

Social value and the implications for local Compacts: Guidance note

November 2012

This briefing aims to help local Compact groups to get to grips with the concept of social value - and in particular the Public Services (Social Value) Act 2012, which comes into force in January 2013.

It provides an overview of what social value is, describes the key aspects of the Act, and discusses how it relates to the principles contained in both the national and local Compacts.

Contents:

Click on titles to jump to section

1. About the Compact and Compact Voice	2
2. What is social value?	2
3. The Public Services (Social Value) Act 2012 explained	4
4. Social value and the Compact	6
5. Local Authorities and social value	12
6. Going Forward	15
7. Contact Compact Voice	15

1. About the Compact

The Compact is the agreement between government and the voluntary and community sector (referred to collectively within the text of the Compact as civil society organisations).

It sets out key principles and establishes a way of working that improves their relationship for mutual advantage. It considers areas such as involvement in policy design and consultation, funding arrangements (including grants and contracts), promoting equality, ensuring better involvement in delivering services, and strengthening independence.

It is also accompanied by an Accountability and Transparency Guide, which outlines steps to take at national and local level if these principles are not followed, including dispute resolution, internal complaints procedures and ombudsmen functions.

As well as the national Compact, most areas in England also have a local Compact, which interprets the principles set out in the Compact to reflect local need.

About Compact Voice

Compact Voice represents the voluntary and community sector on the Compact. We are cosignatories on the national Compact, and negotiated its content on behalf of the sector and based on the views and opinions of our members.

Our activities and output are determined both by our membership, currently numbering 2800 individuals and organisations across England, and our board, who include representatives from infrastructure organisations such as NAVCA, NCVO, ACEVO, Volunteering England and others. A full list of our board members is available on our website.

We provide training, support, advice, and information about better working in partnership to both sectors nationally and locally, represent the voluntary and community sector's interests to government, and champion the principles of the Compact.

2. What is social value?

Social value is the term used to describe the additional value created as an indirect result of a publicly funded service being delivered. 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. Or, another example may be a building contractor that intends to directly involve local community groups in the design process of a new leisure centre to ensure that it meets local needs.

The Compact, as we will discuss later in this document, not only mentions social value, but also expands on how it can be used to underpin effective cross sector partnership working. Social value helps to clarify what outcomes partners want to and are able to achieve and the Compact provides principles which enable them to achieve those ambitions together.

To understand what social value is, it helps to understand what it is not. Given that resources are finite, particularly in light of the recent recession and associated cuts by government, public sector funders are rightly thinking about how they can get the maximum value for tax payers' money. However, commissioning that is based solely on value for money – which simply awards contracts to the lowest cost provider - fails to recognise the added value that alternative providers may offer. In other words, funding the organisation that offers the most social value will offer better value to the taxpayer in the long run.

Social Enterprise UK, a strategic partner for several government departments including the Cabinet Office, explains social value in the following way:

“As demand for council services increases, and resources become more stretched, it is important that communities are resilient and have the capacity to take a greater role in service provision. Investing in that capacity is therefore a core role of any forward-thinking service. This should be reflected across the service spectrum, but needs particularly to be considered when forming partnerships with organisations who may have the capacity themselves to invest in communities as part of a contractual relationship.”¹

Social value is not specifically about the value that the Voluntary and Community Sector (VCS) offers in delivering services. It is focussed on identified social value outcomes regardless of the provider. However, local definitions of social value may focus on outcomes which are more commonly identified with the VCS. Where local partners adopt a narrow definition that focuses solely on certain desired outcomes, such as training and apprenticeships for example, this could result in a missed opportunity to recognise the true value of some VCS providers. As such, it may be vital that the VCS are involved in early discussions with public sector partners to influence local definitions social value means in the local context.

Suggested actions for local Compact groups

1. Talk to statutory partners about how they understand social value.
2. Seize the initiative and work towards influencing a definition that better reflects the specific value associated with the VCS.

The first step for local Compact groups should be to make contact with statutory partners, and in particular commissioning teams, to enquire about how they understand social value and what they are doing in preparation for the Act. It may be that statutory partners have different understandings of social value and how it should be implemented to one another.

If this is the case, local Compact groups, and/or local infrastructure bodies could suggest, and possibly host a meeting or event which aims at creating a broad local definition of social value from which other activities follow. In addition, local Compact groups could ask the issues to be addressed through representatives on the local strategic partnership (or replacement body).

