



## **NCVO Response to the Review of the Social Value Act**



## Introduction

Since its introduction in January 2013 the Public Services (Social Value) Act has had a significant impact in raising the profile of the social value agenda, and has helped encourage a corresponding behavioural change within many local bodies. Commissioners are starting to think differently about how they use their spending power to secure additional economic, environmental and social benefits above-and-beyond the primary purpose of their procurements. At a time when reduced government spending necessitates significant efficiency savings across the public sector, the Act has provided a timely stimulus for commissioners to focus more on quality and sustainability, rather than cost and price alone which can often represent a false economy to the taxpayer.

Despite this progress and the obvious social and economic benefits of commissioning for social value, many public bodies have been less successful in implementing their own fledgling social value agendas. Indeed, even those areas that are leading the way would admit that they too have further to go as they manage the dual pressures of increased demand for public services and reduced budgets.<sup>1</sup>

It is against this backdrop that NCVO welcomes the Government's review of the Act. Both commissioners and providers have had time to begin engaging with the Act and emerging evidence on their experiences indicates that steps could be usefully taken to strengthen its implementation. This paper outlines the successes achieved by the Act, challenges to its full implementation and NCVO's rationale for strengthening the Act. It is based on feedback gathered from our members, the NCVO Public Services Delivery Network, voluntary sector partners and the NCVO Social Value Act review roundtable hosted by Hazel Blears MP in November 2014.

## About NCVO

NCVO champions and strengthens the voluntary sector, with over 11,000 members, from the largest charities to the smallest community organisations and Community Interest Companies. Alongside our sister councils in Wales, Scotland and Northern Ireland, we make sure the voluntary sector can do what it does best [www.ncvo-vol.org.uk](http://www.ncvo-vol.org.uk).

NCVO convenes the Public Service Delivery Network, a group of 2500 organisations that have an interest in public service delivery and a special interest group of sub-contractor organisations involved in the Work Programme.

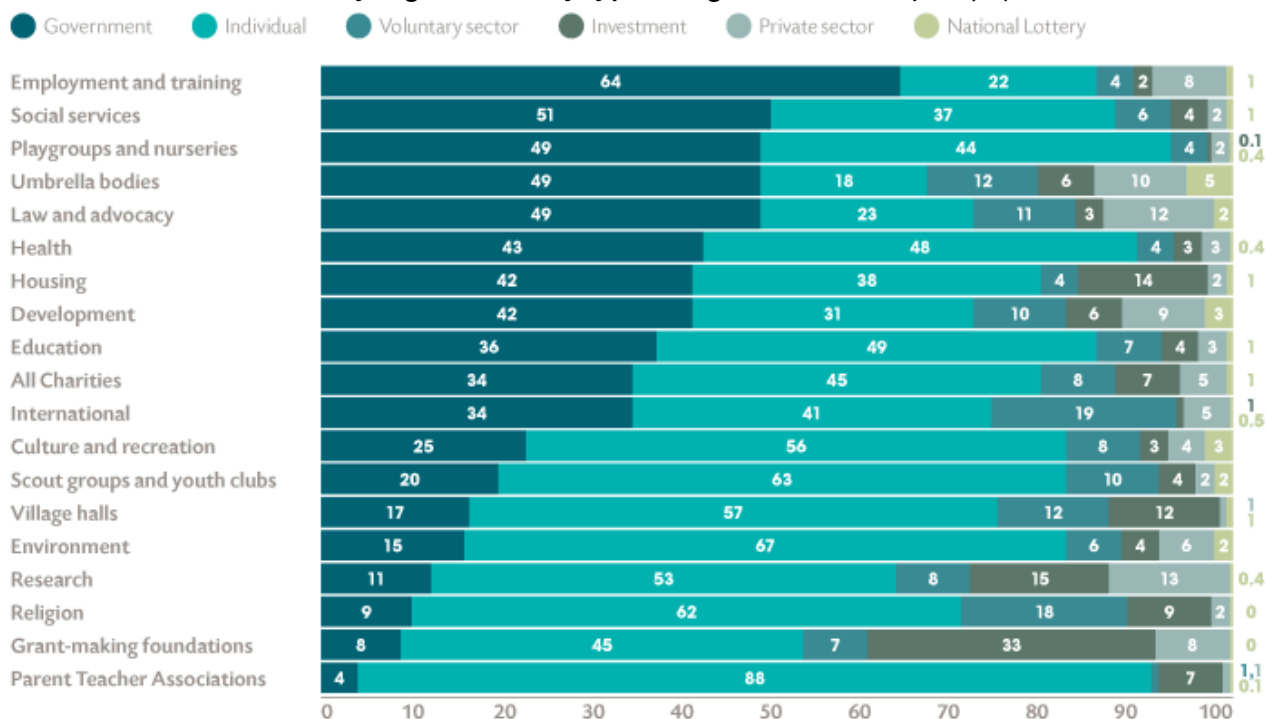
## Background - The voluntary sector's role in public service delivery

