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# Social Value and Commissioning Toolkit

A guide for charities on social value and commissioning  
produced for the Children's Partnership – 2015

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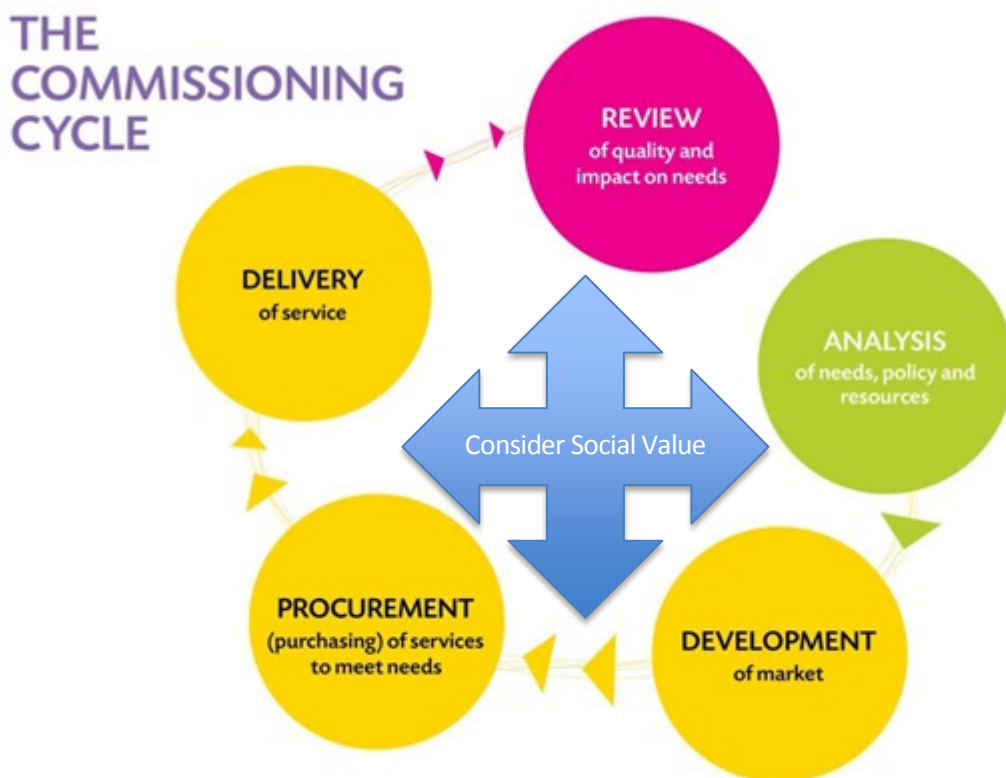
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# What is commissioning?

## What is the difference between commissioning and procurement?

Very simply: procurement is the act of purchasing a service. Commissioning is the process that public bodies use to assess the needs of people in the area, design the services to meet those needs and select an appropriate provider to deliver the service. It's a decision making process that also involves the procurement (purchasing) of services by either grant-funding or competitive tendering (where potential providers bid to win contracts for delivery).

Procurement is often confused with commissioning. In fact, procurement is one part of the commissioning cycle: the point at which a public sector body decides the goods and services it wants to purchase, then sets out a contract with the most suitable provider.



### What is the role of charities in the commissioning cycle?

Charities can help to transform public services – not just through delivery but also by shaping service design, and supporting service user and volunteer involvement. A good commissioning process involves engaging with users and providers (often referred to as ‘pre-procurement dialogue’) to assess need and determine whether the market is able to deliver against this need. With their close connection to users and being rooted in local communities charities are essential partners in this process. As such charities should not be viewed only as potential providers, but also as a catalyst for wider changes and improvement.