¹ Future Service Partnerships: how the private and community sectors can generate value together, Local Government Information Unit, 2012, p25, <http://www.lgiu.org.uk/wp-content/uploads/2012/06/Future-Service-Partnerships-how-the-private-and-community-sectors-can-generate-social-value-together.pdf>

Case Study: Lewisham

Lewisham Council, local NHS and voluntary and community groups are committed to the values of their local Compact. Partners are having open and honest discussion about social value and commissioning. This is a continuation of a culture in which partnership is highly valued, a fact highlighted by the creation of two “bridging posts” that coordinate strategic work on Children and Young People and Health Inequalities and Social Care.

Commissioning guidelines, published in March 2010 as a Compact Code of Practice, lack guidance on some aspects of commissioning. The Compact Steering Group has been tasked by the Stronger Communities Partnership to produce an addendum to the 2010 guidelines, clarifying terminology and adding new sections on decommissioning, payment by results, and social value.

Partners have recognised the need for cross-sector discussion about how social value can be integrated into the commissioning process in Lewisham. The voluntary sector have taken a leading role, with an employee of Voluntary Action Lewisham (local VCS infrastructure body) heading a cross-sector group tasked with developing a definition of social value and how it can be applied to commissioning. The results of their work will form the basis of the revised local guidelines, to be published later this year or early in 2013.

3. The Public Services (Social Value) Act 2012 explained

The Public Services (Social Value) Act 2012 (The Act) started life as a Private Members Bill tabled by Chris White MP in 2010. It received Royal Assent in March 2012 and will come into force in January 2013.

The Act places a duty on public bodies to consider social value ahead of procuring the provision of services. The Act states that:

“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.”

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 thresholds² set out in EU Procurement Law³. Many local organisations are small in scale,

² Current financial thresholds (from January 2012) in EU procurement law are £113,057 for the procurement of supplies and so called Part A services by Central Government bodies, and £173,934 for the procurement of supplies and Part A services by other public sector bodies

³ Section 1(13) of the Act states that:

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. Although this narrows the potential impact of an 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.

Whilst some public bodies will merely meet the requirement to consider social value in line with financial thresholds, the more aspirant statutory sector funders will apply the provisions in the Act more widely, taking the opportunity to fund more intelligently and with long-term community benefit in mind. As such we believe that local Compacts should seek to gain commitment, perhaps as a principle in revised Compacts, to applying the Act in all procurement processes.

The Act provides clarification on the circumstances under which a procurement process can weight pre-identified measures of social value:

“The authority must consider [...] 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.”

This prohibits public bodies from judging funding applications on the value that they state they can provide, but which is unrelated to the service being procured. But exactly what this means in practice is unclear.

Without further guidance it is difficult to confidently state how public bodies are expected to judge “the extent to which it is proportionate in all the circumstances” to take social value indicators into account. This could be taken to mean that it is not reasonable to take social value into account at all when procuring certain goods and services. If this is the case then we hope to see guidance on such exemptions to avoid weak interpretations of the Act. A more nuanced interpretation of the need for proportionality could relate to the weighting of social value in procurement. For example, it would seem disproportionate to give 50% weighting to providing apprenticeships for young unemployed people when procuring care for the elderly as this doesn't relate to the principle aim of the procurement: namely the

“This section has effect in relation to a relevant authority's proposed procurement or arrangements for procurement only if the public services contract or framework agreement in contemplation is such that the Regulations would have effect in relation to it.”

This means that the Act should only be applied when Public Contracts Regulations are applied. Turning to the Public Contract Regulations, Regulation 8(1) states

“These Regulations do not apply to the seeking of offers in relation to a proposed public contract, framework agreement or dynamic purchasing system where the estimated value of the contract, framework agreement or dynamic purchasing system (net of value added tax) at the relevant time is less than the relevant threshold.”

This means that Regulations do not apply below the stated financial thresholds and as the Act only applies where the Regulations apply, that in turn means that below threshold contracts are not subject to the Act.

quality of the service or the outcomes for service users. But what weighting for such concerns would be deemed proportionate is presumably a matter for local interpretation.

It is even less clear what “matters” would be deemed not to be “relevant” under the Act, given that the Act aims to encourage commissioners to understand and reward the added value offered by providers. For example, even though the environmental impact of organisations bidding to provide a meals-on-wheels service is not relevant to the service, it is relevant to the needs and aspirations of the community.

It may be that government expects that definitions of what is and is not relevant and proportionate will be decided locally. Government guidance expected before the Act comes into force in January may provide clarity. If this is the case, it would make sense for local Compact groups to take an active role in influencing such debates.

