through developing opportunities for volunteering
8. Increasing opportunities to aid people with learning disabilities into employment
9. Carbon reduction
10. Rehabilitation of offenders/alcohol and substance misuse

Challenges experienced and how they were overcome:^{vi} “Developing, implementing and mainstreaming this work at a time of such change and contraction in local public services has meant that progress has been slower than was hoped for. As the local NHS system settles and the local authority consolidates its services within a much reduced financial envelope, all partners are looking for ways to wrestle greater value from existing local public sector spend – and to increase support for local employment. These factors make the adoption of a revised social value policy very timely.”

Factors for success: “Key factors for success to date have been local leadership and the capacity to demonstrate and quantify benefits, for example through increased local procurement spend.”

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4.5 Birmingham

Co-authored by Kalvinder Kohli, Birmingham city council

Name: Birmingham city council

Type of organisation: Local authority

^{vi} The quotes in this section are from Dominic Harrison and Laura Wharton, co-authors of this example.

Definition of social value: Birmingham has used the definition provided in the Act: that public authorities must seek wider social, environmental or economic benefits for the communities they serve. Therefore, social value is the additional benefit to the community from a commissioning/procurement process over and above the direct purchasing of goods, services and outcomes.

The definitions also need to be placed within context from a provider perspective. For a number of organisations operating within the city, whether private, public or third sector, social value is something that has always been offered above and beyond the contract. However, until now this has not been a requirement within the tender evaluation process in a meaningful way. Therefore, it has not been possible to unlock the increase in potential value.

Actions to increase social value: Birmingham city council currently spends over £1bn externally each year commissioning and procuring goods and services. The local authority is moving forward as a commissioning-led authority at a time of a significantly challenging financial climate and increasing demands for its services from local citizens, often from those with the greatest vulnerabilities and therefore in the greatest need.

The council has stated that the Social Value Act, “was a very timely piece of legislation and one which plays to the strengths of partner organisations within the city in helping to respond to the strategic priorities for the city”. In order ensure that the benefits and requirements of the Act were integral to all decisions and actions, Birmingham city council launched its social value policy (incorporated into the Birmingham business charter) and living wage policy.

Birmingham business charter: A key requirement for organisations seeking to secure contracts from Birmingham city council was also to become signatories to the Birmingham business charter for social responsibility. The aim of the charter is to:

- support community organisations with resources and expertise in areas with the greatest need
- make a local impact by improving local facilities and areas, for example staff volunteering schemes
- provide support to third sector organisations and work with them to deliver services and contracts
- work with schools and colleges, offering work experience and business awareness to students, especially those from disadvantaged areas or communities
- make accessible all sub-contracting opportunities to a diverse supply base, including the third sector and suppliers

Leadership and partners: Cabinet member for commissioning, contracting and procurement, assistant director for corporate procurement services, commissioners with the local authority and partnership of commissioned organisations including third

sector and private companies. External support has also been provided through Barrow Cadbury Trust funding to Birmingham and Solihull Social Economy Consortium to assist the local authority to work with its partners in developing and embedding its social value practices.

Links with other local strategies or priorities: The aim is to align social value with existing corporate priorities, particularly in relation to tackling deprivation, through:

- increased employment, apprenticeships and training opportunities
- strengthening local economies and “making the local pound work harder”
- developing partnerships with organisations willing to invest their time, experience, expertise and resources in order to achieve the ambitions Birmingham has for its city

Therefore as part of the communication to commissioner and partner agencies (particularly contracted organisations) working within the city, a clear challenge was set: what is the impact of commissioned spend on the most deprived wards? This links directly to the leaders’ policy statements and key principles relating to tackling inequality and promoting social cohesion, developing a prosperous city built on an inclusive economy and involving local people and communities.

Examples of social value in procurement: A recent example is the commissioning of £16.5m of housing support services for vulnerable adults through the supporting people programme. The tender weighting was as follows: 60% quality, 20% social value and 20% price. The intention was to demonstrate that the local authority was taking social value seriously by stipulating that the social value pound carried the same weighting as the financial pound. Bidders were required not only to outline their social value offer with clear outputs, outcomes and timescales but also to outline how the social value generated would be evidenced and evaluated in terms of demonstrating its impact against the strategic priorities for the city, particularly in relation to social and economic deprivations. All bidders were also required to confirm that they would be willing to pay the living wage for employees that would be employed directed on the services being commissioned.

