

### **Social Enterprise Mark CIC response to Social Value in Government Procurement consultation**

We welcome the fact that the government is considering trying to use its buying power to increase social value. If this is to be achieved successfully it will not only be a better outcome for those that the contract delivers for, but it will also help to achieve wider societal and environmental benefits for all.

We can help in this journey and have a number of suggestions drawn from the experience of and evidence from our network of accredited social enterprises, our own experience and track record of robust accreditation over 10 years, and that of our colleagues and friends, including [UnLtd](#), the Supported Business Steering Group (for DWP), [Social Traders](#) in Australia (where a successful Social Procurement Framework has been set up by the Victorian Government, which has buy in from the social enterprise sector), and [Urgent Health UK](#).

Social Enterprise Mark CIC is a social enterprise accreditation body, responsible for assessing applications for the internationally recognised Social Enterprise Mark, the Social Enterprise Gold Mark, and the new Social Enterprise Disability Employment Mark and Local Authority Disability Employment Mark. Our world-first accreditations ensure that the social enterprise business model remains ethical, credible and commercial. We provide clear standards for the social enterprise sector, defining what it means to be a genuine social enterprise.

The Social Enterprise Mark acts as an independent guarantee that a business is operating as a genuine social enterprise, with the central aim of using profits to maximise social benefit, which takes precedent over generating dividends for owners/shareholders. The Social Enterprise Mark has a presence in 10 different countries, including South Africa, Singapore, and Spain.

The Social Enterprise Gold Mark is the only standard of social enterprise excellence. It offers enhanced accreditation to social enterprises that can show best practice in proof points across key business areas, including financial transparency and business ethics. The Gold Mark acts a business development tool that sets benchmarks and an action plan for continuous improvement.

The new Social Enterprise Disability Employment Mark and Local Authority Disability Employment Mark, which were developed with the Supported Business sector following discussions with DWP, are designed specifically for organisations whose primary objective is the employment of disabled people. They aim to provide assurance for commissioners/funding bodies and disabled people on the specialist supportive environment provided for employees with disabilities.

#### **Overall issues**

We have concerns about the narrow focus being taken to a complex and broad area of work and ask the question of whether this will actually deliver more and better social value for central government contracts. Looking at what has happened thus far, at a more local level, there is very little evidence of much incentive to diversify the model of provision. Instead there are nods towards very basic social value addition, e.g. employment of apprentices (which would probably have happened anyway) rather than the social value that sits in a social enterprise's DNA and how it uses its surplus/profits to boost its impact. Specific evidence of this problem is provided in Appendix 1 by ECT Charity.

It is increasingly frustrating that social enterprises are not able to use their business model as a means to deliver best social value, as was the original intention of the Social Value Bill before it became an Act. This seems to be partially due to risk aversion and also to narrow interpretations of EU/UK competition law by central government departments. For instance, Regulation 20 and 77 of the Public Contracts Regulation 2015 reserve contracts for certain types of suppliers in order to allow for the contracting authority to further social, health and other policies. This is rarely mentioned.

The suggested proposals are also voluntary, which means in reality, with an already stretched civil service, they are unlikely to be carried out. In reality, loopholes will quickly be found unless there are committed individuals who want to take this forwards as it stands. It requires mandatory instruction for effective delivery of social value and for it to be taken seriously as part of the quality agenda.

**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 targets are very prescriptive, quantitative and narrow, and therefore there is a risk of it being another ‘tick in the box’ that big firms can prove through a paper trail, but which social enterprises don’t fit into, as they work across boundaries in a flexible way creating social value that reflects that community or interest group’s needs. These should be **minimum** thresholds with **qualitative outcomes** also considered.

