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This briefing, the twenty-eighth in our policy briefing series, considers the implications of the Public Services (Social Value) Act (2012) which came into force in January 2013. It traces the changes scrutiny needs guide in service design and delivery to ensure their local authority is engaging with the principle of social value.

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1. What is Social Value

1.1 Social value refers to the wider, non-financial, benefits which may arise from commissioning or contracting arrangements. There is no single agreed definition, although the general principles of community wellbeing, inclusion and happiness are frequently mentioned along with other 'soft' outcomes¹

- 1.2 The Government has made efforts to include social value in procurement arrangements for public services. The strategy fits closely with its emphasis on increasing value for money in light of funding cuts and public debt.²
- 1.3 Far from representing a move away from the overriding principle of value for money, the principle indicates the need for local authorities to measure value in a more holistic way, taking into account the positive and negative wider impacts and implications of commissioning and contracting arrangements in the procurement stages. Social Enterprise UK describes this principle as 'If I spend £1 on the delivery of services, can that same £1 be used, to also produce a wider benefit to the community?'³

The Social Value Act

- 1.4 In January 2013 the Public Service (Social Value) Act (2012) came into force. It is now a requirement for local authorities to consider the impact of public service delivery not only in relation to economic costs, but with regard to wider social and environmental implications ahead of procurement.
- 1.5 The Act states that authorities should consider the need for consultation with stakeholders when designing and making decisions surrounding the delivery of services. It also states that 'the authority must consider... only matters that are relevant to what is proposed to be procured and, in doing so, must consider the extent to which it is proportionate in all the circumstances to take those matters into account'.⁴
- 1.6 The Act provides a framework for national and local policy making rather than a national policy itself. Thus, Local Authorities can engage in defining what social value means for them, taking into account their specific needs in line with the localist aims of the Act.
- 1.7 The aim is not straight compliance with the new law, but for it to act as a catalyst for changing attitudes and behaviours and seeking the optimum outcome from services - both outsourced and those delivered internally. It presents an opportunity for the underlying principles to be respected and leaves room for innovation.⁵
- 1.8 Ideally, this will encourage a more holistic approach to spending money. Whilst previously local authorities were not officially called upon to consider the community impact of their actions, they are now required to do so.

Hopefully this will remove the potential for certain ambiguities, such as councils championing social justice with some of their programmes whilst perpetuating problems of poverty or other social ills with low wages or less thoughtful procurement strategies.

2. Designing a Service

Engagement

2.1 Social value's definition is vague as the desired impact depends on local need. The requirement to engage with stakeholders is an essential aspect of the process by which local authorities can establish what precise aspect of social value is sought from the procurement. Even on as small as a neighbourhood level specific community needs and assets will prescribe what is desirable from a commissioning or contracting arrangement. For example, seeking different arrangements for the running of libraries and leisure services depending on the existence or not of community groups willing to run them, and the wider demographics of the local community.

2.2 Engagement should not be a one off instance. Different services will relate to different stakeholders and the needs of a particular community may also evolve over time, for external reasons or as a reflection of the impact of enhanced social value. Thus, public engagement must be viewed and facilitated as an ongoing arrangement.

2.3 The CfPS stakeholder engagement wheel provides a useful framework for stakeholder engagement, including how to identify groups and individuals with an interest in the issue and how to seek and prioritise their views and contributions.⁶

2.4 Engagement should also extend to the supplier community in order to prepare them for the new approach - advising contractors on the new requirement to make a thorough and wide ranging assessment of community needs and undertaking a pre-procurement market testing exercise which allows contractors the opportunity to advise what requirements related to social value might be specified in the final procurement exercise. This will enable the innovation sought by the Social Value Act to be brought forward by potential suppliers and will help commissioners see new ways of delivering services and potential additional benefits which might deliver more social value than previously considered.⁷

2.5 There is a risk that engagement of this sort means that those carrying out the commissioning process might be vulnerable to being influenced by private interests. Members, in particular, require the skills to differentiate between true social value innovations and those which might be promoted for commercial interests.

Value Judgments

2.6 Whilst conventional procurement strategies have often been viewed as a technical process, social value more clearly relies on value judgements. Decisions have the potential to benefit some sections of the local community at the expense of others.

2.7 An important example of this is the campaign for the Living Wage (<http://www.livingwage.org.uk/>), which is a popular example in the literature on social value. Promoted as moral choice, as well as economic good sense, the payment of the higher than NMW rate is said to be good for business, families and society. As of June 2013, 82 councils in England and Wales claimed to be living wage employers. Whilst most living wage employers espouse the idea that paying staff a higher rate drives up standards, others have claimed that the impact is to decrease labour demand and cause a growth of unemployment.⁸

2.8 Where the decision to adopt the Living Wage has been made it has often been justified through the involvement of members in the decision making process - for example in Islington where it resulted from a member led fairness commission. Such involvement ensures that partisan decisions are being made by those with a mandate to do so.⁹

2.9 A seminar delivered by CfPS at the Local Government Association conference, 'The Social Value Act: One Year On', saw the issue of how to define localism being raised as another potentially problematic value judgement. For social value to have the desired impact it must meet specific local need. The issue is how this is measured and balanced. Officers expressed concerns that the idea of bringing social value to your area has the potential to develop into parochialism to lead to an unhelpful emphasis on the boundaries of local authorities rather than addressing the true spirit of the Act.