In order to prepare organisations for bidding effectively under the social value requirements, the supporting people team:

- delivered joint training to organisations in partnership with providers that had developed examples of best practice in relation to delivering social value
- provided one-to-one support to organisations in identifying and evidencing social value practices and their impacts and outcomes
- agreed a common set of outcomes that the council would be looking to evidence and map. This included using postcodes to map employment outcomes and improved health outcomes for vulnerable people based on the where they live, in order to reach the most disadvantaged

- worked with service providers and service users to agree a simple evidencing template for social value which would be used as part of the contract monitoring

Future plans: The intention for many providers is to deliver year on year increases in social value outputs. One provider has set targets that for the value of every £1 of commissioned services, a further 10 pence of social value investment will be delivered. Many organisations have stated that they will produce social value accounts which will sit alongside their annual financial accounts.

As commissioners for housing support services, the supporting people team preparation is currently producing an annual evidence statement of the level of social value generated against the commissioned spend.

Measurement and monitoring: Social value evidencing will be placed within the wider local return on investment reporting – a whole systems approach used for the supporting people programme. The methodology uses actual outcomes being generated (and where stipulated paid against payment by outcomes) in order to determine cost benefits, contribution to the city’s strategic outcomes as well as personal benefits to vulnerable people. The personal benefits will also be captured through case studies. This will allow for qualitative evidence to sit alongside hard numbers.

Challenges and success factors^{vii}

“The Social Value Act legislation is deliberately non-prescriptive and rightly so, which in itself presents opportunities and challenges for both commissioner and providers in terms of its application and implementation. This requires strong direction, commitment and innovation from both the local authority and the stakeholders involved.”

“The Birmingham business charter relates to all businesses in Birmingham, not just those commissioned by the local authority – it’s a way of working, it’s a way of thinking for all business operating in the city in order to achieve the priorities for the city. It has to be recognised that this will take time to embed as practice.”

“The requirements of the legislation are being implemented in challenging times of severe financial pressures.”

“Percentage weightings set for social value within the tender process have to be sufficient to be taken seriously by both commissioners and providers.”

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^{vii} Quotes in this section are from Kalvinder Kohli, co-author of this example.

5. Measurement and monitoring

Key messages – measurement and monitoring:

1. Measurement and monitoring of social value impact is important and valuable. It can help to demonstrate effects, improve programmes, share information and feed back into wider commissioning priorities and processes.
2. As yet, measurement and monitoring of social value is underdeveloped. Contracting authorities perceive this as a major challenge in implementing social value.
3. Local and national contracting authorities can make progress in measuring impact through using existing methodologies such as social return on investment or social accounting, or through using existing key performance indicators or designing local measurement systems.
4. Measurement is more likely to be effective where it is related to what is being delivered and proportionate to the scale of the service and size and capacity of the provider.
5. Measurement frameworks can reflect other local systems, processes and priorities to demonstrate ‘win–wins’. Where possible, effects and savings should be disaggregated to see who benefits and what the impacts are on equity.

Measurement and monitoring are essential for contracting authorities at a national and local level, for providers, and for those offering support or advocating for social value. There are five good reasons for contracting authorities and providers to undertake measurement and monitoring:

1. It is hard to know if social value has actually been generated without measurement. Measuring social value can help to hold the system to account and this accountability can be used to ensure that the requirements of the Act are being met.
2. Good measurement, which includes distributional impact assessments, can enable assessment on equity – who is benefitting from the programme, and how much. It is important that social value programmes tackle local and national inequalities in order to improve health and other areas where inequalities persist.
3. The results of measurement and monitoring can inform other work of the contracting authority and shape strategic planning: they can highlight areas of unmet need and the presence of community assets as well as simply measuring the impact of the programme. Putting measurement plans in place can also help to highlight the importance of social value and prioritise action in this area – what gets measured gets done.