In addition we would make the following observations/recommendations:

- Leave specific metrics out as the current ones are too prescriptive and narrow. Instead consider third party accreditation (described in more detail in following answers)
- A Social Enterprise Theme and/or an upgrade of the ‘Ensuring businesses in the supply chain encourage more cohesive communities’ into a standalone theme, with a meaningful metric, e.g. equivalent investment in the local community as a % of surplus of contract value, number of corporate hours dedicated to charity, % employees from the local community, value of resource sharing/in kind contributions as well as qualitative outcomes
- Specific targets should be set for percentages of disabled people employed and that those that hold the Social Enterprise Disability Employment Mark are recognised as exemplar employers in supply chains
- The metrics should be backed up by a methodology for those measuring and managing the contract (there is a guide and training materials for this provided as part of the [Victoria State’s Procurement Framework](#) supporting documentation – see Appendix 2)
- Public Health, LGBT, Community Work and Older People Outcomes and Metrics and an absence of the Prevent agenda in the ‘Safe and Secure Supply Chains’ theme
- A resource toolkit could be provided to help monetise outcomes, e.g. addressing loneliness
- There should also be a formula for the size of organisation that metrics are applied to as described in the table in Appendix 2 to ensure proportionality
- That the finally agreed framework applies to the whole length of the contract, not just the commissioning phase, i.e. project management

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

The consultation states that ‘The overarching objective for the government’s commercial activities will remain achieving the best commercial outcome’. The wider interpretation of commerciality is taken in the [Victoria State’s Social Procurement Strategy](#) in Australia, which takes the position that social and sustainable procurement is key to value for money. In the light of the seriousness of climate change and the need to create social value, the definition of ‘the best commercial outcome’ must take these concerns into account. It should not be optional. There should be clear evaluation criteria and guidance for deciding whether social value is relevant (see Victoria example in Appendix 2).

Social value should be part of quality consideration, rather than sitting on its own and cost should be a lower consideration in the weighting (currently evidence shows that price is often an overriding consideration). We believe that a 10% weighting will not change behaviours and a minimum will likely become a standard to be aimed at. If costs are higher, then the quality of delivery should be considered and balanced as additional outcome and benefit that is over and above the price. This is the basis of social value. We would suggest that a 20% weighting is a more appropriate level to provide a proper incentive to create social value in a contract.

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

The current approach does not set out how it will encourage more social enterprises or VCSEs to apply. It merely encourages more ethical business. The fact that social enterprises create social value through their values, approach and business model is not considered or appreciated in this approach. The added social value that a social enterprise can deliver is neatly illustrated by 3 Spirit UK’s experience of delivery to Hertfordshire County Council (see Appendix 3). 3 Spirit UK developed a relationship over a number of years with the commissioners, which fostered trust on both sides. This is why we argue that social enterprises should have their own theme within their own right **backed up by third party robust accreditation to prove their social value**. In many ways the commissioning process can be a barrier to the effective delivery of social value as it creates false ‘Chinese Walls’ between commissioner and deliverer.

It is likely that promotion of the Evaluation Model will further weaken the take up of reserved contracts (Regulations 20 and 77, PCR 2015). The promotion of these should be central to any training for commissioners and commercial buyers.

The prime contractor model is also a significant barrier to social enterprises. It is our experience that social enterprises are often ‘bid candy’ and once the contract has been let, then the social enterprise is dropped and there is little monitoring. Many social enterprises are small so they might be third or fourth tier suppliers. In order to address these specific barriers we would suggest the following options:

- The whole Government reconsidering the sustainability of the Prime Contractor model, which is looking increasingly fragile as the risks are proving high when a Prime fails, e.g. Carillion. However we do recognise that this is beyond the powers and scope of the Cabinet Office

- Consider a more direct approach to contacting with (accredited) social enterprises where contracts fall under the threshold
- Consider pros and cons around ‘unbundling’ larger contracts to allow social enterprises to bid for parts of the contract directly rather than through Prime contractors and requirement for all ‘bidders’ to use reserve contracts principles
- Ensure that all levels of the contract are properly monitored and managed to ensure that fees paid to social enterprises properly reflect social value as well as monitoring that social value itself is delivered wherever it is in the supply chain throughout the contract

**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?**

Please see Appendix 2 - taken from the Australian Victorian Government’s [Social Procurement Framework](#), which takes a much broader approach looking at actions that are proportionate to the relative to the size of contract as well as recognising that social enterprises are delivering social value in their own right.