The voluntary sector has been involved in public service delivery for decades and has extensive experience of public procurement policies and practice. In 2011/12 (the latest year for which data is available), the voluntary sector provided services across a broad range of areas:

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<sup>1</sup> The latest *Managing in a Downturn* survey conducted by PwC, Charity Finance Group and Institute of Fundraising reported that 69 percent of organisations had experienced a rise in demand for services and 68 percent expected demand to further increase in the coming twelve months.

## Source of income to voluntary organisations by type of organisation, 2011/12 (%)



Source: NCVO/TSRC, Charity Commission

Further information on the voluntary sector can be found in NCVO's UK Civil Society Almanac: <http://data.ncvo-vol.org.uk>,

## Voluntary sector organisation size

The table below shows the size of charities in the UK. The vast majority of charities are SMEs. Only around 330 out of 161,266 voluntary organisations across the UK are not classed as SMEs under the EU definition.<sup>2</sup>

This data relates specifically to charities. However, the term VCSE (encompassing self-defining social enterprises as well as charities, voluntary organisations and community groups) will also be used in this response to better reflect the range of organisations that NCVO represents.

## Number of UK voluntary organisations, 2011/12

How big?	Micro Less than £10,000	Small £10,000 to £100,000	Medium £100,000 to £1 million	Large £1 million to £10 million	Major More than £10 million	Total
How many?	82,391	52,815	21,257	4,270	533	161,266

Source: NCVO/TSRC, Charity Commission

## The economic contribution of the voluntary sector

Voluntary organisations and social enterprises play a vital role in improving our society and make a huge contribution to the UK economy. Charities employ over 800,000 people and support over 20m people to volunteer across the UK every year. The voluntary sector's gross value added to the UK economy is nearly

<sup>2</sup> <http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition>

£12bn and we estimate the economic value of UK volunteering at over £23bn. The Government’s own figures suggest that social enterprises turnover £163bn a year and contribute £55bn to the economy in gross value added.