### How is commissioning changing?

There have been a number of policy developments over the past few years that aim to improve the effectiveness and efficiency of the commissioning process and public services:

**The Government’s Open Public Services agenda** - aims to create a level playing field and a greater diversity of providers. Central to this vision is ensuring that smaller providers - particularly charities, social enterprises, small and medium sized businesses - will be able to influence and deliver local public services. Following this are a [suite of reforms from Lord Young](#) scheduled for 2015 which aim to increase the participation of small businesses and charities in service delivery including abolishing pre-qualification questionnaires (PQQs) for low value contracts and a requirement that all local government contracts above £10k be advertised on Contracts Finder.

**The Localism Act 2011** - aims to facilitate the devolution of decision-making powers from central government to individuals and communities. This includes new rights for community groups to bid for '[community assets](#)' if they are up for sale or threatened with closure; a '[Right to Challenge](#)' which allows communities and groups to submit an 'expression of interest' if they wish to provide a service; and a '[General Power of Competence](#)' which gives councils the power to do anything an individual can do provided it is not prohibited by other legislation.

**The Social Value Act 2012** - requires local authorities to consider how the procurement of a service can improve the economic, social and environmental well-being of an area (see below). Similarly [Best Value guidance](#) places an expectation on public bodies to consider overall value, including economic, environmental and social value, when reviewing service provision.

**New EU procurement rules** planned for 2015 which include:

- A new ‘light touch’ regime for ‘services to the person’ with a new financial threshold of €750k (increased from €200k). Public bodies commissioning services

below this amount will not have to follow EU procurement rules, thereby providing greater scope to integrate wider policy objectives – like social value - into procurement.

- **Public bodies are encouraged to split larger contracts into smaller lots, or explain their reasons for not doing so.** This could help smaller charities take on a greater role as service providers.
- **An increased emphasis on consultation before and during the tender process** to assess user need, help gain a better understanding of the feasibility of delivery, and understand the capacity of providers to deliver, as well as develop, the market as necessary.
- **The introduction of a new ‘innovation partnership’ procedure** which allows public bodies to engage with suppliers to procure innovative services that are not already available on the market place.
- **A ‘turnover cap’** preventing local bodies from demanding an organisation’s turnover is more than twice a contract’s value.

### Checklist 1

- Do you know what commissioning is?
- Do you understand the distinction between commissioning and procurement?
- Have you thought about what the role of your organisation in the commissioning cycle may be?
- Do you understand the various reforms to commissioning mentioned above and the opportunities these present for your organisation?

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# What is Social Value?

Social value is about recognising additional social, economic or environmental benefits above-and-beyond the primary service being delivered. It goes beyond looking at the cost of a given contract, to looking at what additional benefits could be achieved with the funding available.

A commissioner considering social value when spending £100,000 on a service would ask, 'could that £100,000 be spent in such a way that it secures additional benefits for the community?' In this way, social value can also contribute to savings for the public sector.

### Case Study: Knowsley Third Sector Consortium

The Warmer Homes programme led by [Knowsley Third Sector Consortium](#) (Forward Together) aims to reduce the levels of cold related illness and improve the mental health of vulnerable residents throughout the winter period by providing energy advice, debt advice, crisis home heating assistance (emergency heaters, blankets, additional clothing, and companionship), nutritional sustenance and dietary advice.

In addition to its primary objective the programme delivered the following additional social value in 2014: 50 young people were involved in peer education programmes; 21 new volunteers were generated and a further 196 were placed with community groups; 83 people were supported to live independently and 200 reported a reduction in household waste and waste to landfill; 510 people reported a reduction in social isolation and an increase in confidence; and 10 residents obtained new skills and received formal qualifications.

## How can social value be achieved?

There are many ways a public body can improve the social, economic or environmental well-being of an area with its spending power, whether it be helping charities and community groups win more business; creating jobs or volunteering opportunities for young people; increasing community involvement and cohesion; addressing social isolation; generating apprenticeships and education pathways; facilitating neighbourhood improvement schemes; reducing environmental degradation; or fostering local economic growth.