This approach is backed up with a [strong and robust accreditation scheme](#), run by Social Traders, which is on a parallel with the [Social Enterprise Mark](#). All social enterprises are required to hold this standard in order to supply government departments.

This approach has a number of advantages:

- It is more **cost effective** and takes a **broader** approach, rather than training all procurement officers, commissioners and contract managers
- It puts the onus on an experienced third party with expertise in social enterprise and social value to **check and verify claims** (rather than inexperienced civil servants)
- It **continually assesses** that evidence in a consistent and robust way (rather than as a one off at bidding stage)

We have also developed more specific accreditations where there is a weighting on a particular emphasis, e.g. Disability Employment. We have developed the [Social Enterprise Disability Employment Mark](#) in partnership with the Supported Business sector and the DWP.

At a minimum there should be an **additional column for relevant accreditations** and how these claims have been evidenced and continually measured and managed rather than just at bidding stage.

Finally, we would reiterate that we are very happy to work with the Cabinet Office to further this agenda and would be delighted to meet relevant officials to ensure that social value is truly embedded into public sector procurement, commissioning and contract management at all levels.

## **Appendix 1**

### **Evidence of the challenges of understanding and demonstrating social value to commissioners provided by the Award Winning [ECT Charity](#)**

- In its experience of tendering at a local authority level, ECT has seen extremely limited evidence of LA engagement with social value
- In only one case have we have seen a tender which had a specific question on “Social Aspects” and the benefit provided to the community living in the area where the work was to be undertaken. This question was worth 5% of the Technical Evaluation which was 70% of the overall evaluation. The Financial Evaluation was worth 30%.
- In the limited other instances where we have encountered LA engagement with social value, it has focussed purely on direct employment opportunities e.g. job creation, apprenticeships, equal opportunities. This definition of social value does not give social enterprises the opportunity to demonstrate the difference between themselves and any other business.
- In the absence of any other available metric, ECT has created its own social value methodology. This applies a monetary value to our social impact and has been made accessible to community transport organisations across the UK. Community transport organisations aid passengers who would not otherwise have been able to travel. IN addition to getting passengers from A to B, there are a number of other positive social impacts for the community, such as giving elderly people the opportunity to socialise with other people, to live independently, to attend health appointments and the benefits that these have on their health and wellbeing.
- ECT has also worked with Ealing Clinical Commissioning Group (CCG) to assess the social impact of a community transport service ECT provides for the CCG transporting patients to their GP appointments. This service is designed to reduce costly home visits and aid in the long term management of patients’ health. The methodology has attempted to help improved health outcomes for the users of the service and the reduction in home visits.
- The development of this was driven by ECT as the CCG had no system in place to calculate this social value and no access to a central NHS resource that could assist in doing so. This demonstrates that at a commissioning level, there is no understanding of social value or processes / knowledge in place to engage with it in procurement.
- More information about ECT’s social value toolkit can be found [here](#) and a report on the Impact Evaluation developed with the CCG can be found [here](#).



