

**An investigation into the use of public procurement  
and commissioning to deliver community (societal)  
value**

by

Sarr-William Jabang

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School of Government and Society

College of Social Sciences

University of Birmingham

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# Abstract

This study examines policies and practices in procurement and commissioning which aim to maximise the value of public organisations' spend by asking for contractors to deliver social value (community benefits) as added value, over and beyond the core requirement. It draws from case studies of revealing practices to i) contribute to the definition and interpretation of the term 'value' in procurement and commissioning, ii) identify a theoretical model of how community (societal) benefits can be delivered as 'added value', aimed at improving public procurement and commissioning practices and iii) explore the implications of this model for the current debate on 'Public Value', examining how it might contribute to policy and practice in creating and delivering value in public services delivery.

The findings suggest that a social value (community benefit) based approach is enabled by first, adopting a specific social policy which clearly links the goals of procurement and commissioning activities to the achievement of community benefits. Achieving this, requires procurement and commissioning processes which involves the community as co-definers, co-creators, and co-monitors of value; not just to be seen as by-standers and consumers of public services. Furthermore, it identifies the measurement of outcomes delivered, the extent to which the outcomes sought under a social value approach are linked to the political parties' agendas, and the similarity of key outcomes delivered under social value across the sector, as key areas for further research.

# Dedication

To all who are born into poverty but have a belief that, their place of birth does not determine what they can achieve or where they end in life.

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First, I give all glory and praise to the eternal God, who gave me life and strength to undertake and complete this PhD research.

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Any errors, omissions or weakness are, of course, entirely my own.

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# Glossary

Contracting authority -	a public agency under taking a procurement or commissioning exercise.
Public Value -	value delivered in the public sphere.
Social Value -	the term is used in the context of the Act and refers to outcomes which represent wellbeing improvements delivered through procurement and commissioning activities to individuals as well as the community as ‘additional value’; beyond the core requirement of the contract.
Community benefit -	refers to the collective benefit or value accruing to a group who can be targeted through intervention funded through public money. The term is mainly used in chapters 8 and 9 to emphasise the aspect of ‘social value’ referring to improvement made to the community and not just, to the individual.
Provider/Contractor -	an organisation delivering a contract to a public agency
Procurement -	the process of outsourcing of services, supplies and works.
Commissioning -	refers to broader activities relating to outsourcing or in-house delivery of public services, supplies or works. In UK, both procurement and commissioning represents the full cycle of outsourcing services, goods, and works to a third party.

# CHAPTER 1: Introduction

## 1.1 Introduction

Public procurement represents 14% of the Gross Domestic Product (GDP) of countries in the European Union (EU Commission, procurement webpage, [http://ec.europa.eu/growth/single-market/public-procurement/strategy\\_en](http://ec.europa.eu/growth/single-market/public-procurement/strategy_en)), which shows the enormous power that governments have to influence markets towards achieving policy objectives. While there has been a great deal of research into the use of public procurement (including commissioning) as a policy tool to deliver social, economic and environmental objectives (Arrowsmith, et al., 2000, Arrowsmith, et al 2009, Arrowsmith, 2010, McCrudden, 2004), there has not been much research into outcomes-based procurement (with outcomes determined by the community), even in the UK, where this has long been a topic for discussion in public administration. Furthermore, few researchers have focused on investigating procurement and commissioning practices which increase the value delivered to stakeholders through the pursuit of multiple outcomes.

In January 2013, the UK government adopted the Public Services (Social Value) Act 2012 as law; making it a legal requirement for public agencies to use procurement and commissioning to seek social, economic and environmental value as additional benefits delivered through contracts. The Act also requires public agencies to consult with relevant stakeholders to identify outcomes which are to be sought as ‘social value’ in procurement exercises.

Furthermore, it promotes changing practices from the emphasise on price towards seeking wider value of economic, social and environmental benefits delivered to communities.

This thesis therefore examines policies and practices which are based on seeking wider value, adopted by English Local Authorities to identify a potentially broader role for public procurement and commissioning as key economic activities of modern government, designed to meet the increasing needs of individuals and communities. The need to use procurement as a tool to deliver multiple outcomes is amplified by the recent global financial crisis, which Benington and Moore (2011) argue has led to citizens expecting the governments to meet their economic, social and environmental needs. This expectation, however, is set against the background of a decrease in public spending and growing demand for existing services, along with the changing nature of services required to meet community needs; taken together, this is putting pressure on governments to be ‘doing more with less’ (Benington and Moore 2011:12). In the face of this challenge, and the expectation that modern governments will address citizens’ economic, social and environmental demands, new practices are needed, which not only deliver regulatory and commercial goals, but also deliver greater value from every £1 spent in procurement and commissioning. Further, it suggests adopting practices which focuses on creating and delivering value, which value is determined by the community. Erridge (2007) echoes this point by linking the concept of ‘Public Value’ with procurement, emphasising the importance both of consultation to ensure that what is being delivered to citizens reflects public preferences, and of the need for providers to have the requisite experience in delivering those outcomes which contribute to the public realm. Therefore, this thesis has explored the policies and practices which might be used in

achieving community benefits by emphasising community participation, principles of democratic governance and engagement with providers during the procurement and commissioning exercise. Further, it examined the theory of ‘Public Value’ as a possible theoretical model for practices which aim to deliver societal (community) value.

## **1.2 The scope of the research**

This study is based on English Local Authorities and it explores how to maximise the value delivered from procurement and commissioning activities. The research primarily investigates policies and practices which allow for multiple outcomes based on community value to be pursued and delivered through procurement and commissioning activities. Given the reductions in public spending and the increasing concerns regarding democratic legitimacy and trust in how public funds are spent, the investigation also examines the role of elected members in procurement and commissioning activities within the local authority. The role of provider organisations in delivering value through contract is examined too.

It draws on public policy documentation, the academic literature and empirical case studies of revealing practice to identify key steps required in procuring ‘added value’, be they social, economic or environmental value. The review of policies is limited to UK and EU procurement policies which allow for social, economic and environmental factors to be incorporated in procurement and commissioning design and processes. For the academic literature, the review focuses on the concept of ‘value’ (as determine by the public or

community) in delivering public services and is mainly drawn from the public administration, public management and Public Value literatures.

### **1.3 The structure of the thesis**

The remaining thesis is structured as follows:

**Chapter two** outlines the background of the study aimed at providing a context for the research objectives and research questions. Further, it presents an overview of factors driving procurement and commissioning towards seeking wider benefits from procurement and commissioning activities.

**Chapter three** provides the first part of the literature review and aims to provide a definition and interpretation of the term ‘value’ which is a key objective in public procurement and commissioning activities. The review also aims to provide better understanding of the three broad areas of economic value, social value and environmental value, which broadly describe outcomes targeted in procurement or commissioning activity. Crucial to implementing the Act is whether the outcomes delivered are being measured or not. In view of this, the review also focuses on methods used in evaluating the non-financial outcomes, and the tools or techniques used to measure social, economic and environmental outcomes delivered from procurement and commissioning activities.

**Chapter four** is the second part of the literature review, and it aims to establish a theoretical model for providing public service based on the community; not the organisation,

determining what represents value to them. In view of this, the review is focused on the concepts of 'Public Value' (Moore 1995) and 'share value' (Porter and Kramer 2011) relating to the public sector and businesses respectively. Further, it establishes a theoretical model for determining community preferences that procurement and commissioning processes can be based on to target and deliver outcomes which represent value to multiple stakeholders.

**Chapter five** outlines the methodology underlying this study. The literature review from the two chapters above shows that, while there is a theoretical basis for modelling public service delivery based on collective preferences and on the concept of seeking outcomes which represent community benefit outcomes, there are not many examples and data to draw upon to develop a model for practitioners to adopt to deliver such outcomes. Consequently, this chapter describes and justifies the selection and undertaking of five case studies as the core research design for this study. It describes the methods which was used to collect the primary data, together with how the data is reported and analysed.

**Chapter six** frames the findings from the five case studies to answer the first research question, which examines the contribution of the Public Services (Social Value) Act 2012 in changing procurement and commissioning practices towards the seeking of additional value, with that value determined by communities. It also explores whether or not similar policies and practices can be adopted without reliance on the Act. And lastly, it explores the processes required to deliver community benefit outcomes and to what extent this differs from the traditional procurement and commissioning approach.

The findings suggest that a community benefit (Social Value) based approach is enabled by first, adopting a specific policy which clearly links the goals of procurement and commissioning activities to the achievement of community benefit outcomes. To achieve this, procurement and commissioning processes need to change to enable the needs of multiple stakeholders to be met by a single exercise. Second, the local authority must, through consultation with stakeholders, develop a corporate Social Value Framework (a document which identifies social, economic and environmental benefit specific to individuals and communities served by the public agency), for procurers to target those outcomes when going out to tender. These are to be strengthened by designating a section in tender documentation which specifically outlines the community (social) benefit outcomes which are desired, which can be weighted and scored during evaluation of bids. Furthermore, specific terms and conditions relating to community or social benefit need to be drawn up to bind contractors to deliver those benefits.

However, when it comes to the approach and tools used to measure outcomes, the study found that although organisations are aware of tools such as SROI, they are not using them – rather, they are seeking other tools which will cost them less. In addition, there are no standard indicators to measure the outcomes across the sector, therefore the weight given to social value, as compared to financial outcomes, varies from one organisation to another.

**Chapter seven** also frames the findings from the five case studies to answer the remaining two research questions. It answers the question about the roles of elected members and contractors or suppliers (i.e. from the private and third sector) in helping public agencies to focus on delivering community benefit outcomes. The findings suggest that the elected

members' role is to provide the democratic 'voice' in the procurement and commissioning process, which should help the organisation to link its procurement goals with the needs of the community. They also have a role to play in embedding the practice within the organisation through the scrutiny challenge or report approval process.

In doing so, the study found that the Act did contribute to organisations changing their practices to open up their procurement market to SMEs and VCSEs. However, for some organisations the key driver for the changes to support the sector has been as a result of other policies, not the Act. The findings also suggest that asking for social value (as additional benefits) in contracts does not result in increases in cost to the local authority.

**Chapter eight** discusses the research findings in relation to the key themes emerging from the literature review. In doing so, it identifies the emerging policies, practices and processes which enables a social value approach and explores their implications aimed at improving procurement and commissioning practice.

Lastly **chapter nine**, report the findings of a secondary data review of the progress made so far in implementing a social value approach. Further, it addresses the research objectives, identifies a possible theoretical model which can be used as a basis for a social value approach or practices, states the conclusion and draws recommendations for further investigation.

# **CHAPTER 2: Background to the research topic, objectives and research questions**

This chapter provides an overview of the key policies and practices in the UK and EU which promotes the use of procurement and commissioning to deliver wider societal benefits. The evaluation of the policies starts with the EU procurement directives; this is followed by the national policies, which encourage a shift away from the focus on price to consideration of wider social, economic and environmental outcomes within regulatory constraints. Since the Public Services (Social Value) Act was implemented specifically to promote a shift towards seeking wider social, economic and environmental outcomes, its scope and aims are also stated. The aim is to provide an account of both past and current policy driving procurement and commissioning activities, and also to provide the context of the investigation. It identifies the research gap that this study has sought to address, the objectives and the research questions answered by the investigation.

## **2.1 EU procurement policies promoting social, economic and environmental outcomes**

Public procurement operates within a regulated environment. In most countries, the rules are set by international and national governments, as well as internally by the organisation. As a member of the European Union (EU), most procurement exercises in the UK are regulated under the EU procurement directives, implemented nationally through the Public Contract

Regulations. The Directives, which are based on promoting the principles of the Treaty on the Functioning of the European Union (TFEU) require member states and contracting authorities to demonstrate in their procurement activities principles which underpin equal treatment, non-discrimination, proportionality and transparency. Furthermore, the Directives require procurements or contracts which are above the EU financial threshold<sup>1</sup> to be advertised in the Official Journal of European Union (OJEU) so as to make the opportunity available to all member states.

Over the years, various reviews of the directives have been carried out, to enable member states to maximise the value of their procurement activities while fulfilling the Treaty principles. Until 2014, the 2004 directives implemented in the UK through the Public Contracts Regulations 2006 were the main rules which governed procurement above the EU financial threshold. Contrary to a widespread perception among many practitioners in the UK, these directives (2004) did not prohibit incorporating social and environmental outcomes within procurement exercises. This is made clear in Article 26, which allows for contracting authorities to set down “*special conditions relating to the performance of a contract*” which may, in particular, concern social and environmental considerations. Additionally, the

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<sup>1</sup> Current EU threshold effective from January 2016 to 31 December 2017 :

Supplies & Services (except subsidised services contracts)

Schedule 1 bodies -£106,047 Others -£164,176

Subsidised services contracts All bodies -£164,176

Works All bodies -£4,104,394

Light Touch Regime for Services All bodies -£589,148

Small lots Supplies and services -£62,842 Works -£785,530

directives promoted the use of the Most Economically Advantageous Tender (MEAT) in contracts assessment to determine value for money for the tax payer. In practice, it means contracts are awarded based on price and quality criteria. Furthermore, the Commission has published a number of guidance reports to show how to incorporate social and environmental outcomes into procurement exercises. The table below outlines some of the publications meant to guide contracting authorities in seeking non-financial outcomes through contracts.

**Table 1: A summary of guidance communications produced by the EU on incorporating social and environmental outcomes in procurement.**

<b>Publication</b>	<b>What it aims to achieve</b>
Interpretative Communication of the Commission on the Community law applicable to public procurement and <b>the possibilities for integrating social considerations into public procurement</b> (2001)	This communication provides clarification of the range of possibilities under the existing Community legal framework for integrating social considerations into public procurement.
Commission interpretative communication on the Community law applicable to public procurement and <b>the possibilities for integrating environmental considerations into public procurement</b> (2001)	It analyses and to set out the possibilities of the existing Community legal framework with regard to the integration of environmental considerations into public procurement
<b>Green Public Procurement (GPP) Training Toolkit (2008)</b>	<p>Provides training tools to support green public procurement across the EU. The goal is to support countries and governments to develop in the implementation of green purchasing and for the market to improve its offer of products and services.</p> <p>It consists of 3 independent modules:</p> <ul style="list-style-type: none"> <li>i. A strategic module which seeks to raise political support for GPP.</li> <li>ii. A legal module which seeks to clarify legal issues relating to the inclusion of green factors into procurement.</li> <li>iii. An operational module aimed at purchasing officers.</li> </ul>

<p><b>Public procurement for a better environment</b> (Commission communication, 2008)</p>	<p>The specific objectives of this communication were to address the obstacles to the uptake of GPP. As such, it addresses the following:</p> <ul style="list-style-type: none"> <li>▪ a process for setting common GPP criteria;</li> <li>▪ information on life cycle costing of products;</li> <li>▪ legal and operational guidance;</li> <li>▪ political support through a political target, linked to indicators and future monitoring</li> </ul>
<p><b>Buying social – A Guide to Taking Account of Social Considerations in Public Procurement</b> (2010)</p>	<p>The purpose of this guide was (a) to raise contracting authorities' awareness of the potential benefits of socially responsible public procurement (SRPP) and (b) to explain in a practical way the opportunities offered by the existing EU legal framework for public authorities to take into account social considerations in their public procurement, thus paying attention not only to price but also to best value for money.</p>
<p><b>Buying Green – A handbook on environmental public procurement</b> (2011)</p>	<p>This updated version provides recent examples of green public procurement drawn from contracting authorities across EU Member States as well as some examples of sector-specific green public procurement approaches.</p>

Similarly, the new EU procurement directives implemented in the UK through the Public Contracts Regulations 2015, coming into force in February 2015, provides more clarity concerning the incorporation of social and environmental outcomes in a public procurement exercises. First, the regulations have made it clear that assessment of tenders can include environmental and / or social aspects, as long as they are linked to the subject matter of the public contract (Section 67 [1-3]). Second, it states that contracting authorities can draw up special conditions relating to the performance of a contract, to bind contractors to deliver those commitments (Section 6, clause 70 [2]). Those conditions may include economic, innovation-related, environmental, social or employment-related considerations. Third, it emphasises that consultation must be undertaken during the pre-procurement phase to help the contracting authority establish their requirement, and inform the providers accordingly (Section 40). Forth, it encourages the dividing of public contracts into lots to provide more

opportunities for local Small and Medium Size (SME) organisations to tender for public contracts (Section 46). Fifth, it encourages contracting authorities to seek social goals in contracts by indicating that contracts can be ‘reserved’ for Voluntary, Community and Social Enterprise (VCSE) organisations based on certain conditions being met (Section 77). And sixth, Part 4 of the Regulations which implement UK specific policies, (e.g. the Lord Young reforms) requires contracting authorities to abolish administering the Selection Questionnaire for contracts which are below the EU financial threshold, thereby reducing the barrier so that more SMEs and VCSEs can participate in public contracts. All of these rules and policies, if followed by Local Authorities, can result in wider societal benefits being achieved through a public contract.

Apart from the regulations, in the EU 2020 strategy for smart, sustainable and inclusive growth, the Commission identified public procurement as one of the market-based instruments that should be used to improve framework conditions for businesses to innovate, promote social and environmental outcomes. In the light of the above, it is my view that the new regulations provide greater clarity as well as make it easier for contracting authorities to target social, economic and environmental outcomes through their procurement and commissioning activities. It also enables more opportunities to be created for SMEs, charities, voluntary and social enterprise organisations to access the public contract market.

However, practices which seek social and environmental outcomes from procurement exercises which are carried out under EU rules, must meet certain criteria. These include that

the non-financial factors such as social, environmental and economic outcomes which are to be sought in a procurement exercise, must be linked to the subject matter of the procurement project. In addition, the contracting authority has to state in the advertisement published in the Official Journal of European Union (OJEU) that it is also seeking for those outcomes to be delivered through that contract. From the above, it is clear that the EU procurement rules do allow the incorporation of economic, social and environmental factors in procurement exercises which are valued above the EU financial threshold. Furthermore, it also shows recognition by the Commission that procurement can be used as tool to achieve societal needs.

Apart from the EU policies, governments within the Union have policies developed in conjunction with the directives, so as to achieve other objectives (Arrowsmith and Kunzlik 2009). In the UK, over the years, various administrations have seen procurement as a tool to achieve their policies. As such, a number of policies have been developed to guide or regulate practices, and the objectives which procurement and commissioning activities should deliver. The following section outlines some of the key policies which promote the use of procurement to target community needs or promote the linking of procurement including commissioning goals to community needs.

## **2.2 The National Procurement Strategy 2003-2006**

Since the reforms of the 1980s, the National Procurement Strategy (2003) arguably was the first point at which UK government began to discuss the use of procurement to deliver

community needs. In particular, that strategy set out two objectives that Local Authorities need to reflect in their procurement practices. First, it encouraged Local Authorities to “*operate a mixed economy of service provision, with ready access to a diverse, competitive range of suppliers providing quality services, including small firms, social enterprises, minority businesses and voluntary and community sector groups*”. Second, it also stated that a local authority should use its procurement activities to “*realise economic, social and environmental benefits for their communities*”. In addition to these, in the government’s publication of its Sustainable Development Strategy in 2005 –“Securing the Future” (DEFRA 2005), followed by “Procuring the Future” (DEFRA 2006), public bodies are urged to use procurement to support wider social, economic and environmental objectives in ways that offer real long-term benefits. Following on these publications, some Local Authorities adopted the principles of Sustainable Procurement which are based on practices that determine value for money on the basis of examining the whole-life cost of products, services and works that contractors offer in tenders. This approach also requires contracting authorities to seek broader outcomes that satisfy both the short and longer term benefits of the community. It therefore meant focusing on generating benefits delivered not only to the organisation, but to society, the economy and the environment. For the Greater London Authority (GLA) group, the Sustainable Procurement policy was renamed as “Responsible Procurement” by the Mayor of London in 2008. While the principles remained the same as sustainable procurement, ‘responsible procurement’ targeted multiple outcomes underpinned by three key principles: first, strong and diverse economic growth; second, social inclusivity to allow all Londoners to share in London’s future success; and thirdly, fundamental improvements in environmental management and use of resources. However, for those government departments which have embraced the requirement of sustainability (which

includes social, environmental and economic) objectives in principle, in practice the focus was on its environmental elements to the apparent exclusion of social and economic benefits (Cook 2009). In fact, I will argue that, in general, practice drifted towards price as the major factor in awarding contracts, with many big contracts being awarded to large businesses, and VCSEs and SMEs instead gaining less access to public contracts. Against this backdrop, the Public Services (Social Value) Act was introduced as a Private Member's Bill in Parliament. Below, I state the scope and aims of the Act.

## **2.3 The Public Services (Social Value) Act 2012: scope and aims**

### **2.3.1 The scope**

The Public Services (Social Value) Act 2012 (referred to in this study as the "Social Value Act" or "the Act") came into force in January 2013. The Act applies in England, and only partly in Wales. In England, the Act applies to all councils (Local Authorities), housing associations, NHS bodies, government departments and any other body that has to comply with the EU procurement rules. For Wales, the provisions do not apply to procurement by authorities which exercise functions that are wholly or mainly devolved; instead it only applies to Welsh public bodies that fall outside the jurisdiction of the Welsh Assembly. The Act specifically requires any public organisation at the pre-procurement phase (Section 1[1]) of procuring services to consider:

- i. how what it proposes to buy might improve the economic, social and environmental well-being of the area where that public body exercises its functions; and

- ii. how in conducting the procurement process, it might act with a view to securing that improvement.

This duty relates to service contracts above the relevant EU financial thresholds identified in the Regulations, whether they fall under Part A or B of the Regulations (part B is referred to as ‘light touch’ under new regulations). Also, it applies to contracts with a works/supplies element where the cost of the works/supplies element is incidental, so that the contract would ordinarily be considered a services contract under the Regulations. The duty does not apply to call-offs under framework agreements that existed at the date the Social Value Act came into force, nor does it apply where such considerations would be impractical in a genuinely urgent situation (Section 1[8], Social Value Act). And lastly, authorities have a duty to consult on social value matters where this is needed (Section 1[7], Social Value Act).

While there is some similarity between the Best Value regime and the Social Value Act, in terms of the duty placed on public agencies, in December 2012 the Cabinet Office issued advice in a policy note which summarised the distinction, as shown in Table 2 below.

**Table 2: Distinction between Best Value Duty and Public Services (Social Value) Act 2012**

	<b>Best Value Duty</b>	<b>Public Service (Social Value) Act</b>
Duty	Consider value (including social value)	Consider how to improve social, economic and environmental well-being
Body	Local Authorities	All contracting authorities
Contract	Services, goods and works	Services only
Procurement stage	Throughout the process	Pre-procurement
Value of contract	Any value	Only above relevant EU procurement thresholds
Consult?	Yes – end user	Yes – on the service being provided

Although the Act does not apply in Scotland and Northern Ireland, both governments have similar policies and practices. In fact, many contracting authorities in Scotland and Northern Ireland have already adopted practices which seek similar outcomes to those sought under the Act. For instance, research carried out by Social Value Lab in 2012, on “embedding social value through sustainable procurement” showed that the Scottish public sector buying community is reasonably well informed of the requirement to buy sustainably, and is using community benefits in Procurement (CBiP) clauses as a way of articulating and securing community benefits within public sector tenders.

