

Social Value in Government Procurement: Consultation response from Lloyds Bank Foundation for England and Wales

Summary:

- Small charities are distinctive in what they do, how they do it and where they do it. This enables them to deliver high levels of social value to individuals, the economy and communities.
- It is critical that government's approach to social value recognises the types of value generated by small and local charities so that this is not overlooked by commissioning agencies.
- Government should undertake a comprehensive communications and training approach to ensure that officials fully understand social value and that the evaluation model is designed to be used flexibly. The training should include a module specifically about the types of social value small charities generate and the need to value qualitative evidence.
- A 10% social value weighting should be a short-term minimum that is progressed to a 20% minimum as officials gain more confidence in recognising and assessing social value.
- Social value in procurement should be used a lever to encourage a social value approach as part of organisational culture.

Introduction

Lloyds Bank Foundation for England and Wales (the Foundation) welcomes this opportunity to respond to the consultation on social value in procurement, drawing on its experience as a grant maker to small and local charities. The Foundation partners with small and local charities to help people overcome complex social issues. Through long-term funding, development support and influencing policy and practice, the Foundation helps those charities make life-changing impact. The Foundation is an independent charitable trust funded by the profits of Lloyds Banking Group as part of their commitment to Helping Britain Prosper.

Independent research funded by the Foundation and published in 2018, *The Value of Small*, evidenced the distinctive attributes of small and local charities and the role that these have on generating value. This evidence, combined with knowledge garnered from the 700+ charities funded by the Foundation at any one time, is drawn on throughout this response as we seek to ensure the framework adopted by Government recognises the significant contribution small and local charities make to social value.

This consultation response first looks at the basis of the research, before applying this to the consultation questions.

The context: small charities generate high levels of social value but too often this is overlooked

The Value of Small, independent research from a partnership led by the Centre for Regional Economic and Social Research at Sheffield Hallam University carried out an

in-depth study within four areas of England and Wales to understand if small and local charities are distinctive and if they are, how they are distinctive and why it matters¹.

In the context of Government's approach to social value, this is important because 97% of the sector has an income of less than £1m² – far below the £100m+ income that falls to many household name charities and vastly smaller than most SMEs, whose income can reach £40m. Government has frequently cited its desire to open up more diverse supply chains – as recently reiterated by the Government's Cabinet Office spokesperson in a House of Lords debate, 'there is so much more that the Government could do to create and nurture a vibrant, healthy, innovative, competitive and diverse marketplace of public service suppliers, with values at its heart, where wider social benefits matter and are recognised'³. Facilitating more diverse supply chains is dependent on government recognising the value of small charities and ensuring processes allow them to access funding.

The research shows that small and local charities play a vital role in communities which sets them apart from other providers. Specifically, they have:

- a distinctive service offer – *who* they support and *what* they do, often acting as first responders and creating safe spaces where people feel respected
- a distinctive approach – *how* they work, with individual people at the centre and staying with clients for the long term
- a distinctive position – the *role they play in communities*, acting as the glue to hold services and communities together.

The critical point of this research for thinking about social value is that together, the distinctive characteristics of small and local charities enable them to deliver high levels of value to individuals, the economy and communities by:

- meeting immediate needs and helping people achieve the 'small wins' which are the foundation for long term positive change
- driving down demand on other public services by addressing problems at their cause and reinvesting money locally
- leveraging additional funding, volunteers and support from other sources.

Yet the huge value these small charities bring to local areas is too often not recognised within procurement processes. Contributing factors to this are two-fold:

1. Generating social value is often intrinsic to how small charities operate and as such, they do not always actively articulate the full social value of the services they provide and how they operate
2. Where small charities do articulate the social value they generate, government officials do not always recognise it, particularly where qualitative evidence rather than quantitative evidence is provided.

To address the first point, the Foundation has run a number of workshops with small charities to help them use evidence from *The Value of Small* to help them think through and articulate the full range of social value they generate. This Cabinet Office consultation offers a huge opportunity to address the second point, by ensuring that qualitative data and the types of social value generated by small charities is recognised in the evaluation model and reflected in training provided across government departments.

