

Power to Change response to consultation paper on Social Value in Procurement

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About us

Power to Change is an independent charitable trust set up in January 2015 to grow and support community business across England. Over ten years, with a £150 million endowment from the National Lottery Community Fund, Power to Change is supporting community businesses to create better places across England. We want to support people to take action to address local challenges, enabling them to control vital assets and services that might otherwise disappear, or start new businesses themselves in response to local needs. At the heart of our vision is the devolution of power to local communities. We believe that putting business in community hands makes places better.

We welcome this consultation on an important policy area. In our response, we have focused on questions one, two and three. We would be very happy to discuss further any of the points raised here.

Question 1: Do you agree with the proposed policy metrics in the model in the attached annex? Do you have examples of such metrics being successfully used in public procurement?

Metrics

These metrics demonstrate a commitment to social value, however, they could be restrictive, lacking the flexibility to encourage a more diverse provider market. The opportunity for innovative social value, more often generated by organisations in the voluntary, community and social sector (VCSEs) and small or medium-sized businesses (SMEs), could be missed if trying to adhere to strict metrics. In addition, it is important to ensure that social value is part of the ethos of suppliers rather than just being put in place as an 'add on' to contracts.

Volunteering should be included as a metric, as it plays a large role in the running of VCSEs. Secondly, living wages should also be included. While cheaper services can accrue short term financial wins, purchasing in this way can add to future costs. For example, if people are being employed on less than living wage salaries there will be associated costs for local public services to support the employees. It also means that an opportunity is being missed to invest in ways that can reduce future demand on services and stimulate inclusive growth in the local economy. South Somerset District Council have a social value policy which aims to increase the proportion of services and goods provided locally, creating jobs, skills and training opportunities. It believes it has seen financial savings stem from the application of social value in tenders.¹

¹ Procuring for Good, How the Social Value Act is being used by local authorities (SEUK, 2016)

Quantifying social value

Certain aspects of social value cannot be quantified. In their experience of considering social value in procurement, local councillors and officers have raised this concern.² The proposed metrics are at risk of treating social value measurement too rigidly, divided up into different issues, rather than being looked at as a whole. For VCSEs in particular, qualitative measures are vital to demonstrate their varied social value. Therefore, qualitative evidence should be accepted, even if it is marked in a quantitative way for ease of comparison. Procurement teams may benefit from training to embed understanding of social value, and also practical lessons in assessing and comparing qualitative evidence.³

Procurement at a local level

Geographic location and scale must be taken into account. Metrics need to be adaptable at a local level to suit local circumstances and priorities. Currently budgets and spending are rarely pooled at the level of place, and for central government departments this will be even more of a challenge than it has been for local government to date.⁴ National, centralised measurement approaches can overlook some social value, instead a more nuanced measurement of social value at a local level should be used. National frameworks and standards may favour large (multi)national organisations. Instead, locally driven measurement and evaluation, with social value determined as far as possible by the needs of communities, will enable smaller organisations, which are responsive to those needs, to flourish.

Holding government and contractors to account

Structures must be put in place to ensure that contractors are held to account on social value. To ensure metrics remain relevant, monitoring of social value outcomes must be included in contract management. Suffolk County Council made a strategic decision to invest in contract management and empower people to do it effectively, by both creating new positions and training existing staff. The outcome has been that relationships with providers have been proactively managed, with any issues identified and discussed before they impact delivery.⁵

Further, government needs to be held accountable for ensuring social value is implemented. Central government should annually outline and quantify what social value it has produced across all departments and projects, to hold itself to account and identify areas for improvement.

Question 2: Do you agree that the proposed minimum 10% weighting for evaluating social value in the bid is appropriate?

