

## Social Value Act – 10 years on

### 1. The basics

The Public Services (Social Value) Act 2012 is an Act of Parliament that calls for all public sector commissioning to factor in ("have regard to") economic, social and environmental well-being in connection with public services contracts. It requires that all public bodies in England and Wales, including Local Authorities, and NHS organisations to consider how the services they commission and procure might improve the social, economic and environmental well-being of the area.

Chapter 3, page 2 of the Act states:

- (3) The authority must consider –
  - (a) how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and
  - (b) how, in conducting the process of procurement, it might act with a view to securing that improvement.
- (4) In subsection (3) "the relevant area" means the area consisting of the area or areas of the one or more relevant authorities on whose behalf a public services contract is, or contracts based on a framework agreement are, intended to be made.
- (5) For the purposes of subsection (4) the area of a relevant authority is an area consisting of the area or areas by reference to which the authority primarily exercises its functions, disregarding any areas outside the United Kingdom.
- (6) The authority must consider under subsection (3)(b) 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.

Third Sector organisations such as Social Enterprise UK pushed for the introduction of the legislation. In early drafts the Bill had a far greater focus on increasing public spending with social enterprises. The final text of the Act is focused on ensuring public spending leverages value in all recognised domains of **sustainable development** – that covers:

- human development goals while also sustaining the ability of natural systems to provide the natural resources and ecosystem services on which the economy and society depend. The desired result is a state of society where living conditions and resources are used to continue to meet human needs without undermining the integrity and stability of the natural system.

As the concept of sustainable development has developed, it has shifted its focus more towards the economic development, social development and environmental protection for future generations. Sustainable development adopted United Nations Sustainable Development Goals (SDGs) (2015 to 2030) and explained how the goals are integrated and indivisible to achieve sustainable development at the global level. The 17 goals address the challenges, including poverty, inequality, climate change, environmental degradation, peace, and justice. Sustainable development is interlinked with the normative concept of sustainability.



## **2. So, what has happened over 10 years? A critique (*italics*)**

It has been a decade since the Social Value Act received Royal Assent and people became obliged to secure wider social, economic and environmental benefits when commissioning public services. There was a slow start with the public sector starting to define and normalise social value in commercial activities and receiving a limited response from the supply market.

*Critique – how is social value defined, measured and demonstrated?*

Since then, the adoption of social value has gained more momentum across all sectors. Over more recent years COVID-19, the current cost of living crisis and the climate emergency has arguably necessitated a more serious look at social value. Whilst these enormous challenges are with us, there may be need for ever more positive developments. Concern for environmental, social, and economic issues have formed a large part of the narrative, and the remote workforce has had a unique opportunity to appreciate a renewed sense of community. This has instigated increased conversations (and more intention) within businesses about what can be done to add value to a community, as well as adding value to the business itself.

*Critique – is the next 10 years going to see more social value – it is needed after all?*

Measuring and reporting social value is the key, businesses feel more comfortable making social value commitments if they can report value generation to stakeholders and shareholders clearly and tangibly. Overall, the past decade has seen a deeper understanding and appreciation of how social value cannot just help a community to thrive, but also boost a business's bottom line. The key now lies in maintaining this momentum, building a fairer, greener, and better society, and ensuring that initiatives make a genuinely positive, measured impact.

*Critique – is social value a win:win? Does business and community gain?*

Why is social value so important? With public funding stretched to its limits as the government tries to recover from the challenges mentioned, the business world has an opportunity to fill a gap and shape a fairer future for all. This may sound too altruistic to be believable, but businesses, in turn, will gain from this. By embedding social value into business practice, lives will be enriched and prospects improved, which creates a stronger, more resilient workforce/community and ultimately a stronger, more resilient business. Business and social issues are interdependent.

*Critique – are businesses mature enough to see societal gain as their gain (and vice versa)?*

During the last election, government pledged to address regional inequality and level up the country. Three years on and levelling up (perhaps understandably) still has a way to go. Social value initiatives in more disadvantaged areas of the country will, of course, improve circumstances for residents, which should, in turn, go some way towards helping to level up the country.

*Critique – does government see the SVA as an instrument for transformation?*

Building a more responsible and community-focused supply chain is equally crucial as the effect spreads the social value net further, helping to maximise environmental and social wellbeing at every level.

*Critique - How do we persuade colleagues to 'buy in' to social value – are there other tools?*

There has been a lot of talk about social value, but it can still be a challenge to see how a business or a community can truly benefit. Stories of businesses who have seen the positive impact of social value for themselves is a great way to engage a possible sceptic. Businesses that take on public service contracts can work with a not-for-profit company which employs people (that have barriers to employment) or use sustainable/recycled products. Where once the 'not for profit' label sometimes acted as a barrier, things have changed since they positioned themselves as social enterprises. Business and non-profits have the power to change lives, encouraging customers to buy into the social value movement themselves – and add to their own responsible supply chain.

*Critique – how far is the social value act at the centre of change or is it social value-washing?*

In 2017, the Social Value Portal worked alongside the independent National Social Value Taskforce to launch the National TOMs Framework. The framework provides organisations with a widely recognised minimum reporting standard for measuring social value. Organisations can procure, measure, manage and maximise their social value, integrating standards into the measurement approach. It is endorsed by the Local Government Association and is spreading meaningfully throughout the local government sector, as well as being adopted by the NHS Sustainable Development Unit.

*Critique - Are there other ways of achieving social value with social impact more designed in?*

### **3. What's coming?**

Sectors who have been slow to pick up the Act will accelerate as they see the benefits of embedding social value into their supplier engagement strategies. The health sector will see an important milestone on 1st April when the NHS introduces a mandatory minimum 10% weighting for social value in all procurement. Also, with the publication of PPN06/20, we will, at last, see Central Government getting its act together as they are now mandated to include a minimum 10% social value weighting on all procurements.