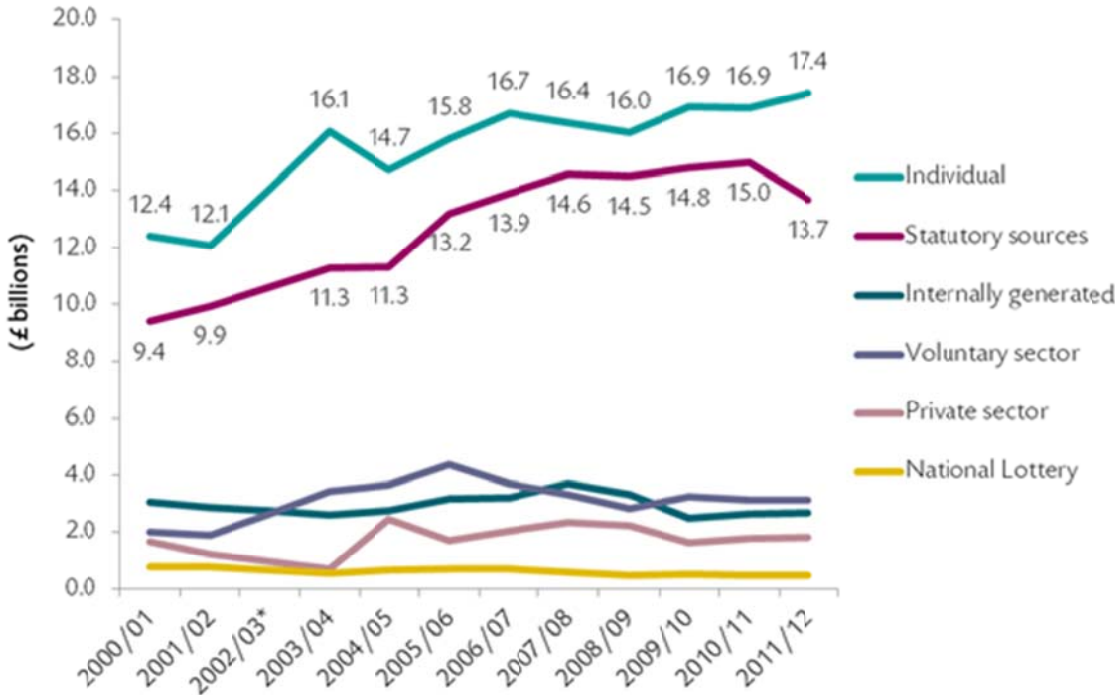
**Income from government**

Latest data from the UK Civil Society Almanac 2014 reported the sector’s overall income to be £39.2bn in 2011/12 - a fall of £676.5m from 2010/11. This drop was caused by the significant fall in funding from statutory sources, with all other income sources either rising or remaining stable. Income from statutory sources (including funding from international governments and the EU) fell by £1.3bn in 2011/12 prices.

NCVO recognises that charities should not be immune from spending cuts. However, this fall in income was steeper than the overall reduction in government spending during this period. Our members tell us that the quality and value for money of public services is increasingly being undermined by exclusive focus on the cheapest price, and that this, along with the shift to larger contracts, is squeezing many smaller organisations out of their traditional service delivery roles. This is resulting in lower quality public services and a loss – sometimes permanently - of local expertise and knowledge.

We want to work with the government to address the challenges that are preventing VCSE organisations from fulfilling their potential to improve outcomes for communities and individuals. The Government’s review of the Social Value Act provides an ideal opportunity to work towards this goal.

**Voluntary sector income in real terms since 2000**



Source: [UK Civil Society Almanac 2014](#)

**The Social Value Act’s impact to date**

Since it came into force in January 2013, the Public Services (Social Value) Act 2012 has had a significant impact on the way some contracting authorities procure public services. The Act has given commissioners the green light to consider the *additional* community benefits that can be secured when commissioning a public service, whether job creation, improving community cohesion, combatting isolation or fostering local

economic growth. The Act has encouraged a culture change amongst some commissioners to think more creatively about how they can get the maximum value with their spending power.

### **A catalyst for change**

The Act is timely as the Government's on-going deficit reduction plans necessitate doing more with less. Faced with reduced funding many contracting authorities are having to think differently about how they commission public services. A common theme running through the examples below is also how the Act is helping small businesses and social enterprise flourish in certain areas.

In **Knowsley** social value is seen as a key way of driving the council's "social growth" priority. Knowsley are setting out social value criteria in all service contracts covered by the Social Value Act, and are aiming to give a 10-20 percent weighting to social value in the final assessment of bids. As of April 2014 they had tendered contracts using social value in areas of domiciliary care worth £8m, young carers worth £50k, sexual health worth £2.9m, substance misuse worth £5.3m and smoking cessation worth £1.6m. **Plymouth City Council** has also embedded Social Value Act requirements into tender documents and procurement guidance manuals. Nearly half of the council's spending is now done with city businesses compared to just 16 per cent in 2011/12, resulting in the creation of 220 jobs.<sup>3</sup>

**Durham County Council** have set out a clear policy of doing business with organisations that can demonstrate positive approaches to environmental, social and economic outcomes. In 2013, the council set up a Social Value Taskforce with representation from the voluntary sector, local Chamber of Commerce and Federation of Small Businesses. They have since extended their social value policy to include contracts outside of public services, such as goods and work contracts "to deliver better value (in all its aspects) to the local authority, whilst at the same time to help small businesses and social enterprises win more contract opportunities"<sup>4</sup>. Between April 2013 and April 2014 Durham tendered 44 contracts which included social value weighting, 11 of which related to recruitment and training commitments and 33 of which incorporated other social, environmental or local economic added value outcomes.<sup>5</sup>

In 2013/14 the Communities and Local Government Committee received evidence from London Councils which reported that 86 percent of London Boroughs had changed their procurement processes in response to the Social Value Act, citing the **London Borough of Lambeth's**<sup>6</sup> checklist for councillors to identify which social and economic benefits they wished to generate from specific contracts and the **London Borough of Harrow's** creation of more than 40 apprenticeships in supply chains since adopting its Sustainable Procurement Policy. **Halton Borough Council** also reported how it used a weighted tender exercise to assess how contractors would add social value in delivering a contract, such as by engaging with the local workforce, while **Cheshire West** and **Chester Council** told the Committee how it uses contract specifications to increase the number of apprenticeships and local jobs and to prioritise opportunities for local young people. **Essex County Council** also told of its requirement that bidders deliver at least one apprenticeship per £1 million of spend if they wished to increase their 'added value' score and how this had secured commitments for some 270 new apprenticeships across a range of contracts.<sup>7</sup>

