

NPC'S RESPONSE TO THE SOCIAL VALUE ACT REVIEW

On 26 September 2014 the government announced a [review of the Social Value Act](#), looking at how the Act is working and whether it would be beneficial to extend it. The Review is also considering how the Act might be extended in a way that continues to support small businesses and voluntary, charity and social enterprise organisations to bid for public contracts.

Summary

- We welcome the [Social Value Act 2012](#) and the framework it provides for commissioners to consider how the services they contract can offer additional benefits to society.
- The Act has the potential to drive a step change in innovation and co-development with users, which is required if the government is to achieve improvements in public services demanded by the public, alongside deep budget cuts.
- It is disappointing that there has not been more evidence of the impact of the Act on commissioning activity and the Review presents an opportunity to reinvigorate the discussion on the role that commissioning plays in stimulating new ways of delivering public service and capturing the wider benefits to the public of this approach.

The issues that the Review should consider are:

1. How to make the definition of Social Value workable for commissioners

The government's procurement policy note from 20 December 2012 [The Public Services \(Social Value\) Act 2012 – advice for commissioners and procurers](#) has limited advice to commissioners on the definition of Social Value.

The key paragraphs are 12-14 which are shown in the excerpt below:

EXCERPT:

12. The results of procurement processes can have a significant impact on economic, social and environmental well being in an area. There can often be additional value beyond the economic, social and environmental benefits that may be achieved by the services procured.

13. The Act does not prescribe how the results of the consideration of these impacts and feedback from any accompanying consultation should shape any procurement which is undertaken. It does enable the citizen and user perspectives on potential services to be taken into account in the development of outcomes and specifications for the services to be procured. With an increasing emphasis on procuring for outcomes and achieving better results for less expenditure specifications informed by the consideration of the issues set out in the Act can lead to more innovative and cost effective solutions. This might include co-commissioning of services across a number of public bodies or breaking requirements into smaller lots.

14. An example of how social value may be considered at various stages of the procurement process is presented in the annex to this action note and a number of technical questions and answers are presented below to advise commissioners and procurers how to apply the Act in practice.

The policy note does not make clear the breadth and depth of areas that commissioners can take into account. While this does not require amendments to the Act itself, it would be productive to include further detail in the guidance.

Social Value should include economic, social and environmental well-being—which means an intervention would not, for example, just consider its impact in terms of creating more local jobs, but also the longer-term impacts, such as achieving a reduction in crime or improved community cohesion. The policy note should contain examples of where these outcomes have been measured effectively.

A proper definition of Social Value should be published. This should also include evidence and data that can be used to measure social value. The government should consider how it already uses established [economic evaluation](#) vehicles to be part of this process. This is becoming an increasingly accepted method for calculating the financial benefits of those elements that are not usually part of the market. The Cabinet Office should bring together experts in this field to determine whether there are standard calculations that could be developed and circulated to commissioners to help them better assess social value within bids.

The government also need to assess their approach to evidence standards and data that can support the Act's use including asking the [What Works Centres](#) to consider how they can contribute to this important agenda. In addition, the publication of [government data](#) and the development of further [Data Labs](#) would also contribute significantly to the evidence base for social impact. A working group of commissioners, social enterprises, charities and relevant government officials and agencies should be established to explore these issues.

2. Building commissioners' confidence

The government has committed to the inclusion of the Social Value Act in the Cabinet Office's new [Commissioning Academy](#), which is welcome as it aims to improve commissioning skills across the government. However, improving the skills of commissioners in recognising social value will not be sufficient if more senior officials are not committed to the approach. It is going to require political leadership from government ministers, heads of service and local government leaders to make a significant change. The Review should put pressure on these individuals to ask the social value question whenever their department or organisation is planning a tender. Creating this greater visibility in pre-procurement would set the tone for responses during the tender phase.

When a tender has been let using the Act, it is important that greater effort is made to publicise the additional social value of the contract. We have not seen major contracts from government departments and the NHS taking advantage of the Act to gain improvement in the contracts they are commissioning. That does not mean it has not happened but it is not possible to find national examples.

It is currently difficult to identify from government departments and the NHS which major contracts have used the Social Value Act to inform their commissioning and increase the additional benefits of the services procured. This does not mean it has not happened, but it is not easy to find national examples. The Review should use the opportunity to publish case studies on contracts using the Act, placing particular emphasis on those from Whitehall.

The Public Accounts Committee (PAC) should be educated on the Social Value Act and encouraged to run a review on the use of the Act. Failing a full review, the PAC should ask questions on social value considerations when conducting their reviews of public sector contracts.