### 2.3.2 The aims

Initially, the Bill was aimed specifically at supporting Voluntary, Community, and Social Enterprise organisations, and local SMEs, who are believed to be delivering social value (community benefits) through the work that they do, to access more public contracts. Chris White, (the MP who initiated the bill), underscored this aim of the Act, stating it is: *“to support community groups, voluntary organisations and social enterprises to win more public sector contracts and to change commissioning structures so that a wider definition of value rather than just financial cost was considered”* (<http://www.chriswhitemp.com/social-value/-introduction>). These aims were later echoed by the former Minister for Civil Society, Nick Hurd, who stated that the Act offers two major opportunities: *“to help charities and social enterprises to unlock a public services market dominated by the big corporates, and to improve commissioning in a ‘risk-averse’ public sector”* (cited by Patrick Butler, *The Guardian*, Tuesday 5 February 2013). In another forum, he commented that the *“... Act is an important step in encouraging public sector commissioners to think harder about maximising value to communities. It also supports our commitment to make it easier for charities and Social Enterprises to help deliver better public services”*. ([http://www.charitytimes.com/ct/Hurd\\_highlights\\_importance\\_of\\_Social\\_Value\\_Act\\_in\\_Liverpool.php](http://www.charitytimes.com/ct/Hurd_highlights_importance_of_Social_Value_Act_in_Liverpool.php)). From the above, it can be seen that the aims of the Act are twofold: a) to support VCSEs and local SMEs gain more access to public contracts, and b) to change practices by shifting the focus from price onto wider social, economic and environmental factors when selecting a contractor. The potential impact of the Act to transform procurement practices, as well as the opportunity it offers for the charity sector, is underscored by Etherington (CEO of National Council of Voluntary Organisations), who described the Act as a *“...little gem*

*which has the power to radically transform our public services. It gives commissioners the green light to take into account the extra value charities bring”* (cited in the Press release on ‘Significant boost to social enterprises as the Social Value Act comes into force’ – (<https://www.gov.uk/government/news/significant-boost-to-social-enterprises-as-the-social-value-act-comes-into-force>)). Further, in a joint communiqué, the chief executives of Co-operatives UK, NCVO, ACEVO, the Charity Finance Group, NAVCA and Social Enterprise UK, underscored the opportunities the Act presents to communities, saying: *“We believe that the Public Services (Social Value) Act 2012 has the potential to transform the way our public services are delivered. .... the Act represents an historic opportunity to ensure that public service procurement maximises the benefits to our communities and improves the well-being of our citizens”* ([www.navca.org.uk/downloads/generate/3378](http://www.navca.org.uk/downloads/generate/3378)). And the Public Administration Select Committee in their report of July 2013, have also said:

*“The new provisions under the Social Value Act 2012 present a number of opportunities to take into consideration a range of factors in procurements, to look at the whole life cycle of a contract, goods or services”* (Summary of Findings - <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpublicadm/123/12312.htm#a7> )

While there is this high expectation that the introduction of the Act will result in practices which target and deliver wider benefits to communities, there were also concerns raised that these objectives may not be achieved. Hazel Blears, MP, speaking at an event hosted by NAVCA in 2012, argued that the wording of the Social Value Act is weak, and as such, many Local Authorities will not pay attention to it. She went further to argue that the use of the word ‘regard’ is not strong enough to force organisations to incorporate social value into their

procurement and commissioning activities. This concern is increased further by comments from the former Minister for Cabinet Office, Francis Maude, who in responding to a select committee investigation on procurement in July 2013 opined that the Social Value Act is: “...a permissive rather than a mandatory regime, so it is very much for public contracting authorities themselves to see how they want to use this, rather than for us to require it”. He went further to explain that ‘... my predilection generally is that you should not load procurement with values and requirements other than getting what you want at the best price. There is always a temptation to use procurement to deliver other desirable objectives. My preference always is to keep it as stripped down and limited as it can be. ...our primary—not the sole—objective that we are serving through procurement is buying the goods and services that are needed for the citizen at the best price” ([http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubadm/123/12306.htm#a2\[46\]](http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubadm/123/12306.htm#a2[46])) answer to question 564)

Another concern is whether public agencies will be measuring the outcomes delivered through adopting practices which reflect the principles of the Act. Again Hazel Blears (MP), during the House of Commons debate on the bill, highlighted the potential risk this could lead to, arguing that: “...unless there is a way of measuring and evaluating the social value achieved through a change in the commissioning process, I do not think that we will see the results that the Hon. Gentleman talked about” ([http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm111125/debtext/111125-0001.htm#column\\_609](http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm111125/debtext/111125-0001.htm#column_609))

Further, given the application of the Act is limited to service contracts which are above the EU financial threshold, it arguably represents another missed opportunity for the Act to have a greater impact. Already, there is some evidence that Local Authorities have in the past through their works contracts been able to achieve outcomes which contribute to the community, such as apprenticeships, training, jobs and skills for people from certain backgrounds yet the Act excludes those types of contracts. Similarly, contracts which are valued below the EU financial threshold, which tend to be tendered and awarded to charities and local SMEs who are perceived to deliver social value (community benefits), are not included in the scope of the Act.

The remarks of the Cabinet Minister, the ‘weak’ wording of the Act, the likelihood that outcomes delivered will not be measured, the exclusion of work and suppliers contracts and contracts which falls below the EU financial thresholds have all added to the scepticism. Further it creates a feeling amongst practitioners that the Act may not result in public agencies making non-financial factors key priorities in their procurement and commissioning practices. Furthermore, the cuts in commissioning budgets may make it difficult to shift the balance from price to social or environmental outcomes. Nonetheless, the introduction of the Act did mean that now public agencies especially in England and partly in Wales, have a legal basis to seek “social value” in contracts.

According to Erridge and McIlroy (2002), procurement policies can be fashioned to embrace all of three goals, which are: regulatory, commercial and socio-economic. Pursuit of regulatory goals is directed towards ensuring that procurement activities and contracts meet the requirements of propriety and transparency. Commercial goals are directed towards

ensuring that procurement activities and contracts meet the requirements of economy and efficiency. And pursuit of socio-economic goals emphasises the use of public procurement to support wider government policy, and includes ‘any purposeful action intended to improve the social welfare of the whole or part of the same population’ (Fernandez Martin, 1996, p.39 cited in Erridge and McIlroy, 2002:59). It follows therefore that it is possible to adopt procurement practices of seeking multiple outcomes that represent value based on the community’s preferences. This includes having a wider definition of value, one which is not focused on price as the dominant criterion, but includes other factors when assessing contractors. In the UK, it is worth noting that, apart from the Social Value Act, there are other policies which Local Authorities can draw from to adopt practices which seeks socio-economic goals. The section below explores these alternative policies.

#### **2.4 The Well-being Powers, General Power of Competence and Best Value policies.**

Sections 2 and 4 of the Local Government Act 2000 (“the 2000 Act”) set out the details of the “well-being” powers. This was extended to “eligible parish councils” in section 77 of the Local Government and Public Involvement in Health Act 2007 (“the 2007 Act”). Under this policy, eligible councils are required to use their power to promote well-being where they consider this will achieve any one or more of the following three objectives:

- i) the promotion or improvement of the *economic* well-being of its area;
- ii) the promotion or improvement of the *social* well-being of its area, and
- iii) the promotion or improvement of the *environmental* well-being of its area.

This suggest that Local Authorities can adopt procurement and commissioning practices which delivers social, economic, and environmental value based on needs of the population

they serve. Additionally, it indicates that Local Authorities can adopt practices which are flexible and innovative as well as work in partnerships with other public agencies to deliver multiple outcomes which are based on needs of the communities. This is echoed by the Wellbeing Powers Statutory Guidance published in 2009, which states that: “the introduction of the well-being powers for principal authorities enabled them to move away from their necessarily cautious approach to innovation and joint action, which had previously limited their contribution to the improvement of the quality of life of their communities” (DCLG 2009).

In England, the Wellbeing Powers have been repealed (but are still in force in Wales) and replaced by the General Power of Competence provided for in the Localism Act 2011 that took effect in February 2012. This policy provides new powers to Local Authorities to “*do anything that individuals generally may do*” to meet the needs of their communities. It challenges the instinctive caution of some in local government, by allowing organisations to adopt innovative ways to meet the needs of their communities. Furthermore, the Localism Act (2011) devolves power from central government to communities, allowing for local citizens to be included in the decision-making process concerning services delivered to them. It also gives community groups the power to challenge a local authority over the delivery of a particular local service, if the community feels they could do this differently and better. If the challenge is successful, this could trigger a procurement exercise for that particular service. Essentially, the Localism Act (2011) promotes decision making at the community level for procurement and commissioning outcomes. In addition, it is to be noted that in 2011, the Best Value policy was revised, extending outcomes sought through procurement and commissioning to include ‘social value’. The revised policy also places a duty to consult

representatives of a wide range of “local persons” including council tax payers, service users, those who appear to have an interest in any area within which the authority carries out its functions as well as local small businesses, and voluntary and community organisations, when undertaking a procurement and commissioning exercise. All these policies provide for organisations to link their procurement and commissioning goals with the social, environmental and economic needs of the communities they serve. Furthermore, they encourage the participation of local people in procurement and commissioning processes.

## **2.5 Overview of historical and current key policies and practices in the UK**

As in most EU countries, the UK public sector has for many years adopted procurement practices aimed at delivering policy objectives. This has been expressed by various politicians who have seen procurement as the key to delivering desired outcomes. For example, Andrew Smith, a former Chief Secretary to the Treasury, noted that: “*Good procurement is essential to the success of the government’s programmes, it provides the link between policy and delivery ...*” (in Erridge, 2007). Similar views were later expressed by another Labour politician, Angela Eagle (former Exchequer Secretary to the Treasury), who underscored this increased awareness of the power of procurement as a tool to deliver wider government policy goals, and the desire to use it to pursue wider government policies:

*“Getting public procurement right has never been so important.....we need to make sure we get the best value for the tax payer. We also need to use our spending power to achieve some of our wider objectives – such as improving quality, innovation and environmental sustainability”* (Eagle, 2008). And during the 2010 Coalition Government years, politicians

adopted the Public Services (Social Value) Act 2012 which mandates public agencies using public funds to seek societal value when they undertake a procurement exercise.

In spite of the awareness and desire expressed by politicians that procurement and commissioning be used to target multiple outcomes, practices generally have failed to reflect those broad outcomes. Rather, the practices adopted tended to be dominated by overemphasis on regulatory and commercial goals (Erridge 2007) to the detriment of their use to achieve wider social, economic and environmental outcomes. The narrowing of procurement goals to the search mainly for savings (commercial benefits), has arguably been driven by the neo-liberal philosophy that flourished in the 1990s, and the resultant shift in focus toward delivering efficiency as a central theme of government (Bovaird and Loffler 2009). It led the UK to adopt practices that awarded contracts based mainly on price. Later, this was reinforced by the Gershon Review of public sector efficiency in 2004, which linked procurement goals to the achievement of efficiency, with saving costs as the main desired outcome. Other reviews into procurement, for example, by the Audit Commission (in particular the Audit Commission 2010 report) and the 2010 Efficiency Review by Sir Philip Green, have also made similar linkages between achieving savings and procurement goals by emphasising collaboration as a means to maximise the benefits (efficiency savings) which can be delivered through economies of scale. As such, shared services and collaboration were seen as a desirable option available to departments or Local Authorities in seeking to achieve the twin objectives of improved service delivery and reduced costs across a wide range of services. The unintended consequences of such practices are that most pan-government framework agreements, established to achieve savings, were won by large contractors; with small and medium-sized enterprises (SMEs), and voluntary, community and social

enterprises (VCSEs) missing out from the opportunity to provide services to their local authority. However, in recent years, confidence in this approach waned, as evidence was beginning to emerge of contractors still receiving large sums of public money, despite the failure of large contracts. In contrast, the voluntary, community, and social enterprise organisations and small and medium size organisations, whom the public perceived to be delivering more value to communities, were winning fewer public sector contracts. A case in point was the failed Thameslink rolling stock procurement exercise carried out by the Department of Transport, in which the criterion for contract award was based mainly on financial benefits, with socio-economic and environmental criteria, such as the impact on local jobs, the economy and the associated supply chain, given lower priority (House of Commons Transport Committee Eleventh Report of Session 2010–12 – Accessed online January 2014). Consequently, this resulted in a political and community backlash.

Another major characteristic of practices adopted in UK is that the government tends to adopt a risk averse approach when transposing EU directives, resulting in limited examples of projects where procurers have adopted an innovative approach which achieved multiple outcomes linked to community needs. This view is underscored by the Public Administration Select Committee, who noted that *“There was a perception that the UK tends to act in a more risk averse way in order to minimise non-compliance. It appears to be a two-stage issue; the first when enshrining EU rules into national legislation and the second when procurers are risk averse in their application of the rules”* (Accessed online February, 2014). The Committee goes on to state *“the fear of breaching EU procurement directives has driven a process-oriented, risk averse culture within the Civil Service which has inhibited efficient procurement and lengthened procurement times”* (Accessed online February, 2014). This

overemphasis on achieving regulatory compliance as well as adopting an economizing approach is at odds with the potential for procurement to build social capital through innovative community based solutions involving public, private and voluntary organizations (Erridge and Greer 2002). Furthermore, it should be noted that there is a growing interest in modelling services based on outcomes, which means that procurement and commissioning activities should adopt similar models. The outcomes to be targeted do not only have to be limited to the core requirement of the procurement exercise, but any additional benefits that can be achieved for the community. However, to achieve this, requires the right policies which support the pursuit of those outcomes.

## **2.6 The ‘gap’ that this research seeks to fill**

The desire by politicians and policy makers to use procurement (including commissioning) as a tool to deliver wider outcomes which are beneficial to citizens, and their awareness of its advantages, is being recognised both by practitioners and also in the grey literature. The perceptions that EU procurement rules prohibit the incorporation of societal value in a tendering exercise can no longer stand. The EU Commission has not only promoted the incorporation of socio-economic and environmental goals in procurement, but has also linked procurement with achieving societal value as outlined in the “Euro 2020” vision. In terms of national policies, the General Power of Competence which replaces the Wellbeing Powers encourages Local Authorities to adopt innovative ways to deliver services. This has been expanded and now made mandatory by the Social Value Act implemented in January 2013, which paved the way for socio-economic and environmental outcomes to be targeted and incorporated within the constraints of the EU directives.

However, most practices adopted are yet to align with the multiple outcomes approach promoted by the policies and rules outlined above. In the past, this potential has been restricted by an overemphasis on market-driven commercial goals, valuing economy and efficiency over social welfare and Public Value, and operating within a context of rule-bound risk avoidance (Erridge 2007). As such, the procurement design, processes, and procedures of most organisations have yet to reflect a change from prioritising the cheapest bid over users' needs and favouring larger organisations over small and medium size businesses, to supporting or enabling the achievement of social value, with these outcomes being determined by communities. In view of this, there is limited experience of properly structured procurement projects that are directed at achieving outcomes which are based on values determined by the community within regulatory and commercial constraints. Further, detailed information about how the social objectives are achieved in a procurement exercise "is often sketchy and difficult to find" (McCrudden 2004:257). This means fewer examples exist which can be shared among practitioners to improve the value the public sector achieves from its procurement and commissioning activities. Furthermore, it means limited dissemination of such practices among public sector procurement practitioners, thus highlighting the need for the development of tailored guidance on a social value (community benefit) based approach.

In addition, whereas there are pieces of research which show the use of procurement as a tool to deliver socio-economic and environmental policies (Arrowsmith, 2010; McCrudden 2004; Bolton, 2006; Phoebe, 2008), there has been very little research on how multiple outcomes which are based on community benefits (as 'added value' outcomes), can be achieved through contracts. Furthermore, the academic literature is written predominantly by

researchers from the legal profession or with legal interests, so that it tends to view the role of procurement mostly as achieving compliance with regulatory requirements, where procurement is seen as making little contribution towards the realisation of organisational social, economic and environmental objectives. This highlights a gap in the literature which is around linking procurement goals through practices which target multiple outcomes, with the outcomes delivered as ‘added value’ being determined by communities.

This thesis contributes to the improvement and innovation of procurement practices in the public sector through the development of a social value based approach and model that will enable the maximising of the value delivered to the community or society from government procurement activities. This model is designed to enhance the use of procurement as a powerful policy delivery tool which will impact on the realisation of government policies and goals. In addition, it will add to the scholarly research and literature in the field of public procurement by identifying through rigorous research theoretical models that underpin practices that target multiple outcomes. And finally, it will enrich current debate on Public Value theory as an emerging model for maximising value delivered to the public from dwindling government finances.

## **2.8 Objectives**

This research has the following key objectives:

- To contribute to the definition and interpretation of the term ‘value’ in procurement and commissioning.

- To identify a theoretical model of how Community (societal) Benefits can be delivered as ‘added value’, aimed at improving public procurement and commissioning practices. The model identified will help describe a process for delivering outcomes targeting multiple stakeholders.
- To explore the implications of this model for the current debate on ‘Public Value’, examining how it might contribute to policy and practice in creating and delivering value in public services delivery.

## **2.9 Research questions**

In line with the focus of this research, the investigation will be into the Public Services (Social Value) Act 2012, which places a duty on public agencies to deliver social value (community benefits) from a procurement and commissioning exercise. There are three main research questions which this study will seek to answer.

The first research question investigates the contribution the Act has made in shifting organisations’ procurement and commissioning policies and practices towards achieving wider benefits delivered to communities. Specifically:

Research Question 1:

*To what extent does the Social Value Act (2012) contribute to public sector organisations adopting procurement and commissioning policies and practices which achieve ‘additional’ social, environmental and economic value to a community?*

In exploring the above question, the investigation has focused on identifying a definition applied by organisations for the term ‘social value’. The aim is to establish whether organisations’ interpretation and definition of value have expanded from the narrow focus on price to include wider social, economic and environmental value. It also explores the policies driving organisations’ procurement and commissioning activities, the changes which have been made to practices, how new practices based on the Act are embedded and the approach adopted to measuring outcomes. In addition, it has looked at the role played by the community in a community benefit (social value) based approach and other policies outside the Act, which might enable organisations to deliver social, economic and environmental value to a community

To establish what the model for a community benefits based approach should be, the role of key stakeholders needs to be explored. The second research question explores in particular the role of elected members and contractors or providers in helping public agencies to focus on delivering community value (social value) outcomes within contracts as promoted by the Act. Under local authority governance, elected members provide leadership and also set the policy agenda to create and deliver value from public services delivery. Equally, private businesses and the voluntary sector are also creators of Public Value through delivery of public contracts.

Therefore, both contractors and elected members (as representatives of the community) are key stakeholders, which is why the study is seeking to establish their role in focusing the organisation towards achieving wider social, economic and environmental outcomes. Specifically:

Research Question 2:

*What is the role of elected members and contractors/providers (in the private and voluntary sectors) in ensuring that public sector organisations focus on delivering community benefits outcomes as added benefits, as promoted by the Act?*

And the third question focuses on the cost to the local authority of asking for community benefits (Social Value) as additional benefits delivered in contracts. Benington and Moore (2011:12) argue that government agencies are now under pressure to be ‘doing more with less’, which means cost could be a major factor in determining whether organisations will afford adopting a social (community) value approach or not. Specifically:

Research Question 3:

*What is the impact on cost to the local authority of seeking social value (community benefits) as additional value, promoted by the Public Services (Social Value) Act?*

The responses from the research questions stated above are expected to help establish a definition of value which organisations are basing their procurement goals and activities on. Further, by examining the policies and practices adopted as a result of implementing the Act, I hope to establish a theoretical model which describes the processes for achieving community benefits outcomes as added value from procurement and commissioning exercise. In addition, the findings have been used to draw conclusions regarding the difference between a traditional approach and an approach which seeks to deliver community benefits as promoted by the Act. Both the process and theoretical model identified, it is hoped, will help in improving procurement and commissioning practices within the public sector.

The next chapter explores conceptual framework for the meaning of value in the context of procurement and commissioning activities.

## **CHAPTER 3: Literature Review –Conceptual framework for understanding value and measuring outcomes in procurement and commissioning**

A key objective for organisations when procuring services, goods or works is to obtain *value* for the taxpayers and service users. While the discussion of ‘value’ is dominated by market-based language which reflects private sector experience, it is also a concept used widely in the public sector especially relating to procurement and commissioning activities. In particular, the Act promotes the pursuit of economic, social and environmental value as they relate to the needs of communities. This chapter reviews the meaning of value, narrowing it to economic value, social value and environmental value as outcomes delivered through procurement and commissioning activities. It aims to establish a meaning of these terms so as to provide better understanding of the outcomes which fall under a social value (community benefits) approach.

The demand on government departments to deliver services with less money has meant that organisations have to demonstrate where they are delivering value in their procurement and commissioning activities. This requires adopting approaches which measure outcomes delivered from procurement and commissioning activities, which includes financial benefits as well as the social and environmental impact. Consequently, this chapter examines the

theories about valuing and measuring of social, environmental and economic outcomes which are vital in evidencing the advantages of a social value-based approach over the traditional approach and also, in demonstrating the value delivered from an organisation's procurement and commissioning activity.

### **3.1 Value defined as *social value***

Over the years, the concept of value in relation to outcomes delivered from procurement and activities has evolved. Starting from the Compulsory Competitive Tendering (CCT) introduced by the Thatcher administration in the 1980s, value meant obtaining the 'lowest price' from a procurement exercise. Price was the main criterion for assessing value; other factors did not count much in the decision-making process relating to the award of contracts. This definition of value was expanded under the Best Value regime (which replaced CCT), which articulated value beyond just the financial bottom line to include both price and quality. Unlike the CCT policy, the Best Value regime required seeking cost reductions and service improvements at the same time (Geddes and Martin 2000: 382). Other policies such as the Wellbeing Powers introduced in 2000 specifically link the concept of value in procurement, including commissioning, to the achievement of economic, social and environmental outcomes which are based on the needs of the community. For example, section 2(1) of the Local Government Act 2000 enables an eligible council to use this power to achieve the promotion or improvement of the economic well-being, social well-being and environmental well-being of their area. This link was recently re-enforced by the Public Services (Social Value) Act 2012, which alludes to 'social value' to represent value to be achieved from procurement and commissioning activities. The Act itself has not provided a

definition of what social value is or should mean, but it refers to economic, social and environmental well-being as ‘social value’ outcomes. In the section below I draw from the academic literature on ‘social value’ as a concept relating to delivering of outcomes, and also from the grey literature relating to the use of the term within the context of procurement and commissioning activities, to identify a definition to be used in this thesis.

### **3.2 Social value as a concept linked to outcomes**

The term ‘social value’ is an old concept. However, in terms of the current use in relation to the shift towards an outcome-based delivery model of public services, Westall (2009:8), states that the concept in practice is derived from the social entrepreneurship literature and practice. She noted that the social value concept relates “*to specific outcomes which tend to focus on relieving disadvantage or on the results of local economic development. As such it suffers from being purely outcome-focused as well as only concerned with certain kinds of outcomes*”. Whereas Westall’s definition conveys the notion of social value referring to certain outcomes and focusing on certain individuals or sections of society, Emerson et al (2001:1) see social value as a concept which relates to society as a whole, which implies that the outcomes associated with the concept are those which benefit society, and not just limited to individuals. They describe social value as that which is created when resources, inputs, processes or policies are combined to generate improvements in the lives of individuals, or in society as a whole. This view, in some ways, represents the traditional welfare economics definition which links the concept of value with the notion of society rather than the individual. However, both definitions make interesting contributions in that they link the concept to outcomes.

