



HM Government

The Public Services (Social Value) Act 2012: One Year On

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Foreword



The Government is committed to improving the quality of public services, whilst creating better value for money for taxpayers. With the Public Services (Social Value) Act, we have placed a powerful new tool in the commissioner's toolbox, helping them get the most from every pound they spend.

The Act went live on 31 January 2013 and has put social value at the heart of commissioning, by ensuring that authorities consider the wider social, economic and environmental benefit that they can achieve when buying services. In doing so, it puts power in commissioners' hands to design services in a way that achieves not just their immediate objectives, but has wider benefits for the community too. For providers, the Act makes sure that their social impact is recognised and rewarded when they compete for public contracts.

We are encouraged by progress to date and the emerging examples of commissioning for social value. It is clear to us that this is but the start of a growing movement, which will enable the public sector to do more with less. One year on from the Social Value Act coming into force, this short paper sets out how commissioners are using the Act so far, and how Government will continue to support delivery of better value for money in public services in the future.

A handwritten signature in black ink that reads "Nick Hurd". The signature is written in a cursive, slightly stylized font.

Nick Hurd
Minister for Civil Society

Where we are now

1. It is now one year since the [Public Services \(Social Value\) Act 2012](#) came into force. This document outlines some of the progress made since, and what the Government plans to do next.
2. The Social Value Act requires public sector agencies, when commissioning a public service, to consider how the service they are procuring could bring added economic, environmental and social benefits. Commissioners also have to consider whether they should consult on these issues (for instance with potential users or suppliers of the service in question). The Government has produced [guidance](#) for commissioners on the Act, explaining its implications in more detail.

Case study: added value through a housing repairs contract

Croydon Council recently went out to tender for a £150 million housing repairs contract. The council used a consultation process to fully develop social value considerations. This allowed prospective suppliers to produce innovative ideas that added extra value to the service they would provide. The process produced a significant response from providers, who proposed a range of outcomes including:

- Providing energy efficiency advice for residents
- Initiatives that target fuel savings for customers
- DIY skills workshops for residents
- Neighbourhood improvement projects
- Early-stage incubation for social enterprises
- Curriculum and literacy support in schools

The final contract award encompassed a number of firm social value commitments. For instance, the provider will support local employment outcomes, by providing apprenticeship opportunities, delivering careers advice in schools and offering work experience to NEETs and the long-term unemployed. The contractor also delivers additional economic growth, offering mentoring and business support to SMEs in the provider's supply chain, as well as collaboration with social enterprises. Finally, the winning bidder committed to provide volunteering opportunities for staff, allowing them to contribute to local community projects.

3. The Act is one of a number of pieces of legislation and guidance which together set a clear framework for considering social value in commissioning. For instance:
- EU procurement law has long allowed commissioners to take wider social and environmental considerations into account when procuring public services. To [provide greater clarity](#), the Government has been negotiating revised EU procurement directives, which have now been agreed by the European Parliament.
 - The Cabinet Office's [lean standard operating process](#) places a heavy emphasis on engagement with supply markets before procurement processes commence, and the requirements of the Social Value Act complement this approach.
 - [The Compact](#), an agreement between the Government (and its associated Non-Departmental Public Bodies, Arms Length Bodies and Executive Agencies) and civil society organisations in England, commits the Government to ensuring that social, environmental and economic value forms a standard part of designing, developing and delivering services.
 - Various regulations and guidance for particular groups of commissioners also complement the Social Value Act. For instance, a number of agencies under the [Duty of Best Value](#) (such as local authorities, police forces, fire authorities and commissioners of transport services) are required to consider the overall value contributed by providers, with the aim of encouraging greater voluntary, community and social enterprise (VCSE) and small and medium enterprise (SME) participation in public services. This duty includes considering the wider economic, environmental and social value created through procurement, above and beyond that of the service itself. Social value and sustainable procurement are also embedded in the [NHS Standards of Procurement](#), as well as forthcoming NHS England Procurement Guidance. The Act builds on these frameworks, extending social value requirements to all contracting bodies and providing clear legal grounds for commissioners to achieve wider impact through procurement.
4. This agenda matters now more than ever. Demand for public services is rising, in a time of reduced funding. So it is particularly important that we get maximum value for every pound spent on public services, and that commissioners are able to identify better-targeted and more innovative service delivery models. That is what the Social Value Act is designed to enable and encourage commissioners to do.

Case study: added value through an energy efficiency contract

Birmingham City Council tendered for a delivery partner for the Green Deal programme, which supports citizens to improve energy efficiency in their homes. The commissioning process, which was informed by the council's Social Value Policy, resulted in a contract with Carillion Energy Services. In addition to providing the Green Deal energy efficiency service itself, the contract delivers additional value through Carillion creating supply chain opportunities for local SMEs and VCSEs, encouraging its business partners to invest in new green energy facilities, and engaging schools and young people in energy efficiency.