4. Good measurement can help providers and commissioners by building their internal capacity and improving their project or programme delivery.
5. Good measurement can also enable commissioners and providers to bid for funding. For example, the European Social Entrepreneurship Funds and the Programme for Employment and Social Innovation distribute over €86m to social enterprises that can demonstrate they have a “measurable social impact”.⁸¹

More information on measuring economic benefits of social determinants of health programmes can be found in the IHE/PHE publication ‘Understanding the economics of investments in the social determinants of health’.¹⁸

A focus on measurement should not get in the way of taking actions or making commissioning decisions that cannot necessarily be measured for outcomes using a standardised and comparable system. Linking to existing evidence can be sufficient. For example, if the aim is to reduce health inequalities, and a procurement decision has been shown to reduce the percentage of young people not in employment, education and training (NEET), then there is good evidence to show this will have a positive effect on health and reduce health inequalities.⁸²

However, developing and running effective measurement activities is a difficult process – and is made even harder when this measurement needs to capture a range of impacts, across organisations and the population, and the distribution of these effects. Capturing equity impacts is particularly difficult.¹⁸ In a SEUK survey, 61% of commissioners said they would like further guidance on social value measurement⁶ and in a survey by the Social Value Portal this was over 80%.⁸ A 2010 survey of third sector organisations found that very few were conducting SROI on their programmes, and that the majority were not “SROI ready”, meaning “being able to identify and measure organisational outcomes adequately in a quantitative way”.⁸³

Key literature: Lord Young’s Social Value Act review: recommendations on measurement and monitoring⁴¹

The review recommends that the Cabinet Office supports measures to strengthen the framework for measuring and evaluating social value. The review developed a framework and principles for the current state of social value measurement.

The review also reported that the Cabinet Office would be asking Inspiring Impact, a ten year programme led by the voluntary sector to develop impact measurement, to build on the work it has 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

5.1 Examples of monitoring and measuring social value

Despite the difficulties, there are examples of successful monitoring and measurement approaches as applied to social value and some of these are presented below. The longer examples of local action in Section 4 also present information on measurement and monitoring and should be referred to alongside this section.

The European Commission has a responsibility, set out in the Single Market Act II, to “develop a methodology to measure the socio-economic benefits created by social enterprises”.⁸⁴ In order to meet this responsibility, the GECES sub-group on social impact measurement was set up to develop a methodology for measuring social impact. It found that a rigid set of “top-down” indicators was inappropriate due to the variety of social impacts, the limitations of quantitative indicators, the need for proportionality, wide variety in the nature and aims of activities, and the fast evolving and changing nature of social enterprise.⁸¹ Other research has also found that “favouring a single methodology would definitely undermine the market potential for public service provision”.⁵⁴ Therefore, there is a case for contracting authorities to pick the measurement system that suits them best, although this can make it difficult to compare activity between areas.

However, the European Commission did propose the following general definition of social impact: “For a social enterprise, the social impact is the social effect (change), both long-term and short-term achieved for its target population as a result of its activity undertaken – taking into account both positive and negative changes, and adjusting for alternative attribution, deadweight, displacement and drop-off”.^{viii81} This can be used to inform local measurement systems.

5.1.1 Social return on investment

Social return on investment (SROI) is a common approach when discussing how to measure social value.^{6 9 55 71 85} In 2010, a Demos report stated that “a recent surge in interest in social reporting has seen SROI becoming the tool promoted by government, thanks to its unique feature of attributing monetary values to ‘soft’ outcomes”.⁸³ Soft outcomes are harder to measure directly. For example, in

^{viii} Deadweight refers to changes that would have happened anyway, regardless of the intervention; alternative attribution refers to deducting the effect achieved by the contribution and activity of others; drop-off refers to allowing for the decreasing effect of an intervention over time.

evaluating training or employability interventions, hard outcomes would be qualifications or jobs, whereas soft outcomes would be an improvement in interpersonal, organisation, analytical or personal skills.⁸⁶

5.1.2 Other measurement and monitoring methodologies or frameworks

SROI is not the only methodology; others can be used, to good effect, dependent on context and the choice of the contracting and delivery organisations.⁸³

Research in 2008 found that there were more than 35 tools being used by the third sector to measure added social value and it is likely that this has increased since.⁵⁴ The New Economics Foundation provides an online comparison of a selection of tools, which reviews their potential benefits, the resources needed, complexity, support available and whether or not they have external approval or verification.⁸⁷

Some alternative tools or approaches mentioned in the literature include HACT's wellbeing valuation approach,⁸⁸ external auditors,⁶ social auditing,⁵⁵ social accounting,⁹ cost-benefit analysis,⁷¹ social value scorecards¹⁰ and bespoke methods and toolkits created by contracting organisations or providers.⁶ The Social Audit Network describes social accounting and audit as "assessing the social value generated by an organisation", through a process of reporting on social, environmental and economic performance and impact, improving performance and being accountable to users and commissioners.⁸⁹ The City West Housing Trust is an example of this in practice.

