

Local Compact Survey results: briefing 3 – Social Value

August 2013

The Public Services (Social Value) Act 2012 was brought into force on 31 January 2013. The Act places a duty on public bodies to consider social value when procuring services. The Act states that a local 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.

Sections 1(13) and 1(15) of the Act, when read alongside Public Contracts Regulations, effectively means that the Act only applies to contracts that are over the financial thresholds set out in EU Procurement Law. Many local organisations are small in scale, and aren't able to deliver such large contracts. This means that the majority of contracts that the VCS bids for will not be subject to the statutory requirement for social value to be taken into account.

Though this narrows the potential impact of the Act - which many hoped would compel statutory sector funders to recognise the social value provided by VCS organisations - the Act should still be seen as another incremental step in the right direction.

Chris White, the MP that sponsored the Act, explained:

'The Public Services (Social Enterprise and Social Value) Bill, aims to reform the commissioning process by asking public sector bodies to consider how they can improve the "social, economic and environmental" well-being of their areas, through public sector contracts [...] This will mean that other factors than pure cost will be considered, and weigh the important contributions that our charities and voluntary organisations make across our communities, when they bid for public sector contracts.'

For example, a homelessness organisation funded to provide hostel space for the homeless may create additional value by also providing routes into employment and training for its service users.

What Compact Voice says

The concept of value is deeply ingrained in the national Compact and it contains the following definition of social value:

'Social value encompasses a broad concept of value by incorporating social, environmental and economic costs and benefits. This means that as well as taking

into account the direct effects of interventions, the wider effects on other areas of the economy should also be considered.'

The Compact offers four specific circumstances in which social value should be considered by both the VCS and the statutory sector: agreeing and measuring outcomes in contracts, policy development, demonstrating social value and decommissioning.

What our survey showed

In this year's annual survey, we asked questions about social value as we wanted to discover how well the Act was understood, whether respondents were having much involvement with the Act and how respondents perceived the Act's potential.

We found that overall, 81% of respondents had heard of the Social Value Act, though when this was split into the type of organisation the respondent worked for, 9% of respondents from local authorities, and 20% of voluntary sector respondents had not heard of the Act.

We then asked respondents to tell us how well they understood what the Social Value Act entails, with 1 being 'not at all' and 10 being 'fully' understanding it. As figure 1 (below) shows, the results were quite mixed regarding levels of understanding - which was also reflected in evidence gathered through interviews. The very nature of the Social Value Act means that small to medium organisations may never come into contact with it, so understanding across the board will be mixed.

