



Starting Point Paper

# Commissioning and procurement with social value

Draft for discussion

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## About this paper – Setting up the basis for the debate

**This is a draft Starting Point Paper developed by the Transition Institute and is intended to be a prompt for discussion. As such, no answers or fully-formed theories are presented.**

The theme for this publication is *Commissioning and procurement with social value*. It was set up as a result of a consultation exercise with the TI network of practitioners and participators to identify what they think are the key issues to move forward the agenda of public service reform.

This paper starts by providing an overview of the policy issues that relate to the introduction of social value within commissioning and procurement and then looks at some of the current debates in the area. Finally it provides an overview of what tools and methodologies exist for measuring value. This content is being used as a starting point to stimulate a conversation with those frontline practitioners and commissioners who are involved in delivering and procuring public services in order to build up a collaborative piece of research.

Such a debate will take place on Thursday 29<sup>th</sup> March in Manchester. For event details and registration [follow this link](#). We will be hosting a focus group to capture thoughts and comments so that we can ensure that this document is kept up to date and contains practical guidance for all the relevant issues that concern practitioners.<sup>1</sup>

**The debate will be focused around the following set of questions:**

**a) What does a social value commissioning model look like?**

Is it possible to develop an over-arching framework which is consistent but flexible enough to take into account all the different sectors, scales and stages of an organisation's development?

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<sup>1</sup> Comments can also be given to us on line: leave a comment on our blog and publication pages at [www.transitioninstitute.org.uk](http://www.transitioninstitute.org.uk) and engage with us on [Twitter](#).

**b) How do we ensure social value is captured throughout each stage of a procurement process?**

In this paper we use the example of the Work Programme as an illustration of a procurement process which did not take into account the wider social impact of the services being contracted. The Public Services (Social Value) Act recently passed by Parliament will require public authorities to embed social value into public contracts. So how do we articulate the process to do it?

**c) Is the NHS following a different route compared to other public services?**

The Health and Social Care Bill that it is currently making its way through Parliament seems to be setting a different pathway for the NHS compared to other public services and general commissioning policies, though it is still under consideration and subject to changes.

**d) How can commissioners and practitioners work jointly on this agenda?**

As outlined below in this paper, there have been a variety of tools/methodologies developed by a range of organisations to measure value in different contexts, as well as different outcomes-based commissioning models applied. However, jointly developed approaches in which both commissioners and providers balance their views and expertise around social value is still an outstanding challenge.

**e) How can we look to longer term impacts (not just short term outputs and outcomes) that will only be achieved after projects are completed?**

Social value is multi-dimensional. It can have a variety of components and some of them will only produce quantifiable impacts in the long term. So how can we balance and take into account all these components and long-term effects when commissioning services?

# 1. Introduction

The public sector spends over £150 billion per year on goods and services in order to deliver public services.<sup>2</sup> It is essential that value is achieved in any instance where the public sector is buying on behalf of the UK taxpayer.

In the past, public sector commissioning and procurement placed a large emphasis on efficiency that was measured through economic cost of a good or service – in other words, the bottom-line price of that good or service.

Simultaneously, there has also been considerable discussion around the *social* element of value. As outlined by Navca, “Social value is the recognition that social outcomes such as stronger communities, improved health and improved environments have a value to society.”<sup>3</sup> The UK public sector is now beginning to think about the potential for positive impact that spending the £150 billion per year in creative ways focused on social impact can have.

The political climate is also beginning to support the measurement of social values. The Public Services Bill was introduced to Parliament in June 2010 and focuses on the importance of social value in new public service contracts during the pre-procurement stage.<sup>4</sup> The Bill has recently been passed by Parliament and has the potential to ensure that the UK is at the cutting edge of developing social value within commissioning and procurement.

The Bill aims to reform the commissioning process by public sector commissioners to consider how they can maximise the ‘social value’ – the social, economic and environmental well being – of local areas through public procurement. The Bill will have a profound impact on the commissioning and procurement of public services in the decades ahead. It is designed to shift the focus from the bottom-line price or cost of a service towards the overall value of the outcomes delivered.