Further, the definitions emerging within the grey literature relating to public procurement and commissioning activities also link the concept of social value to the delivery of outcomes. Among the first to adopt a definition of social value which links to community benefits or outcomes is the North West NHS who in a report produced based on a national Social Value Commissioning Project pilot, defined social value as: “*additional benefit to the community from a commissioning / procurement process over and above the direct purchasing of goods, services and outcomes*” (NHS/CPC Limited, 2010:5). This definition is echoed by Chris White (the MP who introduced the social value bill), who during one of his speeches, described *social value* as a concept which seeks 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*” (<http://www.chriswhitemp.com/social-value-introduction> accessed Nov 2013). Likewise, the revised Best Value Guidance issued by the former Conservative and Liberal Democrat coalition government in 2011, adopted a similar definition which states: “*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*”. All three definitions suggest that social value equates to ‘community benefits or outcomes’ which can be created from procurement and commissioning activities. Further, it conveys the notion of *value adding*.

Apart from the above view, there is another definition from infrastructure organisations which view social value to be about maximising public expenditure and creating impact by ensuring wider community needs are met through the procurement and commissioning exercise. Relating to the aspect of maximising value, social value is about public agencies

looking for ‘what else’ could be achieved with the same spend. This view is underscored by Social Enterprise UK (SEUK), which defines social value as: “*a way of thinking about how scarce resources are allocated and used. It involves looking beyond the price of each individual contract and looking at what the collective benefit to a community is*” (SEUK 2012). They also add that social value asks the question: “*If £1 is spent on the delivery of services, can that same £1 be used, to also produce a wider benefit to the community?*” Similarly, the aspect of social value link to impact is heightened in the definition provided by NAVCA which state that “*social value is about maximising the impact of public expenditure and about what we value in the public realm.*” They go further, to state that social value considers more than just the financial transaction. It includes, amongst many other things *happiness, wellbeing, health, inclusion and empowerment*. Others, mainly Wood & Leighton (2010:20) of the think tank Demos, have defined social value within the context of outcomes’ measurement. They state that “*social value refers to “wider non-financial impacts of programmes, organisations and interventions, including the wellbeing of individuals and communities, social capital and the environment”*”. Their definition seems to suggest that social value is the benefit accrue to individual and communities identified through measurement of the outcomes delivered. It highlights the financial value that social value has, that need to be established to help policy makers and funders decide which projects represent more value to the community which ones provide less value. However, there is a danger for those who approach the concept from a measurement interest to emphasis only elements which can be measured while leaving out those aspects which are not measured.

Looking at the definitions examined so far, we can see that social value conveys the notion of delivering *outcomes* which promotes wellbeing improvement to *individuals* and ‘*community*’

through a procurement and commissioning exercise. These outcomes should be sought as ‘*additional benefit*’ (above and beyond core requirement of the contract) as a way of *maximising the public spend*. The added value or benefits can be economic value, social value or environmental value. This is the understanding and interpretation I have adopted to investigate the shift towards adopting practices that are based on achieving broader value as promoted by the Act.

It is worth noting that these definitions also convey the notion that social value can be created and delivered to the public realm as added value. While this point is explored in more detail in the next chapter, the section below looks at the definition of economic value, social value and environmental value as the three broad categories of value in procurement and commissioning which represent the broader concept of ‘social value’ promoted by the Act. My aim in the section below, is to provide better understanding of the outcomes which constitute the outcomes promoted by the Act. Additionally, to establish the origins of these terms and whether or not their current application in describing procurement and commissioning outcomes is in line with the original meaning.

### **3.2.1 Economic value**

In economics, the concept of economic value refers to two aspects of a good or service; one is *value in use*, and the second is *value in exchange*. Simply, *value in exchange* is the price placed on an object or service while *value in use* is the usefulness of an item or its utility – i.e. ability to satisfy certain human needs (Aityan 2013). Some scholars have argued that ‘*value in use*’ should be the basis for determining ‘*value in exchange*’. In other words,

determining the *value in exchange* (i.e. price to pay) for a service or an object should be based on the degree of utility that service or material good offers to humans. The notion of the two distinctive aspects of value is highlighted by Adam Smith, who in his diamond and water paradox argues that:

*“The things which have the greatest value in use have frequently little or no value in exchange; and on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water: but it will purchase scarce anything; scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it”.* (Wealth of Nations Book 1, chapter IV)

Smith’s contribution therefore rejects the notion that economic value is determined by price. Further, Marx promoted labour as the basis of economic value. This theory, referred to as the ‘Labour Value theory’, argues that the economic value of a good or service is determined by the total amount of socially necessary labour required to produce it, rather than the use or pleasure it provides to humans. This view, which also represents the classical or orthodox view of economics, has been rejected by neoclassical economic theory, which argues that the determining factor for *value in exchange* (price) is scarcity of resource; which has developed into the theory of supply and demand. Price is proportional to marginal utility, which depends on scarcity (Cohen and Harcourt 2003:201). While the labour theory of value may be considered to be true in very limited situations, the general view of economists is that economic value is determined by how useful and in demand the services or goods are for consumption by society.

However, within the practitioner or grey literature relating to procurement and commissioning activities, economic value is generally framed as *value in exchange*, which is price. Factors such as labour cost, scarcity of resources and Information Technology form the basis for determining the tender price (value in exchange). In contrast, the concept of economic value as *value in use* is hardly mentioned in the grey literature and discourses. However, under the Public Services (Social Value) Act 2012, the term economic value is associated with outcomes such as local economy development, creation of employment opportunities, and training. It must be noted that these are all benefits which essentially are to be regarded as unintended marginal benefits, not as an aspect of ‘value in use’. Further, the notion of scarcity could be interpreted as the lack of a well-developed market which can provide the services, goods, or works required by the contracting authority. Other areas where it can be applied are in development of the lack of technologies required to deliver services, goods or works based on the requirements of the contracting authority. From the above, economic value in relation to procurement and commissioning, represent price but also, means economic improvements for individuals and communities. The price element in tenders is determine by several factors such as scarcity of resource, the market and information technologies available for delivering the requirement.

### **3.2.2 Social value**

The term ‘social value’ being explored in this section differs from its use in the overall title of the Act. Here I am looking at the concept of social value as one of the three outcomes which constitute the kind of outcomes promoted by the Act. Therefore the focus is on

identifying a definition which distinguishes social outcomes from economic and environmental outcomes.

Early social scientists spoke of value in a way that conformed to the term's Latin etymology: *valere* which means 'to be worth' (Spates 1983:30). This implies that social value is that which collectively is deemed to have 'worth' by society. Similarly, economists see social value to be what society wants, determined by its collective action, although in classical economic theory marginal utility was thought to be based on the individual which meant that value was hardly spoken of in social terms. Within this context, 'value' is seen to be the expression of social marginal utility which means that it is society as a whole which sets value on things. *Social value* therefore relates to the societal wants which are asserted by the whole community and valued jointly (Schumpeter 1908). Examples of social value provided in the grey and practitioner literature include benefits delivered through contracts which foster community cohesion, or collective health and wellbeing – essentially it is those outcomes which help improve the society as a whole; not the individual. Viewed from this point, unlike the economic value where the focus is on price and utility in relation to the individual, the social value conveys a notion of society and what it deems collectively to be important.

### **3.2.3 Environmental value**

From the outset, it is important to establish the scope of what the 'environment' is or should be before exploring the meaning of environmental value. One school of thought views the

term environment as comprising the economic, socio-cultural dimension which includes labour markets, demography, housing and services (Glasson et al 2005). This broad view of the term was reflected in the definition adopted in the Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act) promulgated by the Australian government (online: accessed 08.02.14), which defines the environment to include:

- (a) ecosystems and their constituent parts, including people and communities; and
- (b) natural and physical resources; and
- (c) the qualities and characteristics of locations, places and areas; and
- (d) heritage values of places; and
- (e) the social, economic and cultural aspects of a thing mentioned in paragraph (a), (b), or (c).

In contrast to the broad definition adopted above, the UK limits the use of the term to the ‘natural environment’. In the white paper *The natural choice: securing the value of nature* (2011), the term ‘natural environment’ covers living things in all their diversity, and also the physical aspect, which includes landscapes and natural heritage. In another publication, the Department of Food and Rural Affairs (DEFRA) goes a step further in stating that the natural environment comprises air, water, biodiversity, land and soil, and the marine environment. This study adopts the UK government’s use of the term because it limits the concept to outcomes which contractors can contribute to as part of the delivery of a contract.

Returning to the meaning of environmental value, the literature describes this as having two aspects: first is intrinsic value, which regards value to be ‘in the item or commodity itself’ or as ‘in and of itself’ (Bernstein 2001:332). This notion of environmental value is independent of human valuation (Naess and Rothenbery 1989:11). The second concept is instrumental value (also referred to as ‘anthropocentric’) which is defined as: *‘the value that an item has for us, where ‘us’ refers to normal adult human beings... the instrumental value of an item is viewed as a function of how well or poorly it serves as an instrument for the fulfilment of our purposes, goals or desires’* (Bernstein 2001:329). This definition is echoed by O’Neill (1992:119) who defines it as, *“a means to some other end”* which could be taken to mean that value exists only to the extent that it satisfies human desire.

Traditionally the account of environmental value has been anthropocentric: that is, only human beings are intrinsically valuable, that the natural environment needs to be managed for the benefit of both the present and future generations. This view is underscored by DEFRA in *The guide to valuing the ecosystem* (2007) which states that ecosystems have value because people derive utility from their actual or potential use. But given that there is now a growing awareness of the natural environment having intrinsic value as well, it is important that valuation of environmental outcomes, while taken from anthropocentric view, also reflects or at least acknowledges the intrinsic value aspect.

### **3.3 Summary of meanings of economic, social and environmental value**

So far, it has been established that the notion of value in procurement and commissioning is not limited to price and quality factors but ‘added value’; over and beyond the core requirement of the contract. Further, that the concepts of economic value, social value and environmental value have broader meanings and applications, some of which are not reflected in public discourses and the grey literature on procurement and commissioning activities. For example, the definition of economic value shouldn’t be only limited to price, but include economic improvements delivered to individuals. In terms of social value, the review highlights that it is society which determines value. This implies the community should be the ones who determined what outcomes represent value in a procurement and commissioning exercise. And finally, the concept of intrinsic value relating to environmental value emphasise the point that contractors’ activities can add to or destroy the value of environment.

Now that the review has established a meaning for value, in particular economic value, social value and environmental value, the next section reviews the techniques adopted for the valuation of these outcomes.

### **3.4 Approaches to valuing environmental and social outcomes**

By their very nature, it is hard to measure social and environmental value (non-financial outcomes), with the danger that such important benefits become subordinated to financial indicators that can claim greater rigour in terms of data quality. In spite of this, there is a growing call for the inclusion of social and environmental outcomes in assessing the effectiveness of service delivery. This is echoed in the government's Green Book (2010:21) which makes it clear that in principle, assessments should include '*all benefits to the UK*'. As such, it is important to explore the literature on the theory of valuation of non-market factors (environmental and social outcomes) as well as the tools used in measuring those outcomes. Usually a discussion on the measurement of such outcomes is done without addressing issues relating to equity (i.e. some people gaining and others left worse off) which can lead to the wrong conclusions being drawn in reports. In view of this, I start this section by looking at the theories relating to equity considerations in assessing outcomes, before moving on to discuss the valuation of environmental and social outcomes and the tools being used to measure the outcomes delivered from procurement and commissioning activities.

#### **3.4.1 Equity consideration in measuring outcomes**

According to the Pareto welfare improvement principle, any changes in resource allocations will only be said to have achieved a welfare improvement if it results in making at least one individual better off, without making anyone worse off. In the context of procurement and commissioning, there are different groupings (e.g. the elderly, ethnic minorities, the poor,

rich or small businesses) who usually stand to be impacted by the outcomes delivered from such activities. As such, there is always a danger that the outcomes delivered will be seen as a gain for some, while for others, a loss.

In the literature, the use of sensitivity analysis or stimulation methods has been suggested to ensure equity factors are addressed in valuation. This process allows for outcomes to be recalculated under alternative assumptions to determine the impact of the variables being analysed. However, this approach is criticised for ignoring the distributional effects which Lichfield et al (1975) have pointed out require three tasks to be followed: the choice of the criteria for grouping individuals, the tracing of the incidence of gains and losses between groups; and the ‘weighting’ of these gains and losses to reflect the relative importance attached to the various groups. According to Pearce (1972), weighting helps to correct the results for different income utilities, or to adjust for differences in social circumstance thereby, enable the more fortunate to appropriate benefit fully or to ‘shift’ cost burdens on to others”.

Equity considerations do not only stop at the impact on the present generation but future generations as well. For example, environmental outcomes tend to have impacts which may benefit or incur costs to future generations. Therefore, the potential effect on future generations needs to be factored into the assessment being undertaken. The approach most commonly adopted is selecting a discount rate and a time horizon and using it to calculate the cost or benefit of the outcome being measured, to determine the effect on future generations. While some have argued for a higher discount rate to be applied, arguing that a lower discount rate can be taken to mean that the present generation undervalues the future

generations, it is seen differently by others. The latter argue that choosing a higher discount rate has the risk of overstating the effect of the outcome. A common ground is therefore needed to ensure reports are not overstating nor understating the benefits accrued to the next generations. The next challenge that arises is what techniques can be adopted for the valuation of non-financial outcomes such as environmental and social outcomes. This is explored in the section below.

### **3.4.2 Valuing environmental outcomes**

Over the years, there has been a growth in environmental issues awareness among the population and policy makers, raising the need for the use of appropriate methods to value the environment. The literature appears to be split between ecological and economic measures for valuing the environment. This split also reflects the intrinsic and instrumental value distinction discussed above. Since intrinsic value is based on the notion that environmental value is not based on human satisfaction, the valuation approach aims to assess how various parts or elements will enrich the others.

Unlike intrinsic value, there are well established economic techniques for valuing instrumental value as relates to the environment. These can broadly be classified into two aspects, direct and indirect, and concern the effects that can enhance or damage the environment. The direct approach seeks to measure directly the monetary values of environmental gains – for example, better air quality or an improved scenic view. Indirect approaches measure human preferences for a particular effect on the environment (Glasson et

al 2005: 143) and as such, the approach has some limitations. One of the challenges it has is that individuals are likely to hold various values about the environment. Environmental ethicists have already identified these divisions, which include some focusing on the value of sentient animals, others on individual living things, yet others on species, ecological communities or ‘nature’ itself; (O’Neill 1992). In this context, valuation of the environment is based more on judgement or consideration of the various aspects of the environment.

In contrast, the direct approach can use Cost Benefit Analysis (CBA) as an approach to measure impact in monetary terms. This tool enables future annual flows of costs and benefits to be discounted to a net present value (Glasson et al 2005: 141). However, a weakness or limitation of CBA is that it tends not to cover intangible factors. Apart from CBA, other tools have also been developed, for example, the Environmental Impact Assessment (EIA) approach. As an approach, EIA emphasises the need *“to identify and predict the impact on the environment and on man’s health and well-being”* (Munn 1979). It explores wider scope and is less quantitative than the CBA technique. From the above, it is clear that there are established approaches and techniques that one can use to measure environmental value particularly, the instrumental value of the environment.

### **3.4.3 Valuing social outcomes**

As non-market goods, the valuation of social outcomes can be done using traditional economic methods or techniques such as Stated Preference (SP) and Revealed Preference (RP) approaches (Green Book, annex 2). Stated Preference uses specially constructed

questionnaires to elicit estimates of people's Willingness to Pay for (or Willingness to Accept) a particular outcome. Revealed Preference observes people's behaviour in related markets (Fujiwara and Campbell 2011). Apart from the Stated and Revealed Preferences valuation methods, a new approach based on 'subjective wellbeing' called the Life Satisfaction Approach is also emerging in the literature. Unlike the traditional techniques which measure people's preferences, the Life Satisfaction Approach is based on the notion of measuring people's experiences to determine a cost for social impact (Fujiwara and Campbell 2011). The approach uses econometric methods to estimate the life satisfaction provided by non-market goods, and this is then converted into a monetary figure by also estimating the effect of income on life satisfaction. It therefore assesses the impact of policies on how people think and feel about their lives as a whole, instead of assessing impact based on what people say they want and what they choose (ibid). The notion of converting value into a monetary figure may be applicable in some cases, but it should be, I will argue, that life satisfaction impact of each intervention, is listed in order of preference on the grounds of 'life satisfaction per £ spent', without having recourse to putting a monetary value on them.

Another approach which is the subject of a rapidly growing literature in valuing non-market outcome is the Benefits Transfers method. It involves taking existing monetary valuation studies (i.e. willingness to pay values) and applying them outside the site context where the study was originally conducted (Pearce 1998). The basic goal of the Benefit Transfer approach is to estimate benefits for one context by adapting an estimate of benefits from another context. Since the estimation of economic values is based on using other valuations, it costs less. In addition, it can easily and quickly be applied in making estimated valuations of social impact in other settings. Its downside, however, is that the values transferred can

only be as accurate as the initial values estimate, which if it is wrong could lead to the wrong valuation of a new group or people.

So far, the review has shown that there are a number of proven techniques for the valuation of both environmental and social outcomes. This means it is possible to measure both financial and non-financial outcomes delivered from procurement and commissioning exercise. The section below explores the tools being used in the UK to measure the three broad outcomes of economic, social and environmental outcomes delivered from procurement and commissioning activities. In particular, it examines the origins of the Social Return on Investment (SROI) tool, which is the predominant tool discussed in the current practitioner and grey literature, and the different stages required to adopt it.

### **3.5 The tools used to measure outcomes delivered through procurement and commissioning activities**

There are several diverse methods of measuring social value which are adopted in the UK. However, the three most prominent tools used, or frequently mentioned in the grey literature, are Cost Benefit Analysis, the Social Accounting and Audit method and Social Return on Investments (SROI) with the latter becoming the most commonly cited because of ‘its unique feature of attributing monetary values to ‘soft’ outcomes’ (Wood and Leighton 2010). The Social Accounting and Audit method is a long-established process of gathering information about performance against social, environmental and economic objectives. What makes it different from other types of social impact measurement tools is the emphasis on the audit element – that is to say, making sure that any social accounting work done is auditable by an

independent panel with at least one trained audit professional. In spite of this strength, it is not commonly used or discussed in the grey or practitioner literature as a tool used to measure outcomes delivered from procurement and commissioning activities. Cost Benefit Analysis is also considered to be weak in measuring the social element because it focuses on monetising every element which makes it slightly unsuitable to measure the full raft of outcomes which are achieved through procurement and commissioning activities. As such, the SROI tool has been the one mainly discussed, with government backing its use.

SROI measures organisations' achievement of commercial and social missions and it involves the measurement of both short and long term '*monetised and non-monetised*' outcomes (Gair 2009). It can be done either as a forecast or evaluative exercise. The evaluative SROI is conducted retrospectively and is based on actual outcomes delivered from the intervention, whereas forecast SROI measures the potential impact that the intervention will deliver.

Jed Emerson of The Robert Enterprise Development Foundation (REDF) is credited with the origin of SROI which he devised as a way of measuring his blended value theory (Westall 2009). It started with the publication in 1996 of a retrospective cost/benefit analysis of the social purpose of enterprises run by one non-profit agency. The aim was to report on the community benefits that these organisations are providing. In 2001 the Foundation, building on the previous concept, published another article on 'Social Return on Investment' (SROI). This time the focus was to 'track the value of cost savings to the public system' (Emerson et al, 2001). Thus an investment analysis approach was adopted. Gair (2005) observes that

SROI it is based on a similar concept businesses use, which is Return on Investment by stating that:

*“The concept was based on the business predecessor, and it compares some measures of the resources invested in an activity to some measure of the benefits generated by it. In SROI, the ‘S’ denotes some sort of social mission activity; the “ROI” denotes the use of a business investment analysis”.*

She goes on to state that the motivation for developing SROI was based on an attempt to answer a set of questions. These questions are:

- How can we measure the success of our efforts?
- How do we – practitioners and philanthropists/investors – know whether we’re accomplishing what we set out to do?
- How can we – practitioners and philanthropists/investors – make informed decisions about the on-going use of our resources?
- How can we test and convince others of what we believe to be true: that for each dollar invested in our portfolio agencies’ efforts, there are impressive, quantifiable resulting benefits to individuals and to society?

However, others view SROI to have stemmed from Cost Benefit Analysis, which compares costs or benefits accrued to a society as a result of a programme or policy being implemented. For instance, Arvidson et al (2010) have argued that there is not much difference, at least from a technical point of view, between CBA and SROI and cited similarities in the approaches adopted in calculating the ratio of investment and return by using discounted

costs and benefits over a certain period of time. But the two, I think, are not the same as indicated in the table below:

**Table 3: Difference between Cost Benefit Analysis and Social Return on Investment**

	CBA	SROI
Monetisation of outcomes	In a CBA approach, all the outcomes are monetised.	In SROI approach, some outcomes are monetised and others are not. It is based on the assumption that not all outcomes can be translated into monetary value, therefore, should be reported qualitatively.
Stakeholder engagement	In CBA process, level of stakeholder involvement is lower compared to SROI.	Stakeholder involvement is a key part of the process.

Outside the US the concept was further developed in the EU by the European Social Return on Investment Network (ESROIN). First, they promoted the greater use of stakeholder outcomes to derive indicators of value than the original US model, and secondly built in the ‘materiality’ concept – rather than evaluating the whole spectrum of benefit derived from an activity they focused on what was ‘material’ to proving social return. This helps to make the amount of data collation more manageable and less time consuming (Wood & Leighton 2010). In the UK the concept is pioneered by the New Economics Foundation (NEF), who together with the Office of the Third Sector (now replaced by Office for Civil Society) and the Scottish government, has produced separate guidance on the use of SROI. It is also being promoted by SROI-UK network.

Like many accounting models, SROI is based on seven principles summarised in table 4 below. These principles underpin how SROI should be applied. In view of this, the SROI network and the Office of the Third Sector have produced a guide which outlines a six step approach for implementing SROI. A summary of these stages is outlined in Table 5.

**Table 4: SROI principles**

<b>Principles</b>	
i.	Involve stakeholders.
ii.	Understand what changes.
iii.	Value the things that matter.
iv.	Only include what is material.
v.	Do not over-claim.
vi.	Be transparent.
vii.	Verify the result.