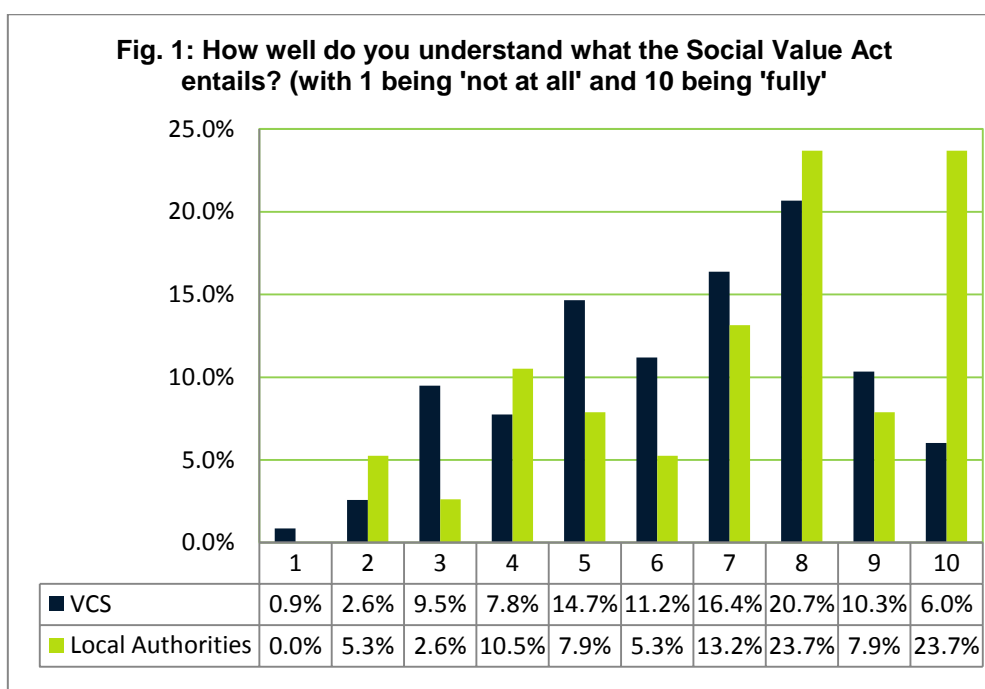
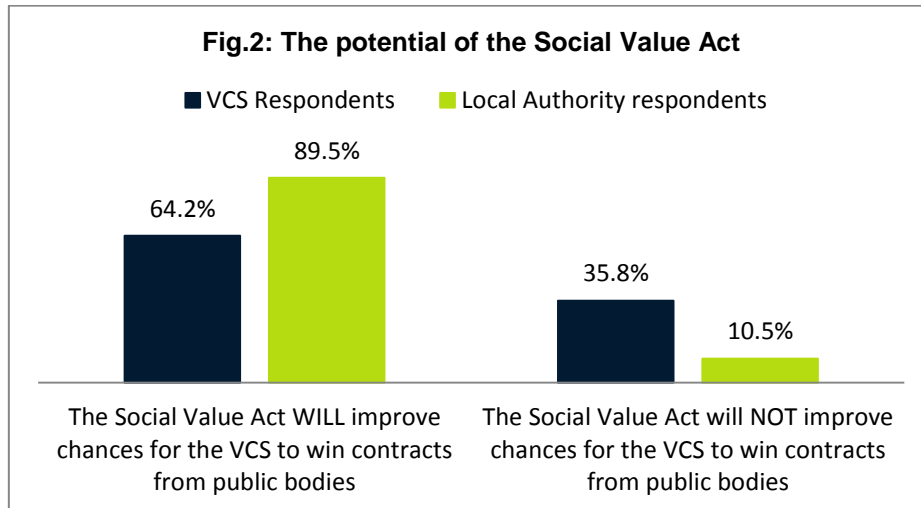
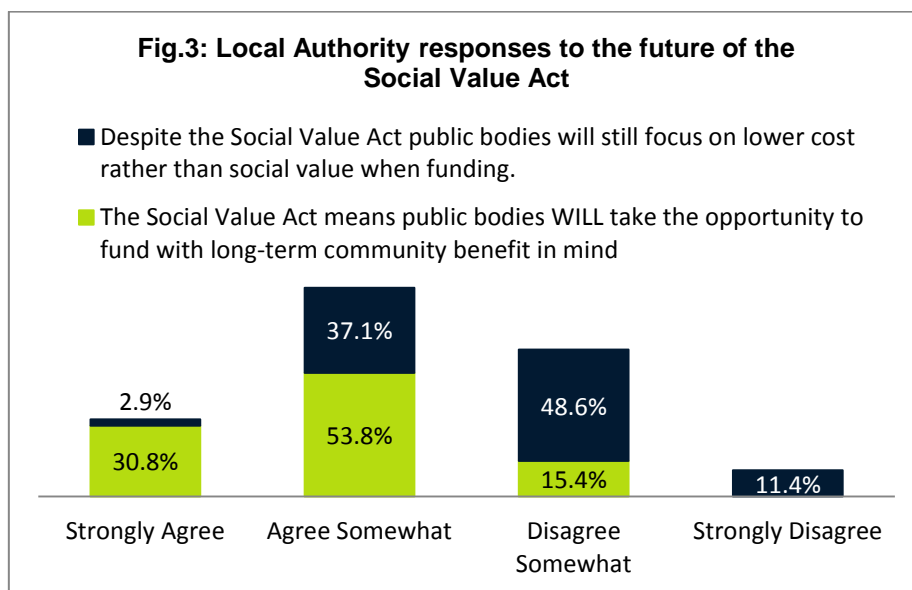


Figure 2 shows the results from our question on the potential impact the Act could have. We can see that while the majority of respondents felt that the Social Value Act WILL improve chances for the VCS to win contracts from public bodies, a much higher percentage of VCS respondents seem to have doubts. 35.8% of VCS respondents felt that the Social Value Act will NOT improve chances for the VCS to win contracts from public bodies, compared to only 10.5% of local authority respondents.