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<sup>2</sup> OGC, *An Introduction to Public Procurement*, p. 3

<sup>3</sup> Vic McLaren, Navca, “Briefing 1: Introduction to social value,” p. 1

<sup>4</sup> Social Value Bill, <http://services.parliament.uk/bills/2010-12/publicservicessocialvalue.html>

Furthermore, the European Commission also supports the premise of social value in public services. As stated in the 2011 Green Paper on modernising EU procurement, 'Toward a more Efficient European Market',

*"public authorities can make an important contribution to the Europe 2020 Strategic goals by using their purchasing power to procure goods and services with higher societal value in terms of fostering innovation."*<sup>5</sup>

The European Parliament in a draft resolution responding to the Green paper has said that the "lowest price" criterion should no longer be the determining factor in awarding public contracts. Instead, it suggests that contracts should be awarded to the "most advantageous tender in terms of economic, social and environmental benefits, taking into account the entire life-cycle costs of the good, service or work".<sup>6</sup>

Both public service providers and commissioners are now at crossroads where they are trying to understand *how to demonstrate* and *how to measure value* respectively. The vision is in place to deliver this shift towards social value commissioning, but at the moment we are still developing the tools, models and methodology to truly embed social value in the structures of our public services.

## 2. Current debates around commissioning

### Putting social value at the heart of Big Society – Policy guidance and legal developments

Commissioning and public procurement processes are to play a key role in pushing forward the Big Society agenda – and most importantly, in doing it

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<sup>5</sup> European Commission, Green Paper: Toward a more efficient European market, p. 33  
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0015:FIN:EN:PDF>

<sup>6</sup> European Parliament  
<http://www.europarl.europa.eu/news/en/pressroom/content/20111014NEW29298/6/html/Easier-access-to-public-procurement-for-small-and-medium-sized-firms>

successfully. Both Government and Parliament are already setting the path of reform to match them accordingly. Policy guidance so far and recent legal developments focus on the primary objective of getting better *value for money* through fostering diversity of provision, introducing payment by results, reinforcing transparency and democratic accountability.

Government's commitment is to move to a system **"which focuses on the price and value of a provider, rather than the costs"**.<sup>7</sup> According to Government, commissioning decisions should take into account the full social, environmental and economic value offered by providers. Such value should be informed by consultation with citizens and communities where appropriate, and tailored to local needs.<sup>8</sup>

To progress upon its commitment, as outlined in the previous section, Government has given full support to the Public Services (Social Value) Bill – introduced in the Commons in November 2010 by Chris White MP, which has recently been passed by Parliament and will require public authorities "to have regard to economic, social and environmental well-being in connection with public services contracts", making "the recognition of full value part of mainstream commissioning practice, rather than optional good practice", as it is currently the case.<sup>8</sup>

The Public Services (Social Value) Bill does not refer to a particular methodology to be used, but there is a requirement for authorities to consider whether to consult local citizens and communities on what constitutes "relevant" value. This is expected to improve levels of community involvement in commissioning processes.<sup>9</sup>

Commissioning practices that embed social value are still at early stages of development, but it is possible to find examples of good practice such as the outcome based commissioning model developed by the London Borough of

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<sup>7</sup> Cabinet Office (2010); *Modernising commissioning: Increasing the role of charities, social enterprises, mutuals and cooperatives in public service delivery*.

<sup>8</sup> Public Services (Social Value) Bill (HL Bill 113)

<sup>9</sup> Public Services (Social Value) Bill (HL Bill 113)

Camden regarding mental health services. An overview of this project is outlined below (Case study 1).

**Case study 1 – *Camden council: Commissioning outcomes and recovery***

Supported by HM Treasury and funded by the Invest to Save Budget (ISB), Camden Council teamed up with the New Economics Foundation (NEF) to develop outcome-based procurement that will support sustainable communities, and demonstrate the added community value from third sector service provision.