**Table 5: Stages in carrying out an SROI analysis**

<b>Stages</b>	<b>What needs to be done</b>
1. Establishing scope and identifying key stakeholders.	<p>There are three steps in this stage:</p> <ul style="list-style-type: none"> <li>• Establishing scope</li> <li>• Identifying stakeholders</li> <li>• Deciding how to involve stakeholders</li> </ul>
2 Mapping outcomes	<p>There are five steps when filling out an Impact Map:</p> <ul style="list-style-type: none"> <li>• Starting on the Impact Map</li> <li>• Identifying inputs</li> <li>• Valuing inputs</li> <li>• Clarifying outputs</li> <li>• Describing outcomes</li> </ul>

3. Evidencing outcomes and giving them a value.	<p>There are four steps in this stage:</p> <ul style="list-style-type: none"> <li>• Developing outcome indicators</li> <li>• Collecting outcomes data</li> <li>• Establishing how long outcomes last</li> <li>• Putting a value on the outcome</li> </ul>
4. Establishing impact	<p>There are four parts to this section:</p> <ul style="list-style-type: none"> <li>• Deadweight and displacement</li> <li>• Attribution</li> <li>• Drop-off</li> <li>• Calculating your impact</li> </ul>
5. Calculating the SROI	<p>There are four steps to calculating your ratio, with an optional fifth:</p> <ul style="list-style-type: none"> <li>• Projecting into the future</li> <li>• Calculating the net present value</li> <li>• Calculating the ratio</li> <li>• Sensitivity analysis</li> <li>• Payback period</li> </ul>
6. Reporting, using and embedding.	<p>The three issues to consider are:</p> <ul style="list-style-type: none"> <li>• Reporting to stakeholders</li> <li>• Using the results</li> <li>• Assurance</li> </ul>

Source: SROI Network for Accounting (2012) A guide to Social Return on Investment

In spite of being widely mentioned in the grey literature, SROI is not without its flaws. Javits (2008) observes that a primary flaw that SROI is built on, is the tendency to focus attention upon cost savings to society, while not adequately incorporating many of the ways that social enterprise employment improves people’s lives. In addition, SROI as a process is resource-intensive and can be too expensive, especially in the current economic environment where many public sector organisations are looking to cut costs. Therefore, if practitioners are to use this tool, the challenge they will face would be to make it require fewer resources, and also to reduce the overhead costs. The alternative is to look for tools which are not resource

intensive and require low costs. In this regard, new approaches are being tried mainly by central government departments. For example, ‘payment by results’ and ‘Social Impact Bonds’ (SIBs), which are predicated on organisations receiving public funding conditional on achieving results. These have already been piloted in some of the government’s major contracts. The initial feedback on the effectiveness of these approaches has been mixed which means that there is yet to be a common tool identified which can be used across the public sector. For now, this study only investigates the approaches which organisations have adopted to measure their procurement and commissioning outcomes and whether that approach is based on SROI principles or another tool.

### **3.6 Conclusion**

The above literature review has shown that the concept of value has over the years evolved from focusing on the lowest price, to price and quality criteria, and recently towards ‘social value’. While the term ‘social value’ was not defined in the Public Services (Social Value) Act 2012, the grey literature describes it as economic, social and environmental improvements which represent ‘added value’ (over and beyond core requirements) delivered to individuals and communities through contracts. In this regard, ‘social value’ is to be sought as a ‘secondary benefit or additional benefits’ in a procurement and commissioning exercise. The reference to ‘secondary benefit’, it should be noted, does not mean that social value should be regarded as being less important, rather it is to convey the notion of maximising value by seeking to deliver extra benefits to the community, over and above those directly flowing from the good or service procured, from the same procurement and commissioning spend. In view of this, unlike the existing approaches or practices where contractors’ offers

are assessed based on price and quality criteria, the new approach promoted by the Act, suggest assessment of contractors should include what ‘additional benefits’ above price and quality criteria they can provide to communities through the contract, without increasing the cost or with just a small increase in cost being considered.

Although what the ‘added value’ would be for each community will be different from one community to another, generally this will fall within the three broad categories of economic, social and environmental value. Whereas practitioners and the grey literature have referred to economic value as the price (i.e. value in exchange) offered by a contractor, the concept of *value in use* is not applied. Further, in the practitioner literature, ‘economic outcomes’ are generally viewed as improvements to jobs or wages, or improvements to local economies which are especially valued for their favourable distributional impact. These outcomes align with practices promoted by the Act, which consider economic value not only to be limited to financial value but to have wider economic benefits, e.g. apprenticeships, training, contribution made to local economic development and so on. It will become useful for this distinction to be applied when describing ‘economic outcomes’.

Similarly, the term ‘environment’ has had a broader meaning and application in the literature which has resulted in less emphasis on measuring environmental value. It has also led to it being given less priority as an outcome sought in procurement and commissioning activities. The definition of ‘environment’ as comprising components of the physical environment, socio-economic and cultural environment, is not a concept that is subscribed to in this thesis.

Rather, this thesis limits the use of the term environment to the natural environment. Additionally, while the natural environment is considered to have intrinsic value; this thesis has adopted the anthropocentric view; which is, environmental value is predicated on human satisfaction. The parameters for evaluating it are to be based on human activity, whether it adds to this or destroys its value. In this regard, the outcomes for environmental value can be: air quality, water quality, reduction in noise levels, CO2 reductions and preservation of natural habitat – areas where the contractors can make a contribution while delivering a contract.

The sociologist's view of value makes a crucial contribution towards adopting practices which are based on the principles of the Act. It highlights the notion that outcomes to be sought or delivered through procurement and commissioning have to be based on what is deemed to be important to society. This means that, when going out to tender, the outcomes to be sought can no longer be based on simply meeting the organisation's objectives, but in addition, they are to reflect what is important to the community. Crucially, it underscores the possibility to seek outcomes which represent the needs of multiple stakeholder from a single procurement or commissioning exercise.

While exploring the definition of the terms has helped to provide a theoretical basis to investigate what kind of outcomes a social value approach will deliver, it is equally important for the outcomes to be measured. This is because not only does it help in demonstrating the benefits delivered from a social value (community benefit) approach, but also has

implications for policy makers and funders in helping them decide how far they want to back such an approach. Another reason is that recent government policy leans more towards working in partnership with voluntary and community organisations to deliver public services. These organisations, by and large, have the delivery of social value as their main activity, which tends not to be measured through the traditional approach, resulting in their contributions being less recognised. In the light of all these factors, it is important that the thesis identifies theories which describe the tools and approaches that can be used to measure the outcomes delivered from adopting the principles of the Act.

In this regard, the above review has shown that there are well established valuation techniques which can be employed for valuation and measuring of both financial and non-financial (i.e. social and environmental) impact. Several tools are being used for this, although it is argued that most of them focus on identifying a financial value, which has given rise to SROI as a tool to be used to measure non-financial as well as the financial outcomes. This thesis therefore examines the extent to which organisations are measuring their outcomes and what tools they are using to do it. Furthermore, it asks, should SROI be the sole indicator for measuring social outcomes, as it is argued that Return on Investment (ROI) is not used as the sole indicator of performance of a company? And lastly, does the measuring of the outcomes help to highlight the opportunity for seeking more social value (community benefits) in contracts?

Overall, this chapter has focused on gaining wider understanding of the concept of value within the context of procurement and commissioning activities. However, the review does not describe in full the process which needs to be followed and the corresponding policies or other inputs, as Emerson (2001) implies, to achieve benefits accrued to society. It has assessed the theory regarding valuation techniques and the tools used to measure social, economic and environmental outcomes. As the notion of social value is predicated on delivering public services based on what is important to the society, the next chapter explores the theories underpinning creating and delivering services in the public realm and also how collective preferences are to be determined.

## **CHAPTER 4: Literature Review -The notion of “Public Value” and a theory of how collective preferences are to be determined**

Given that under the Public Services (Social Value) Act 2012, value connotes added benefits delivered to communities, this chapter explores the notion of that value being created and delivered in the public realm. In doing so, it draws from the public administration and strategic management literatures to identify theories which inspire delivering benefits for the ‘public good’ by both public sector and businesses. Additionally, a key factor in having outcomes which add value to the public sphere is to know what the public will, interest or choice is or should be. In view of this, the review also draws from the welfare economics and public choice literatures to establish a theory of how collective preferences can be determined, so that the outcomes which are sought in a procurement and commissioning exercise represent the collective will or choice of the community.

### **4.1 Towards a theory of delivering public services base on the notion of adding value to the public realm**

This section’s review focuses on the literature which examines the provision of public services based on the notion of achieving outcomes which contribute to the common goods or societal value. It is divided into two; the first section focuses on the notion of Public Value from the perspective of the public sector and the second, from the lens of businesses.

#### **4.1.1 Public sector perspective**

Generally, public sector agencies are conceived to be agents which deliver services that adds value to the individuals and communities. However, given public agencies tend to have several objectives to target, it is easy to lose sight of the main objective of service delivery, which is, achieving outcomes that represent value to the community or public. Mark Moore (1995) is credited with the origin of the concept of 'Public Value' as discussed in current public administration and management literature. Although Moore's initial work did not provide a definition of 'Public Value', the central proposition was that public resources should be used to increase value to the public in a way which is similar to value-creation within the private sector. In other words, his theory argued for public managers' goal to be the delivery of Public Value. Since his early work, many definitions of the term 'Public Value' have been proffered, with new definitions emerging.

Within the current literature, the definition of Public Value can be classified into three dominant meanings: managerial action, what has meaning for people and the notion of adding value. The focus on managers' action in the definition of Public Value is underscored by Horner and Hutton (in Benington 2011) who see Public Value as a concept that defines the ultimate purpose of managerial action when using state-owned assets (which they describe as authority and money); and, also as a system of practical reasoning to be relied upon by public managers in helping them to define and pursue Public Value in the domain in which they are operating. This view is underscored by Coats and Passmore (2008:7), who state that 'the overarching objective of Public Value is to offer public managers a simple instrument to

articulate the goals of their organisation'. It is arguable that their definition highlights managerial intent rather than managerial actions.

The second category focuses on the notion of providing services which the Public Values. Under this view, Public Value is seen as “the combined view of the public about what they regard as valuable” (Talbot 2011:28). It is about focusing on what has meaning for people, rather than what a public-sector decision-maker might presume is best for them (Alford and O’Flynn 2009). This view is further described by Benington (2009:233) who observes that Public Value means: first *‘what the Public Values’* and second, *‘what adds value to the public sphere’*. He goes on to explain that the first part of the definition represents a counterbalance to previous traditions in public administration in which *‘producers defined and determined the value of public services through activities such as political goal setting, expert policy analysis and professional standards and regulation, and [were] not driven by goals’*. The second part focuses *‘attention not just on individual interest but also on the wider public interest, and not just on the needs of current users but also on the longer term public good, including the needs of generations to come’* (Benington 2011:42; Benington, 2009).

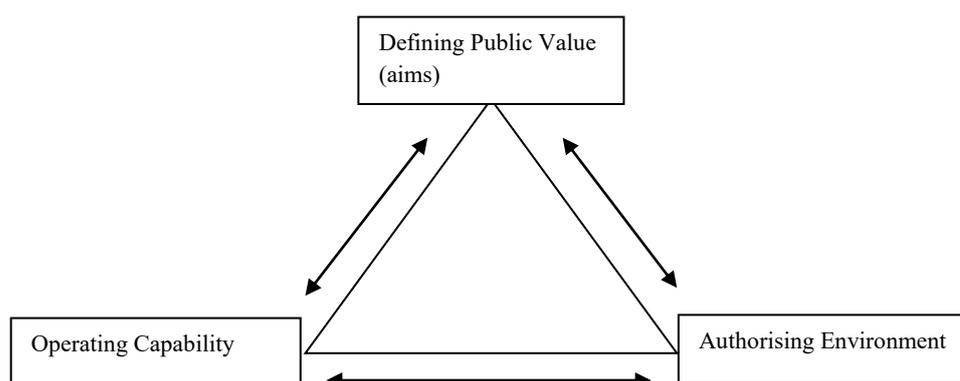
And the third meaning that the literature presents for Public Value is that, it connotes an active sense of adding value, rather than a passive sense of safeguarding interests (Benington 2009:237). The areas where value can be added extend beyond market economic considerations to include:

- ecological value—adding value to the public realm by actively promoting sustainable development and reducing public “bads” like pollution, waste, and global warming;
- political value—adding value to the public realm by stimulating and supporting democratic dialogue and active public participation and citizen engagement;
- economic value—adding value to the public realm through the generation of economic activity and employment; and
- social and cultural value—adding value to the public realm by contributing to social capital, social cohesion, social relationships, social meaning and cultural identity, individual and community well-being (Benington 2009:237)

While most definitions fall within the three areas mentioned above, a few are based on the discipline or interest of the researcher. For instance, Meynhardt (2009:204) who approaches the subject from a psychological perspective, framed Public Value as an individually-formed abstraction, which to some extent has helped to highlight the point that value ultimately lies in individuals. Other scholars interested in measurement of outcomes, saw it as a ‘yardstick for measuring performance’ which again emphasises the measurement aspect (Kelly et al., 2002:4). But for this thesis, Public Value is described as comprising the three areas mentioned above. This means that the criteria I have used to assess Public Value have been based on: procurement and commissioning managers’ actions toward creating and delivering value; value as determined by the public; and added value activities.

However, the value delivered to the public realm is not created by the public sector alone. According to Benington (2009: 237) the process includes the private sector, the voluntary sector and informal community organisations, as well as governments. One of the potential roles government can play is to harness the powers and resources of all three sectors (the state, the market and civil society) behind a common purpose and strategic priorities, in the pursuit of Public Value goals (ibid). Another way is by changing the design of a social system, be it by a formal institution of government, or a policy (Kirlin 1996). And, base on Public Value theory, public sector managers' (procurers and commissioners) are expected to take appropriate actions which help create value from public resources for taxpayers; in the same way that their counterparts in the private sector do for their shareholders. The process to creating value in the public sphere, is outlined in Moore's Strategic Triangle model. The model identifies three distinct but inter-dependent processes which need to be followed. These are identified in the Figure below:

**Figure 1: The Strategic Triangle**



Source: Adapted from Moore (1995)

The task of exploring and creating Public Value is not only a task to be carried out by managers, but needs to be shared around (Smith 2004: 79). In this regard, Gains and Stoker (2009) argues that Public Value approach is more appropriate and realistic at local decision-making levels than at national government level, in Westminster-style political systems. This view is underscored by Benington (2009: 237) who stated that *“the prime arenas for the creation of Public Value are often found at the frontline of public service organisations, where there is the most direct interaction between public service workers and users, citizens and communities”*. He describes the process to be *“... clarifying the nature of the production process involved, and then thinking through the ways in which Public Value can be added at various stages in the value chain. In other areas the process involves starting with the group of people concerned and engaging them in the discussion and definition of how they can both contribute to and benefit from the creation of Public Value”* (Benington 2009). And Moore (1995) underpins the role that communities play in creating Public Value by arguing that citizens’ role is in two areas: first in the determination of what constitutes Public Value, and secondly in the processes needed to secure legitimacy and support. However, it is worth noting that Moore presents a narrower view than Benington’s conception of the community’s contribution to the concept of creation of Public Value, which includes notions of co-delivery of value added.

Attention has also been focused on the adaptation of Porter’s (1998) value chain analysis in an attempt to connect the Public Value aspiration to models of organisational structure and delivery (Bovaird, 2008). For example, the organisation could seek to build relationships with

suppliers, or look closely at their activities with a view of finding ways to maximise the value created for the public.

Despite the fact that Public Value as a concept in political theory is gaining wider popularity, it has been subject to some criticisms. Rhodes and Wanna (2007:419) accuse Public Value theory of 'bypassing the conventions of democratic politics and seeking to interpolate the public interest as a means of enhancing managers' significance and self-worth'. They go on to argue that Public Value assumes public managers as '*the new Platonic guardians of society*' and that it misdiagnoses the function of management in the modern public sector. It invents roles for public servants for which they are not appointed, are ill-suited, inadequately prepared and, more importantly, in which they are not protected if things go wrong. Further, it ignores the possibility of self-interested action by public managers, or indeed that their view of the public interest may not coincide with that of elected representatives. Hence it is not suited for Westminster politics.

In responding to these criticisms, Alford and O'Flynn (2009:177) recount Moore's numerous assertions of the primacy of elected representatives and party politics over the management function. They argue that Moore explicitly acknowledges that in a democracy, elected politicians have the most authoritative claim to control the fundamental decisions and go on to cite the following quotes from Moore's book:

*“At the core of political management—the actors who are always present and must always be attended to—are those who appoint managers to their offices, establish the terms of their accountability, and supply them with resources. The single most important figures in this context are the managers’ immediate superiors—usually political executives”* (Moore, 1995:118–9).

*“Politics remains the final arbiter of Public Value just as private consumption decisions remain the final arbiter of private value”* (ibid:38).

In addition, Alford and O’Flynn (2009) argues that Rhodes and Wanna did not consider the Strategic Triangle model, which shows clearly that public managers’ authority is constrained by the political process. Away from Rhodes and Wanna’s argument, Public Value provides a framework that public agencies can adopt to ensure services delivery are based on achieving outcomes which represent the public interest or value.

#### **4.1.2 Business perspective**

Unlike the public sector, the traditional view of a firm’s primary pursuit is to maximise value for its shareholders (Conner 1991). This view considers an organisation to occupy a position on the value chain in which the upstream actors in the chain are the suppliers and downstream actors are the customers (Normann, and Ramirez 1993). A company’s value activities should lead to increased ‘margin’; which is higher financial gain for shareholders (Johnson et al, 2007). Generally, increasing shareholder value tends to be discussed within the context of an organisation’s gaining competitive advantage over other organisations. To gain competitive advantage, thereby increasing the value it creates for its shareholders, organisations adopt

either a low cost or differentiation strategy (Porter 1998). In addition, there is also the resource-based strategy which advocates the use of an organisation's tangible or intangible resources to gain competitive advantage (Peteraf 1993). Beside these strategies, the value chain concept has also been seen as a way of increasing the financial value which a company creates and delivers for its shareholders (Johnson et al 2007).

Apart from maximising value for those who hold shares in it, the literature also talks about businesses pursuing goals which seek to create and deliver value to advance 'societal good'. Under this view, the predominant concepts mentioned in the literature are Stakeholder Value and Corporate Social Responsibility (CSR). The Stakeholder Value orientation is premised on the belief that a company has social responsibilities that go beyond shareholder value creation to encompass other stakeholders such as employees, consumers, and society at large (Barsky et al, 1999:586). Similarly, the concept of Corporate Social Responsibility (CRS) promotes the idea of businesses taking actions that further some social good, beyond their primary purpose of creating wealth. This can either be through their actual business practices, or through 'extracurricular' activities such as charitable donations, or staff volunteering projects.

In addition to the concepts of Stakeholder Value and Corporate Social Responsibility, recently, however, a new concept called 'shared value', championed by Porter and Kramer (2011) has emerged in the literature. This concept sees the purpose of value creation not to be only for shareholders but also to include benefits delivered to the community. The concept

rests on the premise that both economic and social progress must be addressed using value principles. It is defined as *“the policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates”* (Porter and Kramer 2011:66). In this regard, they go on to argue that *“Societal needs, not just conventional need, define the market, and social harms can create internal costs for firms”* (p.65).

Despite its appeal to broaden the primary purpose of a firm from the narrow focus on creating value for the shareholders to include society, the ‘shared value’ concept has been criticised by Crane et al (2014) who argue that it is based on a shallow conception of the corporation’s role in society. They claim that it ignores the real tensions between economic and social goals, or the trade-offs between economic and social value creation. For example, paying decent prices to first-tier suppliers in a bid to ensure workers get a living wage might, for instance, evaporate a large part of the profits. Another criticism they raise is that the concept is unoriginal as there are already similar concepts such as stakeholder value and Corporate Social Responsibility which promote social goals for businesses. For instance, stakeholder value principles are largely synonymous with the characterisation of shared value as *“creating economic value in a way that also creates value for society by addressing its needs and challenges”*. Porter and Kramer (in Crane et al 2014) have responded by stating that the concept of shared value is about *“solving societal problems in order to create economic value”*. This means that, to create value, companies have, in addition to seeking economic progress, to consider how they might include the improvement of society. They maintain that

shared value does attempt to marry the efficiency of business with the attainment of wider societal objectives.

In terms of a process for creating societal value, Porter and Kramer (2011) outline three ways, which are: re-conceiving products and markets by seeking out social problems where serving consumers and contributing to the common good might be achieved in parallel; redefining productivity in the value chain by simultaneously enhancing the social, environmental, and economic capabilities of supply chain members; and enabling local cluster development so that various developmental goals can be achieved in cooperation with suppliers and local institutions. Similarly, Pfitzer et al (2013) identify five mutually reinforcing elements for companies to deliver both social benefit and value. These are: having social purpose, defining the social need, measuring shared value, creating the optimal innovation structure, and co-creating with external stakeholders through enlisting a wide range of stakeholders and leverage of others' capabilities.

#### **4.1.3 Summary of the concepts of delivering services to promote societal value**

The review shows that the notion of organisations working to deliver value in the public realm is supported in the literature. For organisations in the public sector, the doctrine of Public Value encourages public managers to focus on activities which create value or reflect what is deemed to be important to the community. Whereas the notion of competition has been central to the development of New Public Management theory which underpin the

reforms of the 1980s, Public Value welds together ideas about efficiency and effectiveness in the provision of public services with notions of democratic legitimacy and trust (O’Flynn 2007). Regarding businesses, the strategic management literature review has shown that the traditional view of shareholder value is no longer the only concept by which value is assessed in an organisation. There is another broader application of value which includes factoring in the needs of other stakeholders, as well as incorporating the interests of the community.

Further, the review establishes that creating value in the public realm requires the participation of government, businesses, the voluntary sector, social enterprises and civil society or communities. This value created could be in the form of social, economic, environmental or political value. While the role of government, public sector managers, the civil society have been highlighted, the voluntary and community organisations participation wasn’t emphasised. However, it should be noted that many politicians consider the core mission of third sector organisations to be, unlike that of businesses, the creation and delivery of Public Value. This recognition in the UK, started during the Blair government, which created the Office of the Third Sector, and has resulted in the former 2010 coalition government seeking a wider role for the sector in delivering public services. Furthermore, the initial bill which resulted in the Public Services (Social Value) Act 2012 has aimed to provide a wider opportunity for the sector to deliver more public contracts.

While Moore sees value to be “*rooted in the desires and perceptions of individuals*” (Moore 1995: 52), I argue that society is the final arbiter of Public Value. This is in line with prevailing reality that it is not possible for every individual’s wants or needs to be met solely

by relying on their preference and that public agencies' intervention has to be based on collective preferences. The question that this raises is what process should public managers (procurers and commissioners) adopt to determine what the public 'interest', 'will', 'choice' or preference is? Can they determine that society prefers this outcome to the other, or claim 'this is what society collectively prefers'? The literature provides several methods of eliciting the public choice or determining collective preferences. In the section below I examine these theories. My aim simply is to establish a theory which public managers (procurers and commissioners) can use during the procurement and commissioning exercise to identify community preferences on a rational basis.