5. In supporting the Act onto the statute book and then publishing light-touch explanatory guidance, the Government has sought to encourage commissioners to consider social value in the commissioning process whilst giving local leaders maximum flexibility in how they choose to do so. We have deliberately avoided prescriptive guidance or instruction from Whitehall – partly because that would be inconsistent with our belief in decentralisation, and partly because we do not believe it would work. For commissioners to consider the added social value they could achieve when commissioning services, and to do so in a way that goes beyond ‘ticking the box’, we will need culture change and local leadership rather than instruction from the centre.
6. We have therefore been encouraged by the wave of activity there has been outside of Government to support commissioners to embed social value in their procurement activity. Organisations within the commissioner and provider communities (such as the Local Government Association, the Academy for Justice Commissioning, the NHS Confederation, the Society of Procurement Officers, the Federation of Small Businesses, Social Enterprise UK, the National Association for Voluntary and Community Action, the National Council for Voluntary Organisations and many more at national, regional and local levels) have put together conferences, workshops, guides, online resources and publications to support the embedding of social value in commissioning. In the crucial first year of the Act being in force, Chris White MP acted as the Government’s Social Value Ambassador, spreading awareness of the Act and its potential to a wide range of stakeholders.

Case study: approaches to embedding social value

Public sector agencies are taking a range of approaches to embed social value in their commissioning processes. Some have embedded social value into their procurement frameworks (such as [Oldham’s](#)) or procurement strategies (such as [Bath and North East Somerset’s](#)). Some authorities, like Croydon, have created toolkits for commissioners to help them build social value into procurement (the Croydon Social Value Toolkit can be accessed [here](#)). Others have appointed individuals with a mandate to embed social value – for instance, all major West Midlands councils have now nominated ‘[Social Value Champions](#)’, in partnership with Social Enterprise West Midlands, who aim to drive forward social value considerations in local authority procurement in the region.

7. The result is that people are doing things differently. Commissioners are thinking innovatively about what added social value they could achieve when sourcing public services, and contracts are being let that aim to secure better outcomes for every pound of public money spent, as some of the case studies in this document illustrate.

Case study: added value through a river management contract

The Environment Agency is one of several public bodies that are preparing to commission river management services from Skill Mill Ltd, a social enterprise that provides employment and training opportunities for young offenders. The Environment Agency has worked with the Newcastle Youth Offending team for the last two years on urban stream work to prove the concept and learn from parallel work in Sheffield and Manchester. In taking into account the wider social value that the provider generates, this approach allows commissioners to realise cost-effective river management, whilst also improving rehabilitation outcomes for young offenders. The pilot has demonstrated real potential to reduce recidivism, with reoffending rates of 36% amongst participants, in comparison to a national average of 52%.

Case study: added value through a troubled families contract

In May 2013, Gateshead Council tendered for a new framework agreement that provides support for troubled families. The council worked closely with the local voluntary and community sector to co-design the service and ran an event to engage with prospective suppliers, before going to market. The contract was divided into a number of lots and awarded to several charities, using assessment criteria that looked not only at delivering better outcomes for families, but also at generating additional social value. This social value took the form of activity to build the capacity of the local voluntary and community sector. The successful providers committed to increasing the number of VCSE organisations involved in service delivery. The contract also included a commitment to establish a sustainable family mentor volunteering programme, which includes opportunities for volunteers to progress into paid employment.

Case study: added value through a banking services contract

Oldham Council recently went out to tender for a new banking services contract. The council's assessment of bids was weighted in favour of service quality, with 60% of the assessment criteria based on quality, and the remaining 40% allocated to price. Nevertheless, the winning bid from Barclays Bank enabled the council to net an annual saving of 26% on the previous contract, whilst securing additional social value outcomes proposed by the bidder. This range of proposals included work with local schools and colleges to develop students' employability and money management skills, the creation of new apprenticeships within Greater Manchester and partnership working with local stakeholders, to improve employment and social inclusion outcomes.

8. This growing innovation amongst commissioners is being matched by enthusiasm amongst providers – both VCSE and private sector – to expand and demonstrate the social value they create. Businesses are viewing social value as a route to competitive advantage and a way to add value through procurement – both through their own activity when they are commissioned by government, and through their supply chain when commissioning their own subcontractors. As a result, businesses are increasingly making commitments that go beyond traditional Corporate Social Responsibility pledges. [Interserve](#), for example, has made far-reaching sustainability commitments, which include social, economic and environmental objectives, and aims to embed these principles throughout its supply chain. Social value is of growing importance to smaller businesses too. SMEs are increasingly interested in increasing their social impact and demonstrating it – to customers, to public sector commissioners, and to other businesses that are looking to develop more socially responsible supply chains. Many are already doing so through initiatives like [Trading for Good](#), a government-backed enterprise that allows SMEs to showcase their impact.

