

Policy note

Community Business and the Public Services (Social Value) Act 2012

The Social Value Act encourages commissioners of public sector contracts to consider social value through the tendering process. One of the aspirations for the Act was that it would create a more level playing field for organisations in the Voluntary, Community and Social Enterprise (VCSE) sector who want to bid for public sector contracts.

In late 2016, Power to Change commissioned a qualitative research study to examine the extent to which community businesses were benefitting from the provisions of the Act, and to explore the potential for greater benefit. Drawing on the findings of this research, we recommend a number of policy actions to support better implementation of the Act.

This paper sets out an overview of the key research findings and our policy recommendations.

About the Social Value Act

- The Social Value Act became law on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.
- The Act asks commissioners to consider social value. To comply with the letter of the Act, commissioners therefore need to show that they have thought about these issues and have thought about whether they should consult on them.
- The Act applies to the commissioning of services above the Official Journal of the European Union (OJEU) procurement threshold. This is currently £111,676 for central government bodies and £172,514 for other bodies (including local authorities).
- Although the Act only currently applies to services commissioned above the threshold, commissioners are allowed and encouraged to apply the Act more widely, to goods and works and to contracts below the threshold.

Key research findings

The research showed a high degree of consensus around some key aspects of how the Act is working in practice, and how it could be strengthened.

- There are indications that Act is having the desired effect - supporting the VCSE sector by creating a more level playing field for those VCSE organisations that wish to bid for public sector contracts.
- Overall, there is a desire for the Act to go further and be more prescriptive than it is now.
- Knowledge and awareness of the Act among community businesses is generally low. Levels of knowledge are directly linked to the type and size of the business and the likelihood of the Act being applicable to them.
- The Act appears to have limited influence where there isn't already an appetite for implementing social value. However, there is also a clear sense that things would be bleaker without the Act and that it is at least requiring commissioners to consider social value in an environment when they might otherwise be driven solely by price.
- Measuring social value was a common challenge. The most effective route to implementing social value was to focus on the local community strategy so that there could be a measurement against local need.
- Community businesses spoke passionately about their ability as community-based organisations to tap into local need in a way that larger commercial organisations couldn't and felt strongly that the wider impact of their work wasn't always captured by commissioners' current approaches.

The research identified a number of barriers to the Act being more effective. These were:

1. **Commissioning pressures:** budget and resource cuts can mean that councils have less time to consider how best to implement the Act.
2. **Risk-averse councils:** in a context of increasing pressure councils are often minded to go with a larger known contractor than a smaller unknown VCSE organisation.
3. **Procurement practices:** the division between forward-thinking commissioning teams and pressured procurement teams can be a real barrier.
4. **Insufficient mechanisms for supporting or monitoring the Act:** guidance accompanying the Act was felt to be insufficiently clear, and there is a lack of central data to monitor its progress.

Three barriers to VCSE organisations bidding for public sector contracts were also identified:

1. **Increase in larger contracts and rigid procurement processes:** smaller VCSE organisations struggle to respond to larger tenders on tight timescales even as consortia.
2. **Lack of expertise:** many smaller VCSE organisations simply don't have the experience or resource to respond to tenders having previously relied on grants for funding.
3. **Austerity:** the current pressures on councils means they can have less time to engage with local stakeholders and provide guidance on procurement.

Policy recommendations

We propose a number of recommendations, arising from our research and from our own analysis of the progress of the Act to date.

Lower the financial threshold

Reduce the threshold to encourage commissioners to consider social value when tendering lower value contracts. A lower threshold should be selected by analysing contracts tendered by local authorities and choosing an appropriate level that would bring in commissioners such as District Councils.

Extend the Act to apply across all public procurement

The application of the Act to services contracts has proven successful, and we see no reason for Government not to now extend the Act beyond services to include goods and works, thereby increasing the opportunities for social value to be generated within public procurement.

Introduce a new threshold for central government spending

Maximise the impact of the Act by strengthening the duty for central government procurement to consider social value, for example in tenders over a threshold of £10m.

Provide more support, guidance and monitoring

More support and guidance, highlighting successful practice, could boost take-up of the Act. For commissioners, this could be examples where commissioners have made savings or demonstrably improved outcomes through commissioning with social value in mind. For small voluntary or community-led organisations, this could be examples of similar organisations that successfully engaged with the commissioning process.

Access to data on the progress and effects of the Act is limited. We recommend the introduction of an open-source, central dataset on the use of the Act across English local authorities and including monitoring data on social value outcomes.

Think about supply chains

Community businesses that are not in a position to bid for larger contracts should consider becoming part of the supply chain, working with 'first-tier' contractors who may have more bid-writing capacity. Local authorities could play a role in brokering some of these new relationships.

A place-based approach to value

An overarching place-based approach to social value could yield better results. Commissioners need to set out their local strategy and their social impact priorities, engaging with their local VCSE sector to improve capacity to respond to their priorities. There is a role here for the VCSE sector and for private sector providers too, as any one of these can take a lead in convening local discussions around a strategy for better outcomes in a place.

About the research

The report, *Community Business and the Social Value Act*, was researched and written by independent researchers Naomi Jones and Alice Yeo, and can be accessed via our website at www.powertochange.org.uk/research/research-publications/