# UPHOLDING THE STANDARD FOR SOCIAL ENTERPRISE

## SOCIAL ENTERPRISE MARK CIC

### Appendix 2

#### Victoria State's (Australia) Procurement activity requirements for Government buyers

Table 3: Individual procurement activity requirements for government buyers

Victoria's Social Procurement Framework Individual procurement activity requirements				
	Below threshold	Lower band	Middle band	Upper band
	Regional under \$1 million Metro or State-wide under \$3 million	Regional \$1 to \$20 million Metro or State-wide \$3 to \$20 million	\$20 to \$50 million	Over \$50 million
<i>Planning requirement for government buyers</i>	Incorporate SPF objectives and outcomes into regular procurement planning		Complete a Social Procurement Plan during procurement planning	
<i>Described approach</i>	<b>Encouraged</b> Seek opportunities where available to directly or indirectly procure from social enterprises, ADEs or Aboriginal businesses	<b>Proportionate</b> Use evaluation criteria (5 to 10 per cent weighting) to favour businesses whose practices support social and sustainable procurement objectives	<b>Targeted</b> Include performance standards and contract requirements that pursue social and sustainable procurement objectives	<b>Strategic</b> Include targets and contract requirements that pursue social and sustainable procurement objectives
Recommended actions for government buyers				
<i>Social Enterprises, ADEs and Aboriginal businesses</i>	Seek opportunities to directly or indirectly procure from social enterprises, ADEs or Aboriginal businesses	Consider whether part of the procurement can be unbundled for delivery from social enterprises, ADEs or Aboriginal businesses	Set targets for supplier expenditure with social enterprises, ADEs or Aboriginal businesses and ask suppliers to demonstrate how they will meet targets	
<i>Disadvantaged communities</i>			Set supplier targets for employment and training for disadvantaged Victorians	
<i>Gender</i>		Ask suppliers to demonstrate gender equitable employment practices in weighted framework criteria	Include performance standards on labour hours performed by women	Include industry-appropriate targets for labour hours to be performed by women
<i>Disability</i>		Ask suppliers to demonstrate inclusive employment practices for Victorians with disability in weighted framework criteria	Include performance standards on labour hours performed by Victorians with disability	Include targets for labour hours to be performed by Victorians with disability
<i>Family Violence Leave</i>			Ask suppliers whether they offer family violence leave in weighted framework criteria	
<i>Fair and safe workplaces</i>			Ask suppliers to demonstrate compliance with industrial relations laws	
<i>Environmental sustainability</i>		Ask suppliers to demonstrate environmentally sustainable business practices in weighted framework criteria	Include requirements as relevant on recycled content, waste management and energy consumption.	
<i>Climate change</i>			Where procurement includes a design component, include requirements on greenhouse gas emissions and climate change resilience	

### **Appendix 3**

#### **3 Spirit UK's Case Study of the effective delivery of social value for HCC**

3 Spirit UK (3 Spirit) were commissioned by Hertfordshire County Council (HCC) to develop a dementia training programme in 2012. As a result of demographic challenges and the rising incidence of dementia HCC continued to invest in a dementia training programme, which developed incrementally. Government policy also initiated an increased investment in research, alongside which new opportunities developed to introduce evolved workforce practices. HCC developed a long-term relationship with 3 Spirit, an SME and the continued investment in their services enabled 3 Spirit to create new knowledge through the interface of research with local practice.

Over that period 3 Spirit collaborated with a number of stakeholders in the development of the learning resources, often in the form of info graphics and then made these widely and freely available to the immediate and wider community, meaning that the impact of their work was not limited to the workforce that they trained. These resources were often used to start conversations and change behaviours / practices.

In 2017 3 Spirit made a strategic decision to apply for the social enterprise mark to support the development of partnerships that could foster a shared vision and could cultivate/maximise the social impact of their work.

The impact of the learning resources was monitored, and the following impacts were determined beyond the service setting in which the workforce initiative was delivered

ANSWER CHOICES	RESPONSES
▼ for personal learning/guidance	44.26%
▼ to educate others	55.74%
▼ to raise awareness in my community/network	39.34%
▼ to improve the care and support I give to someone	36.07%

Examples of quotes from a broad range of people about how these resources were used in a broader context adding social value

*'I use these resources in my teaching hospital in Ireland'*

*'They have inspired me'*

*'They make my job as a Memory Care Program Facilitator much easier as the infographics are the written form of what I teach!'*

*'I share with families and carers'*

*'They are easy to read & understand and when shown to members of the public (not involved in the care industry) the message is easily relayed'*

*'They give great advice, better understanding and knowledge. Increases confidence for care staff'*

*'I have helped raise awareness in my child's school and friends and family'*

*'Helped me to think of activities to use with clients'*

*'I am a care home manager. It not only aids me in supporting the individuals within the home but also my staff team in giving them guidance and support. My team also benefits from them individually and as a group in improving understanding and the quality of care they deliver'*

*'Used for delirium package, used to help fellow colleagues access key issues or structure their work or thinking. Saved me time constructing my own'*

*'Often very useful if talking to a carer of a person with dementia, to be able to show them a visual representation of what's being discussed. This can make it easier for them to retain the information'*