Intervention: Social accounts from City West Housing Trust⁹⁰

City West Housing Trust, a housing association that owns 14,600 homes in West Salford, made "being an organisation with real social responsibility" one of its corporate objectives. This included aims to improve quality of life for its customers, limit the impact of its activities on the environment and to support local economic growth.

To measure its impact, it is using the social accounting audit methodology developed by the social audit network.

Its social accounts include activities in the areas of young people (eg, programmes of activities for 16-25 year olds), neighbourhood (eg, littering), healthy eating (eg, growing spaces in primary schools), financial inclusion (eg, food banks), employability (eg, skills programme), and environmental sustainability (eg, investment in energy efficiency).

For each of these areas, it has information on:

- inputs: how much was invested (directly, and in the form of staff time)
- outputs: programmes delivered

- economic outcomes
- social outcomes
- environmental outcomes
- summary of return on investment – including wellbeing value produced in pounds and saved costs in pounds, so it can calculate cost-effectiveness. For example, for neighbourhood social accounts, the intervention cost £49,000 and delivered £98,477 in benefit.

Spend analysis and contract monitoring is also important: postcode analysis can enable contracting authorities to see how much spend is within the local area or areas of deprivation.¹⁰ Contract monitoring measures the extent to which suppliers re-spend in the local economy on local suppliers and employees of their own.¹² Some of these and other tools are also discussed in ‘Understanding the economics of investments in the social determinants of health’.¹⁸

To measure the likely impact on health inequalities, a number of existing indicator sets could be useful, including the Marmot indicators developed by IHE,⁹¹ the public health outcomes framework,⁹² or the recession indicators also developed by IHE.⁹³ However, these indicator sets are fairly high level, and any changes in results can be hard to attribute to particular programmes or policies.

Outcomes-based commissioning is an important consideration for local measurement strategies. The Joseph Rowntree Foundation describes it as recognising the importance of wider benefits in economic, social and environmental terms, and co-production with citizens,¹³ showing clear overlap with social value in commissioning.

Key literature: HACT – Measuring the social impact of community investment⁸⁸

HACT has released a publication aimed at housing providers, to enable them to demonstrate and measure social impact measurement. It includes values for social impact of community investment activities, and practical guidance on how to apply them.

The publication uses the values from the HACT “social value bank”⁹⁴ and “value calculator”.⁹⁵ The bank is “the largest bank of methodologically consistent and robust social values ever produced. The values can provide a basic assessment of social impact, provide evidence of value for money, and compare the impact of different programmes. The values can also be used within a full SROI or cost–benefit analysis.” The value calculator is an excel spreadsheet which “gives users a simple way to apply the values contained in the social value bank as described in the guide.” These are primarily aimed at housing providers.

Key literature: accounting for social value⁹⁶

The Social Value Portal has developed an accounting methodology for social value that permits organisations to measure their social value in terms of both non-financial and financial benefits. The methodology uses financial proxies generated by the Cabinet Office to assign a financial benefit to specific local authority targeted outcomes.

5.2 factors for success in measuring and monitoring

Experiences of contracting authorities and providers, alongside research and report findings, suggest that there are some considerations that may increase the success of measuring and monitoring efforts. Many of these are summarised in the European Commission guidance on measurement, which is outlined in the box below. Some further factors for success are described in this section.

Key literature: European Commission five stage process for effective social impact measurement⁸¹

1. “Identify objectives: of the various parties in seeking measurement, and of the service being measured.
2. Identify stakeholder: who gains and who gives what and how?
3. Set relevant measurement: the social enterprise will plan its intervention, and how the activity achieves the outcomes and impacts most needed by its beneficiaries and stakeholders. This link from activity to impact is the social enterprise’s theory of change. It will decide this, and establish measurement most appropriate to explaining that and the achieved impacts, and will then agree it with major stakeholders.
4. Measure, validate and value: assessing whether the targeted outcomes are actually achieved in practice, whether they are apparent to the stakeholder intended to benefit, and whether they are valuable to that stakeholder.
5. Report, learn and improve: as the services are delivered and the measurements of their effectiveness emerge, so these results are reported regularly and meaningfully to internal and external audiences.”