### Case Study: City West Housing Trust

A social audit recently showed that [City West Housing Trust](#), a not-for-profit organisation owning 14,600 homes in Salford, delivered more than £2.3 million of social value through schemes training young people for the construction sector, and its Litter Legacy programme which works

with local communities to improve the appearance of neighbourhoods. The association has also reduced its impact on the environment through its renewable energy and property development projects, helping some of the poorest households in its communities to save a further £1.3 million in fuel bills.

## How can you articulate your social value?

Charities that want to strengthen their position in bidding for contracts should consider what added social value they bring and how to communicate this. However, it is important to note that the term 'social value' relates to the **additional** social value (distinct from social impact) you can deliver above-and-beyond the primary service you are bidding for. The following are some potential social value outcomes to get you thinking about your own activities:

- Enable children and young people to maximise their capabilities and have control over their lives
- Create fair employment opportunities (such as the living wage) for young people
- Build community resilience and cohesion within young communities
- Increase children's and young people's safety or well-being
- Provide curriculum or literacy support in schools
- Help develop students' employability and money management skills
- Provide apprenticeships or pathways to employment
- Provide traineeships and work experience opportunities
- Provide National Vocational Qualifications for young employees
- Involve young people in decision making processes
- Use volunteers who learn new skills and gain more confidence
- Make communities or places more environmentally sustainable
- Use local supply chains to help facilitate local regeneration
- Improve the mental well-being of employees or volunteers used to deliver a service
- Reduce anti-social behaviour
- Increase energy efficiency within local communities
- Provide neighbourhood improvement projects
- Help increase easy access to green spaces
- Encourage outdoor activity and alternatives to car use
- Provide sponsorship or cash donations to local organisations or community groups
- Use environmentally sustainable materials and goods
- Eliminate or reduce waste to landfill
- Respect the heritage and distinct identity of your area

In some cases it might be useful to explain your social value in terms of £s saved to the taxpayer. The [Cabinet Office's Unit Costs Database](#) brings together more than 600 cost estimates in a single place, most of which are national costs derived from government reports and academic studies. The costs cover crime, education and skills, employment and economy, fire, health, housing and social services. You could use these costings to strengthen the social value dimension of your bids for government contracts.

### Case Study: Blue Sky Development

The social enterprise [Blue Sky Development](#) delivers ground maintenance and recycling contracts for local authorities and other public bodies. The organisation only employs people who have recently come out of prison, enabling them to move directly into long-term employment and reducing the likelihood of reoffending. Given that one prison place costs approximately £41,000 per year, the organisation is potentially saving millions of pounds to the public purse.

## Examples of social value questions in tenders

Once you have thought about how to articulate your added social value you should start to think about the tender process and how you might be asked to demonstrate your social value when bidding for a contract. The following are examples of questions asking you to demonstrate your social value in tenders:

- What are your key objectives as an organisation in relation to sustainability?
- Describe how you will balance cost, quality and performance to ensure best possible value for money whilst ensuring people have a positive experience of care.
- Please state clearly the additional social value offer that you will provide during the life of the contract (include timescales and outcomes to be achieved).
- Outline your evidencing/verification/evaluation methodology to demonstrate that the social value outcomes have been achieved.
- Please describe any additional social value outcomes that can be delivered by your organisation beyond the direct provision of services/goods. This could include social, economic and environmental benefits.
- Describe your organisation's approach to Corporate Social Responsibility and provide two case studies to support.
- Please describe how you bring extra value to this contract including how you will develop opportunities for additional funding to be brought into the local area.



### Case Study: United Response

Following engagement with the community and voluntary sector, York City Council produced a specification for its Café West tender which included the consideration of air miles, food waste and employment practices. The charity United Response now delivers the service and generates added social value by offering work placements to individuals with disabilities

## Checklist 2

- Do you know what social value is?
- Have you considered what **additional** economic, social and environmental value your organisation creates through delivery of services?
- Have you thought about whether you can explain your social value in terms of £s saved?
- Have you thought about how you could generate more social value through what you do?
- Have you thought about how you can articulate and evidence your social value?
- Do you understand how you might be asked to demonstrate your social value by commissioners or procurement officials?