Suggested actions for local Compact groups

1. Gain commitment from statutory partners to extending the requirement for considering social value to all procurement opportunities

Make contact with commissioners, senior officers and executive members at partnership meetings and through direct correspondence to make the case for applying the Act locally to all procurement exercises of goods and services. Produce and pursue ratification of a Compact code or include a commitment in renewed Compacts to this end.

2. Find out if conversations are already being had locally to define ‘relevant’ and ‘proportionate’ when considering social value in procurement. Discuss how the Compact group can influence the development of these definitions.

It is highly likely that procurement teams will be developing interpretations of the Act in preparation for it coming into force in January 2013. Local Compact groups and/or local VCS infrastructure bodies should seek out senior procurement staff in statutory bodies and consider engaging with executive officers and politicians to ensure that interpretations recognise the potential impact on the capacity of VCS organisations to bid for contracts, as well as the likely quality of those bids. Local groups may decide that definitions of what should be deemed ‘relevant’ and ‘proportionate’ should be developed, in consultation with potential providers, for each tender.

4. Social value and the Compact

The concept of value is deeply ingrained in the national Compact and its principles are more wide-ranging than the Act, which focuses on procurement. It is referred to in the main as “social, environmental and economic value” to ensure that partners appreciate the breadth of considerations that it encompasses. The Compact 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.”⁴

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.

4.1 Agreeing and measuring outcomes in contracts

The Compact preceded the Act in setting out a clear expectation that public bodies should consider social value before undertaking a procurement process. It explicitly states that outcomes should be “agreed with” the VCS:

“Agree with Civil Society Organisation (CSOs) how outcomes, including the social, environmental or economic value, will be monitored before a contract or funding agreement is made. Ensure that monitoring and reporting is relevant and proportionate to the nature and size of the opportunity. Be clear about what information is being asked for and why and how it will be used”.

The requirement under the Act to consider social value before undertaking a procurement process does not contain directions on how social value should be defined, and crucially whether that definition should be transferable from one procurement to another. As such, some public bodies may choose to create a universal definition of social value and how it should be weighted in awarding contracts.

Whilst this approach would be more straightforward once agreed (and also seems more transparent), it might not be as effective at identifying and correctly weighting the potential added value that organisations offer that are specific to the opportunity. For example, procurement of the provision of services for people living with cancer using such a model may fail to recognise the social value offered through schemes which raise awareness of cancer to others, as this would be difficult to apply to all opportunities.

The alternative approach, and the approach that is most consistent with the Compact, would be to agree with potential bidders and service users what potential social value outcomes should be accounted for and to what extent for every procurement opportunity. To deliver this kind of engagement will require the development of close and trusting cross sector relationships. But to some, that is precisely the desired outcome of the Act. A recent report from the Local Government Information Unit states:

“Building social value in a contractual arrangement goes beyond the content of the contract and relates directly to the quality of the relationship between commissioner and commissioned.”⁵

⁴ The Compact, 2010, www.compactvoice.org.uk/about-compact

⁵ Future Service Partnerships: how the private and community sectors can generate value together, Local Government Information Unit, 2012, p19, www.lgiu.org.uk/wp-content/uploads/2012/06/Future-Service-Partnerships-how-the-private-and-community-sectors-can-generate-social-value-together.pdf

To this extent, Compact working appears to be vital for delivering the Act, just as the Act reinforces the Compact. Indeed, areas that have fully implemented their local Compact and are following its principles in all aspects of local partnership working are already meeting and exceeding the provisions in the Act. Those areas that have yet to make the most of their local Compact should take the opportunity that considering how to comply with the Act offers, and undertake complementary measures to reinvigorate their Compact.

Suggested actions for local Compact groups

1. Find out if local public bodies seeking to create a universal set of social value measures.

Local Compact groups should make enquiries with statutory sector partners as to their intentions for measuring social value. Where a decision has not been made this should

be seen as an opportunity to influence a nuanced approach that reflects the social value that the VCS bring to the table in specific opportunities. Suggest that the local Compact group would form the ideal forum in which to discuss how social value could be measured. Work to ensure that public bodies meet their Compact commitment to involve the VCS in developing policies for measuring social value.

Contact commissioning bodies to remind them that the Compact states that they must involve the VCS “from the earliest possible stage” when developing a strategy for measuring social impact in contracts. State clearly and publically that this means involving the VCS in determining what should be measured and how it should be reported.

1. Work to ensure that local partners understand the link between the Compact and social value.

Consider introducing an explicit link between meeting requirements under the Act and meeting Compact commitments into any renewal of the local Compact and/or procurement codes. During any discussions between local partners about the implementation of the Act, refer to the Compact as a guide for how to ensure wider partnership activities are consistent with the concept of social value.