¹ [Value of Small: In-depth research into the distinctive contribution, value and experiences of small and medium-sized charities in England and Wales](#), 2018, Centre for Regional Economic and Social Research et al.

² [Civil Society Almanac](#), 2018, NCVO

³ HL Deb (23 May 2019), Vol. 797, Col. 2140, [Public Procurement and the Civil Society Strategy](#)

Question 1: Do you agree with the proposed policy metrics in the model in the attached annex? Do you have examples of such metrics being successfully used in public procurement?

The model as a whole

a) Wide reaching social value to meet core objectives

The Foundation recognises that government are presenting the evaluation model as a minimum for government departments, which is welcomed – but government will need to embed checks and balances to ensure practice reflects intent as there is a real danger that the model will not be used flexibly. The Foundation welcomes government’s recognition of the need to change behaviour and culture and would encourage government to ensure these messages are widely disseminated and embedded so that officers do not wrongly assume that the model must always be strictly followed, as has happened in some local authorities with the existing TOMS framework. Evidence from local authorities highlights that, rather than using it as a foundation to build on, some have felt constrained by the existing framework and this has prevented them from recognising different types of social value that can be generated in different circumstances⁴. Steps need to be taken to ensure the new evaluation model does not have a similar effect of stifling innovation and flexibility.

This is particularly important because of the opportunities that social value presents for helping commissioning bodies to meet their own core purpose. The starting point for commissioners should be how the contract may be able to help government (whether departments, local authorities or other agencies) to meet its overarching strategic objectives. It is for this reason that the Foundation shares Bates Wells and Braithwaite’s concern for the following statement at the start of the consultation document:

The overarching objective for the government’s commercial activities will remain achieving the best commercial outcome but it is right that government applies its commissioning to supporting key social outcomes.

The overarching objective for government’s commercial activities should be supporting key social outcomes – and commissioning activities will help to achieve this. Changing the emphasis in this way places social value at the heart of commissioning rather than a final consideration where all other commercial decisions take priority.

b) Proportionality

The Foundation is pleased to see that government has emphasised the importance of proportionality in the consultation document. Proportionality is critical when it comes to measurement of social value because several aspects of social value, particularly those generated by small and local charities, cannot be easily measured and will not feasibly be able to have a financial proxy measure attached. As highlighted in conversations with local authorities already using social value in procurement, promoting quantitative proxies can encourage providers to ‘play the system’ with inflated measures. For this reason, it is important for officers to be able to assess *how* providers deliver social value. The Foundation agrees with government’s intended focus on quality over quantity which speaks to this approach and encourages government to learn from the experiences of local authorities which are using social value in this way, particularly those local authorities which are adopting a Keep it

⁴ [Front and Centre – Putting Social Value at the Heart of Inclusive Growth](#), 2019, Social Enterprise UK

Local approach⁵. The Foundation is supporting Locality to promote a Keep it Local approach and help local authorities to adopt commissioning approaches which put social value at their heart. This includes working intensively with local authorities in Bradford and Bristol alongside getting more areas to adopt a Keep it Local approach.

Proportionality should also apply to where social value responsibilities lie, particularly in considering how prime providers can support smaller providers to meet certain policy criteria where it may be outside their normal realm of expertise. This is particularly relevant in terms of cyber security. Small and local charities are typically working within limited resources to deliver high levels of social value and ensure data is safe, but they may need support to meet the most stringent of cyber security measures, and prime providers should be willing to provide such support.

Furthermore, government should ensure that social value responsibilities do not rest solely with smaller providers further down the subcontract line. It must ensure that the approach does not promote the use of 'bid candy', where smaller providers are included in bids only to add social value legitimacy, but funding and referrals fail to follow once the contract is won. This risk could be mitigated by ensuring any social value commitments made in the bidding process are captured in the contract arrangements at all levels. The commissioner should also verify the terms of subcontractors and take steps to ensure market stewardship principles are put into practice in reality.