#### **4.2 How to determine community preferences**

The Utilitarian tradition argued that collective preferences or choices can be determined by interpersonal aggregation, based on looking at the sum total of the utilities of all the people involved. In practice this means that officers compare the utilities of individuals or sub groups with one another, and arrive at what the 'collective preference' or 'choice' should be. This view was challenged in the 1930s by Robbins (1938) and others (influenced by the philosophy of 'logical positivism') that interpersonal comparisons of utility had no scientific basis. As such, a new approach emerged; based on "the Pareto criterion", that argued for social preferences or choices to be determined by relying only on one basic criterion, which is social improvement. The approach this view advocates is based on the notion that there is an improvement in social welfare if everyone's utility goes up (or if someone's goes up and no one's goes down). Unlike the Utilitarian view, this approach does not require any interpersonal comparison, nor for that matter, any cardinality of individual utilities. But as

Sen (1995:3) pointed out, it has weaknesses, which are: *'it is quite insensitive to the distribution of utilities (including inequalities of happiness and miseries), and it takes no direct note of anything other than utilities (such as rights or freedoms) beyond their indirect role in generating utilities'*. These flaws in the Pareto Improvement theory led to Arrow's (1950; 1951) formulation of social choice theory, which arguably is the basis of modern day economic theory relating to determining social preference (or decisions) based on the set of individual preferences.

Arrow (1950) argues that in order to determine social preference, it has to be done through a so-called Social Welfare Function (SWF) also called a 'constitution'. A Social Welfare Function maps individual orderings by everyone in the society onto a social ordering. Furthermore, Arrow argues that in order to yield a social ordering from every possible combination of preferences, certain conditions have to be met; which are:

- i. **Non-dictatorship**: the preferences of an individual should not become the group ranking without considering the preferences of others.
- ii. **Unrestricted domain (Individual Sovereignty)**: each individual should be able to order the choices in any way and indicate ties. As such, social choice must reflect any ranking of the alternatives from each voter.
- iii. **Pareto's principles – a) Unanimity**: if every individual prefers one choice to another, then the group ranking should do the same and b) **Uniqueness of Group Rank**: The method should yield the same result whenever applied to a set of preferences. The group ranking should be transitive.

- iv. **Freedom from Irrelevant Alternatives:** If a choice is removed, then the others' order should not change. In other words, the social choice over any two alternatives should not be influenced by individuals' preferences involving any third alternatives.

Having outlined the principles under which a Social Welfare Function may be achieved, Arrow (1951) went on to argue in his Impossibility Theorem that it is impossible to have a Social Welfare Function which satisfies universal domain, independence, the Pareto principle, and non-dictatorship principles. Basically, he argues that it is impossible to obtain a ranking order through a voting system which converts the ranked preferences of individuals into a community-wide ranking while also meeting the above pre-specified set of criteria. In fact, the only exception where that can be possible is when there is unanimous agreement among all individuals concerning alternative social states, when the required majority of individuals possess identical orderings of social alternatives, or when individual orderings are characterized as 'single-peaked'— which is hardly achievable.

Some have often interpreted Arrow's impossibility theorem as being thoroughly destructive of the possibility of reasoned and democratic social choice, because his analysis shows voting to be inconsistent with rational decision making in determining collective or community preferences. However, Buchanan (1954:115) saw it to be the case that Arrow was mixing two concepts – the first concerns the decision-making processes, and the second is about social-ordering relations or social welfare functions. Similar distinctions were also made by Sen

(1995:5) who states that the notion of ‘social preference’ related respectively to (i) the operation of decision mechanisms, and (ii) the making of social welfare judgments. The former is a representation of choices emerging from decision mechanisms, while the latter represents a view of the social good (some ranking of what would be better or worse for the society). This requires making judgments about social welfare, and usually such judgments would typically be made by a given person or agency. In the light of these distinctions, Buchanan (1954) argues that it is possible for a decision-making process to produce consistent choice, despite the rule which states that social ordering from the individual values may not exist. He goes on to also state that ‘possible inconsistency is a necessary characteristic of orderly majority rule’. (Buchanan, 1954a:115). It is worth noting that Arrow’s Impossibility Theorem is still correct – Buchanan’s analysis is simply a way of rationalising that we have to live with a system which cannot simultaneously meet all of Arrow’s postulated criteria for an ideal social choice mechanism.

Buchanan’s argument therefore establishes majority rule as a rational method (although it has flaws as mentioned above) to determine collective preference in a decision-making process. The simplest means of establishing a majority is by voting, which is based on the choice being determined from a ranking of alternative situations (Sen 1999: 355). In this respect, Buchanan (1954: 118) states that ‘*a majority decision must be viewed primarily as a device for breaking a stalemate and for allowing some collective action to be taken*’.

The majority rule exercised through a voting system, as a method of determining the collective choice, is deemed to be aligned with principles of democratic governance. Under the tenets of democracy, wherein individual values do and can change in the process of decision-making, majority rule may be considered acceptable because it allows a sort of jockeying back and forth among alternatives, upon none of which relative unanimity can be obtained. Majority rule encourages such shifting, and it provides the opportunity for any social decision to be altered or reversed at any time by a new and temporary majority grouping. In this way, majority decision-making itself becomes a means through which the whole group ultimately attains consensus, that is, makes a genuine social choice (Buchanan 1954:119).

Another approach to establishing a group's choice drawn from political theory is grounded on principles of deliberative democracy and the assumption that public decision-making should result, not from the aggregation of separately measured individual preferences, but from a process of open public debate (Fishkin, 1991; Dryzek, 1989; Dryzek, 1990). The purpose of deliberation is to '*reach agreement on what should be done by or on the behalf of society as a whole*' (Jacobs, 1997). As such, under a deliberative approach, individuals are amenable to scrutinizing and changing their preferences in the light of persuasion (but not manipulation, deception, or coercion) from other participants. Claims for and against courses of action must be justified to others in terms they can accept (Dryzek and List, 2003).

While Elster (1986) holds that under deliberation there would not be any need for an aggregating mechanism, since a rational discussion would tend to produce unanimous preferences, Dryzek and List (2003), have cautioned that it is overly optimistic to expect that rational discussion will always produce unanimity. Rather, they point to the work of Miller (1992) who argues that deliberation can produce a single vote or choice by unpacking the various dimensions if the basic cause of cycling is the combination of several normative dimensions. Deliberators can search for acceptable choices on each dimension, then aggregate these choices into a coherent collective choice.

According to Coats and Passmore (2008), Public Value theory or practice uses the instruments of deliberative governance to ensure that public organisations are responsive to the refined preferences of citizens. This is echoed by Benington (2009) who observes that because Public Value depends on processes of co-creation, with citizens and users at the front-line, it is dependent upon a deliberative process within which competing interests and perspectives can be debated. As such, it requires the creation of a well-informed ‘public’ with the consciousness and the capability to engage actively in this kind of democratic dialogue. He therefore concludes that Public Value is established through a continuous process of dialogue (2009: 44). A similar view is also expressed by Talbot (2011:28) who observes that the combined preference within the Public Value perspective is determined through the participation of representatives, by democracy as well as through participation by users. The democratic aspect (i.e. obtaining consent) improves Public Value and is important to secure legitimacy and the trust of the people for public activities. And, Stoker (2006:42) observes that the notion of Public Value is *‘more than a summation of individual preferences of the*

*users or producers of public services ...[it] is collectively built through deliberation involving elected and appointed government officials and key stakeholders*'. Viewed from this point, this view contradicts Moore's view which links Public Value to the individual only.

In summary, the literature from welfare economics makes two distinctions in determining social preferences theory; one approach is for the purpose of the decision-making process and the second for social welfare judgement purposes. Given the interest of this thesis is to identify an approach which aggregates individual preferences for decision making purposes, a majority rule using voting is adopted. This approach fits with current practices under democratic governance. However, the majority rule is only to be applied where discussions have reached a stalemate. A voting system could be used to determine majority rule to determine the collective preferences. The most preferred approach adopted is the deliberative method which, as the review shows, aligns with the concept of creating and delivering Public Value. This is because recent government policy (e.g. the Localism Act) encourages the devolving of decision making powers to communities, especially in matters which relate to procurement and commissioning activities. Where organisations have adopted this policy, they would have both the majority rule and the deliberative approach (but more the latter) to use to solicit the community's preferences.

### **4.3 Conclusion**

Given the cuts in the funding of public services, organisations have to focus on what is considered to be of value to the community. Besides, increasingly, citizens want to be

involved in determining value, and Public Value theory provides the framework for modelling service delivery in a way which take into consideration what is important to communities. This chapter shows that public managers have an obligation to design and deliver services which create value for tax payers and users. Further that, Public Value theory has emerged as a result of some of the failures of New Public Management (NPM) theory. For example, NPM sees citizens as bystanders and consumers of public services, while under Public Value, the citizens are co-designers and co-producers. Public Value theory also challenges the traditional public administration view that makes a distinction between producers and consumers, and clients and contractors, trading at arms-length from each other within a competitive market place, and instead focuses on the quality of the inter-relationships established, in a collaborative process of value creation (Moore 1995). Another aspect of Public Value highlighted in the review is the notion of 'added value' which extends beyond a narrow definition of value as economic outcomes, to include that which benefits and is valued by the citizenry more generally (Benington (2009)).

Similarly, the traditional view of the purpose of a firm or business, which is to maximise value for those who have a share in it, is being challenged. Recent literature argues for the pursuit of business goals to be both about delivering benefits to society as well as achieving financial results. Unlike the shareholder value concept where value is considered generally to be financial gain and it is increased by seeking higher margins, the Shared Value view advocates for businesses to adopt strategies which are premised on both economic and social progress. While some have argued that pursuing social goals will erode the profits for shareholders, the Shared Value view rather sees opportunity, in that social harms, if not

addressed, can create internal cost for firms. This point is underscored by Moran and Ghoshal (1996: 45) when they say, *'what is good for society does not necessarily have to be bad for the firm, and what is good for the firm does not necessarily have to come at a cost to society'*.

The delivery of outcomes which represent societal benefits means that public managers should be able to identify group preferences so as to draw up the objectives of an intervention. In this regard, this chapter establishes two methods (both reflect democratic principles) which public managers can use to determine what the communities' will, preferences or wants are. These are the majority rule using the voting system, or the deliberative approach. The later approach allows for issues which form the basis of divergence to be unpacked through debates and clarifications. Even though the deliberative approach is associated with identifying Public Value, it can be followed by voting, to establish a simple majority vote sufficient to identify what the collective choice should be.

Overall, the literature review (this chapter and preceding chapter) has provided a conceptual framework for the meaning of value and how value is created and delivered in the public realm. Whereas traditional procurement and commissioning practices are focused on the price and quality of the works, services or goods delivered to service users, under the Public Services (Social Value) Act 2012, the goals should and must be about delivering value in the public sphere. This requires a change in the processes adopted and also the roles played by key stakeholders such as elected members and the firms which deliver the contracts. At the moment, the literature to show practices which achieve these goals is limited, therefore

investigation of cases which have adopted such practices is needed. The next chapter outlines the approach and rationale adopted for the investigation which is aimed at collecting data that show policies and practices that deliver community value (social value) as added value from a procurement and commissioning exercise.

## **CHAPTER 5: Research Ontology, Epistemology, Methodology and Methods**

The previous chapters show that the definition of the term ‘value’ under the Public Services (Social Value) Act 2012 has expanded to include wider benefits delivered to communities. Further, to maximise the value from procurement and commissioning spend, organisations have to aim at delivering outcomes which represents Public Value. However, there is little evidence of practices which aim at delivering community benefits or social value (McCrudden 2004). Additionally, there is limited theory which underpins the use of procurement and commissioning to deliver wider benefits to communities. This chapter therefore sets out the research approach adopted to collect data from five selected case studies which show policies and practices adopted that deliver outcomes which target communities’ needs and also meets the needs of multiple stakeholders as are promoted under the Act. Whereas one’s ontological and epistemological stance is sometimes implicit in the methodology and approach discussed, I have chosen to state these so as to make clear to my readers the philosophical assumptions that underlie this investigation. As such, I have in this chapter outlined my ontological and epistemological stance first, using a directional dependency approach. The reason for taking this approach is as Grix (2010:59/67) points out, on the basis of order and logic “ontology logically precedes epistemology which logically precedes methodology”. Hay (2007:117) buttresses this point by arguing that if as suggested, ontology “relates to the nature of the social and political world” and epistemology “to what

we can know about it”, then ontology is logically prior in the sense that the definition of epistemology is, and can only be, specified by first the definition of ontology.

Some academics have forcefully upheld the notion that the ontological and epistemological perspectives adopted are inextricably bound up with specific methodologies and methods. However, I have opted to adopt the view that methodology and methods are free from ontological and epistemological assumptions, that the choice of which to use should be guided by the research questions (Bryman 2001 and Grix’s 2010:31). This view is underscored by Read and Marsh (2002:235) who states that *“the link between epistemology and methodology is important, but far from being determinant”*. Additionally, Bryman (2001:24) reinforces this point by stating that *“there is nothing inherent in the properties of the different methodologies which prevent their use by researchers who are operating from different epistemological positions”*. Therefore, I have chosen the methodology and method (techniques) based on their appropriateness in collecting data which answers the research questions.

Lastly, under the heading “methods”, I have discussed the technique used to collect data, and the data analysis process, explained why the research findings can be considered trustworthy, and the ethical standards under which the inquiry was conducted.

## **5.1 The adopted philosophical view**

### **5.1.1 Anti-foundationalist ontology adopted**

This inquiry is based on the anti-foundational philosophical view. Unlike the foundational view, which is premised on social reality being an independent phenomenon; that is, reality is independent of the agent's knowledge of it, the anti-foundational view sees the world as socially constructed. It is premised on social reality not being discovered but socially constructed by individuals who are shaped by social, cultural and political practices (Marsh and Smith, 2001:529; Grix, 2002; Hay, 2002; Grix, 2010). It implies that there is no real world to observe, as everything or action obtains meaning only from the actors involved and not by sheer existence (Furlong and Marsh, 2010). Therefore, no observer can be 'objective' because s/he lives in the social world and is affected by the social construction of reality.

The anti-foundational ontology fits this inquiry because the social reality that may exist relating to the phenomenon being investigated is dependent on the socially constructed discussions and views of key players involved in the organisations' procurement and commissioning activities. Therefore, the foundational claim of logically deducing knowledge independent of the actors would be difficult to apply. In addition, in most organisations, the policies and practices adopted in procurement and commissioning tend to be influenced to some extent by the political leaning of the organisation or the political philosophy to which its leaders subscribe. Another reason is that officers' experiences tend to form the organisation's practices. These are all underlying factors which add to the claims and assumptions that are made about the nature of social reality which is why the anti-foundational view is preferred for this investigation.

### 5.1.2 Interpretivist epistemology

In line with the ontological stance outlined above, the approach to how knowledge of social reality can be known (epistemology) adopted in this study is the interpretivist view. While the positivist claim that reality is objectively given and is measurable using properties which are independent of the researcher and his or her instruments, the interpretivist view is that “*social reality is the product of its inhabitants; it is a world that is already interpreted by the meanings that participants produce and reproduce as a necessary part of their everyday activities together*” (Blaikie 2000:36; Blaikie 2007:131). In other words, under an interpretivist epistemology, knowledge is derived from everyday concepts and meanings created by social actors. The focus of the researcher is on seeking understanding rather than to establish causal relationships or explanations of social reality (Grix, 2010; Saunders et al, 2007). The interpretivist view fits with this inquiry because the phenomenon being investigated can be understood by seeking to understand the concepts, meanings, and interpretations from the point of view of the stakeholders and practitioners in procurement and commissioning. This means focusing on identifying their (actors’) discourses or traditions and establishing the interpretations and meaning they attach to the phenomenon being studied. The interpretations and meanings may also be in terms of causal relationships between the key variables in the social discourse.

Whereas a positivist epistemology advocates for the researcher to be a ‘bystanding observer’, the interpretivist promotes a closer relationship or involvement of the researcher in the phenomenon of study. The latter point is underscored by Blaikie (2000: 36) who describes the

role of the social researcher in gaining knowledge of the phenomenon as: “*the social researcher enters the everyday social world in order to grasp the socially constructed meanings, and then reconstructs these meanings in social scientific language*”. And, Locke et al (1987) add that “the investigator’s contribution to the research setting can be useful and positive rather than detrimental”. In the light of this, I have drawn from my experience as a practitioner, with my experience built within the public sector, in explaining the meaning of some concepts of the actors’ discourses and interpretation of the phenomenon being studied. Creswell (1994: 147) suggest that, ‘the biases, values, and judgement of the researcher should be stated explicitly in the research report’. This is demonstrated in the chapter discussing the findings by the use of the ‘first person’ when describing aspects of the research findings on which I have a personal view.

The interpretivist approach has been criticised for lack of objectivity, i.e. the perceived variation in the actors’ view of reality, as well as the biases of the researcher in relation to the objective reality she or he studies. Some critics have gone as far as saying that the interpretivist tradition merely offers opinions or subjective judgments about the world. As such, there is no basis on which to judge the validity of their knowledge claims. Another criticism of the interpretivist tradition is the problem of the double hermeneutic (Furlong and Marsh 2010), which basically suggests that the interpretation by a social agent of meaning or actions changes the actual meaning or action itself. I acknowledge that some of the criticisms of interpretive epistemology highlighted above cannot be fully mitigated in this research. However, it is worth mentioning that these criticisms are mainly coming from the positivist tradition, which sees the purpose of an enquiry differently from an interpretivist.

Furthermore, I have endeavoured to reduce the biases in interpretation of the findings, by allowing the ‘social actors’ point of view to form the basis of the account and the report of the findings. And finally, I have tried to limit applying personal interpretations and meanings to the findings and where I have done so, they have been expressed in the first person to distinguish them from those of the actors. Webb (1992) argues that the use of the first person does not suggest that the research, or conclusions drawn, lack rigour.

## **5.2 The research methodology**

Grix (2010) observes that the methodology derives from the Research Question. In view of this, a qualitative approach was adopted for this inquiry. According to Crewsell (1994:10), the qualitative approach is useful where the “research problem needs to be explored because little information exists on the topic”. In addition, such studies are not theory-based or guided by theory because the “theories available are inadequate, incomplete or simply missing” (*ibid*). This point is also underscored by Domegan and Fleming (2007), who describe the aims of qualitative research as to explore and to discover issues about the problem on hand, because very little is known about the problem. These descriptions of qualitative research identify the characteristics which underlie the Research Problem that this study is seeking to fill. Firstly, there are few examples of practices which are based on delivering social value (with the outcomes determined by communities) across the UK public sector – this means that an explorative study approach seems more suitable to fill in the Research Gap.

Another feature of the qualitative approach which makes it suitable to address the Research Problem identified in this study, is that it offers flexibility and allows for multiple methods to be used in collecting data (Brewer and Hunter 1989). This point is underscored by Denzin and Lincoln (2000:3/4) who observe that under a qualitative approach, the researchers deploy “*a wide range of interconnected interpretive practices, in order to get a better understanding of the subject matter at hand*”. In line with this, I have adopted a two-phase approach to answer the Research Questions. In the first phase of the data collection process a questionnaire-led survey approach was used and, in the second phase, a case study approach, using face-to-face interviews as the main method to collect the data was also adopted. As a survey design is more aligned with positivist epistemology rather than the interpretivist paradigm which has been adopted in this study, the questionnaire-led survey approach has been used mainly as an aid in identifying themes or questions for further probing during the case studies’ data collection process. Below, I discuss how I have conducted the questionnaire-led survey and the themes it generated for further inquiry, and also the approach adopted under the case study.

### **5.2.1 Phase 1: The questionnaire-led survey**

Because the Public Services (Social Value) Act 2012 came into force not long ago, it was important for the research to establish during the early stages the level of awareness of, and level of implementation of the Act. In addition, it was important to establish what the emerging issues were in relation to organisations adopting an approach promoted by the Act, and the outcomes likely to be achieved under such an approach, before moving on to carry

out further in-depth investigation. In order to establish these issues from a wider representative sample, a questionnaire-led survey method was employed. According to Campbell and Katona (1953:16), it is the “*capacity for wide application and broad coverage which gives the survey technique its great usefulness.*” Further, a survey can lend itself to a “*fact-gathering questionnaire*” (Punch, 2005: 92).

The survey was carried out jointly with three professional membership organisations, namely: the Society of Procurement Officers (SOPO), the Association of Chief Executives of Voluntary Organisations (ACEVO) and the National Association for Voluntary and Community Action (NAVCA). Based on the likely differences in responsibilities between those who are involved in procurement and commissioning decision-making (i.e. the public sector stakeholders) and the providers, those who deliver the contracts, two separate questionnaires (see Appendices A & B) were developed; one targeting members of SOPO and any public sector stakeholders involved in procurement and commissioning activities, and the second one, members of ACEVO, NAVCA and stakeholders within Voluntary, Community and Social Enterprise (VCSE) organisations. These sample respondents were targeted because of the pivotal role they play in implementing the Act, e.g. involvement in making decisions, in designing processes of procurement and commissioning activities or in providing the service, supplies or works that have been commissioned or procured by public sector organisations. However, some of the questions in the public sector questionnaire were mirrored in the VCSEs’ questionnaire and vice-versa. This is because the responses to those questions do not necessarily depend on whether or not the respondent is a commissioner or a provider of the service, works or supplies.

Working with the above membership organisations provided access to a wide number of participants who are involved in procurement and commissioning activities, and had the added benefit of getting feedback from professionals within the field in developing the questionnaire. The questionnaires for the two target groups were first drawn up by me, and then copies were made available to selected members in SOPO and NAVCA to provide ‘critical friend’ comments as a piloting process. Three officers from SOPO with senior roles in procurement and commissioning within Local Authorities provided comments, while from NAVCA, four individuals provided feedback. The comments were incorporated into the final questionnaire. In addition, before sending out the questionnaires, the researcher also provided a final copy to a colleague at work, to provide feedback on the timing, as well as on how easy it was to understand the questions. Again the comments provided were incorporated and the final copies issued to contacts at the three partner organisations.

Distribution of the questionnaires was done via the e-newsletters of the three membership organisations, which cover most of their members. For some participants, in addition to the above distribution method, group email lists were used to send out the questionnaires. Further, the survey was publicised on the INLOGOV Twitter account, with links to the two questionnaires for those potential respondents that fall within the two sample categories mentioned above who might want to participate in the survey to be able to do so. Both questionnaires had a brief write-up outlining the objectives of the survey as well as the potential benefits of the findings in improving procurement and commissioning practices within the public sector. All the above means of distribution provides a weblink which

participants could use to complete the questionnaire on a secure site hosted by Survey Monkey.

During the time when the survey was live, reminders were sent out using e-newspapers and emails to potential respondents, reminding them of the closing date, and encouraging those who had not completed the survey to do so. At the close of the survey, the number of responses received was lower than expected; 28 from the public sector and 21 from the VCSE, giving a combined total of 49 respondents. Some questions were also skipped, giving lower numbers of responses for some questions. The results, which are shown in Appendix A, were analysed, with the responses providing an interesting indication of the situation at that time as follows:

- there was a high awareness of the Act amongst respondents in both public sector and VCSE organisations;
- respondents rated the Act as having a low level impact – however, they expect the impact to rise;
- the Act could have moderate to major impact if there were to be more understanding of social value among public sector staff;
- for VCSEs, the two factors which could ensure the Act had a major impact would be removing the limitation on EU thresholds and broadening the scope to include non-EU threshold procurement;
- changes made to procurement and commissioning processes as a result of the Social Value Act are minor;
- VCSE respondents indicated that, in the light of the Act, the outcome to which

they were likely to give more emphasis in bidding for contracts, is social cohesion, with employment/jobs, reducing carbon footprint and energy saving outcomes given a lower importance rating; and

- respondents are neutral on the likelihood of the Act increasing VCSE organisations' access to public contracts and pre-procurement consultation.