The ISB pilot project produced a different approach to commissioning. It put mental health users at the heart of service development and delivery, enabling innovation from the provider market, challenging the procurement process to consider wider social impact, and collaborating with users and providers on evaluating the outcomes.<sup>10</sup>

**Future landscape for NHS commissioners: Are they being diverted to a different pathway?**

The Health and Social Care Bill that it is currently making its way through Parliament deserves a special attention in this ‘current debates’ section, as it seems to be setting a different pathway for the NHS compared to other public services and general commissioning policies. Such diversion basically stems from recently introduced amendments to the competition section of the Bill – still under consideration and subject to changes.

Paul Corrigan, expert in the field, alerted of the risk for the NHS to become “the only part of Government that cannot have a policy to develop a higher proportion of services through the third sector”, which “does not reflect the policy of any other Department of State”<sup>11</sup> and do not match with the initial Government intention to create in the NHS “the largest social enterprise sector in the world”<sup>12</sup>.

<sup>10</sup> For further information, download [this report](#).

<sup>11</sup> Health Matters, Paul Corrigan’s blog 27/02/2012 (<http://ht.ly/9iSWM>)

<sup>12</sup> White Paper Equity and excellence: Liberating the NHS. Department of Health, July 2010.



## Focusing the debate around commissioning – financial vs. social capital

The controversy around the competition section of the Health and Social Care Bill seems to be focused on private for-profit firms delivering public contracts - what Stephen Bubb, chief executive of ACEVO, called the “phantom of privatisation”<sup>13</sup>. However, we do not think this is a debate about whether to privatise or not, this is about opening the door to those independent providers who offer affordable, quality services with social impact and real accountability. As pointed by Allison Ogden-Newton, CEO of Social Enterprise London and chair of the Transition Institute, these organisations are finding it harder and harder to succeed in commissioning processes that puts them against companies which don't necessary have the track record but do have the cash.

The key issues of this debate are illustrated in a letter<sup>14</sup> from Paul Harrod (Bristol Together), Adam McMeecham (Restore Trust) and Paul Tipler (Aspire), which sums up the frustrations from those who want to demonstrate how useful social enterprise is in getting the unemployed into jobs but are excluded from the Work Programme because they are too small.

The Work Programme launched by the Department for Work and Pensions in June 2011 has a payment-by-results financial structure<sup>15</sup>. The payments to contractors are staged according to length of time the unemployed individual stays in work. For the first three years there will be a small up-front payment – about 10% of the total. Thereafter it's 100% payment by results. If the person drops out of work those payments stop. This programme demands huge sums in capital investment, making it largely inaccessible to smaller socially driven business that can provide additional social value.

The authors of the letter argue that such financial structure does not recognise the wider impact of job-creating social enterprises. For instance, by providing sustainable employment to ex-offenders and homeless people they are

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<sup>13</sup> Stephen Bubb's article for *The Times*, 'Shut your ears to the furore on NHS reform' (22/02/2012).

<sup>14</sup> Printed in the *Guardian* (25/02/2012)

<sup>15</sup> <http://www.guardian.co.uk/society/2012/feb/22/what-happens-work-programme-doesnt-work>

contributing to reduce crime and fighting against poverty. They are generating a greater social impact which was not considered in the procurement process of the Work Programme.

Embedding social value into the commissioning process is therefore the key to push forward the agenda of public services reform in a way that allow those who can provide better value (social value) for money to deliver public services in our communities, independently of their capital structure.

### **3. Social value – tools and methodologies**

Social value is the measurement of social outcomes and, as such, there have been a variety of different tools/methodologies developed to measure value in different contexts. Social value is multi-dimensional and can have a variety of components. These can include:

- ✓ Quality – level of excellence; a property or attribute that differentiates something
- ✓ Efficiency agenda – delivering the same level of service for less cost, time or effort
- ✓ Sustainability – the ability to keep in existence or maintain; has economic, social and environmental dimensions,

Through the OASES project funded by Capacity Builders in 2008, Social Enterprise London researched and found that there were more than 35 tools spread across the third sector that were being used to measure the added value that was being created by an organisation. These include the Social Return on Investment, Social Accounting and Audit, Prove and Improve, SIMPLE, Eco mapping, Local multiplier and several others.<sup>16</sup>

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<sup>16</sup> Many of these tools examined were also highlighted in a guide that was produced by new economic foundation, *Proving and Improving: a quality and impact toolkit*, <http://www.proveandimprove.org/>

Provided below are two case studies related to the measurement of social value in publicly funded services.