*Critique – Is this limiting social value?*

Integration of social value into the planning process. How can the National Social Value Taskforce embed social value into the planning process to not only deliver better places to live and work, but also help to build trust in local planning and development. Developers are beginning to understand that submitting a robust social value statement with a planning application has the potential not only to win the contract, but to also generate social value.

A push towards 'place-based social value creation' will see local authorities taking the lead in promoting cross-sector collaboration. This will include engaging other public bodies, major businesses, the SME community and the third sector. The challenge lies in working together, pooling resources to help our communities thrive and flourish.

The cost of living crisis/climate challenges are here to stay (for quite a while). Following COP27, we will see an increased focus on climate change and how we can facilitate environmental regeneration. We will need to act locally but think globally, which will involve creating net-zero services and supply chains.

Our biggest hope for 2023 and beyond is to see more organisations pledging to become Social Value Creators, taking bold steps to make a change for good so that we can build a better, fairer, and more sustainable society for generations to come.

#### 4. What could really propel the Social Value Act in the next 10 years?

It would be wrong to not reflect some disappointment in the lack of progress that has been achieved so far when so much was expected, however the Act has merit and could do so much more. Here are themes that are already being discussed but need more emphasis over the coming years/decade:

##### a. Place-based integrated partnerships

Combined Authorities (with wider resources and integration with other public commissioners) are a natural home to promote social value. The NHS has formed integrated commissioning boards, policing bodies have a duty lead all partners in preventing violence, the DWP and local authorities plan employment initiatives, etc – all should wield social value requirements in their plans in an integrated and strategic way involving local businesses and the non-profit sector. This should be clearly defined – i.e. the road surfacing company that fixes pot-holes under a Council contract, provides X number of jobs with support for those with barriers to employment, etc.

##### b. Innovation Partnerships/Pilots

The 2018 Civil Society Strategy ‘building a future that works for everyone’ describes innovation partnerships to pilot in new alternatively funded projects. Projects that emphasise resilience and growth with public commissioners paying on results for changes that deal with perennial problems. Why have such partnerships not taken off? - the routeway and machinery is there.

##### c. Prevention is better than crisis

Public Health approaches committed to reducing predictable future need should be underlined. Dealing with inundation of flows of people in health, social care, justice should start with a prevention/earlier intervention strategy has enormous social value in 2 ways – 1) they reduce flows into public services, and 2) those public services become more efficient. Sleep-walking into a crisis-only public sector service model is not efficient in socio-economic terms.

##### d. Freedom from all the procurement exercises

Public value in commissioning is generally secured through tendering exercises and procurement systems resulting in selection of the most economic offer. Is this actually the way to achieve more social value? Value can be achieved through outcome-based contracting in a more real way – i.e. paying for what is demonstrably achieved. This of course requires clear metrics and data proof. Securing public value this way needs procurers to be trained in non-traditional methods.

##### e. Indexing social value

Measuring social value is at the heart of everything. Being too narrow can lead to perverse incentives, but there is definitely a need to define social value, growth, resilience in a way that accounts more around people/human definitions and their needs in more than the current quantified metrics that can miss the point. More qualified feedback and measuring of broader personal development principles is needed (i.e. confidence, safety/security, social networks, lifestyle change). This is harder (in data terms), but ultimately is this what social value is?

##### f. Co-creation/co-production

Engaging service users/beneficiaries is not only a statutory requirement, but a better way to design future social value services with innovative insight from people who use the services and can play an active role (peer support, volunteering, lived-experience advice) in the service’s success. Perhaps all social value should be signed off through a co-production gateway?

#### g. Human Learning Systems

Social value needs to sit within an evolving/adapting system. A system that has learning and problem-solving at its heart – i.e. the social value aimed for evolves over time and has an adaptive delivery over a number of years. This is sustainable in legacy terms. To support social value endeavours a system-wide learning strategy is needed which priorities simple human growth goals.

#### h. Social Impact products

Alongside and very related to social value are social impact products. The two processes are interdependent. Social impact products (or social impact bonds) can capture in structural terms what is aimed for in a tight governance arrangement that gives focus to a specific issue. Social value resources (people, money, time) within a commissioned activity could be isolated out and used to outcome-pay within a specific impact product. This would provide better focus, tracking and delivery of the desired outcomes.

#### i. Leadership

Leadership in this area has been hit and miss. Government champions and local leadership needs to be consistent and forward looking. Social value isn't something you can half do – there is a fuller commitment required. Every region (public sector commissioners) should have a social value lead/champion - engaging the business and voluntary sector early on is the key. The CBI in recent years has delivered clear views that business should create social value, if they don't then business is going to struggle (is already struggling) within a macro-economic downturn. This is encouraging, to understand business has a responsibility to ensure community growth and vice versa.

Dec 2022 [lee@smartsocial.org.uk](mailto:lee@smartsocial.org.uk)

### **Outline of heading for the Feb 2023 Social Justice Academy presentation**

The Social Value Act 2012 is 10 years old. What has this meant in delivery terms – what has been achieved? In this seminar we will discuss the Act, what it has brought about, where it has struggled and looking forward, how it might deliver even more. The Act cannot sit in isolation it has to be part of a wider strategic arrangement that brings business, the public sector and the non-profit sectors together to relieve rising social, health, justice, education, housing (and other) needs.

Contribution from the business sector, a Local Authority and the non-profit sector.

Most people don't give much thought to the Act – maybe it's time we did? The aim of the seminar is to debunk some of the myths, and look at what we can all do to deliver more social value at a time when it is really needed.