2. Take the opportunity that the Act presents to train commissioners and procurement officers in understanding the Compact.

Regularly providing training to commissioners and procurement officers in understanding the Compact and the wider role and needs of the VCS is vital for ensuring Compact compliance. By highlighting the link between implementing both the Act and the Compact such training will ensure that commissioners associate Compact compliance with their statutory responsibilities for considering social value.

Case Study: East Sussex

The innovative approach to funding adult health and social care employed by East Sussex County Council (ESCC) and NHS Sussex has been singled out as an example of how to proactively seek out the social value offered by the VCS. The approach, called the Commissioning Grants Prospectus, is described in a NAVCA case study as “an early example of a local authority deliberately setting out to embed the social value generated by the local VCS into a commissioning process”⁶. But this kind of collaborative working did not come about in isolation. A commitment to the Compact way of working meant that partners were able to ground the idea in principles that were widely understood. Indeed, the ESCC website makes it clear that the Prospectus was developed with the East Sussex Compact as its guiding force, stating:

“The Prospectus was developed in line with the overall aims of the Compact. We consulted users of services, carers and the voluntary sector about providing services and how organisations could be involved. Service users and carers also help evaluate bids, and local organisations contributed to the independent evaluation of the Prospectus.”⁷

4.2 Policy development

The Compact requires that the statutory sector ensures “that social, environmental and economic value forms a standard part of designing, developing and delivering policies, programmes and services”. This not only recognises that the VCS can offer unique insight into the potential social impact of policy, but also highlights the need to involve the VCS throughout the policy cycle. The Compact requires signatories to recognise that the process of involving the VCS has social value outcomes in and of itself as it aids “local efforts to inspire and encourage social action and to empower communities” by allowing their views to be heard.

The Government has recently amended its Procurement Pledge – a list of government commitments on how it will procure services from providers – to include a section on civil society. This includes a pledge to recognise the need for the “voluntary and community sector and social enterprises, to meaningfully contribute to improving the design and delivery of services, and provide social as well as economic value”⁸. The same section of the Procurement Pledge also reasserts the importance of the Compact by stating that “Government is strongly committed to the principles of the Compact between the Coalition and civil society organisations, drawn up in December 2010”.

The Compact promotes the removal of barriers to VCS involvement in policy development. It establishes a 12 week minimum consultation period where it is “appropriate, and enables meaningful engagement”.

⁶ Social Value Briefing 3: East Sussex –a case study of putting social value and commissioning into practice, NAVCA (National Association for Voluntary and Community Action), 2012, www.navca.org.uk/socialvaluebriefings

⁷ East Sussex Compact pages, East Sussex County Council website, www.eastsussex.gov.uk/community/helping/partnerships/downloadcompact.htm

⁸ Procurement Pledge, Cabinet Office, <https://update.cabinetoffice.gov.uk/resource-library/our-procurement-pledge>

Compact Voice has provided guidance on [Ensuring Meaningful Engagement when Consulting](#)⁹ which outlines what genuinely meaningful engagement looks like and how to achieve it. These good practice principles should be considered when trying to ensure social value is included in policy development processes.

Suggested actions for local Compact groups

1. Assess opportunities for the VCS to influence policy development from an early stage and lobby for improvements accordingly.
2. Review the wider engagement practices of local statutory bodies and assess whether they are sufficient to be able to facilitate VCS involvement in policy development. Suggest improvements.

The Compact sets out principles for proper engagement which compels public bodies to involve the sector at the “earliest possible stage to design policies, programmes and services” and ensure that “those likely to have a view are involved from the start and remove barriers that may prevent organisations contributing”. The Compact also establishes the expectation that consultations should be open for at least 12 weeks to allow partners the time to properly consult their stakeholders and produce a considered response, as well as requiring those consulting to provide redress to respondents. Whilst there may be circumstances that prevent public bodies from meeting these requirements in full, these occasions should be rare and transparently explained.

In order to promote the importance of proper engagement of the VCS in policy design, local Compact groups should agree to:

- Note all consultations and whether they are open for 12 weeks. Report annually on the level of compliance.
- Make recommendations for how statutory bodies could remove barriers to engagement and improve redress.
- Create (or get commitment for the creation of) a publically accessible local consultation calendar that all local statutory bodies update.

4.3 Demonstrating social value

The Compact sets out the expectation that the VCS should “demonstrate the social, environmental or economic value of the programmes and services provided, where appropriate”. In relation to the Act this reaffirms the need for the VCS to measure and report agreed outcomes which relate to pre-identified social value. Crucially however, the Compact places the expectation on public bodies that they will ensure “that monitoring and reporting is relevant and proportionate to the nature and size of the opportunity”.