Finally, we wanted to hear how respondents felt the Social Value Act would affect the way public bodies fund in the future. We asked respondents to state how strongly they agreed or disagreed with the two statements shown in the charts below (figures 3 and 4).



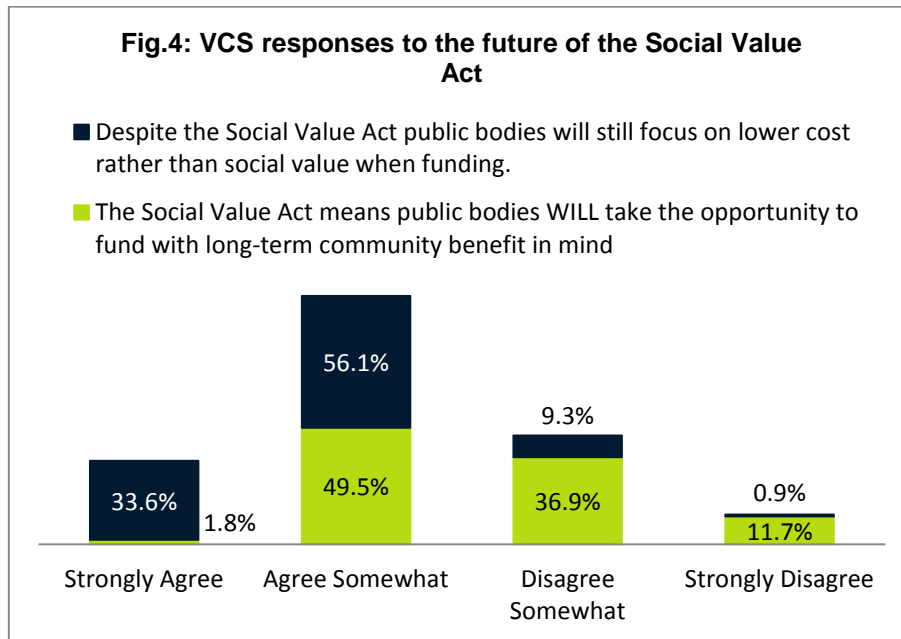
The results show that local authority respondents feel more positive around future funding than the VCS respondents, but this is not an unexpected result.

60% of overall respondents disagree with the statement that 'Despite the Social Value Act, public bodies will still focus on lower cost rather than social value when funding'.

Almost 85% agree that the 'the Social Value Act means public bodies WILL take the opportunity to fund with long-term community benefit in mind'.

On the other hand, the VCS responses present a more negative picture. Almost half (48.6%) of VCS respondents disagree with the statement ‘the Social Value Act means public bodies WILL take the opportunity to fund with long-term community benefit in mind’.

Almost 90% of VCS respondents agreed that ‘Despite the Social Value Act public bodies will still focus on lower cost rather than social value when funding’.



Next steps

Compact Voice have [produced a guidance note](#) which provides information for local Compact groups on understanding the implications of social value, and how best to engage with the Social Value Act. This can be downloaded from our resources section.

Compact Voice has also recently published ‘[Understanding Commissioning and Procurement: A Guide for Local Compacts](#)’, which includes up to date information on Social Value. The [NCVO website](#) also has some useful tools for getting to grips with social value.

This is one of a series of documents looking at the results of Compact Voice's third annual survey of local Compacts. The full report with all the results will be published in August 2013 and will be available on the Compact Voice website: www.compactvoice.org.uk.