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<sup>3</sup> <http://www.plymouthherald.co.uk/Plymouth-City-Council-says-procurement-drive/story-24161926-detail/story.html>

<sup>4</sup> Durham County Council Social Value Taskforce Report

<http://democracy.durham.gov.uk/documents/s41424/Durham%20Social%20Value%20Taskforce.pdf>

<sup>5</sup> <http://blogs.ncvo.org.uk/wp-content/uploads/paul-winyard/Commissioning-for-social-value-FINAL.pdf>

<sup>6</sup> The council also intends to create Community Hubs which will provide safe spaces for residents, community groups, social enterprises and SMEs from which they can operate and deliver services. These will also provide a home where community growth, community action, volunteering and enterprise will flourish

<sup>7</sup> <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmcomloc/712/712.pdf>

Other contracting authorities have similarly implemented their own social value policies, including **Liverpool**, and **Birmingham** which recently saw 100 contractors sign up to its charter for social responsibility.<sup>8</sup> Below is a table detailing the weight applied to social value as an award criterion in a selection of the tenders one charity submitted in the first 10 months of 2014.

	Type	Location	Contract value	Social value weighting
Community Equipment Service	LA/NHS	Devon	£1M +	2%
Community Equipment Service	LA/NHS	Doncaster	£1M +	1.25%
Community Equipment Service	LA/NHS	Durham and Darlington	£1M +	5%
Gypsy and Travellers Floating Support Service	LA	Birmingham	£100k-£500k	20%
Delivery of First Aid at Events	LA	Liverpool	£0-£50k	10%
Good neighbour Service	LA	Leicester	£50-£100k	6%

## The benefits of commissioning for social value

There are many reasons why contracting authorities are increasingly seeing the importance of implementing their own social value policy, whether it be helping SMEs win more business; creating jobs or volunteering opportunities; increasing community involvement and cohesion; addressing social isolation; generating apprenticeships and education pathways; facilitating neighbourhood improvement schemes; reducing environmental degradation; or fostering local economic growth.

## Maximising the spending power of contracting authorities

By using the Act, contracting authorities can secure significant cost savings through more efficient public services. 71 percent of respondents<sup>9</sup> to a Social Enterprise UK survey of local authorities and housing associations said that a focus on social value had led to 'better service delivery', with 70 percent adding it had led to 'opportunities for innovation'. Importantly, 52 percent of respondents said delivering social value leads to cost savings. The following are just a few examples of services that are more likely to be procured when contracting authorities use the Social Value Act:

- A social audit recently showed that **City West Housing Trust**, a not-for-profit organisation owning 14,600 homes in Salford, delivered more than £2.3 million of social value through schemes training young people for the construction sector, and its Litter Legacy programme which works with local communities to improve the appearance of neighbourhoods. The association has also reduced its impact on the environment through its renewable energy and property development projects, helping some of the poorest households in its communities to save a further £1.3 million in fuel bills.<sup>10</sup>

<sup>8</sup> <http://www.birminghampost.co.uk/business/business-news/100-contractors-sign-up-birmingham-8110876>

<sup>9</sup> The research is based on 200 telephone interviews with senior leaders in 77 local authorities and 123 housing associations.