Given the above differing viewpoints which appear to underlie the varying responses to the survey, it raises some important questions (which have been incorporated within the case studies investigation), including:

- a) How are organisations interpreting the Social Value Act and to what extent is their interpretation limiting or facilitating the impact of the Act?
- b) What are the emerging practices and approaches adopted which allow public sector organisations to overcome the obstacles to seeking 'social value' benefits or outcomes on contracts being let?
- c) To what extent does an approach which aims at delivering social value differ from the traditional procurement and commissioning approach?

- d) What approach do organisations adopt to ensure that the value which is delivered from procurement and commissioning reflects the value based on community preferences?
  
- e) What are the emerging threats or potential hindrances to VCSE organisations gaining more access to the public sector contracting market?

My overall view of the survey is that, even though it has offered an opportunity to reach to a wider pool of participants, the responses, as shown above, were below what I was expecting. However, the survey findings show that the Social Value Act has not as yet resulted in transformation of procurement and commissioning practices as is generally expected by politicians and leaders of the Voluntary, Community and Social Enterprise organisations. Further, given that the Act had been in place for less than a year at the time of the survey, these findings must be regarded as only preliminary, especially since, given that there is high awareness of the Act in both public sector and VCSE organisations, the impact could potentially be greater in the future.

### **5.2.2 Phase 2: The case studies**

In line with the desire to gain new insights: i.e. to understand from the perspective of the actors the factors that enable practices which deliver wider social, environmental and economic value/benefits to communities, case studies have been adopted as the main research

design for this study. This is because it allows for empirical investigation of a particular contemporary phenomenon within its real life context (Yin 2003). Robson (2002) cited in Saunders et al (2003) echoes this view by observing that it (case study) provides for a ‘real life’ appraisal of the phenomenon being investigated. This aligns with the qualitative methodology adopted in this study which is particularly concerned with gaining understanding of the social phenomenon from the actors’ perspectives through participation in the life of those actors –which is what the case study allows the researcher to do.

Additionally, the case study offers a “multiplicity of perspectives which are rooted in a specific context” to be explored (Ritchie and Lewis 2003). This characteristic of the case studies is important for this investigation because procurement and commissioning processes require various stakeholders’ involvement whose views need to be heard in order to gain understanding of the phenomenon. Another reason why case studies are appropriate for this investigation is that they offer the opportunity to use different sources of evidence (Yin, 2003 and Gillham, 2000) to arrive at the best possible responses to the research question(s).

However, a major criticisms of case study design is that a single case is incapable of providing a generalising conclusion, particularly where it lacks a sufficient number of cases. Another criticism is that, inherent in case study design is its openness to the influence of, and interpretations by, the researcher and others, which to some extent is greater than with other methods. Therefore, it is considered to lack statistical reliability and validity (Gummesson 2000). Yin (1994) forcefully argues that the relative size of the sample, whether two, ten, or a hundred cases are used, does not transform a multiple case into a macroscopic study. Furthermore, the goal of the study should establish the parameters which should be applied to

the research. In this way, even a single case could be considered acceptable, provided it met the established objective of research. Viewed from this point, the possibilities of generalisation from a very few cases, or even one single case, are reasonably good. Further, Flyvbjerg (2006:219) strengthened Yin's points by arguing that "a scientific discipline without a large number of thoroughly executed case studies is a discipline without systematic production of exemplars, and a discipline without exemplars is an ineffective one". He goes on to argue that social science may be strengthened by the execution of a greater number of good case studies. In addition, he argues that though random samples may emphasise representativeness, they will seldom be able to produce insight or to clarify the deeper causes behind a given problem and its consequences. Instead, it is more appropriate to select some few cases chosen for their validity. This means, the strategic selection of cases can increase the validity (trustworthiness) and generalisability of case studies. In view of this, the cases for this study were selected based on specific criteria. To be selected, each case has to meet all the criteria listed; and at least one of the requirements listed under each criterion. These are shown in Table 6 below.

**Table 6: Case selection criteria**

Criteria	Case characteristics/requirement
<p><b>Criterion 1:</b></p> <p>A contracting or provider organisation</p>	<ul style="list-style-type: none"> <li>▪ A public sector organisation (funded from public funds) with responsibility for carrying out procurement and commissioning activities to meet the social, environmental and economic needs of a community or local area.</li> </ul> <p>Or</p> <ul style="list-style-type: none"> <li>▪ An organisation (private or third sector) which provides services, supplies and works to the communities or public through contractual arrangement with a public agency.</li> </ul>
<p><b>Criterion 2:</b></p> <p>A clear public commitment by the organisation’s political and or senior managers to implement the Public Services (Social Value) Act 2012 or to adopt approaches which deliver similar outcomes promoted by the Act.</p>	<ul style="list-style-type: none"> <li>▪ Politicians and senior officials of the organisation have formally adopted the Public Services (Social Value) Act 2012 and based their procurement and commissioning Activities on the Act.</li> </ul> <p>Or</p> <ul style="list-style-type: none"> <li>▪ The organisation has reviewed or is in the process of reviewing its policies and/or practices to enable wider social, environmental and economic value to be delivered from its procurement and commissioning activities.</li> </ul>

<p><b>Criterion 3:</b></p> <p>The organisation has adopted policies or processes that promote wider stakeholder consultation in procurement and commissioning activities</p>	<p>Evidence of practices which promotes users or community consultation in determining procurement and commissioning outcomes.</p> <p>Or</p> <ul style="list-style-type: none"> <li>▪ Local Politicians showing interest as well as playing a role in embedding a social value approach in the organisation’s procurement and commissioning activities.</li> </ul> <p>Or</p> <ul style="list-style-type: none"> <li>▪ As a provider, the organisation adopts practices which consult service users, the community or relevant stakeholders in delivering outcomes which represent value as determined by the community.</li> </ul>
<p><b>Criterion 4:</b></p> <p>Organisation has adopted contract management processes which monitor or aim to monitor the delivery of social, economic and environmental value agreed by both parties during the award of the contract.</p>	<ul style="list-style-type: none"> <li>▪ Organisation has formal processes to monitor or evaluate as well as measure the social, economic and environmental value delivered from contracts.</li> </ul> <p>Or</p> <ul style="list-style-type: none"> <li>▪ Organisation has or can demonstrate evidence of social, environmental and economic outcomes being delivered or likely to be delivered from contracts which were let based on a model promoted by the Act.</li> </ul>

Prior to applying the above selection criteria, potential cases were identified through the screening of print newspapers and other media, e.g. online newspapers such as *The Guardian*, publications from policy research organisations, membership organisations’ websites, and

government publications which named organisations that have adopted the Social Value Act. Initially, six cases were identified through the above process but one declined the request to participate, citing lack of resources and the busy schedules of the relevant officers, and another only directed me to its website for information. The latter was therefore not selected. I then tried to recruit two more cases but in the end only managed to secure the participation of one. Therefore, this investigation draws from five cases.

Furthermore, following the initial analysis of the findings, additional participants from three other key stakeholder organisations were interviewed to get their views on the emerging themes from the data. These participants and the organisations they represent were selected based on the role they have played in supporting and lobbying for the bill during its journey through parliament and, after it became law, they continue to be actively engaged in promoting the Act among their members who are involved in implementing the Act.

Finally, it is worth mentioning that my selection strategy specifically excluded organisations which followed a typical (traditional) procurement and commissioning approach. The reason for this is that during the case study investigations, interviewees in each of the cases selected were asked to describe the traditional practice (i.e. the practices they adopted before implementing a social value approach), which information was used, to contrast with the new approach adopted based on the Social Value Act. By carrying out this comparison, I hope to have established the level of variation compared with a social value based procurement or commissioning approach. This also assisted in ensuring that the findings reflected practices for both social value based and non-social value based procurement and commissioning approach.

## 5.3 The research methods

### 5.3.1 Sampling and accessing the research participants

As qualitative research seeks to understand a phenomenon from the actors' subjective interpretation of social reality, Creswell (1994:158) suggests that the informants should be 'purposefully' selected to answer the research question. This view is also underscored by Popay et al. (1998:346) who argues that "randomness and representativeness are of less concern than relevance" in selecting participants in qualitative studies. In the light of this, a heterogeneous purposive sampling strategy has been adopted for this study. Participants were selected on the basis of their ability to provide information (and consequent theory development) about the area under investigation.

According to Murray (2009:99) "*existing public procurement research approaches have limitations, as frequently there is an in-built bias and lack of triangulation through an over-reliance on procurement managers as the sole key respondents*". To mitigate this, the samples were drawn from a wider group of people involved in the procurement and commissioning process, and include samples from the following categories or equivalent positions:

- an Elected Member who is a portfolio holder for procurement and/or commissioning activities;
- an officer at Director level overseeing commissioning and/or procurement activities;
- a head of procurement and or commissioning;
- a commissioner or procurement professional;
- an officer with responsibility for managing contracts let under the social value

approach; and,

- an officer who is the Social Value Champion or has a similar function within the organisation.

Specific insights were sought from each category to gain a full understanding of the phenomenon being investigated. Firstly, the views from elected members, who are key decision makers in procurement and commissioning processes, helped the investigation to identify the ‘democratic voice’ in these processes. Second, the views of directors and heads of commissioning or procurement helped in establishing the policies and practices adopted by the organisation to deliver community (societal) value or benefits. Their views also provided insight into how the organisation’s own policies and practices have or have not changed as a result of the Public Services (Social Value) Act 2012 coming into force. The third group, which consists of the views of commissioners, procurement professionals, contract managers and Social Value Champions, helped to establish how the organisation has embedded the Act or similar policies in their procurement and commissioning practices, processes, design and procedures. Apart from these groups of participants, as mentioned earlier, another sample was drawn from stakeholder organisations. The main contribution sought from this category of participants was to corroborate or test themes emerging from the findings of the case interviews.

The recruitment process involved first identifying the officer responsible for promoting social value in the organisation (a coordinator), which included carrying out searches on the organisation’s internet website, making telephone calls to the main reception or to other people asking for information on who would be the best person to contact. Once a potential

coordinator was identified within the organisation, an email was sent or telephone call was made to explore the possibility of getting their organisation's participation in case study research relating to the subject of the investigation. Then, the participants who were identified by the coordinator as the relevant people under the categories mentioned above were sent an email with a copy of the recruitment letter (see Appendix B) attached requesting their participation in an interview. In some cases, elected members were contacted through their personal assistants. For some, getting dates in the diary was done in under a relatively short time, while for others it took a long time as the researcher had to go through personal assistants or the team's administration officer who were the gate-keepers to try and get interview dates booked.

### **5.3.2 Data collection method**

Given that the case study approach allows for various methods to be adopted to collect data that answers the research questions, this study collected data from two sources: i) primary data collected via face-to-face interviews, and ii) secondary data collected from the organisation's internet websites and other existing documents relating to the subject of this investigation. The type of interview used was the semi-structured and in-depth interview method. This approach was considered to be the most appropriate because it provides *“the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience”* (Burgess 1982:107). Furthermore, it allows for a certain degree of flexibility and for the pursuit of unexpected lines of enquiry during the interview (Grix 2010: 128).

Another reason for adopting the semi-structured/in-depth interview for this study was that it helps in identifying people's underlying meanings and their interpretation of social reality, which aligns with the interpretivist paradigm underlying this research. This is underscored by Punch (2005:168) who opines that the semi-structured/in-depth interview data collection technique is good in "*accessing people's perceptions, meanings, definitions of situations and constructions of reality*". Additionally, Richardson et al (1965) assert that it allows for the exploration of attitudes, values, beliefs and motives. Also, Easterby-Smith et al (2012) underpin this point by arguing that it helps to understand the interviewees' paradigm which is the basis for their opinions and beliefs.

Furthermore, this technique helps to facilitate comparability (cf. Bailey, 1978) of cases. During the interviews, each participant was asked a set of core questions within the sample category they represent. In line with Creswell's (1994:150) observation, I had "'control' over the line of questioning" which allowed me to ask participants within a category the same questions which answer the research questions. I made sure that participants had answered the key questions under each category. Because of this, the responses were easy to compare.

### **5.3.3 The interview questions and format**

The nature of the questions asked was open ended. This is in line with Yin's (2003: 90) suggestion that "case study interview questions should be of an open-ended nature, in which you can ask key respondents about the facts of a matter as well as their opinions about

events”. Further, each research question has key themes which were explored during the investigation. These are outlined in Table 7 below.

**Table 7: Key themes against research question explored during the interview**

Research Question	Themes covered or explored in the interview
<p><u>Research Question 1:</u></p> <p>To what extent does the Public Services (Social Value) Act 2012 contribute to public sector organisations adopting procurement and commissioning policies and practices which achieve ‘additional’ social, environmental and economic value to a community?</p>	<ul style="list-style-type: none"> <li>▪ What are the policies driving public agencies towards seeking social, economic and environmental value as addition benefits in a procurement and commissioning exercise?</li> </ul>
	<ul style="list-style-type: none"> <li>▪ What changes (if any) have been made to procurement and commissioning practices as a result of the Act or other policies?</li> </ul>
	<ul style="list-style-type: none"> <li>▪ How does the organisation measure the outcomes delivered from adopting procurement and commissioning practices based on the principles of the Act?</li> </ul>
	<ul style="list-style-type: none"> <li>▪ How is the Act embedded in the organisation’s practices?</li> </ul>
	<ul style="list-style-type: none"> <li>▪ What is the role played by the community in a procurement and commissioning approach which seeks to deliver multiple outcomes based on community value?</li> </ul>
	<ul style="list-style-type: none"> <li>▪ What other policies are there which might enable/allow organisations to deliver social, economic and environmental value to a community?</li> </ul>
<p>Research Question 2:</p> <p>What is the role of elected members and contractors/providers (in both</p>	<ul style="list-style-type: none"> <li>▪ What is the role played by Elected Members in a social value or similar approach within the organisation;</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Has the Act had any impact in levelling the playing</li> </ul>

<p>private and voluntary sectors) in ensuring that public sector organisations focus on delivering community benefits outcomes as added benefits, as promoted by the Act?</p>	<p>field for providers to access public contract market;</p> <ul style="list-style-type: none"> <li>▪ What is the role of providers in helping the Council deliver social, economic and environmental value to communities</li> </ul>
<p>Research Question 3: What is the impact on cost to the local authority of seeking social value (community benefits) as additional value, promoted by the Public Services (Social Value) Act 2012?</p>	<ul style="list-style-type: none"> <li>▪ Affordability of adopting a social value or similar approach</li> </ul>

Although in a case study interview, the interviewer pursues a consistent line of inquiry, his/her actual stream of questions is likely to be fluid rather than rigid (Yin, 2003:89/90). Further, the respondent can suggest other persons for the researcher to interview, as well as other sources of evidence. These features of case study align with the qualitative approach that allows for questions to be refined in the light of new evidence emerging, so as to get an in-depth understanding of the phenomenon being investigated. In line with this, after interviewing the participants from the first case, the data was analysed and it revealed that the researcher's questions were focusing more on exploring the social value approach from the commissioning or contracting organisation's perspective; not much probing was done into the role of the communities in both identifying and monitoring of the social value. In other words, the community's role in the social value procurement and commissioning approach

was not covered in more depth in the investigation. This led to some themes being refined and new ones added which were used in subsequent interviews. The added and revised themes comprise:

- What are the outcomes communities are looking for in the social value approach and to what extent are they (communities) involved in the assessment of the outcomes delivered?
- Where is the organisation getting the evidence they put in their measurement or assessment of the social value delivered?
- What are the skills which elected members need to legitimise a social value approach or processes? and
- Who moderates and determines the social value outcome identified through consultation to be targeted in a particular exercise?

#### **5.3.4 How the interviews were conducted**

All the interviews were held at the participant's place of work. This enabled me (the researcher) to be close to the social actors' accounts of the social interaction, meaning and interpretations within the procurement and commissioning cycle in which they were involved. During the interview, I adopted a 'friendly' tone while trying to remain close to the interview schedule themes in line with Denzin's and Lincoln's (2003) suggestion. In addition, I usually started the interviews with 'breaking the ice' questions, then moving to more 'difficult' questions. As such, each interview session had three parts: the introduction, the main interview and the conclusion. In the introduction, I outlined the objectives or goal of the

research project, my professional background and interest in the study; and on the participants' side, I allowed them to talk about their role or their team's role, achievements and other relevant background information. This was followed by the main interview which was based on 'topic guides/themes' I have produced. To avoid wide variation in the questions I asked participants, three topic guides were developed; one for elected members, another for directors and heads of procurement and commissioning functions, and the third one for those respondents who fall within the category of contract managers, social value champions or equivalent. These interview schedules (see Appendix C), served as a prompt during the interview.

Although I had planned to follow the order of the questions, in some cases, this was not followed. Furthermore, whereas my initial plan was to have a one-to-one interview with participants, group interviews were offered on arrival at the interview venue (which was usually at the participant's office). Given that the alternative would have been to miss an opportunity to include those cases in the study, these offers were taken up. The group numbers ranged from 3 to 5 participants in a single session. In taking up the offer, I had to change slightly my approach, as discussed below.

### **5.3.5 Group interviews**

Merton et al (1956) suggest that a group format does present some challenges not found in individual interviews. They note three points: 1) the interviewer must keep one person or small coalition of persons from dominating the group; 2) the interviewer must encourage

reluctant respondents to participate; and 3) the interviewer must obtain responses from the entire group to ensure the fullest coverage of the topic. To ensure that everybody had an opportunity to contribute and also, that I covered all key questions under each section or topic, I adopted the role of an interviewer but also assumed the role of a moderator so as to manage the dynamics of the group being interviewed. As a moderator, I specifically ensured that each individual participant was given the opportunity to contribute to the discussion, as well as allowed them to elaborate more on previous points made.

While the group discussions have the advantages of stimulating respondents, aid recall, and are cumulative and elaborative, over and above individual responses (Denzin and Lincoln 1998:55), there is a risk for individuals to shy away from certain ‘sensitive issues’. However, given the topic of investigation is one whereby organisations are keen to share their best practices, I feel participants did not hold back on key issues or ‘sensitive topics’. Rather they were open in sharing their practices and the approaches they have adopted.

In the final part of both the individual and group interviews (the conclusion), I thanked the interviewees for their participation and assured them of their anonymity in relation to the data provided. Also, an opportunity was given for interviewees to ask questions and seek clarification relating to the research process. A list of interviews and dates is provided in Appendix D.

### 5.3.6 Recording of the data

May (1989) observes that “given the dynamic nature of interviewing and the subtle problems of topic control and data interpretation, the procedures used to log data must be given considerable attention”. In view of this, all interviews were recorded with the consent of the participants using a digital voice recorder. According to Yin (2003:92), the audio recording “*provides a more accurate rendition of any interview than any other method*”. Other advantages comprise: it provides access to the nuances of the interactions between respondent and interviewer (e.g. intonations, pauses) which helps to validate the accuracy and completeness of the information collected. Furthermore, it reduces the potential for interviewer error such as recording data incorrectly or logging an answer to a question that was not asked (Barriball and While 1994). In addition to the recording, hand written short notes were also taken. Because in interpretivist epistemology, the researcher plays a role in interpreting the data, the notes I was taking recorded my interpretation of what participants were saying on certain topics which I then used to clarify with them during the interview process.

The interviews were held in meeting rooms, which lessened possible distractions. Regarding potential biases stemming from the questionnaire, a pilot interview was conducted with a Councillor (a former cabinet member overseeing Adult and Older People’s Commissioning) at a local authority in London. This exercise helped to enhance the topic guide, as well as gave an opportunity to test questions to see if they were clear to the participant. It also helped me refine the data collection plan with respect to both the content of the data and the

procedures to be followed (cf. Yin 2003: 79). At the end of the interviews, the recordings were transcribed and the data sent to participants to review and amend any section which they felt wasn't correctly recorded.

### **5.3.7 Secondary data (internet/print documents)**

Stored documents can provide specific details to corroborate information from other sources. As such, during the interviews printed documents or website links were provided as secondary sources of information. Specifically, secondary data for this thesis were sourced from government websites, particularly from the parliamentary archive weblink and the Cabinet Office website. These sources of data were used to provide the national context of the subject under investigation. The individual case's website was another source that I searched, to collect some of the secondary data used in this thesis.

## **5.4 Reporting the findings and the data analysis process**

Since this is a qualitative research study, the data collection and analysis were carried out simultaneously. Potter (1996) underscores this approach by arguing that data analysis in a qualitative research project may be considered an organic whole that begins in the data-gathering stage and does not end until the writing is complete. However, in this study, the data analysis was carried out in two stages; the first analysis which was based on testing and modifying the categories or key themes of the investigation, was carried out in parallel with

the data collection. The second data analysis, is the final data analysis which reports the overall outcomes or findings of this study. This was carried out at the end of the data collection exercise.

In the final data analysis, the following steps were adopted to help me understand the interview data, identify the emerging themes and draw the theoretical models which underlie a social value approach.

#### *Step 1: Transcribing and arranging the Data*

After each interview, the data was transcribed verbatim. This is followed by a minor data cleaning exercise in which I only checked for grammatical errors and made minor corrections. The transcribed data was produced in an excel spread sheet and each transcript is worked through, to identify and differentiate responses based on various questions outlined in the topic guide. This helped me to go through each topic and pick out concepts and themes across all five cases investigated in this study. Further, by arranging the data into relevant sections in line with the main topics of this investigation, it made it easier to compare responses between one case and another. This approach is underscored by Huberman and Miles, (1994, p. 432) who state that “*valid analysis is immensely aided by data displays that are focused enough to permit viewing of a full data set in one location and are systematically arranged to answer the research question at hand.*”

As this is a naturalistic study, the findings have been presented in a format which describes the background of the cases, and a narrative form based on verbatim transcribed responses of the interviewees. The description of cases uses historical information (gathered from organisations' website) and quotes from interviewees. In line with Guba and Lincoln's (1989:241) suggestion, the description of the cases studied were made to be sufficiently 'thick' so as to allow users to assess the degree of similarity between the cases investigated and those to which the findings are to be applied. Further, to provide sufficient contextual information about the fieldwork sites so as to enable the users to make a transfer of the findings.

However, before going on to report the findings, the data was organised into key concepts or themes, which process, is described below.

### *Step 2: Organising the concepts or themes*

The first activity I did, was to read through the transcript several times to familiarise myself with the data. I then moved onto identifying key themes, recurring ideas or terms used, and patterns of practices linking them with the various categories of participants and organisations targeted in this investigation. Different colour coding was applied to phrases, terminologies, and interpretations, relating to various developing themes. The coding helped

to group interview responses based on key themes of the investigation and the selection of quotes to support the presentation of the findings. In addition, it helped to draw comparisons between one case and another using a selection of variables e.g. who is involved in the process and at what stage do they get involved etc. Further, it helped to arrange the emerging themes into concepts for the researcher to compare and contrast the findings with the theories from the literature.

Consequently, the analysis uses direct portraits of the information (quotes), intertwining those quotations with the existing knowledge (theory). It was also based on defining and testing rival explanations from the data to demonstrate how this study contributes to expanding the knowledge base. According to Strauss (2003 p:217), “*this style of rather tightly interwoven theoretical interpretation and descriptive data meets all classical requirements of ‘verstehen’ (understanding), credence, sense of reality, and reader comprehension*”.

