

Social Value Act

Briefing Note

October 2014

How has the Social Value Act changed the commissioning landscape?

The Social Values Act came into force on 31st January 2013. It requires public authorities to consider:

- how to improve the economic, social and environmental well-being of the area served by them through procurement and how to undertake the process of procurement with a view to securing that improvement;
- whether to undertake any consultation as to these matters.

Social value involves the distribution of resources to local communities. It places a value on improving the 'collective benefit to a community' through allocating a public service contract to an organisation which will not be guided by profit alone but find ways to integrate services back into the local community.

Essentially, local public bodies and local authorities will have the duty to improve the economic well being of the communities it serves and use its own purchasing power, to implement this. It creates a real opportunity for public agencies to think about social and environmental benefits their procurement can leverage for the local community.

The Government's definition of social value

"A concept which seeks to maximise the additional benefit that can be created by procuring or commissioning goods and services, above and beyond the benefit of merely the goods and services themselves".

Outsourced markets are predicted to be currently worth around £140 billion. With over half the public service budget, potentially being outsourced to independent providers, this includes continuing to open up the market in prisons, adult social care and children's services.

How does the Social Value Act impact on the VCSE and local communities?

Chris White, the Member of Parliament responsible for introducing the bill sees the measure as being intended to give charities a better chance of winning contracts.

"The aim of the Act is to support community groups, voluntary organisations and social enterprises to win more public sector contracts and to change commissioning structures so that a wider definition of value rather than just financial cost is considered."

The Act does not apply to below threshold contracts. Current thresholds are £111,676 for services contracts awarded by central government and the NHS and £172,514 for all other contracts.

VONNE and The Federation of Small Businesses in the North East are keen to see the social value test applied to all contracts. We are hopeful that other authorities will follow Sunderland City Council's example of applying the Social Value Act to contracts worth over £5,000.

The Social Value Act offers commissioners a real opportunity to secure services from providers that work to achieve social impact, and wider economic value. Using the scope of the act, local authorities and other



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public agencies can also focus on local buying as a way of maintaining economic value in the local economy.

As New Start Magazine points out:

"The act has the potential to create a lot more space for pioneering commissioning practices to put in place different models that recognise that a diversity of suppliers – in terms of both sector and size – is key to quality, innovation, environmental protection and social value creation. Social value creation is an imaginative enterprise – it's the art of the possible – and public service buyers should be using the provisions of the social value act to find creative solutions for better places."

Whilst voluntary organisations can use this new legislation to hold local commissioners to account if social value has not been considered. It also presents a challenge to voluntary organisations to clearly measure and demonstrate the added Social Value that they offer.

Duty to Consult?

The other element of the Social Value Act is for public authorities to consider whether to undertake any consultation as to what social, economic and environmental improvements can be secured through the procurement process. Chris White MP states:

"One of the key provisions of the Act is to ask public bodies to consider consultation when seeking to define what social value could be in contract they are designing. I hope all public bodies will see this as a duty to consult and civil society organisations should lobby hard to ensure public bodies use the expertise and knowledge of the third sector when putting the Bill into action."

This provision presents a real opportunity for consultation and engagement with the voluntary, community and social enterprise sector to design the procurement of services to bring about additional benefits for local communities and residents.

Act under Review

In September 2014 the Government announced it will be carrying out a review of the Social Value Act to look into the potential for it to be extended more widely. The findings of the review will be published in early 2015.

Peter Holbrook, chief executive of Social Enterprise UK welcomed the review commenting;

"More can be done to ensure social value is engrained in public service commissioning. Public money must only be spent on the most socially responsible firms. Public service budgets have shrunk dramatically in recent years, so every ounce of the government's enormous spending power - £227bn – must be channelled into providers that put communities and people first, not private profit."

Further information

The Public Services (Social Value) Act 2012

www.legislation.gov.uk/ukpga/2012/3/enacted

Social Enterprise UK:

www.socialenterprise.org.uk/uploads/files/2012/03/public_services_act_2012_a_brief_guide_web_version_final.pdf

National Council of Voluntary Organisations

www.ncvo-vol.org.uk/networking-discussions/blogs/18452/12/07/02/what-social-value-act

NAVCA Social Value briefings

www.navca.org.uk/socialvaluebriefings

Compact Voice: Understanding Social Value

www.compactvoice.org.uk/resources/briefings-and-responses/social-value

NewStart Magazine

www.cles.org.uk/yourblogs/social-value-the-art-of-the-possible/

Federation of Small Businesses North East

www.fsb.org.uk/north-east-region/social-value-act-campaign

Shadow State Report on outsourcing of Public Services

www.asociacionfacultativos.com/images/comunicados/sombra.pdf

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