c) Social value as a lever

Government's renewed emphasis on social value and development of the new evaluation model presents a great opportunity to lever better practice across a range of providers. As such, it is disappointing that the model only considers social value in respect of the contract, not the provider's approach as a whole. For example, a proposed metric around inclusion is that of the gender pay gap for staff in relation to the contract. While this is of course important, it should be remembered that in awarding a contract, government is investing in the organisation as a whole and as such, should look to ensure that good practices are reflected across the organisation, contributing to social value outcomes. Social value should be seen as part of organisational culture rather than simply something to enhance the delivery of a contract. Alongside the framework commissioners should encourage bidders to demonstrate what else they can offer in terms of social value, providing an opportunity for commissioners to understand how social value may be part of the bidder's organisational culture. In doing so, all providers would be encouraged to take a more social value driven approach across their whole organisations.

Specific elements of the evaluation model

a) Diverse supply chains

It is positive to see that some of the evaluation criteria include approaches that could help small and local charities access funding, particularly through co-design and co-creation. However, it will be important that steps are taken to corroborate intentions with smaller providers. Too often, small and local charities have been included in bids by large providers to add legitimacy to their bids (as above), either without any knowledge of being included or without money flowing to the organisation after the bid is won. This practice must be tackled by verifying whether small charities have been included in designing the bid and similarly, when bids are won, ensuring money flows to smaller providers as intended.

b) Skills and employment

⁵ [Keep it Local](#)

The Foundation supports the focus on improving employability and skills as a means of generating social value, but this section of the model could be improved if it also included:

- recognising the importance of recruiting people from local communities: government policy aims to ensure that local authorities become more self-sufficient and to promote inclusive growth that seeks to ensure that no-one is left behind. Central government's approach to social value can support this by rewarding investment made in local areas, whether through local recruitment or use of local supply chains;
- payment of the living wage: the government is interested in ensuring that work pays, and that people have meaningful employment opportunities so that they are less reliant on state support. Government should be encouraging all suppliers to become accredited with the Living Wage Foundation, following the lead of many other funding bodies⁶, including Lloyds Bank Foundation, which have made this commitment already. The social value evaluation model provides an excellent opportunity to put this into practice.
- recognising the importance of volunteering opportunities: for charities funded by the Foundation, volunteering is often a critical step before employment. Charities generate many volunteer roles which provide training opportunities, as well as improving services (as volunteers often have lived experience which can help engage perceived 'hard to reach' groups) and generating social capital. These roles come at a resource cost for the charity but can generate significant social value. It is important therefore that volunteering opportunities are recognised in the model.

c) Inclusion, staff mental health and wellbeing

Rightly, the evaluation model suggests areas that could help to promote inclusion, mental health and wellbeing. This section could be further improved by recognising the value of providers which are 'with, by and for' the communities they serve - that is, where the organisation has grown from the community that it was set up to serve. While it is helpful that the model includes measures of employment among different communities, it does not currently reference the level at which these people are employed. If promoting inclusion is recognised as important, as it should be, it is important that this does not simply mean an organisation is only diverse at lower rungs. Diversity should be valued throughout an organisation and being able to demonstrate where an organisation is 'with, by and for' offers a means of understanding the values of the provider.

The model also recognises providers' roles in building more cohesive communities. One of the distinctive features of small and local charities is that they can provide the 'glue' to bring people, communities and services together⁷. The current measure of how the provider would support local community initiatives could be strengthened and further encourage cohesive communities by considering how the provider would also *engage with* local communities. Volunteering can also play an important role in helping to bring communities together. The value of the networks and social capital generated through such activities needs to be recognised in the procurement process and as such, should be reflected in the evaluation model.

Question 2: Do you agree that the proposed minimum 10% weighting for evaluating social value in the bid is appropriate?

⁶ [Living Wage Friendly Funders](#), The Living Wage Foundation.

⁷ [Value of Small](#), 2018, Centre for Regional and Economic Research at Sheffield Hallam University et. al.

10% should be the absolute minimum for social value weighting and should be seen as a starting point for growing social value. If social value is to reach its potential then the weighting will need to be much higher, but the Foundation recognises that this may need to be pushed incrementally so that officers become more confident in its use. Government needs to be clear that the 10% value is an absolute minimum (not just a recommendation) and should be clear from the outset of its intent to drive up this weighting in time.