It will be important for local Compact groups to remind signatories of their commitment to ensuring that reporting expectations are reasonable and proportionate. Equally, the VCS should recognise that collecting accurate information on the social value that they provide is reasonable. This is increasingly important in an environment where the VCS are delivering ever more public services and there is increased demand for transparency.

⁹ Ensuring Meaningful Engagement when Consulting, Compact Voice, 2012, www.compactvoice.org.uk/resources/publications/ensuring-meaningful-engagement-when-consulting

Indeed, rather than seeing this kind of monitoring and evaluation as a burden, many in the VCS are starting to feel that measuring social impact is beneficial in its own right as it allows organisations to evaluate their own services and think more strategically. There are a number of methodologies for monitoring social value with the most well-known being Social Return on Investment (SROI).

A comprehensive list of techniques for planning, assessing, and monetising your social, economic and environmental value can be found on the National Council for Voluntary Organisations website on the [Impact tools page](#).¹⁰

Suggested actions for local Compact groups

1. Undertake activities to help the VCS get to grips with demonstrating social value.

Local Compact groups, or local infrastructure bodies, should ensure they make efforts to provide training and information for local VCS organisations on measuring and reporting social value. Making a positive argument to VCS groups about the benefits of understanding and sharing the wider impact that they provide can help improve their success in delivering services

2. Tell partners in public bodies what they can do to reduce the burden on the VCS of reporting social value whilst improving quality of the information provided.

Whilst there are benefits for the VCS in measuring the social value that they create, requiring extensive information in tenders for some small contracts may not be appropriate. The Compact states “that monitoring and reporting [should be] relevant and proportionate to the nature and size of the opportunity”. As statutory partners review procurement codes in preparation for the Act we advise local Compact groups to ensure that this commitment is given a definitive financial threshold. Furthermore, we advise local Compact groups, as well as wider local VCS organisations to engage with local statutory partners and ensure mainstreaming as much of their reporting as possible. Pre-Qualification Questionnaires should use similar language and ask for information in a similar format.

4.4 Decommissioning

The national Compact sets out the expectation that public bodies should “assess the impact on beneficiaries, service users and volunteers before deciding to reduce or end funding. Assess the need to re-allocate funds to another organisation serving the same group”. Whilst this falls short of asking for a full consideration of social value, the expectation that the VCS should “Advise ... on the social, environmental or economic impact of funding changes” and that public bodies should “consider the response fully, respecting sector expertise, before making a final decision”, effectively establishes the expectation that social value will be considered.

The Act does not mention decommissioning, and while this omission may perhaps be addressed in future guidance, it currently means that public bodies seeking to end a contract will not be required by legislation to consider the social impact of

¹⁰ NCVO Impact tools: www.ncvo-vol.org.uk/strategy-impact/learn/tools-and-techniques/tools-for-demonstrating-impact

decommissioning a service. This strengthens the need to ensure that the principles of the Compact are considered during any decommissioning processes.

The Compact also states that when considering changes to funding arrangements, public bodies should “discuss with [VCS organisations] potential implications as early as possible, give organisations the opportunity to respond, and consider the response fully, respecting sector expertise, before making a final decision”. By also requiring the VCS to advise “the Government on the social, environmental or economic impact of funding changes” the Compact effectively compels public bodies to consider social value in when decommissioning the VCS.

Suggested actions for local Compact groups

1. Work with partners to ensure that considering social value is as much a part of decommissioning as it is procurement.

Local Compact groups should identify statutory leads in local authorities with responsibility for decommissioning, identifying what current decommissioning processes are in place, and whether they make reference to social value. If they do, disseminate and share this information amongst key local partners involved with local Compact groups. If not, provide support and guidance for local statutory bodies in order to jointly agree how social value can be best included in decommissioning processes, which makes reference to the feedback of local voluntary and community sector organisations.