<sup>10</sup> <http://www.citywesthousingtrust.org.uk/>

- Following engagement with the community and voluntary sector, **York City Council** produced a specification for its Café West tender which included the consideration of air miles, food waste and employment practices. The charity **United Response** now delivers the service and offers work placements to individuals with disabilities.<sup>11</sup> The social enterprise **Argonaut**<sup>12</sup> also creates employment and training opportunities for local disabled people while delivering household cleaning, end of tenancy, gardening, plumbing, heating, gas and electrical services.
- The charity **Working Chance**<sup>13</sup> helps women with criminal convictions find professional high quality jobs, in areas that they wish to work. By building the women's self-confidence and by working with employers to overcome preconceptions, the charity has placed over 300 women in professional jobs ranging from customer service and admin roles to HR and finance, in organisations such as Virgin Management, Pret A Manger and Mitie. There is an increasingly convincing evidence base that women specific services have a positive impact, and securing employment is a key contributing factor in reducing re-offending. Women who have been supported by Working Chance have a reoffending rate of just 3 percent.
- The social enterprise **Blue Sky Development and Regeneration**<sup>14</sup> delivers grounds maintenance, waste and catering contracts by only employing ex-offenders. Given the known positive impact of employment on re-offending rates, services of this nature have the potential to reduce costs to the taxpayer, reduce crime, and reduce the number of victims in local communities. Similarly the social enterprise **CleanStart** was set up in Trafford Housing Trust employing ex-offenders from the local community to carry out void clearance and maintenance. Over 40 ex-offenders have been through the Clean Start programme. 22 are in permanent employment and only 4 (less than 10 percent) have re-offended. The police have estimated that the reduced re-offending rates and criminal justice cost savings could already total £10m.
- Over the next 10 years, housing association **Circle Housing's** Enabling Enterprise programme is projected to generate 500 apprenticeships, over 300 work placements and over 150 volunteering opportunities with an expected social return of many millions of pounds and a range of other business benefits, including the creation of local jobs and training; residents in work are more likely to pay their rent; and SMEs delivering core services has strengthened supply chains and enhanced employee engagement.
- **BH Maintenance** is a charity that aims to empower women to enter the underrepresented sector of construction, maintenance and repair. It offers an award winning Construction Training Academy providing women with a range of qualifications in related trades, as well as providing maintenance services across the region, thereby enabling women to be trained and work in the sector. The programme offers tenants the choice to request female operatives, enabling them to feel safe and secure in their home. Not only does the service offer choice to residents, it also offers women a chance to access traineeships, apprenticeships and real work experience in the construction sector.
- Waste management social enterprise **Bulky Bob's** provides services to local authorities, collecting, re-using and recycling bulky household waste, whilst simultaneously allowing local people the opportunity to access affordable furniture for their homes and addressing issues of landfill and excessive waste. The charity **Connectar** also delivers a positive environmental impact by harmonising two core aims - rehabilitating disadvantaged people into society by addressing barriers

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<sup>11</sup> <http://www.unitedresponse.org.uk/cafewest>

<sup>12</sup> <http://www.argonautenterprises.co.uk/>

<sup>13</sup> <http://www.workingchance.org/>

<sup>14</sup> <http://www.blueskydevelopment.co.uk/> 49 percent of Blue Sky's employees have gone on to further employment.

to resettlement through education, training and mentoring, and saving the honey bee by manufacturing bee hives and other wildlife habitats.

- **Age UK's** Newquay Pathfinder project helps older people with multiple long term conditions remain independent and stay out of hospital. Volunteers listen to the older person's needs and desires so that, together, they can work to achieve their goals in a shared care plan which suits their life and will help them maintain their health and wellbeing. The pilot project has led to a 25 percent reduction in emergency hospital admissions. The quality of life, confidence and wellbeing of those people taking part have also improved significantly.

## **Why the Social Value Act and its implementation needs to be strengthened**

To get high quality public services and to maximise their spending power, commissioners need to consider three factors: quality, price and social value. This is the only way to get a true picture of value-for-money for the taxpayer. Given that deficit reduction will be a priority for any future government, strengthening the Act and its implementation represents one of the simplest ways the public sector can achieve more impact with fewer resources.

The Social Value Act has been a catalyst for change in areas where strong political leadership and an appetite for innovation already exists. However, even those councils which are leading the way would agree they still have further to go. Despite the abovementioned advantages to the taxpayer and the users of public services, many other contracting authorities are not exploiting the opportunity for efficiency gains that the Act provides. Rather than embed social value in their procurement activities many continue to prioritise the lowest cost bids, despite this often representing a false economy to the taxpayer over the long-term.

For example, one organisation which delivers fostering and adoption services for numerous local authorities across England reports how some local authorities are moving to a 100 percent price-based system. They are frequently seeing basic 'tick lists' that show an organisation has the required policies and regulations in place. As long as they pass the minimum requirements they are included in a list of potential providers. The local authority then ranks providers on a price basis and work their way down the list when trying to find out-of-area foster placements. The agency says that they used to be asked for much more information about the outcomes they achieve, which allowed them to demonstrate the quality of the service they deliver, and why this quality may not necessarily always be the cheapest option. Such a procurement approach, while saving money in the short term, is highly likely to lead to less stable relationships, an increased number of placement breakdowns, poorer outcomes for children and, ultimately, increased social and economic costs for society.