Taking Risks

- 2.10 Commissioning and contracting for social value involves taking risks. It requires a move away from the safety net of following well understood and engrained practices that use more easily comparable performance indicators.
- 2.11 Trying new methods of service delivery in the pursuit of a better return will not always pay off. An innovative third sector organisation might provide the opportunity to attain better outcomes than traditional methods, but it might also produce worse ones. Whilst a borough or county wide policy might be deemed too risky, there is always the option to trial new, innovative, and hence risky policies in one area prior to expanding them. Trialling ideas in this way is not something new, the challenge lies in assessing where successful outcomes come from and scaling up these areas.
- 2.12 A combination of balancing risks, along with localism, means abandoning the idea that economies of scale will always exist. This involves a dramatic shift from contracting borough wide services to more specific and local arrangements.
- 2.13 An example of a policy which may be deemed to contain an element of risk comes in the form of Blue Sky Development (<http://www.blueskydevelopment.co.uk/>), a social enterprise which exclusively employs ex-offenders, aiming to 'break the cycle of re-offending and challenge perceptions about ex-offenders.' Many of the potential risks here are self-evident, particularly for authorities commissioning them before they had evidence from other authorities' experiences.
- 2.14 Blue Sky Development has now been commissioned by various local authorities for their ground maintenance services, with seeming success. Their reoffending rate sits at around 15%, a quarter of the national average. The burden for National Government of expenditure on the justice system could be lessened and local authorities can reduce their own associated costs, as well as the additional non-monetary benefits to individuals and society which constitute the social value itself.¹⁰
- 2.15 A new model of thinking needs to move away from seeing all risk as inherently bad, and instead move to encouraging the use of calculated risks and innovative thinking that enables new ideas and policies to be explored.

3. Delivery and Monitoring

Performance Indicators and Measurements

3.1 Few dispute the principle of a more holistic understanding of value for money, which builds in social value. However, unlike the practice of allocating contracts to those who offer to deliver it for the lowest price, the 'soft' nature of social value makes it notoriously difficult to measure.

3.2 Some of the recurring examples in the literature surrounding social value fail to fully address the problems of measurement. For example Blue Sky Development's success can be measured in its comparatively low reoffending rates, and grounds maintenance is a relatively easy service to commission. The subtlety and complexities of commissioning or contracting a more sensitive service are likely to be significant, both in the measurement difficulties and in the risks associated with failing to measure success correctly.

3.3 Social Return on Investment (SROI) is the most commonly suggested structure for assessing social value. The model is explained in '[Measuring What Matters](#)' a joint document between CfPS and the Cabinet Office. There are seven principles:

- Involving stakeholders
- Understanding what changes (both positive and negative)
- Use of financial proxies to recognise the value of outcomes without direct financial value
- Ensuring only relevant material is included
- Not over-claiming impact
- Transparency
- Careful, independent verification of the final outcome.¹¹

3.4 Some concerns have been expressed, in particular by Demos, that SROI models such as this may be overly complex, with other variations adding additional complications such as process mapping. Whilst agreeing with the principles of the SROI model they suggest that the public sector may not be ready for such an in depth and potentially resource intensive process which they fear might become a 'complex box-ticking exercise'. Demos suggest a more attainable system should be developed as a stepping stone towards this more complicated ideal.¹²

3.5 What Demos are highlighting is an important concern. However effective a system of measurement has the potential to be, it can only have the desired impact if its significance is understood by the officers and members utilizing it. They point to the findings of the New Economics Foundation that state that an organization attempting SROI without the necessary time or resources will be in danger of producing a system that is neither robust nor complete.¹³

3.6 The difficulties of measurement outlined here are inherently linked to the previously mentioned issue of value judgments. Systems such as SROI where monetary value is applied to a non-monetary return are particularly open to misuse and manipulation. If measurements of success (or otherwise) are not independently established in the commissioning or contracting of a service then there is a risk that outcomes might become skewed to back up a particular political agenda.

3.7 As previously discussed, it is possible to overcome the problem of what criteria to use to measure the impact of decisions on social value by ensuring that those citizens and communities for whom a service is designed are consulted on what constitutes relevant value for them. Such a provision may also be useful in overcoming some of the issues relating to value judgements outlined above. However, these more independent markers will only be beneficial if they come with pre-designated indicators of success based on dialogue with stakeholders, and where possible coproduction of these measures with local people.¹⁴

3.8 It is also possible that the benefits of social value might not simply fall to the local authority but be a positive externality enjoyed by others. For example, in addition to the positive outcomes for those paying living wage there may be a lower burden of working tax credits for national government. Whilst being aware of the need to emphasise local value, this is also a valuable consideration.