# How can you advance the social value agenda in your area?

The responsibility to advance the social value agenda does not rest solely with the public sector. As charities we also need to embrace change and adopt a collaborative mind-set towards working with local authorities.

Once you have thought about the added social value your organisation delivers you should think about how you communicate this to local commissioners and how to become involved in local decision-making processes.

Start by familiarising yourself with the current policy priorities of your local bodies – for example, reducing anti-social behavior or improving the mental well-being of young people – and talking to elected members and local authority staff about how commissioning for social value could help to achieve these priorities and better value for money.

Where there is the opportunity to engage in strategic discussions, or specific commissioning processes – such as ‘meet the buyer’ events or consultations - charities can embrace these opportunities and help to facilitate the involvement of their service users and local community.

## Why is dialogue with commissioners about social value so important?

Identifying what social value outcomes are most important in any given area is essential for an effective social value strategy. For example, one local authority may have a particular problem with youth unemployment, so prioritising job creation or apprenticeships might be more valuable than focusing on outcomes that tackle anti-social behavior or community cohesion.

To ensure a social value strategy reflects local needs it is essential for commissioners, users and providers to have a meaningful conversation about what their local area’s priorities are, so that these can be reflected in contract specifications.

## What do I need to ask commissioners about social value?

- **Does the public body have a social value policy?** The Social Value Act 2012 requires all public bodies to have regard to economic, social and environmental well-being in connection with public services contracts. It has now been two years since the Act became law so most public bodies should have a social value policy or similar document explaining how they plan to fulfill their obligations under the Act.

- **Is the public body's social value strategy supported by elected members or senior staff?** There is a clear correlation between how effectively public bodies have embedded social value in their commissioning practice and the level of political leadership or 'buy in' from senior staff.
- **Does the public body integrate social value into its commissioning process?** Having a social value policy or strategy is one thing, but is there evidence of this actually being used in public service contracts? Ask your commissioner where social value has been incorporated into contracts and what weighting this has been given in comparison to price.
- **How is the public body planning to act on the new EU procurement reforms?** The new EU procurement rules briefly outlined above have the potential to increase the participation of charities in public procurement and give greater scope to integrate wider policy objectives – like social value - into procurement.
- **Do your local commissioning and procurement teams work closely together?** Sometimes forward thinking commissioners with innovative ideas – including social value - can have their business case blocked by risk-averse procurement officials. Where commissioners and procurement teams do work well together, more efficient and effective public services often result.

### Checklist 3:

- Do you have regular dialogue with local commissioners?
- Do you know what questions you need to ask commissioners around social value?
- Do you have the resources in place to manage relationships with local commissioners?

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## What are the commissioning challenges facing charities?

Charities have a long history of delivering public services and tackling some of society's most intractable problems. However current practice in public sector commissioning and procurement sometimes presents barriers which prevent them from achieving their full potential as providers and shapers of public services:

- Increasingly there is a tendency by public bodies to focus too much on price and cost, rather than long-term value for money and social value.
- Commissioners often fail to adequately engage with users and the organisations that advocate on their behalf when assessing the need of the local population and designing services.
- Contracts are steadily becoming larger in both scale and duration, and this can prevent smaller organisations with less cash-flow and upfront capital from bidding for contracts.
- Some charities, particularly smaller ones, lack the resources needed to meet short timescales, or the skills required to complete what can be complicated and overly burdensome tender documents.

### Case Study: Turning Point

The charity [Turning Point](#) has delivered its Connected Care model of community-led commissioning across 14 areas in England. This model enables communities to be involved in the design and delivery of services and has resulted in services that are more effective and which deliver significant net benefit to the public purse. A cost benefit analysis of one area found that with every £1 invested a return of £4.44 was achieved. When the benefits of improving quality of life are included, a return of £14.07 is gained for every £1 invested.

