

Social Value in Procurement

A Guide for Public Sector Procurement Agencies

Measuring Social Value

The actions of the public sector have a huge impact on society, the economy and the environment; in no area is this more obvious than how it spends public funds.

All public bodies are required to achieve Best Value when they commission services. This should not always mean 'lowest cost', but requires consideration of the 'whole life cost' of a good or service (the most economically advantageous solution).

Public service commissioners must also attempt to maximise the outcomes that they can achieve across the wider social, environmental and economic objectives set out in the Scottish Government's National Performance Framework (National Outcomes) and by local partners in Single Outcome Agreement (Local Outcomes).

'**Social Value**' is a short-hand term used to describe these wider social, economic and environmental benefits that can be secured by commissioners through the direct purchasing of goods and services. Such benefits need not necessarily mean extra costs, but can often be ensured early on in the commissioning cycle simply by designing and specifying services in a different way.

It is recognised that third sector organisations are often well placed to be competitive on price and deliver wider benefits ('social value') at the same time.

However, the Scottish Government recognises that there are often barriers to recognising this wider social value in the public procurement processes. These include a lack of understanding of the added value that the third sector can bring, difficulties in forecasting and measuring this wider concept of value, and restrictions that EU and national regulations bring to the procurement process.

With increased attention on commissioning for social value, there is a growing appetite for commissioners to understand and measure the full effects of commissioned services. In response, **Social Return on Investment (SROI)** has been developed with Scottish Government support as a framework to assess value across a full range of social, environmental and economic outcomes.

SROI and other measurement and valuation techniques have been designed to ensure that commissioners can better capture what matters most to people, communities, the environment, and society; and to more comprehensively weigh up the costs and benefits of commissioning decisions.

Why is Measuring Social Value Important?

What we measure and value ultimately determines what gets prioritised, where resources are invested, and what lessons are learned about improving services.

Adherence to the principles of SROI and the use of this and other social value measurement tools enables commissioners to predict, measure and value outcomes from an activity. This analysis can then be used to inform budget setting, strategic planning (including definition of user requirements), service design, selection of commissioning mechanisms, evaluation of performance, and possibly award criteria.

SROI in particular provides a means to:

- Map the full range of outcomes of a service from different perspectives and consider other relevant outcomes
- Value these outcomes in order to make a comprehensive and informed assessment about their wider impact
- Frame the discussion on where these outcomes are relevant and how they may be included in commissioning.

Commissioners can use the principles of SROI to:

- Improve services and their outcomes for service users
- Unlock potential in their supply base
- Reconfigure services or change commissioning practice to better meet local needs
- Support or evidence links to desired national and local outcomes, and avoid unintended consequences
- Save money.

How Can Ready for Business Help?

As part of our role delivering Developing Third Sector Markets programme, Ready for Business consortium partner Social Value Lab will provide targeted support to commissioners in the following areas:

- Training for commissioning staff to help build awareness and understanding of the approaches and methodologies available to forecast, measure and account for the full range of benefits from commissioning decisions
- Guidance for commissioners on identifying and integrating wider outcomes into commissioning processes; which link to the Scottish Government's National Performance Framework and local Single Outcome Agreements
- Practical assistance and advice to commissioners in embedding social value thinking into all stages of the commissioning cycle from service user involvement to the final review of the impact that the service has made
- Support in implementing new systems to measure and report on outcomes, including the use of new SROI based measurement platforms such as Social Evaluator and the Value Game
- Access to online resources, materials, and templates designed to strengthen outcomes-focused commissioning and social impact measurement.

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