5. Local authorities and social value

For local authorities, the concept of social value should be familiar. Since the Local Government Act 1999, they have been subject to the Duty of Best Value to “secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”¹¹, which broadens considerations from simply assessing on the basis of cost. Indeed, since 2011, local councils have been subject to the Best Value Statutory Guidance, which makes an explicit link between the existing Best Value Duty and social value:

“Under the Duty of Best Value ... authorities should consider overall value, including economic, environmental and social value, when reviewing service provision. As a concept, social value is about seeking 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.”¹²

However, for a number of different reasons, many local authorities are focussing on lowest cost rather than social value. This is partly down to the perception that lowest cost means better value for the tax paying public. In this view, as long as the cheapest provider is able to deliver the service required, they are the best choice. By failing to take into account the social value of potential providers, there is a strong chance that savings will fail to be made in other areas. Chris White MP, who tabled the original Private Member’s Bill believes that social value “offers us an opportunity to fuse the innovation and effectiveness most often

¹¹ Section 3 of the Local Government Act 1999

¹² Statutory Best Value Guidance, Department for Communities and Local Government, 2011

associated with the private sector, with a sense of public service and a social mission.”¹³ For example, funding an organisation to manage urban garden projects that also trains and employs the long term unemployed will generate long term savings and lead to more economically active people living in the community.

Another barrier to effective implementation of the Act by local authorities is the conservative interpretation of procurement law. An LGIU survey found that 60% of 300 local authority respondents felt that EU procurement legislation was a barrier to better pursuing social value in contracts. This perception suggests a widespread lack of understanding about how and where to apply the regulations. EU procurement law prohibits the favouring of a provider based only on location, but it doesn't prevent criteria that focus on the specific advantages a local provider could bring in terms of social value.

Another common mistake is to think that simply applying EU rules at all times reduces risk and simplifies the process for all concerned. In reality this can make the process unduly bureaucratic and disproportionate by including unrealistic thresholds for small contracts. For example, if a contract does not meet the financial thresholds¹⁴ that require it to be submitted to the Official Journal of the European Union (OJEU) then bidders should not be expected to meet the inherent requirements under Part A or B of the regulations.

Furthermore, statutory bodies should ensure that contracts for services which fall under the regulations for Part B, which include health services, education services and recreational, cultural and sporting services are not subjected to the more rigorous regulations laid out in Part A which apply to computer and related services, accounting services and architectural and consultancy services. In any case, it is possible, and should be seen as good practice to break down large contracts into smaller contracts to ensure that elements which have identified social value outcomes can be delivered below these financial thresholds.

There is a danger that as the requirements to consider social value in the Act are aligned to the financial thresholds established in procurement law, procurement officers will see social value as merely a technical consideration in large contracts. However, where partners in both sectors are able to influence and encourage an approach to social value outside of this context, local authority procurement functions will be better equipped to meet both their statutory requirements and the needs and aspirations of the community. More information on procurement including links to other resources can be found on the NCVO website's [Commissioning and Procurement pages](#).

¹³ <http://conservativehome.blogs.com/platform/2012/03/chris-white-public-services-social-value-bill-a-small-change-that-could-make-a-big-difference.html>

¹⁴ Current financial thresholds in EU procurement law are £3,927,260 for the procurement of works; £101,323 for the procurement of supplies and so called Part A services by Central Government bodies, and £156,442 for the procurement of supplies and Part A services by other public sector bodies

Suggested actions for local Compact groups

1. Collect examples of where weighting the social value that the VCS provide locally could lead to long term savings to show that rewarding social value is cost effective.
2. Collect examples of where failing to recognise social value in procurement has led to extra costs.

The VCS is uniquely placed to be able to deliver social value outside of the narrow remit of most contracts. This not only means that statutory funders get more for the taxpayer's money, but also that potential future costs can be avoided through preventative means. Local Compact groups should make this argument externally. Inviting commissioners to meetings should be the first step. However, collecting real world examples of where value is not currently being recognised will allow local groups to have a wider influence. Politicians in particular are likely to find such tangible examples more convincing.

3. Look at your local authority's procurement code to find out how EU procurement legislation is being, or is supposed to be applied. If adherence to EU procurement codes is more restrictive than necessary, work towards influencing a change in those codes.

Many local statutory bodies will be in the process of reviewing their procurement codes to reflect government policy. This is an opportunity for the VCS to positively influence the procurement process. Local Compact groups should offer to work with procurement staff to ensure that Compact principles are embedded into procurement codes and underpin measures to deliver social value in contracts. In addition, local groups should tackle overly conservative interpretations of EU procurement law by referencing the different approaches to procurement through the resources available on NCVO's website.

Case Study: South Gloucestershire

In light of the Comprehensive Spending Review, South Gloucestershire Council gave £600,000 (through the Local Strategic Partnership) to local infrastructure organisations, to help the VCS in the area cope with the changing environment.

The VCS formed a leaders group (made up of leaders of infrastructure organisations) who are funded to develop the sector and report to the Local Strategic Partnership. This group are expected to contribute towards redrafting procurement codes.

The Chief Officer of CVS South Gloucestershire (a local VCS infrastructure body) is also the local Compact lead. She is working through the procurement code with the council's Procurement Team, helping to amend their rules and make them comply with both the spirit and letter of the Compact – and with a particular focus on social value.