Another aspect of the analysis comprises carrying out a comparison between the cases to determine whether adopting an approach which delivers outcomes based on the Act, is facilitated by certain factors i.e., whether it matters where the procurement function sits in the organisation, the level of involvement of elected members and so on. Again, it is worth noting that these comparisons were viewed against the theoretical propositions that underlie the research questions.

### Step 3: Developing the theories

Since there is limited experience or examples relating to the phenomenon being studied, the key themes from the findings were based on the data. This is in line with the interpretivist epistemology adopted in this study, which supports the developing of themes to be guided by the data. In view of this, the theory development is based on the concept of grounded theory. According to Holloway (1997), in developing grounded theory the researchers “*collect the data and allow the relevant ideas to develop*”. And Punch (2000a:218) also observes that “*the concepts which the theory will use are not brought to the data and are not likely to be obvious in the data*”. In line with Holloway and Punch’s observations, in the early phase I adopted an open approach as I allowed for key themes to emerge from the data, before I finally engaged in verification and summarisation of the dominant themes toward core categories which are central to the topic of the investigation. After identifying these categories and concepts, they were then linked into substantive and formal theories underpinning policies and practices which deliver social value as promoted by the Act. However, while my aim is to construct an account which remains true to the data from participants, there was some analysis which was subject to my interpretation as the researcher. Daly (1997) suggests that theory development can also be subjected to analysis and interpretation by the researcher. Crucially, the approach adopted has been based on allowing the data “to speak for itself” together with applying theoretical interpretation in the hope of identifying a theoretical model and practices for social value approach.

## 5.5 Credibility, trustworthiness and generalisability

In this section I have chosen to replace traditional terms like ‘internal and external validity’, with ‘credibility’ and ‘trustworthiness’ because it is arguable that the former terminology aligns more with the quantitative paradigm rather than with the qualitative which is adopted for this investigation. It is also to highlight to the reader that the criteria used for determining or judging data reliability and rigour in qualitative research may not be the same as those used for a quantitative study.

Whereas most Positivists tend to question the credibility and trustworthiness of qualitative research, several writers, notably Silverman (2001); Lincoln and Guba (1985); and Morse (1999), have argued that that qualitative researchers can incorporate measures that deal with these issues. For this study, the framework used for ensuring rigour, credibility, trustworthiness and to promote confidence that the data from the participants is accurately recorded comprises:

### i) Use of participants’ checks

Guba and Lincoln (1989: 239) regard members’ (participants’) checks as “*the single most critical technique for establishing credibility*”. As such, after each recorded interview was transcribed verbatim, with only minor grammatical errors corrected and other ‘tidying up’ of the script done, the transcripts were sent to the participants for them to provide comments and feedback. The checks related mainly to the accuracy of the data as well as for them to comment on the emerging themes. In addition, the final findings and outcomes section of the thesis was presented to some of the participants for them to provide comments.

## ii) Triangulation

According to Yin (2003:99), data triangulation can help address the potential problems of construct validity because the multiple sources of evidence essentially provide multiple measures of the same phenomenon. In line with Yin's observation, where applicable, the data obtained from the interviews has been verified with data obtained from supporting documents, such as the organisation's procurement and commissioning policies, tender documentation, and other information reported or published on their website. In addition, external sources of information relating to the subject of the inquiry published by government, stakeholder organisations and print media were used to verify or explore particular details which participants have supplied. I have also followed a comprehensive approach when interpreting the data which includes discussion of deviant cases. Shenton (2004:69) observed that detailed description can be an important provision for promoting credibility as it helps to convey the actual situations that have been investigated and, to an extent, the contexts that surround them.

## **5.6 Generalisation**

Contrary to the view expressed by some researchers that qualitative studies and case studies cannot be used to draw generalisable conclusions, Morse (1999:5) argues that "*if qualitative research is considered not generalisable, then it is of little use, insignificant, and hardly worth doing*". Several other researchers have also supported the view that qualitative research can be generalised (Denzin and Lincoln, 1998; Yin, 2003; Gomm et al 2000:93). However, the criterion for determining generalisability differs from quantitative inquiry

(Morse 1999). Consequently, Lincoln and Guba (1989) have suggested that generalisation can be achieved based on the concept of transferability which means the findings can be ‘transferred’ from one setting to another on the basis of ‘fitness’ and similarity between the case study and the organisation seeking to apply them. This is the kind of generalisation that it is hoped will be achieved from this study. Other claims for wider generalisation of findings are not an objective of this study.

## **5.7 Ethical considerations**

Punch (2000b:281) sums up the main areas in which ethical issues can arise in research as: harm, consent, deception, privacy and confidentiality. And Denzin and Lincoln (2003: 89) summarise them to three areas namely: *informed consent* (receiving consent by the subject after having carefully and truthfully informed him or her about the research), *right to privacy* (protecting the identity of the subject), and *protection from harm* (physical, emotional, or any other kind). Below I outline how these issues have been addressed in this study.

### **5.7.1 Informed Consent**

In seeking consent from participants, Bailey (1978:384) suggests the subjects (participants) should be made “*fully aware of the purpose of the study, its possible dangers, and the credentials of the researchers*”. In line with this, all interviewees were made aware through the recruitment letter (see Appendix A) I sent to them that participation in the interview was on a voluntary basis. They were also provided with the Participant’s Information Sheet (see Appendix E), which provided detailed information about the following:

- The purpose of the research.
- Risks.
- How anonymity will be secured through every step of the research.
- Interviewees' right to withdraw from participation in the project.
- Data storage and security.

In addition, at the start of each interview session, I explained the above points, and interviewees were accorded the opportunity to ask questions before and at the end of the interview. They were informed regarding how the information they had provided was going to be used in the research, and told that if a participant chose to withdraw, he/she was free to do so at any time of the project. If at the time of their withdrawal they had provided any information, such information would be destroyed using the most effective means. Conversely, if the interviewees wished to proceed with the interview, they were asked to sign the Interview Consent Form (see Appendix F) which indicated that they had given consent to take part in the interview.

### **5.7.2 Confidentiality (Right To Privacy)**

Given the nature of the subject of inquiry of this study, participants indicated that they were willing for their organisation's name to be made public, as most of the information provided was already in the public domain, and also they wanted to promote sharing of best practices amongst similar organisations. However, I have taken the view that all individual responses should be concealed, only making them public behind a shield of anonymity. Even though

organisations didn't want to conceal their identity, each participating organisation has been allocated a unique ID number in the section reporting the findings as well as in the discussion or analysis. Where there is the potential for data provided by a participant to be easily identified, copies of the transcript have been provided to the participants concerned to ensure they have been quoted correctly and in a form with which they are comfortable. Furthermore, where a participant's organisation has been named in the discussion, a copy of the transcripts has been provided to them to obtain further consent to the way their comments have been used in the thesis. This provides another opportunity for participants to provide comments on the findings or to propose alternative views to those in the findings. Participants were given a timeframe by which they could withdraw consent, should they feel that they would be exposed to any risk.

### **5.7.3 Data protection**

According to Punch, (1994:93), "*the single most likely source of harm in social science inquiry is the disclosure of private knowledge considered damaging by experimental subjects*". In view of this and in line with the requirement of the Data Protection Act 1998, all data was stored on a password-protected laptop, and paper data was kept in a locked and secure location. The data storage and retention follows the University of Birmingham Code of Practice for Research ([http://www.as.bham.ac.uk/legislation/docs/COP\\_Research.pdf](http://www.as.bham.ac.uk/legislation/docs/COP_Research.pdf)) and guidance from the UK Research Councils.

# CHAPTER 6: The findings to Research Question 1

The introduction in January 2013 of the Public Services (Social Value) Act 2012 is meant to shift practices from the narrow focus on commercial and compliance goals towards seeking to deliver outcomes which contribute to the public realm. This and the next chapter report the findings from five selected cases which have adopted the Act or practices that deliver similar outcomes as promoted by the Act. The investigation focuses on three areas: in the first place, it attempts to examine the contribution of the Act towards the changing of procurement and commissioning policies and practices into an approach which seeks to deliver social value (community benefit) outcomes. The second part looks at the role played by key stakeholders in ensuring community benefits are delivered from procurement and commissioning activities. And the third part examines the cost of the community benefit-based approach.

In this Chapter, I examine the first part and the specific research question being answered is the following:

Research Question 1:

*To what extent does the Social Value Act (2012) contribute to public sector organisations adopting procurement and commissioning policies and practices which achieve additional social, environmental and economic value to a community?*

Within this question, the following research sub-questions were also asked:

- What definition of the term ‘social value’ has the organisation adopted in implementing the Act?
- What contribution (if any) has the Public Services (Social Value) Act 2012, had on organisations’ policies and practices?
- What kind of outcomes has the implementation of the Act delivered?
- How is the Act embedded in the organisation’s practices?
- How do organisations measure the outcomes delivered through practices adopted as a result of the Act?
- What is the role of a community in an approach which aims to deliver community value (social value)?
- Are there other policies which drives similar outcomes to those promoted by the Act?

As noted in the research methodology chapter, in qualitative studies data reporting and analysis are done simultaneously. Further, the use of more direct quotations, so as to allow the ‘data to speak for itself’ is an approach commonly used. Therefore, in reporting the findings I have used direct quotes from interviewees, intertwining or discussing those quotations with the existing knowledge. In addition, I have made comparisons between the cases in some of the practices they have adopted.

The term ‘social value’ is used in both this and next chapter in the context of the Act. In the light of this, since social value can also represent benefits which are enjoyed by some individuals, not necessarily all of the community, in some places within the text, I have used the term ‘community benefit’ to highlight the focus on community; not the individual. Further, to emphasise that the value of the outcomes sought and delivered has to be determined by the collective group; and not by the contracting authority.

## **6.1 Background to the cases**

Before reporting the findings, it is important to provide contextual information about the fieldwork sites. The objective is to enable the reader to make a transfer from one setting to another on the basis of ‘fitness’ and similarity between the case study and the organisation seeking to apply them (Lincoln and Guba, 1985; Lincoln and Guba, 1989; and Firestone, 1993). It is also to help readers compare the cases and make assessment with regard to the use of procurement and commissioning to deliver outcomes which represent value to those they are serving.

As noted in the previous chapter, the cases were selected based on certain criteria being met. In total, there are five cases included in this investigation and all of them are drawn from Local Authorities based in England. The table provides a summary of the key characteristics of each case.

**Table 8: Key Characteristics of the Cases**

Name and type of organisations:	MBNW 01 (Metropolitan borough)	UA 02 (Unitary Authority)	MBM 03 (Metropolitan borough)	LB 04 (London borough)	CC 05 (County Council)
Location:	North West of England	West Midlands of England	Merseyside, England	South of London, England	North East of England
Procurement Spend	c.a. £232m p.a.	c.a. £1 billion p.a.	c.a. £130m p.a.	c.a. £340m p.a.	c.a. £525m p.a.
Corporate objectives	<p>i. A productive place to invest where business and enterprise thrive.</p> <p>ii. Confident communities where everyone does their bit.</p> <p>iii. Co-operative Council creating responsive and high quality service</p>	<p>i) Tackle inequality and deprivation, promote social cohesion across all communities in the city, and ensure dignity, in particular for our elderly and safeguarding for children.</p> <p>ii) Lay the foundation for a prosperous city, built on an inclusive economy.</p> <p>iii) Involve local people and communities in the future of their local area and public services – a city with local services</p>	<p>i. Improve <i>'the borough'</i>.</p> <p>ii. Narrow the inequality gap.</p> <p>iii. Create a thriving, diverse economy</p>	<p>i. GROWTH, creating growth in our economy;</p> <p>ii. INDEPENDENCE, helping residents to be as independent as possible;</p> <p>iii. LIVEABILITY, creating a welcoming, pleasant place in which local people want to live.</p>	<p><b>i) Altogether Wealthier</b> Focusing on creating a vibrant economy and putting regeneration and economic development at the heart of all our plans;</p> <p>ii) Altogether Better for Children and Young People Ensure children and young people are kept safe from harm and that they can 'believe, achieve and succeed';</p> <p>iii) Altogether Healthier Improving health and wellbeing;</p> <p>iv) <b>Altogether Safer</b></p>

		for local people.			Creating a safer and more cohesive county;  v) <b>Altogether Greener</b> Ensuring an attractive and 'liveable' local environment and contributing to tackling global environmental challenges.
Directorate responsible and reporting structure for procurement and commissioning	The procurement (sourcing) and commissioning have separate teams but both sit under the Director of Commercial & Transformational Services.	The procurement function has corporate responsibility. Its current structure is based on a category management approach. Procurement function sits under Corporate Resource Directorate. The structure includes Assistant Director level post for procurement and a unique cabinet member post for Commissioning, Contracting and Improvement.	Procurement function sits with the cabinet member for Finance & Information Technology's directorate and this carries out a corporate role or function within the organisation. Cabinet Member for Finance & Information Technology is also the "Champion" for procurement in the Authority. Procurement and commissioning are separate functions.	Adopted an integrated procurement and commissioning structure based on a category management approach. Cabinet member for Finance and Treasury is the portfolio holder for Procurement & Contracts and the Council's commissioning activities. For the day to day reporting, the function falls under the Director of Strategy, Commissioning, Procurement and Performance who reports to the Chief Executive.	Procurement falls under the Deputy Leader's portfolio, with the cabinet member for Regeneration and Economic development playing a key role in procurement and commissioning policies development and activities. It sits under Resource Directorate and exercise a corporate function.

The information in the table above, shows that although the cases are all Local Authorities type of organisation, they have different priorities or corporate objectives. This suggest that the social value outcomes could be different from one local authority to another. Further, the spend in procurement and commissioning, show the potential that each of the cases has to use their purchasing power to make a difference in lives of people they serve as well as to meet the organisation’s objectives. Even though the cases represent different tier system in local governance structure, all of them are run by elected members and public officers or administrators. Together they commission the public services, supplies or works to be delivered to communities.

## 6.2 The definition of social value adopted by the cases

While ‘social value’ as a concept has a long history, its current use in relation to procurement and commissioning has come about as a result of the Public Services (Social Value) Act 2012. Since the Act failed to provide a definition of social value, in implementing it, organisations have opted to adopt or developed their own definitions or descriptions of what constitutes social value to them. These include:

“...getting the most value we can from every pound we spend in the borough” or “.. achieving a specific end in mind. An end in mind at the top level is about the co-operative borough. It is also about delivering outcomes.” (MBNW 01).

“ ... it is ‘improvement of wellbeing’ ”. (UA 02)

“Outcomes, measures and activity that will create strong and well connected public, private and social sectors that enable communities to be more resilient” (MBM 03).

“a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits to society and the economy, whilst minimising damage to the environment .... thinking Social Value should shift the focus from the bottom-line price or cost of a service towards the overall value of the outcomes delivered”. (LB 04: Social Value Toolkit).

“...‘social value,’ are the three pillars of social, economic and environmental benefits, which are the three pillars of the sustainable procurement approach” (CC 05)

The above definitions or descriptions of social value highlight aspects which are similar with those emerging from the academic and grey literature examined earlier. The literature review show that the emerging concept of social value implies maximising the public spend, by seeking for what extra can be gained from every £1 spend on procurement and commissioning. In this context, social value conveys a notion of adding value to communities from a procurement and commissioning exercise. The nature of the added value can be economic, social or environmental value and the type of outcomes that translate into it will differ from one authority to another. A similar thread runs through the definitions adopted by the cases. For instance, case MBNW 01 definition projects social value to be about maximising public expenditure; case AU 02 see social value to be about the improvement of wellbeing, case MBM 03 emphasis social benefits, LB 04 and CC 05 both seem to base their definition of social value on the principles of sustainable procurement – which is about maximising benefits for both now and future generations. Another aspect that these definitions have highlighted is that, they indicate a move away from the focus on price as the main criterion in selecting contractors, and as the basis for defining value, to include broader factors in determining value for money. Furthermore, the definitions points to or focus on

outcomes to be achieved; in contrast to the focus on processes in order to achieve regulatory compliance as promoted under the traditional approach.

### **6.3 The impact of the Act on organisations' procurement and commissioning policies**

The data from the five cases indicate that the factors driving procurement and commissioning policies towards the pursuit of wider objectives are not only limited to the Act. For instance, in Authority UA 02, respondents indicated that the key driver was a political manifesto commitment to *“extract maximum value from their procurement spend”* which is estimated to be around £1 billion per annum. In contrast, Authority MBM 03, indicated that the key drivers for their policies was *“specifically to grow the social sector”*. A similar driver was also identified by Authority LB 04 who attributed the change of their policies to the need to develop new relationships between the council and the Voluntary Sector, which had been negatively impacted by *“reduction in local government funding”*. In addition, it was also about *“delivering local employment”*.

In Authority CC 05, the main drivers were twofold: first, the Sustainability agenda which it adopted since 2009. Under the Sustainable Procurement policy, the council's procurement and commissioning targeted three broad outcomes: social, economic and environmental. Given that the Act promotes similar outcomes, its introduction was seen as supporting the existing policy. As such, the changes it made were only minor ones.

“I think the policy direction that we had already been going on has remained at the core of our approach” (CC 05)

The second driver of the policy was that the council wanted to create more opportunities for local businesses to access their contracts. Given the large number of very small businesses: (96% of organisations had less than 50 employees) in the County, the change from eight District councils to a Unitary council in 2009 raised concerns that smaller businesses might lose out from the opportunity to tender for contracts let under a Unitary council arrangement. Therefore, the County council had to look at ways it organised its procurement and commissioning activities to enable smaller businesses to tender for contracts. And lastly, for Authority MBNW 01, the policies were largely driven by its co-operative agenda which was adopted before the Act was implemented. Under this approach the council was seeking to have a co-operative commitment with residents which is translated into *‘everybody adds their bit – everybody benefits’*. Within the co-operative pledge is a commitment to also deliver social value.

.....one way in which we express our commitment to the co-operative principles is to try and deliver social value from all our activities and also to demonstrate leadership with our work, with communities and our partners to do the same.

Furthermore, participants in some Authorities indicated that they had implemented policies that encouraged practices which sought for wider benefits before the Act was introduced. For example, Authority UA 02 had a *Jobs and Skills Framework* developed prior to the Act, which the council had adopted to guide both officers and contractors towards creating jobs

and skills opportunities for residents. Alongside these, there were key procurement and commissioning policies which focused more on sustainability, i.e. achieving green or environmental outcomes. These outcomes were later expanded under the Social Value policy which was developed as a result of the Act. Similarly, in case MBNW 01, respondents indicated that the council had two successful campaigns and subsequent procurement exercises which delivered additional benefits to the community. These were the campaign to:

- a) reduce bus fares for a trial period with further reductions granted to passengers who were members of the Credit Union
  
- b) switch energy suppliers, which saw almost 9000 households signing up. It resulted in average savings of £170 per annum for residents.

Whereas Authority UA 02 and MBNW 01 indicated that they implemented policies which sought outcomes similar to those promoted by the Act prior to it coming into force, in Authorities LB 04 and MBM 03 respondents indicated that they too started to review their procurement and commissioning strategy before the Act came into force. The aim of the exercise (i.e. the development of a new strategy) was to develop policies and outline corresponding practices which target outcomes such as local economic growth, opportunities for jobs and skills development for residents, growth of SMEs and the Voluntary Sector. Consequently, with the introduction of the Act, they were able to easily incorporate issues relating to social value.

....“We were mindful of the Act but actually it wasn’t because of the Act. We thought it was the right thing to do because we wanted to drive local employment, or do things to help communities” LB 04.

From the above, it suggests that policies which promote practices that seek to achieve wider value from procurement and commissioning activities were being adopted before the Act came into force. The drivers for adopting a social value approach varies from one case to another. These include: a political manifesto commitment to maximise the authority's spend, the desire to grow the social sector, improving relationship with the voluntary sector as well as delivering local employment, sustainability agenda and creating more opportunities for SMEs, and the council seeking a cooperative arrangement with residents. While for some, this started in 2011, for others it was in 2012, and as for Authority CC 05, the journey of adopting sustainability principles started in 2009. This implies that some organisations may have more experience than others in implementing an approach which seeks social value outcomes in contracts as promoted by the Act. Further it highlights that there can be different factors which could drive the development of policies towards seeking broader outcomes from procurement and commissioning activities. Key among these are the cuts in funding; specifically the drive to achieve more with existing spend and also growing the social sector. The latter is supported by the growing recognition that the voluntary sector can be a key partner in delivering outcomes which represent social value or community benefits. And lastly, whereas existing practices have been based on policies which focus on quality and price as criteria for selecting contractors, the above findings show that policies can be developed with a view of specifically targeting well-being improvements for individuals and communities without being in breach of procurement rules.

#### **6.4 The impact that the Act has made**

Previous chapters established that because of the UK's risk-averse culture, practices tended to avoid the inclusion of specific social and environmental benefits as criteria in the evaluation of tenders. Further, due to the emphasis on commercial goals, higher priority has been placed on price, with social and environmental outcomes being subordinate. Community benefit or social value may naturally have been delivered from social care contracts, and others, like energy contracts, but they were not specifically sought as additional benefits to be delivered from those contracts. There was very little emphasis placed upon seeking added value or benefits in tender documentation and also during the tender process.

The Act however, promotes social value (community value) as a key requirement to be sought within contracts. In this regard, the investigation has found that the implementation of the Act has made some contributions to changing procurement and commissioning practices. The responses from the interviews are summarised in the table below:

**Table 9: A Summary of the contributions of the Act**

<u>Contribution of the Act</u>	
➤ The Act provides a legal basis to support the delivery of social outcomes (UA 02; LB 04)	➤ There is more emphasis now on pre-market engagement (MBNW 01)
➤ It provides an opportunity to use procurement and commissioning to address the economic needs of the borough. In this regard, it helped procurers to be explicit in incorporating non-financial benefits into contracts (LB 04)	➤ It provides procurers with the political legitimacy to seek community benefits from procurement and commissioning activities. (CC 05; LB 04)
➤ It has created the opportunity for a wider conversation to be heard about the kind of community benefits which an Authority should seek in contracts. (CC 05)	➤ It has helped organisations develop specific policies which focus on achieving community benefits (UA 02)
➤ It has created the opportunity to change procurement practices (MBNW 01)	➤ It is useful in enforcing compliance from internal staff and stakeholders, as well as contractors, to adopt practices which deliver additional benefits to communities. MBM 03; LB 04)
➤ It has helped organisations develop specific policies which focus on achieving community benefits.	It provides a common language for politicians, commissioners and procurers, and provider to describe outcomes which relates to improvements in individual lives and communities (LB 04)

## **6.5 Outcomes targeted as a result of implementing the Act**

Apart from its impact in the areas mentioned above, the Act also has resulted in organisations seeking wider social, economic and environmental outcomes. Under the traditional approach, the main outcomes organisations pursued, based on policies adopted, were a right balance between price and quality, with quality conveying the notion of the core requirement meeting the users' needs. There is little consideration of social value. In contrast, the Act promotes the achievement of broader outcomes of social, economic and environmental value based on the needs of the community. To ensure the outcomes targeted reflect the needs of not only the users but the community, all five organisations indicated that they have developed framework models which identify the social value /community benefits to be targeted in contracts. In developing these frameworks, participants indicated that they carried out consultations with key stakeholders. The processes, and the groups which were consulted varied from one Authority to another, however, generally, interviewees indicated that their organisations had consultation with infrastructure organisations, community based groups, businesses, and partnerships. Interviewees further acknowledged that the themes and outcomes identified in the various Social Value frameworks were not meant to be static; they are subject to being revised to reflect the rising needs of the communities they serve. Furthermore, the outcomes and objectives in those social value models were developed to reflect the key corporate priorities.