**Case study 2 – *The North West Social Value Foundation***

NHS North West was commissioned by the Department of Health to lead a project on behalf of the 10 strategic health authorities of England. The Pan-regional Social Value Commissioning project developed a suite of tools and techniques that providers and commissioners across health, social care and third sector organisations could use in supporting local communities. Following the success of the project the NHS North West founded the North West Social Value Foundation.<sup>17</sup>

**Case study 3 – *Social Return on Investment (SROI): The Big Life Group***

The Big Life Group provides housing and rehabilitative care for families recovering from alcohol/drug dependency in Summergrove (Liverpool). A Social Return on Investment (SROI) analysis identified potential outcomes for different groups (adults, children, other family members and state agencies) and potential savings for the public purse such as reduced hospital admissions, reduced crime and therefore fewer policing needs, and keeping children out of care raised the possibility of joint commissioning with Children's Services.

The SROI analysis showed that for every £1 invested there was a potential return of £2.83. The commissioning contract for Summergrove specified reduced substance abuse as well as improvement in mental and physical well-being for adults, but some of the project's outcomes for children and state agencies were not documented or recognised until the project undertook this SROI analysis.<sup>18</sup>

One of the highlights of OASES project research conducted by Social Enterprise London was that for any organisation, *value* was being generated **in different stages of the organisational and/or programme development**. On a very simplistic level, any organisation is made up of four elements and within each

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<sup>17</sup> For more information, see <http://www.nwsocialvaluefoundation.org/>

<sup>18</sup> Source: Department of Health (November 2010), Measuring Social Value. How five social enterprises did it (p. 7-8)

of these four elements (as outlined in the figure below), value is being generated.

**Strategic planning** – Management process to set vision for the organisation and allocate resource to implement choice of direction. This includes the process to set the value, mission, vision and stakeholders.

**Business process** – Process that improves the merit of the activity and drives high operational efficiency. This is the stage at which the organisation or project produces its outputs. Also included here were activities for the organisation to carry out its functions, like HR, IT, quality of product or service etc.

**Outcomes** – Process whereby change or benefits are being created as a result of the activity being undertaken. These include different elements of environmental, economic, social and financial value.

**Impact** – Process by which the long term changes are created by the outcomes.



The tools examined were then linked to the different elements set out above. While the tools are each different in the processes that they use, they are also similar in that they attempt to help to understand what value is being created and how to measure this value.

The essential element from this research relevant for this paper is that all the tools examined capture the value for an organisation at different levels. It is not fair to say that value is only generated in the impact stage – in fact much value can be achieved in the strategic planning, business process and outcome stages as well. So for instance, ISO9000 (included in Business Process) is a

family of quality standards that captures value by helping organisations ensure that they meet the needs of customers and other stakeholders.

**This approach of looking at value across various levels of an organisation may allow for a more open platform that enables different tools to be used in the process of accessing value.**

However, there is also the alternative side to this debate. If instead of having different approaches to measuring value **one uniform methodology** was used, then it would allow commissioners an opportunity to make direct comparisons between proposals. Now whether a uniform approach can exist that takes into account all the different sectors, scales, stages of an organisation's development will be yet another discussion.

Within this discussion, another idea is that if it were possible to create a database of value indicators for specific sectors, could those be used for benchmarking organisations, comparing organisational performance and lead to future efficiencies?

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## Questions for debate

- What does a social value commissioning model look like?
- How do we ensure social value is captured throughout each stage of a procurement process?
- Is the NHS following a different route compared to other public services?
- How can commissioners and practitioners work jointly on this agenda?
- How can we look to longer term impacts (not just short term outputs and outcomes) that will only be achieved after projects are completed?