An alternative way of driving higher social value weightings could be to set an expectation of 20% social value weighting, with commissioners required to account for any lower value and with a temporary absolute floor of 10% to give commissioning bodies time to adjust.

It should be noted that giving greater weight to social value in assessments is possible under existing regulations. Regulation 67 of the Public Contract Regulations 2015 includes considerable flexibility for commissioners by setting out that the tenders should be selected where most economically advantageous *from the point of view of the contracting authority* – thus, the commissioning body can identify what is most valuable to it in particular circumstances. The regulation also provides for commissioners' considerations to include *'the best price-quality ratio, which shall be assessed on the basis of criteria such as qualitative, environmental and/or social aspects'*. The consideration of price and quality in effect allows commissioners to assess tenders holistically, considering the full value (combining social and qualitative factors) available for the price. If social value is to be recognised as an integral part of a service, it shouldn't only be considered as a factor for 10% weighting in isolation - and certainly shouldn't be considered as in competition to the quality weighting.

Question 3: Does the proposed approach risk creating any barriers to particular sizes or types of bidders, including SMEs or VCSEs? How might these risks be mitigated?

The Government has stated its intention to 'level the playing field' for all types of organisations, including small voluntary organisations⁸. The core risk identified by the Foundation is that officers do not use the model as flexibly as intended and also that officers continue to make judgements driven by quantitative data. The Foundation welcomes government's intention to focus on qualitative data but government will need to embark on an ongoing communication strategy and checks that ensure officers fully understand and feel confident in using the model and basing judgements on qualitative information. If they don't, those most at risk of missing out are small and local charities.

Mitigating this risk will in part depend on the nature of the training provided to officers. It is critical that this training includes an understanding of how small charities generate value. *The Value of Small* provides a useful resource here, as it clearly sets out the range of ways that small charities generate value and promotes the use of qualitative data to demonstrate this value. Furthermore, it is important that this training applies beyond commercial teams, so that social value and the value of small and local charities is fully understood right across Government. The Foundation will happily support Government in developing this training to ensure it includes a module on the types of value generated by small charities. The training should also include an emphasis on how the model should be used flexibly.

⁸ HL Deb (23 May 2019), Vol. 797, Col. 2140, [Public Procurement and the Civil Society Strategy](#)

A further risk of a standardised approach is that better resourced (typically larger) bidders will have the opportunity to finesse their response over multiple bids – potentially developing inflated answers that do not reflect the true social value generated. Smaller charities typically do not have professional bid-writers or the capacity to match this. Requiring bidders to provide evidence of how they have already generated social value locally or of their approach to social value more broadly could help to mitigate against this challenge.

To help overcome barriers to entry and ensure smaller organisations delivering high levels of social value can compete and their value recognised, there are further steps that Government should take alongside the evaluation approach. Not least, Government should encourage officials to look for ways that will enable and encourage those smaller organisations which deliver high levels of social value to participate. This includes breaking contracts down into smaller lots and encouraging the use of grants – as committed to in the 2018 Civil Society Strategy. As illustrated by the Grants for Good⁹ campaign, grants are an effective means of funding that can help to generate high levels of social value.

Question 4: How can we ensure government's existing procurement policy mandates (for example on levelling the playing field for SMEs) take precedence in designing the procurement?

The Foundation believes that the emphasis should be on placing social value at the heart of commissioning rather than as a single element of a procurement process. It is particularly important given the pressure on finances and the need to drive the best long-term value for the public purse. This again points back to increasing the weighting on social value so that it is front and centre of public sector commissioning.

Caroline Howe
Policy and National Programmes Manager
chowe@lloydsbankfoundation.org.uk
020 7378 4618

Lloyds Bank Foundation for England and Wales
www.lloydsbankfoundation.org.uk
Registered charity no. 327114
Registered office: Pentagon House, 52-54 Southwark Street, London, SE1 1UN
Registered in England and Wales no. 1971242

⁹ Grants for Good campaign: www.dsc.org.uk/grantsforgood/