Case study: Interserve

Interserve, a construction and support services company, recently redesigned its approach to sustainability, setting ambitious goals to generate social, environmental and economic benefit through its work. These goals are set out in Interserve's [SustainAbilities](#) plan, and aim to embed sustainable practice throughout the business over the long term. They encompass a broad range of outcomes, such as employee volunteering commitments, provision of work experience placements and apprenticeships, and a range of environmental targets. In addition to increasing sustainability in-house, Interserve is encouraging its suppliers to do so too, aiming to apply its Sustainable Procurement Strategy across the board by 2020. This practice is already resulting in better value for the public purse. Interserve has increased the proportion of supply chain SMEs used in its public sector contracts to 70%, and the business's focus on sustainability and social value extends to Interserve's joint venture, Landmarc Support Services, which is commissioned to manage the Ministry of Defence's training estate.

Case study: Trading for Good

[Trading for Good](#) is a not-for-profit venture that inspires small businesses to be more socially responsible. Backed by Cabinet Office's Innovation in Giving Fund, Trading for Good has created a digital platform that allows SMEs to demonstrate their social value. In doing so, it helps public sector commissioners, and private sector organisations that contract SMEs in their supply chain, to understand the wider social impact these organisations produce. More than 3,000 small businesses have signed up so far, showcasing the social good that they create – such as training young people, donating money and time to good causes, and improving their environmental impact. The platform has already captured and reported significant social impact by SMEs: a total of 122 work opportunities for young people, 28,000 volunteering hours and over £175,000 raised for good causes.

Where we go next

1. In the wake of the Social Value Act, commissioners are increasingly thinking innovatively about social value, and the shift is organic and locally-led, supported by a range of non-governmental activity, rather than one prescribed by Whitehall.
2. However, we recognise that there is further to go. We have heard, from commissioners and providers, that:
 - Some commissioners are yet to be inspired as to the potential of embedding social value in the work that they do
 - Some commissioners are held back by uncertainty as to what they can and cannot do under the law
 - There is a lot of material and activity to help commissioners understand how to embed social value in their commissioning processes, but some see this support as fragmented and difficult to access
 - Some providers who could bring added social value to the table find it difficult to demonstrate that added value to commissioners.
3. As we move into the second year of the Act being in force, the Government will do more to tackle these barriers. We will do so under the guiding principle that the shift in thinking on social value that we have already started to see needs to continue to be led by commissioners and providers themselves, with support from Whitehall. We will continue to promote the potential of this agenda in partnership with organisations in the commissioner and provider communities, and in partnership with local areas themselves.
4. We will provide a broad offer of support to commissioners who want to secure added social value through their commissioning:
 - Through a focus on social value in the [Commissioning Academy](#). The Commissioning Academy was set up to bring together commissioners from different parts of the public sector, to learn from the example of the most successful organisations. The programme uses practical, peer-led learning, covering key themes to develop a cadre of commissioners who are progressive in their outlook on use of public sector resources. Social value is a cross-cutting topic that is covered explicitly in many of these key Commissioning Academy themes, such as outcome-based commissioning, market engagement, provider perspectives, and procurement policy. The Academy will soon draw upon its alumni network, inviting alumni to share their experiences of

commissioning for social value. The programme is open to senior commissioners from all parts of the public sector, with the aim to reach 1500 participants by the end of 2015/16.

- Through support on social value via the [Public Service Transformation Network](#), a network of local public sector agencies and people from across central government working together to transform local public services.
- By sharing examples of innovative commissioning and bringing together the disparate support available to commissioners into one easily accessible online location. We will gather and disseminate social value success stories, connecting procurement officers with the best practice from within the commissioning community.

5. We will support providers who want to offer added social value to commissioners:

- By extending our programme of Commercial Masterclasses, which support civil society organisations to better engage with commissioners. The Masterclasses were established in March 2013 and cover a range of topics that are essential for VCSEs that are tendering for public contracts. Following the first wave, which will benefit 600 individuals, we are now developing further series of Masterclasses. These will be tailored to specific sectors, beginning with a programme for VCSEs that work to prevent violence against women and girls in early 2014.
- Through the Cabinet Office-funded [Inspiring Impact](#) programme, which is supporting VCSEs to better understand and articulate the social value of their activities.
- Through our [Mystery Shopper service](#), which will investigate cases where providers believe commissioners have not followed the Social Value Act, and which in 2014 will also carry out proactive spot checks of individual procurement exercises to check that the Act has been applied. To date, Mystery Shopper has investigated 562 cases, of which 79% have been resolved successfully.

6. A year since the Social Value Act came into force, commissioners and providers are thinking differently and we are starting to see the fruits in commissioned public services. We will report back again on further progress in one year's time. Until then, Government will continue to work in partnership with others to foster that progress, promoting better outcomes for communities and better value for money for the taxpayer.

Case study: added value through a school milk delivery contract

Wakefield Council contracts Fresh Pastures, a Community Interest Company, to supply milk to local schools. Whole life cost and sustainability were identified as selection criteria at the pre-procurement stage, which meant that the council was able to generate added social value through the contract. In addition to supplying milk to schools, Fresh Pastures provides sustainable employment opportunities for long-term unemployed or disabled people, delivers educational activities in schools about recycling, the importance of local supply and food miles, and collects and recycles used milk cartons.