5.2.1 Fitting with other local systems and answering the right questions

Measurement should not exist in isolation. It is both easier to conduct and likely to be more useful if it is clearly located in the contextual and organisational environment. Research has found that those local contracting authorities that are managing to measure social value tend also to have a written social value policy in place and a designated lead on social value.⁶

Social value measurement should build on other local priorities, strategies, plans and indicator sets. This is to ensure that firstly, all partners know what they are measuring and trying to achieve; secondly, that the aims of social value programmes are of value to local strategies and meet local need; and thirdly, that the measurement process is of use to both contractors and providers and is not overly onerous or difficult: “the providers want it to inform and improve their work and business, not just be something demanded of them or imposed. The commissioners need the evidence base to be able to justify their decision-making, and for that evidence to have some credibility and rigour”.¹⁰ One way to achieve this is to ensure that social value is measured at least in part with existing organisational key performance indicators.⁶

5.2.2 Ensuring proportionality

“Proportionality” is a term that appears frequently in the literature on social value measurement (for example, ^{6 81 83 85}) and an issue mentioned already in this document. The European Commission states: “the amount of time spent and the degree of accuracy sought and achieved in any measurement exercise must be proportionate to the size of the enterprise and the risk and scope for the intervention being delivered”.⁸¹

What this means, in effect, is that it would be “disproportionate” to expect the same extent of measurement from a multi-million pound contract with a large national company delivering a key service over many years and from a much smaller local contract delivered by a community group for a particular (small) group of residents. This, as a principle, is generally well understood by contracting authorities, but it is harder to make decisions and give guidance on measurement that is proportionate – particularly in an area such as social value, where measurement is still new and evolving.

There are no clear answers about when to apply what type of measurement, but keeping in mind the principle of proportionality, in some cases qualitative evidence may be sufficient. Where cost evidence is required, social return on investment can be more appropriate, and easier for smaller VCSE organisations to calculate than a full cost–benefit analysis.⁸⁵ SROI can also provide a useful framework for cataloguing benefits and who they come to. In some cases outcomes may only be seen in the longer term and an evaluation based on outputs in the interim may be more

appropriate. And, as mentioned above, it is important that larger public sector contracting authorities support local providers, including providing training and practical guidance on measurement, as well as encouragement and incentivisation.¹⁸

Intervention: Building Health Partnerships Programme, SEUK^{73 97}

The aim of this programme is to maximise the potential of collaboration between CCGs and local VCSE organisations in order to improve health in local communities. The programme works with 12 regions and includes approaches such as social prescribing, social impact bonds, and using social value. For example, the Dudley region has “created a common system for demonstrating and measuring social impact, which makes commissioning a more collaborative process, leading to better health and care outcomes”.

5.2.3 Disaggregating effects and savings

Where possible, more can be understood from measurement and monitoring where two further questions are answered: “who, in the community, is benefitting from improved outcomes?” and, where cost evidence is used, “what agencies are saving money and what agencies are spending money?” For example, if a provider states that, during delivery of a service commissioned by the local authority, it has provided jobs for ten local people, and this results in a cost saving of £50,000 per year, it might be reasonable to ask, which local people got the jobs? Were they previously unemployed? Were they from areas of disadvantage or experiencing poverty? Were the jobs secure? What were the terms, conditions and wages? These questions are important because without knowing who benefits and to what extent, the effect on equity cannot be measured. If projects consistently ignore local residents furthest away from the labour market for example, and employ those who already had jobs, they are unlikely to be reducing local economic inequalities and therefore health inequalities.

Secondly, it is important to ask who realises the benefit of the savings. Is it the Department for Work and Pensions in the form of reduced benefit payments? Is it the local authority in the form of reduced support and employability programmes? And so on. A Treasury document states that moving someone off Jobseeker’s Allowance and into work is likely to result in cost savings split 94% to DWP and 6% to the NHS. However, it also states that there may be other benefits such as reduced crime, and employment income to the individual, and non-monetised benefits such as increases in personal wellbeing or a positive impact on the community.⁸⁵

Keeping in mind the principle of proportionality discussed above, it may always not be appropriate to expect providers to be able to answer these questions – but being aware of them is important for both contracting authorities and providers. At times,

contracting authorities may be able to aggregate the results of a range of contracts in order to consider cost savings and benefits across their functions.