## How can charities overcome these challenges?

Addressing many of the challenges associated with poor commissioning and procurement practice requires a change in culture and behavior within public bodies. However, there are also steps charities can take to help increase their participation in the commissioning process.

**1. Get to know your local commissioning and procurement staff.** This will allow you to explain why cheapest is not always best, and how your service – which may incorporate social value and preventative action - can represent better value for money over the long-term. It will also allow you to highlight how the new EU 'light touch' regime mentioned above provides greater scope for

commissioners to integrate wider policy objectives – like social value or grant giving - into procurement.

**2. Make the case for pre-procurement dialogue and market engagement.** Often commissioners fail to engage with users and providers to assess user need and design services because of a misplaced assumption that EU procurement rules prevent this. However, new EU rules actually encourage this level of engagement.

**3. Make the case for smaller contracts.** Splitting large contracts into smaller lots can allow a greater diversity of providers to participate in service delivery, including small community-based organisations with close connections to users. New EU rules require public bodies to explain their reasons when they fail to do this and prevent them from requiring an organisation's turnover is more than twice a contract's value.

**4. Consider forming consortia or social investment.** If you can't convince a public body to let smaller sized contracts and you still want to tender for the contract, you may want to consider methods of scaling up. This might be through social investment or some form of partnership arrangement – such as consortia - with other providers.

**5. Challenge disproportionate tender timescales.** You may want to remind your public body of their obligations under EU law to set timescales for the receipt of tenders that are proportionate to the size and complexity of the contract. Proportionate PQQs and tender documents are central to this.

Where you feel a public body has acted inappropriately - whether with disproportionate timescales or any other part of the procurement process – you can report them **anonymously** to the Government's [Mystery Shopper Service](#).

### Case Study – Halifax Opportunities Trust

[Halifax Opportunities Trust](#), a community development charity, recently won a contract worth £10.5m to run children's services in Calderdale. The charity applied for and won more than £60,000 from the [Social Investment Business](#) to help it put together its tender. The contract tender placed an emphasis on the **social value** the provider could bring to the area, such as employment. But most significant was the decision of the council to split its children's centre contract into two, which allowed smaller organisations to apply.

### Checklist 4

- Do you know what the main challenges facing charities in commissioning and procurement are?
- Have you reviewed your organisations approach to these barriers and identified strengths and weaknesses?
- Are you familiar with the Government's Mystery Shopper service and when this can be used?

## Useful guides and links

[The Public Services \(Social Value\) Act 2012](#) - it is worth getting acquainted with the Act which is very brief compared to most Government legislation

[Commissioning for Social Value](#) – a report outlining the steps three councils have taken to implement a social value strategy

[The Social Value Hub](#) – a website with useful links to various resources on the social value agenda including case studies, presentations and guides

[NCVO response to the review of the Social Value Act](#) - A blog which summarises NCVO's response to the review and our key recommendations

[NCVO response to the consultation on the new EU Procurement Directives](#) – a paper which outlines in more detail the forthcoming changes to EU law

[10 procurement barriers affecting charities and social enterprises](#) – a document outlining the main challenges confronting charities looking to deliver public services

[Procurement Policy Note: The Public Services \(Social Value\) Act 2012](#) – a document produced by the Government which provides advice for commissioners and procurers

[Understanding Social Value: A guide for local Compacts and the voluntary sector](#) - an easy to understand guide which provides a number of practical case studies and practical actions to take

### **About The Children's Partnership**

The Children's Partnership is the voluntary and community sector strategic partner to the Department for Education 2013-15, led by 4Children and the National Children's Bureau and in collaboration with Barnardo's, the Family and Childcare Trust, NCVYS, NSPCC and, in producing this report, NCVO. The Partnership provides policy and delivery advice to government and supports the VCSE sector to develop new and sustainable approaches, increasing capacity and improving outcomes for children, young people and families.

[www.thechildrenspartnership.org.uk](http://www.thechildrenspartnership.org.uk)