Going Forward

We anticipate that the government will produce guidance to accompany the Act before it comes into force in January 2013, but believe that local Compact groups should be working now to position themselves at the centre of local thinking on social value. In many areas the local Compact will not only represent the only partnership document that describes social value and where it should be considered, but also one that already has cross-sector commitment. Unlike the Act, the use of the term social value in the Compact goes beyond procurement and recognises the need for public bodies to consider social value in all aspects of the way their relationships with partners affects the community. This broader and more nuanced understanding of social value ensures that the VCS is able to communicate its real impact.

The Act represents a fairly modest strengthening of the expectations placed on public bodies to consider the social value in the procurement of large contracts. For local authorities in particular the Duty of Best Value and recent Best Value Guidance have meant that the Act will only necessitate an urgent change of practice for a minority of councils who are lagging behind what is widely accepted as good practice. However, the Act does present local partners with an opportunity to re-appraise the way in which they think about the value of the work they do and the work of others.

The Act seems intentionally permissive of local interpretation, which brings the advantage of allowing local partners to create an understanding of social value that reflects the needs and aspirations of their communities. This process will be more fruitful in areas with strong local Compacts which help to ensure effective engagement between partners.

Where local partners are able to come together to define social value measures and outcomes, there will likely be genuine improvements in local communities. However, unless the VCS are enabled to represent themselves in local discussions on how social value should be understood locally, the permissive nature of the Act may mean that its impact and benefit is weakened.

Contact Compact Voice

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Membership is open to anyone from the voluntary and public sector with an interest in Compact working. It entitles you to free tailored advice and training to make your Compact stronger, regular e-bulletins, and a speaker service for your events.

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Social value: actions for local Compact groups

The following actions have been taken from the body of this guidance document and can be printed for use as a checklist. Whilst not all of these actions will be appropriate for every local Compact, most should be able to undertake some of the following tasks.

Action	Notes	Achieved?
1. Talk to statutory partners about how they understand social value.	The first step for local Compact groups should be to make contact with statutory partners, and in particular commissioning teams, to enquire about how they understand social value and what they are doing in preparation for the Act. It may be that statutory partners have different understandings of social value and how it should be implemented. If this is the case, local Compact groups, and/or local infrastructure bodies could suggest, and possibly host a meeting or event that aims to create a broad local definition of social value from which other activities follow. In addition, local Compact groups could ask the issues to be addressed through representatives on the local strategic partnership (or replacement body).	
2. Seize the initiative and work towards influencing a definition that better reflects the specific value associated with the VCS.	Discuss how the Compact group can influence the development of these definitions.	
3. Find out if conversations are already being had locally to define 'relevant' and 'proportionate' when considering social value in procurement.	It is highly likely that procurement teams will be developing interpretations of the Act in preparation for it coming into force in January 2013. Local Compact groups and/or local VCS infrastructure bodies should seek out senior procurement staff in statutory bodies and consider engaging with executive officers and politicians to ensure that interpretations recognise the potential impact on the capacity of VCS organisations to bid for contracts, as well as the likely quality of those bids. Local groups may decide that definitions of what should be deemed 'relevant' and 'proportionate' should be developed, in consultation with potential providers, for each tender.	
4. Gain commitment from statutory partners to extending the requirement for considering social value to all procurement opportunities	Make contact with commissioners, senior officers and executive members at partnership meetings and through direct correspondence to make the case for applying the Act locally to all procurement exercises of goods and services. Produce and pursue ratification of a Compact code or include a commitment in renewed Compacts to this end.	