Key literature: sources of further information – measurement and monitoring

1. The Public Service Transformation Network, a range of central government departments and the think-tank New Economy have produced guidance for local services in order to increase understanding of “fiscal, economic and public benefits, and how these are apportioned across local and national organisations and communities”. The guide is based on HM Treasury’s Green Book and is aimed at analysts who would like to “deepen their understanding of how to identify public policy interventions that are projected to produce net public benefits”. It includes a methodology for a cost–benefit analysis model.⁸⁵
2. A pan-regional commissioning project which NHS North West commissioned CPC to deliver, gave rise to a toolkit and self-assessment tool for the NHS to assist in attempts to commission for social value.⁹⁸
3. The *SROI Guide* and other documents supplied by the SROI Network provide assistance in completing social return on investment.⁹⁹
4. The SROI Network has created a self-assessment tool to help organisations evaluate their social value.¹⁰⁰
5. New Economy provides a “unit cost database” which “brings together more than 600 cost estimates in a single place, most of which are national costs derived from government reports and academic studies ... These costs can be used to inform proposals for the implementation of new interventions, the redesign of public services or their evaluation.”¹⁰¹
6. New Economy also provides cost–benefit analysis guidance and models for public sector programmes, which can “identify the fiscal, economic and social value of project outcomes, and specify which public agency sees this benefit”. This includes a methodology and a spreadsheet model which analysts can use to apply cost–benefit analysis to projects and programmes.¹⁰²
7. *A journey to greater impact*, by NPC (New Philanthropy Capital), gives guidance for charities on how to conduct and communicate impact measurement.⁷⁸
8. Trading for Good is a not-for-profit powered by Excell Group and partnered with Santander, which helps SMEs showcase their social impact. Over 3,000 businesses have signed up.⁸⁴
9. The Inspiring Impact programme helps charities to demonstrate their social impact.

Conclusion

The Social Value Act creates a legal responsibility for public sector commissioners to consider during service procurement the economic, social and environmental wellbeing of their local populations. This duty applies to local authorities, NHS organisations and national government departments, among others.

Acting on social value can and should be closely aligned with action on health inequalities: all public sector commissioners can use their purchasing power to have a greater impact on the conditions in which people live. By tackling inequalities in power, money and resources, commissioners have the potential to improve health and reduce health inequalities. This requires considering not only cost, but value – including value that is not easily monetised, such as wellbeing and greater equity; moving from a short to longer-term outlook; and considering negative as well as positive impacts of commissioning (or de-commissioning) decisions.

In this practice resource we have demonstrated that national and local action on social value has, so far, been mixed. Some contracting authorities have not yet realised the potential of social value – especially national commissioners and health sector bodies. The health sector has particular obligations as improving health and reducing health inequalities are central to their roles, responsibilities and remit.

Despite variation in implementation, there are some good examples of local practice by areas that have implemented a social value approach and in some cases applied it to health inequalities. These examples and other research findings begin to create a clearer picture of what the success factors and barriers to local implementation are, how to conduct measurement and monitoring and how to work with and support providers.

Taking action on social value can also help to meet other public service obligations and can align with national and local priorities – including the sustainable development agenda, localism and “place-based” initiatives, and the legal responsibilities set out in the Health and Social Care Act.

Acting on social value is not only a responsibility but also an opportunity. It offers the potential to ensure that money spent by commissioners is spent in a way that reduces inequalities, improves health benefits to the population and, ultimately, saves money.

Appendix. Summary of consultation and engagement during the project

From 2-27 February 2015, IHE ran a targeted consultation on this practice resource with a range of key stakeholders and experts in the area. They represented local government, national government and policy-makers, NGOs, the VCSE sector, universities, the NHS and regional government. IHE is grateful for their comments and input into this resource.

IHE also received input, in the form of advice, comments, and documents, from a range of external contributors throughout the course of the project, as well as input into the potential and scope of the project in an initial meeting with experts and stakeholders at the start.

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