The 10% minimum weighting is an unambitious starting point and should be considerably higher. Considering the proposed weighting for financial value is set at 30%, having only 10% weighting for social value significantly lowers its potential impact on central government procurement. If Social Value in Procurement is to have its desired impact it needs to be valued as such, and should have a minimum weighting that at least matches financial value at 30%. It is important that in communicating the new metrics it is stressed that this percentage weighting is an absolute minimum and should not restrict innovation within

² Front and Centre, Putting Social Value at the Heart of Inclusive Growth (SEUK, 2019)

³ *Ibid*

⁴ *Ibid*

⁵ *Ibid*

government departments (or the wider public sector) but encourage and incentivise them to go above and beyond.

Greater Manchester uses the Social Value Act as a tool to deliver strategic priorities. Since 2015, the ten councils have worked together through a Greater Manchester Social Value working group. They use a 20% social value weighting in their procurement contracts to boost local neighbourhood economies, with 71% of spend going to local companies.⁶ South Somerset District Council considered social value in around 1 in 5 tenders over the course of 2016, and the social value has been scored up to 30%. If local authorities are already considering social value in procurement far above 10%, central government should increase its minimum.

Question 3: Does the proposed approach risk creating any barriers to particular sizes or types of bidders, including SMEs or VCSEs? How might these risks be mitigated?

Tenders are too large

Large contracts are often out of scope for local VCSEs and have a tendency to more rigid procurement processes. This has already been evidenced at local government level where, in order to be more efficient and reduce the amount of resource involved, public sector tenders have become larger through merging and creating ever larger contracts. Community businesses, for example, have struggled to be involved in the procurement process as commissioners have often been unwilling to involve them on their own as small, unknown and untested providers, and instead encourage them to form local consortia to respond to tenders. This often requires organisations to be collaborating before a tender is even issued, given the tight timescales of procurement.⁷

This means that, where it is not appropriate for local VCSEs to bid for primary contracts, there must be a focus on their involvement as sub-contractors. There is huge scope for additional social value provided by local VCSEs within the supply chain. Procurement processes can be adapted to ensure the prime supplier supports VCSEs to both contribute to supply chain and sustainably add value and that prime suppliers are held to account on social value in the supply chain.

VCSEs do not have sufficient resource or capacity to respond to tenders

There is evidence that smaller organisations often deliver social value benefits at a local level but are frequently too small to consider bidding for contracts with social value clauses or, if able to bid for a contract, find it harder to articulate their social value in bids due to internal capacity, skills and a lack of confidence. They simply do not have the specific skill set and experience as well as time and resource. Larger organisations are better able to compete in bidding processes, as they have greater capacity to write tenders and define their social value offer, often through dedicated bid writing teams. This needs to be accounted for in the procurement process.⁸

Social value metrics limit VCSE's ability to respond to tenders

The types of social value stipulated in some tenders could lean towards a list of very specific benefits. Demonstrating social value is therefore perhaps hardest for VCSE organisations as

⁶ Front and Centre, Putting Social Value at the Heart of Inclusive Growth (SEUK, 2019)

⁷ Community Business and the Social Value Act (Power to Change, 2017)

⁸ Front and Centre (2019); Community Business (2017)

it is so often central to their core business. As noted by procurement officers, social value can be a challenge to evaluate in people-centred services, where social value is entwined with the service, such as in social care. This was also reported as a challenge for providers. Community businesses articulated frustration about commissioners not understanding their social value more.⁹

SEUK's work has demonstrated that Themes, Objectives and Measures (TOMs) can limit implementation. They may limit the scope of approach to social value by creating the impression that what can be achieved in procurement is defined by, and limited to, the framework. Therefore proposed metrics, if strictly adhered to, can significantly affect VCSEs. Central government must create a culture where staff have permission to experiment with social value. At local level, some councils have made changes or are looking at ways of adapting the framework to suit local needs. However, less confident councils felt they could not adapt it. The senior leadership in central government needs to establish a permissive and trusting culture for commissioners and procurement officers to ensure that the Social Value Act is reactive to local conditions and flexible to accommodate the difficulty of quantifying social value.

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⁹ Front and Centre, Putting Social Value at the Heart of Inclusive Growth (SEUK, 2019)