5. Find out if local public bodies are seeking to create a universal set of social value measures	Local Compact groups should make enquiries with statutory sector partners as to their intentions for measuring social value. Where a decision has not been made this should be seen as an opportunity to influence a nuanced approach that reflects the social value that the VCS bring to the table in specific opportunities. Suggest that the local Compact group would form the ideal forum in which to discuss how social value could be measured.	
6. Work to ensure that public bodies meet their Compact commitment to involve the VCS in developing policies for measuring social value.	Contact commissioning bodies to remind them that the Compact states that they must involve the VCS “from the earliest possible stage” when developing a strategy for measuring social impact in contracts. State clearly and publically that this means involving the VCS in determining what should be measured and how it should be reported.	
7. Work to ensure that local partners understand the link between the Compact and social value.	Consider introducing an explicit link between meeting requirements under the Act and meeting Compact commitments into any renewal of the local Compact and/or procurement codes. During any discussions between local partners about the implementation of the Act, refer to the Compact as a guide for how to ensure wider partnership activities are consistent with the concept of social value.	
8. Take the opportunity that the Act presents to train commissioners and procurement officers in understanding the Compact.	Regularly providing training to commissioners and procurement officers in understanding the Compact and the wider role and needs of the VCS is vital for ensuring Compact compliance. By highlighting the link between implementing both the Act and the Compact such training will ensure that commissioners associate Compact compliance with their statutory responsibilities for considering social value.	
9. Assess opportunities for the VCS to influence policy development from an early stage and lobby for improvements accordingly.		
10. Review the wider engagement practices of local statutory bodies and assess whether they are sufficient to be able to facilitate VCS involvement in policy development. Suggest improvements.	The Compact sets out principles for proper engagement which compels public bodies to involve the sector at the “earliest possible stage to design policies, programmes and services” and ensure that “those likely to have a view are involved from the start and remove barriers that may prevent organisations contributing”.	
11. Undertake activities to help the VCS get to grips with demonstrating social value.	The Compact also establishes the expectation that consultations should be open for at least 12 weeks to allow partners the time to properly consult their stakeholders and produce a considered response, as well as requiring those consulting to provide redress to respondents.	

<p>(11. continued)</p>	<p>Whilst there may be circumstances that prevent public bodies from meeting these requirements in full, these occasions should be rare and transparently explained.</p> <p>In order to promote the importance of proper engagement of the VCS in policy design, local Compact groups should agree to:</p> <ul style="list-style-type: none"> • Note all consultations and whether they are open for 12 weeks. Report annually on the level of compliance. • Make recommendations for how statutory bodies could remove barriers to engagement and improve redress. • Create (or get commitment for the creation of) a publically, accessible local consultation calendar that all local statutory bodies update. 	
<p>12. Tell partners in public bodies what they can do to reduce the burden on the VCS of reporting social value whilst improving quality of the information provided.</p>	<p>Local Compact groups, or local infrastructure bodies, should ensure they make efforts to provide training and information for local VCS organisations on measuring and reporting social value. Making a positive argument to VCS groups about the benefits of understanding and sharing the wider impact that they provide can help improve their success in delivering services. Whilst there are benefits for the VCS in measuring the social value that they create, requiring extensive information in tenders for some small contracts may not be appropriate. The Compact states that “monitoring and reporting [should be] relevant and proportionate to the nature and size of the opportunity”. As statutory partners review procurement codes in preparation for the Act, we advise local Compact groups to ensure that this commitment is given a definitive financial threshold. Furthermore, we advise local Compact groups, as the well as wider local VCS organisations to engage with local statutory partners and ensure mainstreaming as much of their reporting as possible. Pre-Qualification Questionnaires should use similar language and ask for information in a similar format.</p>	
<p>13. Work with partners to ensure that considering social value is as much a part of decommissioning as it is procurement.</p> <p>14. Collect examples of where weighting the social value that the VCS provide locally could lead to long term savings to show that rewarding social value is cost effective.</p>	<p>Local Compact groups should identify statutory leads in local authorities with responsibility for decommissioning, identifying what current decommissioning processes are in place, and whether they make reference to social value. If they do, disseminate and share this information amongst key local partners involved with local Compact groups. If not, provide support and guidance for local statutory bodies in order to jointly agree how social value can be best included in decommissioning processes, which makes reference to the feedback of local voluntary and community sector organisations</p>	

<p>15. Collect examples of where failing to recognise social value in procurement has led to extra costs.</p>	<p>The VCS is uniquely placed to be able to deliver social value outside of the narrow remit of most contracts. This not only means that statutory funders get more for the taxpayer's money, but also that potential future costs can be avoided through preventative means. Local Compact groups should make this argument externally. Inviting commissioners to meetings should be the first step. However, collecting real world examples of where value is not currently being recognised will allow local groups to have a wider influence. Politicians in particular are likely to find such tangible examples more convincing.</p>	
<p>16. Look at your local authority's procurement code to find out how EU procurement legislation is being, or is supposed to be applied. If adherence to EU procurement codes is more restrictive than necessary, work towards influencing a change in those codes.</p>	<p>Many local statutory bodies will be in the process of reviewing their procurement codes to reflect government policy. This is an opportunity for the VCS to positively influence the procurement process. Local Compact groups should offer to work with procurement staff to ensure that Compact principles are embedded into procurement codes and underpin measures to deliver social value in contracts. In addition, local groups should tackle overly conservative interpretations of EU procurement law by referencing the different approaches to procurement through the resources available on NCVO's website.</p>	