## **How the Act could be strengthened**

The Social Value Act has had a significant impact in terms of raising the profile of the social value agenda among policy-makers, commissioners and procurers. However, while some contracting authorities are doing excellent work on social value, others lack the skills, knowledge and inclination needed to put an intelligent commissioning strategy into practice. NCVO believes a combination of statutory guidance, training and legislative reform is needed to bring about the behavioral and cultural change required to ensure *all* contracting authorities commission for social value.

### **Training and guidance**

The lack of a clear approach to measuring and quantifying social value is a major barrier to delivering social value at the local level. NCVO recommends that the Government address this shortcoming through the



existing Commissioning Academy, by creating a centre within it focused specifically on social value. Among other things, the centre could:

- teach commissioners and providers how to commission for social value through masterclasses and events;
- track the implementation of the Act through yearly progress reports and develop performance indicators so that success can be measured;
- help commissioners work with their communities to develop social value measurement tools that reflect local priorities.
- provide telephone or email support for commissioners and procurement professional seeking advice on how they approach writing social value into contracts and other areas of uncertainty.

NCVO also recommends that the Government produce **statutory** guidance to help and encourage contracting authorities to use the Act to its full potential. Since coming into force in 2013 it has been widely acknowledged by all sectors that the absence of effective guidance alongside the Act has hampered implementation. Learning from the Commissioning Academy, input from key stakeholders and pre-existing good practice could be used to inform the development of any guidance. The potential of the Act to affect change, especially when used in conjunction with the new EU procurement Directive - which itself seeks to drive social innovation and economic development through public procurement – should also be clearly highlighted. NCVO would welcome the opportunity to work with the Cabinet Office to develop any guidance and training programme.

## Legislative change

Minor legislative changes to the Social Value Act would provide additional stimulus to those contracting authorities yet to implement their own social value policy. They would also help those authorities which are leading the way achieve more with their spending power. NCVO recommends the following amendments:

- **The Act should be extended beyond services to goods and work.** When the Act was first introduced it was decided that services were an area where most social value could be created and where voluntary organisations and social enterprises were currently most engaged. However, public bodies, housing associations and local authorities that have most engaged with the social value agenda have embedded it across all types of commissioning (goods, services and works). For example, Carillon, in building the Library of Birmingham, delivered 250 new jobs and 25 new apprenticeships in additional social value outcomes and it partnered with a homelessness charity to support those most excluded from the labour market to access these jobs and apprenticeships.<sup>15</sup> We believe extending the Act to goods and works would not only generate better outcomes and long term savings for government, but would also make it easier for contracting authorities to implement effective social value strategies and secure opportunities for VCSEs to be part of diverse public sector markets.
- **The requirement that public bodies ‘consider’ social value in public sector contracts should be upgraded so that they must ‘account for’ social value.** We believe that this strengthening of the Act is possible because enough time has passed since its introduction to allow commissioners and providers space to ‘digest’ it and to understand its implications. Strengthening the Act would be a powerful tool for achieving the Government’s priorities of both generating long term savings and achieving better outcomes.

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<sup>15</sup> <http://bssec.org.uk/wp-content/uploads/2014/02/SocialValueRoundtableReportFinal1.0.pdf>

- **The requirement that public bodies ‘consider’ consulting when looking to include social value in a procurement should be strengthened so that they must ‘account for’ consultation.** Social value can *only* be successfully developed when consultation takes place with VCSEs, private providers, service users and citizens more broadly. The Government should make clear that consultation on developing social value approaches *must* take place and that the new EU procurement Directive explicitly encourages engagement of this kind. This will improve outcomes as well as generate social capital through the consultative process.
- **The government should remove reference to the EU procurement threshold.** We believe that this reference is unhelpful, as emerging evidence suggests that smaller contracts are just as likely (if not more likely) to have potential to generate social value. The removal of this clause would make clear that social value should apply across all contracts regardless of size. All public bodies should consider how to generate additional benefits through all their spending, and unnecessary barriers such as the EU procurement threshold do not support this objective.

These modest changes alongside a high-quality guidance and training offer could have a substantial impact on the effectiveness and efficiency of public procurement, and provide significant savings further down line through prevention and other social benefits.