Embedding Social Value in Delivery

3.9 These difficulties surrounding the measurement of social value create a danger that councils will fall back on distilling social value into more traditional performance indicators. There is a distinct difference between measuring positive aspects of performance and the change in attitudes and ways of thinking that social value requires.

- 3.10 To truly embed social value in delivery there is a need to radically revise the way in which commissioners view decision making. Social value is not an additional consideration to be added on to the current system. It is an entirely new system of procurement.

4. Implications for Scrutiny

- 4.1 The impact of the Social Value Act is greater for some councils than others. Many have already been considering social value as an issue, particularly around procurement and commissioning. Others use it more broadly to consider options relating to major changes in services, aligned to using “customer insight” to develop a clearer understanding of service user need. However, the approach in many councils is not so well developed, and business management processes may need more radical change.
- 4.2 Scrutiny has an essential role to play in a new contracting and commissioning environment where councillors have a responsibility not merely to ensure that certain finance-focused criteria are met, but to reconsider how they think and how they approach the procurement of all services in the context of the social impact of decisions.
- 4.3 The overview and scrutiny function can help to ensure that members have the skills they need to tackle this new approach both to procurement and service improvement. They will need to be confident in engaging the public, as public engagement will be critical in understanding what that social value and impact will mean on the ground. There will be other stakeholders (such as advocacy groups, voluntary groups and public sector partners) whose views and opinions will also be relevant. Gathering evidence from a wide range of stakeholders will be critical, as it is the way of ensuring that judgments about social value are accurate and robust. It does, however, present challenges where scrutiny is having to work within limited resources, and for this reason councils planning detailed, empirical study on social value and impact may need to consider the breadth of those studies.
- 4.4 Alternatively, scrutiny may be able to call on data held by the council and other partners – but not used to assess social value – to reach its conclusions. Both approaches will require that members have to confidence to synthesise the information and use it to understand how a service or issue has a social impact.

- 4.5 Where councils are planning a commissioning approach to service delivery, a commissioning strategy needs to be developed that reflects the needs of the local area and considers its role within existing strategies. Scrutiny has a role to play in the formation of that strategy and ensuring it has suitable provision for the engagement of stakeholders.¹⁵
- 4.6 Scrutiny can also act as a check on how decisions relating to how social value is defined are being made, ensuring that the ability of these value judgements to privilege certain people above others is being carefully considered and that the decisions are being made by elected representatives with a mandate to do so.
- 4.7 There are numerous examples of scrutiny actively seeking a social return on investment through influencing commissioning strategies. Below we highlight a couple which relate to authorities being assisted as part of CfPS's 2014/15 project on the governance of transformation and commissioning.
- 4.8 In Buckinghamshire work is focussing on the role being played by scrutiny when service requirements are being analysed and specified at the outset of the commissioning process. The ultimate aim is to see how scrutiny's involvement can be built into every stage of the commissioning cycle in a more integrated fashion than traditional methods allow, and to provide a format by which service user need, service design and an understanding of commissioning can be built into the commissioning process.
- 4.9 Haringey is focussing on transforming the services it provides for young people through considering the ways in which service users can be involved in transformation exercises based on the principles of coproduction and service design. It will aim to suggest possible future approaches to the use of councillor-led co-production and in other council and partner service transformation exercises, exploring how transformation can tie in with councillor's ward and community leadership roles.

Endnote

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⁴ NAVCA Website, 'Social Value' 21/07/2014

⁵ NAVCA, 'Maximising Social Value' 23/05/2013

⁶ CfPS 'Tipping the scales! A model to measure the return on investment of overview and scrutiny', Appendix 3, 2012
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⁷ Social Enterprise UK: 'Public Services (Social Value) Act 2012: a brief guide'

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⁹ Islington Fairness commission, Islington Borough Council Website 21/07/2014

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¹⁰ Blue Sky Development Website, 21/07/2014

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¹¹ CfPS and the Cabinet Office, 'Measuring What Matters- A guide for overview and scrutiny committees about using 'social return on investment' to measure social value', 2011

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¹² Demos, 'Measuring Social Value: The gap between policy and practice' 2010 & The Living Wage Foundation Website, 'What are the benefits', 21/07/2014

¹³ Demos, 'Measuring Social Value: The gap between policy and practice' 2010

¹⁴ Transition Institute, 'Commissioning and Procurement with Social Value', 2012

http://www.transitioninstitute.org.uk/wp-content/uploads/2012/03/TI-Starting-Point-Paper_Commissioning-and-procurement-with-social-value.pdf

¹⁵ Social Enterprise UK: 'Public Services (Social Value) Act 2012: a brief guide' 2012 and Transition Institute, 'Commissioning and Procurement with Social Value' 2012