Table 10 below provides a summary of the key themes identified in each of the five organisations' Social Value Frameworks which are to be targeted under social value based approach. It is to be noted that under each theme are specific outcomes or key performance

indicators which are not outlined in the table. These frameworks are meant to guide commissioners and procurers towards buying social value.

**Table 10: Social Value Framework Models and key themes**

Organisation	Name of framework / model	Key themes
MBNW 01	Social Value Procurement Framework (SVPF)	<ul style="list-style-type: none"> <li>i) Jobs, growth &amp; productivity</li> <li>ii) Resilient communities &amp; a strong voluntary sector</li> <li>iii) Prevention &amp; demand management</li> <li>iv) A clean &amp; protected physical environment</li> </ul>
UA 02	Business Charter for Social Responsibility  (Note: the charter implement the Social Value Act. It contains three policies, which are: Social Value policy, Living Wage policy and Business Charter for Social Responsibility.	<ul style="list-style-type: none"> <li>i) Delivering local employment,</li> <li>ii) Supporting buy 'local' first policy,</li> <li>iii) Impacting communities through partnering approach,</li> <li>iv) Being a good employer - which includes support for staff development and welfare and adopting the locally agreed Living Wage</li> <li>v) Adopting green and sustainable principles</li> <li>vi) Contractors adopting ethical procurement principles.</li> </ul>
MBM 03	Social Value Model	<ul style="list-style-type: none"> <li>i) Increase in Community Resilience</li> <li>ii) Reduction in demand for public services</li> <li>iii) Impact of volunteers</li> <li>iv) Impact of Community Businesses</li> <li>v) Private Sector Investment in Communities</li> <li>vi) Residents making socially responsible decisions</li> </ul>
LB 04	Social Value Tool Kit for Commissioners.  (Note: This toolkit is supported by specific guidance published by Council's Workforce and	Contractors are directed to the observatory which has latest information on key priorities of the Borough. In addition, the following outcomes are identified in the tool kit to show what Social Value in the borough is: <ul style="list-style-type: none"> <li>i) Creating skills and training opportunities (e.g. apprenticeships or on-the-job training);</li> </ul>

	Community Relations directorate (Procurement and commissioning Policy for Jobs and Skills))	<ul style="list-style-type: none"> <li>ii) Creating employment opportunities for the long-term unemployed or NEETs (those not in education, employment or training);</li> <li>iii) Offering work placements to school children and young adults;</li> <li>iv) Providing career advice and information for young people on specific careers, such as construction, architecture or engineering;</li> <li>v) Offering curriculum support to schools, with contractors sharing knowledge and expertise about their discipline;</li> <li>vi) Providing additional opportunities for individuals or groups facing greater social or economic barriers.</li> <li>vii) Creating supply chain opportunities for SMEs and social enterprises;</li> <li>viii) Creating opportunities to develop third sector organisations;</li> <li>ix) Improving market diversity;</li> <li>x) Encouraging community engagement.</li> </ul>
CC 05	Sustainable procurement & Social value framework	<p>Seeks to deliver outcomes in three broad areas of social, economic and environmental. The following are the key topic areas to be targeted:</p> <ul style="list-style-type: none"> <li>i. Biodiversity &amp; land use</li> <li>ii. CO2 and greenhouse gas emissions</li> <li>iii. Engaging stakeholders &amp; raising awareness</li> <li>iv. Equality, diversity and employee well-being</li> <li>v. Ethical supply</li> <li>vi. Local goods and produce</li> <li>vii. Regeneration</li> <li>viii. Supporting SMEs and local business</li> <li>ix. Third Sector and Social Enterprise</li> <li>x. Timber and sustainable materials</li> <li>xi. Training, education &amp; employment</li> <li>xii. Waste reduction, re-use, recycling</li> <li>xiii. Water</li> </ul>

Although each organisation’s Social Value Framework seems to cover all three areas of social, economic and environmental outcomes, the themes in the CC 05 framework seem to

place more emphasis than the others on sustainability in terms of achieving the longer-term impact on environmental outcomes for future generations. Similarly, the themes in Authority MBM 03 model seem to be promoting more social type outcomes.

When it comes to which of the outcome is the dominant outcome being sought under a social value approach, the data show that three out of the five cases say it is the economic outcomes. These outcomes include employment, training, and a focus on developing local businesses. It is worth noting that some Authorities include the payment of the Living Wage as a key economic outcome sought under the social value approach.

“If you are looking at social value, our priority is probably on employment and upskilling; improving the skills and life chances of our youngsters” (LB 04).

“...from cabinet members’ point of view, the win-win is 1) local business and 2) evidence of local staff being trained, payment of minimum wages, opportunities for promotion and also opportunities for local companies to win [contracts]” (MBM 03)

“I think we have a greater emphasis on economic and community; the social, not so much the environmental. My take on it as a country is, the sustainability agenda in terms of environment has been pushed back a bit because of the financial issues.” (MBNW 01)

The emphasis on economic factors could be as a result of the current funding context, where public agencies have seen their funding reduced, but demand on the services is remaining or even increasing. Also, it could be that because many people lost their jobs following the recent financial crisis, therefore Local Authorities in particular, are targeting economic value

in order to address that need. While environmental and social factors are important, it is argued that the need for jobs and training (economic needs) will be given pre-eminence because they are basic needs. This suggests that, so far, the Act, though broadening the factors used to determine value from price to non-financial factors, has not as yet shifted the focus from economic benefit to social or environmental outcomes. It also reaffirms previous research that procurement and commissioning can be used to deliver public agencies' priorities and to target specific needs of the community; be they social, economic or environmental (Arrowsmith, 2010; Bolton, 2006; McCrudden, 2007).

## **6.6 The approach adopted towards achieving social value/community benefits**

Out of the five cases, two organisations indicated that, as part of their approach of seeking social value (community benefits) from contracts, they make a distinction between 'core social value' and 'added social value'. For example, Authority MBM 03 considers social value to be incorporated into procurement and commissioning processes in two ways: 'core social value' (i.e. the outcome is central to service outcomes) and 'added social value' (i.e. innovations the contractor can deliver to the contract). In the case of the former, the social value requirement has to be outlined in the specifications and made part of the wider quality evaluation criteria. And for the latter, officers can select questions from the measures identified in the organisation's Social Value model. To help commissioners or procurement officers to know when and how to use the terms 'core' and 'added' social value, guidance notes have been produced with some model documents.

A similar approach is also adopted in Authority LB 04, which identifies two routes for commissioners or procurement professionals to use in seeking community benefits in contracts. These are the Award Criteria route and the Performance Obligations route. The Award Criteria route is adopted if the community benefits to be targeted in a particular contract are linked to the subject matter or are a core element of the contract. In other words, delivery of community benefits represents a key element of the service being procured. By using this route, officers can incorporate social value benefits at every stage of the procurement, including, for example, at the selection stage (in terms of the bidder's experience) and at the award stage (in terms of the bidder's proposals to deliver social benefits). The Performance Obligation route is to be used where the community benefits sought are identified as 'added benefit' by imposing performance obligations on the successful contractor. In both routes, the use of open questions which invites the tenderer to submit offers is encouraged. A summary of key activities for each of the two routes as adopted by Authority LB 04 is provided in the table below.

**Table 11: The Procurement Routes towards Achieving Social Value**

Before you can choose the correct route, you need to consider what it is you are purchasing, how you are going to do this and what additional benefit you hope to secure.	
Route 1 - Award Criteria	Route 2 - Performance Obligations
This approach will be available if the social issue can be said to be related to the subject matter of the contract.	This approach is nearly always available and should be the minimum expected.
<p><b>Embed in Business Case</b></p> <p>Embedding in the Business Case means that you are thinking about social issues from the outset, giving you the best chance of maximising the opportunity.</p>	<p><b>Embed in Business Case</b></p> <p>Embedding in the Business Case means that you are thinking about social issues from the outset, giving you the best chance of maximising the opportunity.</p>
<p><b>Reference in OJEU (Part A services)</b></p> <p>This is a legal requirement that also ensures bidders are aware from the outset of your intentions</p>	<p><b>Reference in OJEU (Part A services)</b></p> <p>This is a legal requirement that also ensures bidders are aware from the outset of your intentions.</p>
<p><b>Test previous experience of delivering social benefits in PQQ</b></p> <p>As the social issue is related to the award criteria, it is permissible to test bidders' experience of delivery on social issues.</p>	<p><b>Explain importance in Pre-Qualification Document</b></p> <p>Again, this is about ensuring that bidders have no doubt as to the importance of seeing a social return to the council.</p>
<p><b>Craft award criteria, and disclose in ITT/ITPD</b></p> <p>Either within the ITT or the invitation to participate in dialogue (ITPD) the social award criteria</p>	<p><b>Disclose Performance Obligations in Tender Documents</b></p> <p>Whilst not tested as part of the award decision, the</p>

weightings and method of scoring should be disclosed.	contract clause must be provided to all bidders in order that they can price to deliver these.
<p><b>Award Contract</b></p> <p>All submissions are evaluated and the most economically advantageous tender identified.</p> <p>All commitments made by the preferred bidder including those related to social issues should be reflected in the final contract.</p>	<p><b>Award Contract</b></p> <p>The contract is awarded to the bidder submitting the draft tender providing they have committed to meet the contractual obligations (including the social performance obligations).</p>
<p><b>Monitor Performance</b></p> <p>Having secured a commitment from the contract or to deliver social value, it is imperative that the council manage the successful delivery of these.</p>	<p><b>Monitor Performance</b></p> <p>Having secured a commitment from the contractor to deliver social benefits, it is imperative that the council maintain the successful delivery of these.</p>
Feedback results and learning into the commissioning cycle	

Although the remaining three cases have not made such distinctions, they nonetheless have a process in place to guide practitioners in achieving social value. The outlines of the procurement processes of Authority UA 02 and CC 05 are shown below.

**Table 12: A procurement/commissioning process to seeking Social (Authority UA 02 )**

<p><b><u>Stage 1 - Assess Service Needs</u></b></p> <ul style="list-style-type: none"> <li>▪ Consider social value – appropriate stakeholder engagement</li> </ul>
<p><b><u>Stage 2 - Service Delivery Options</u></b></p> <ul style="list-style-type: none"> <li>▪ Consider social value implications of different service delivery options</li> </ul>
<p><b><u>Stage 3 – Implementation</u></b></p> <ul style="list-style-type: none"> <li>▪ Develop ITT including social value evaluation criteria, specifications, performance and contract clauses to enforce delivery of the tenderer’s action plan, including remedies for non-delivery.</li> <li>▪ Evaluate bids</li> <li>▪ Consider innovation</li> <li>▪ Apply pass/fail criteria and scoring methodology</li> <li>▪ Award Report &amp; contract implementation</li> <li>▪ Successful tenderers are recognised with an accreditation</li> </ul>
<p><b><u>Stage 4 – Monitor</u></b></p> <ul style="list-style-type: none"> <li>▪ Supplier performance monitoring by Contract Manager <ul style="list-style-type: none"> <li>➤ Review of the Business Charter Action Plan delivery</li> <li>➤ Annual Report produced by supplier</li> <li>➤ Action Plan refreshed (minimum annually) proposing updated actions for the next 12 months of contract period.</li> </ul> </li> <li>▪ Contracts commencing prior to September 2013 –encouraged suppliers to sign up voluntarily to the Charter. Deed of variation included in contract.</li> </ul>

**Table 13: A procurement/commissioning process to seeking Social (Authority CC 05 )**

- Asking relevant, targeted sustainability questions at the **Pre-Qualification Questionnaire** stage of major procurements – seeking to ensure that the shortlist of bidders is made up of suppliers with a strong track record on delivering social value.
- Asking specific, target-setting questions at the **Invitation To Tender** stage of relevant procurements – allowing bidders to propose specific targets and delivery plans to reduce emissions, create local employment opportunities, and provide other sustainable outcomes.
- Including sustainable requirements as part of the **specifications** of contracts, where possible, for example to ensure that purchased products meet sustainable environmental standards.
- Taking steps to improve the **accessibility** of the procurement process itself, allowing a diverse range of bidders to participate. For example:
  - Removing or reducing financial turnover thresholds, where financial risk is not high, to enable small firms or ensure start-ups are not excluded;
  - Dividing larger contracts into **lots** so that small organisations with limited capacity can bid for part of the contract;
  - Ensuring the procurement process is accessible to bids from **consortia** or partnerships;
  - Engaging in **supplier engagement** with the market, prior to major tender exercises, to ensure local bidders understand the process

Adopted from Sustainable Procurement & Social Value 2015 - 2016 policy statement

## **6.7 How are the new practices based on delivering social value embedded in the organisations' processes?**

Since the practices which are based on the principles of the Act are new, they need to be embedded in the organisations' processes. Given that the organisational and governance structures of the cases selected for this inquiry are similar, the responses on how the approach was embedded were in many ways similar. Therefore, I have grouped and summarised the processes and practices participants have identified as follows:

### **6.7.1 Use of internal structures e.g. commissioning/procurement boards, cabinet reporting systems**

Generally, interviewees indicated that their organisations were embedding the community benefits approach using internal structures and processes. For example, reports written by officers following a procurement exercise now have a section on the community benefits (social value) which the contract will address. These are signed off by the Leader, the Cabinet, or the Cabinet member responsible for procurement who will check whether officers have addressed the delivery of community benefits. Also, senior officers, under delegated authority, are doing the same. Failure to address community benefits means that the report will not be approved or that the officer will be asked to provide an explanation. In some Authorities, the requirement to report the community benefits (social value) achieved goes higher up the organisation's leadership more than it does with others. For example in MBM 03 in particular, an annual report is presented to the Leader on the community benefits (social value) which have been delivered from contracts across the council. The latest report identified 16 contracts where social value (community benefits) were sought and are

currently being delivered. Apart from the annual report, a quarterly report is produced by the Head of Procurement which goes to the cabinet member overseeing procurement.

The remaining four organisations however reported having these checks carried out by procurement and commissioning boards, which review the business case and contract award reports. These boards usually comprise officers at director level and other senior managers. They too will require officers presenting the proposal for new procurement and commissioning projects or recommendations for award of a contract to demonstrate that community benefits will be or have been addressed within the contract.

#### **6.7.2 New special terms and conditions being used to aid delivery of social value / community benefits**

Another mechanism being used to embed the social value approach is the use of special terms and conditions incorporated in contracts which bind the supplier to delivering the community benefits agreed in the contract. An example of such terms and conditions used by Authority UA 02 is shown in Appendix G. The use of these terms and conditions is aided by having clear Key Performance Indicators (KPIs) identified in the tender documents. Again, some Authorities appear to have integrated these terms and conditions into their processes more than others. For instance, Authority UA 02 reported that for them, any breach of these terms and conditions could result in the contract being terminated.

“When they are awarded a contract, it (social value) is part of the contract monitoring process and is monitored in the same way as any of the terms and conditions are.” (UA 02)

### 6.7.3 Separate section allocated for Community Benefits offers in tender evaluation

Whereas under the traditional approach tender evaluation criteria are broadly divided into price and quality criteria, practices which are emerging as a result of the Act allocate a separate section which outlines criteria for social value/community benefits. This means tender submissions are not just evaluated based on their price and the quality they are offering, but also include community benefits. The sections are headed as price, quality and social value, with some organisations (e.g Authority MBM 03) using the term ‘innovation criteria’ in place of ‘social value’ criteria. The weightings applied by individual organisations differ from one to another as shown in the table below:

**Table 14: Weightings applied to social value criteria in tender evaluations**

Organisation	Social value criteria weighting applied
MBNW 01	5% - 20%
UA 02	10%
MBM 03	10%
LB 04	5%
CC 05	Not indicated

Since the weightings are corporately agreed, they are checked by relevant officers when signing off reports to ensure that the commissioning or procuring officer has considered social value issues in the exercise. However, concerns were raised by the head of procurement of Authority MBM 03 against allocating higher weighting above the current

percentages. In his view, there are issues such as filling of the current funding gap and also the market readiness for such practices which practitioners should consider before making any move to increase the weighting.

I would be hesitant in increasing that (i.e. weighting allocated to social value criteria) depending on what we are procuring. The current finding is that the market place is not 100% geared up for it. At the moment my reluctance is... if we go for a very high weighting on social value, there are other issues which are important too, which you mustn't forget. (MBM 03)

#### **6.7.4 External instrument – government mystery shopper**

Externally, the ‘mystery shopper’ service introduced by the government has been another tool used to embed the practice. This service investigates concerns raised by suppliers relating to procurement practices undertaken by contracting authorities which fail to include social value. These are investigated and if the allegations are found to be true, the Authority concerned is asked to change their practices to reflect an approach which includes community benefits.

In addition, the government is also using the Commissioning Academy (a programme that shares best practice amongst senior commissioners) to support commissioners to focus on delivering community benefits. Other organisations which have an interest in the Act, such as Social Enterprise UK and the Social Value Portal, are also promoting best practice by

publishing case studies and making available other material to commissioners and procurement professionals to use.

In spite of all these efforts to embed a community benefits approach, it was reported that internally some departments have yet to comply. The study found that in all five cases it is the corporate procurement and commissioning team who are the early adopters of the approach; other departments were only just adopting it or not adopting it at all. Consequently, the corporate procurement teams are being used to enforce the practice, which in some ways aligns with their role as those responsible for driving best practices in the organisations (Byatt 2001). In addition, they are seen as the enablers. They advise and provide practical assistance to other officers in embedding the practice in their procurement and commissioning projects. Furthermore, participants indicated that sometimes, they have had to use the Act to convince colleagues to move towards adopting practices which are in line with seeking outcomes promoted by the Act.

## **6.8 The impact of the Act on measurement of outcomes delivered from a community/social value based approach**

A major concern raised about the effectiveness of the Act was whether or not organisations would measure the outcomes delivered through adopting an approach which seeks Social Value as an outcome. Interviewees indicated that before the implementation of the Act, community benefits were not being measured in many contracts except for social care and energy, although it is pointed out that in such cases the measurement was focused on outputs.

This is because most procurement or commissioning exercises did not specify community benefits as a key objective of the contract.

While there is awareness of the SROI tool, organisations are not using it. Instead they have resorted to developing their own methods to measure outcomes. Generally, the method used only measures tangible outcomes, not the impact (i.e. the long term benefit). For instance, both Authority UA 02 and MBM 03, have identified within the social value framework (or Charter framework in the case of UA 02) how officers can measure the outcomes achieved; which mainly is based on counting the outcomes. Other Authorities indicated that it was an area being looked into. Therefore, the search for better ways of measuring of outcomes delivered from procurement and commissioning is on-going. Further, the general view is that any tool identified has to be *“proportionate; i.e. not requiring investing too much resources and time in measuring outcomes, because that would be counterproductive”* (UA 02). This sentiment reflects the current climate wherein most Local Authorities will shy away, if they can, from tools which will require cost increases and additional resources because of the cuts in funding from central government. Interviewees also pointed out other challenges to measuring outcomes. These include the lack of established indicators to measure outcomes which are acceptable to all departments, or among other Local Authorities, external agencies and partnerships. This view is summarized in the comments made by a respondent in Authority MBNW 01:

It is difficult to identify a criterion which is agreed for use across departments, other authorities and partners to measure community or social benefits delivered from contracts. Whether these should be in the form of a basket of measures, as the definitive indicator set of social value, is still very difficult to establish. (MBNW 01 )

Conversely, some interviewees from the five organisations felt that it was too early to talk about measuring community benefits, as the new contracts tendered under the social value approach were only awarded a year or so ago (which was at the time of the data collection). Therefore, the potential impact which is to be measured has not yet been realised. This implies that if organisations want to be able to demonstrate the social value or community benefits achieved through contracts, they have to move away from letting contracts with a short-term period to having contracts with a longer term period. This study has not tested whether such a relationship really does work. Further, although this might be one route to achieving social value, authorities can also achieve social value from short term contracts. All they have to do is to define some shorter term outcomes which it seeks, and which it believes are likely to lead to the longer term outcomes eventually. And lastly, it is not clear why, even though all of the cases, have indicated that their approach of seeking wider value from procurement started before the Act came along, they couldn't evidence from those contracts how they have approached the measurement of outcomes.

Even though at the time of collecting the data, none of the organisations have identified a tool which effectively measures the impact from the outcomes delivered, new models of measuring such outcomes are beginning to emerge, particularly from infrastructure organisations which support the implementation of the Act. For example the Social Value Bank ( <http://www.hact.org.uk/social-value-bank>) developed by Housing Associations' Charitable Trust (HACT) and Social Impact Bonds developed by the Centre for Social Impact Bonds ( [http://data.gov.uk/sib\\_knowledge\\_box/toolkit](http://data.gov.uk/sib_knowledge_box/toolkit) ). The extent of the effectiveness of these tools and how they are used have not been investigated in this thesis.

## **6.9 The extent to which communities are involved under a social/community benefits based approach**

A key requirement of the Act is for organisations to engage or consult with the relevant stakeholders in the pre-procurement phase, to determine the social or community benefits to be sought in a particular contract. There are many ways in which this is being demonstrated by contracting authorities, but generally, interviewees from all five organisations indicated that they had local community involvement during the development of their Social Value model which identifies the social value or community benefits for the area. Furthermore, some interviewees indicated that their organisations have also engaged with infrastructure organisations to help identify outcomes which reflect the specific needs of the communities that were included in the Social Value framework they have developed. The various consultation processes are noted in the quotes provided below:

“The process to identify the principles and the outcomes stated in the Charter (which implements the Social Value Act) starts off with an initial draft produced by the Cabinet Member for Commissioning, Contracting and Improvement. This was followed by informal consultation with some groups, and formal consultations with the [local] Voluntary Services Council, the Voluntary Sector Chief Executive group and the Chamber of Commerce ... the consultation on the Charter was used as a proxy for consultation on the Act at a strategic level” (UA 02).

“In the initial development of the approach to social value, a group called the Third Sector Commissioning Group, which comprises key representatives from the Third Sector and includes some of the infrastructure organisations such as the Voluntary Action group, the BME forum, the Asian Resource Centre, and other resource organisations, were engaged. Their role was to act as the link back to the community around what they [the community] want to see delivered in the Council’s commissioning approach generally, but on a specific focus around social value as well” (LB 04).

It must be noted that in some instances the change in policy towards more engagement with communities in relation to procurement and commissioning activities started before the Act came into force. For example, in Authority MBNW 01, interviewees indicated that as part of the wider co-operative commitment, there were conversations and consultations with communities, which the Authority had started having prior to the introduction of the Act. The aim was to redesign the relationship between the council, providers and residents to reflect co-operative principles.

But when it comes to involving the local community in identifying specific outcomes to go into specific contracts, as well as their involvement in the tendering process and the assessment of the outcomes delivered, there were only two organisations which were able to provide examples. These are Authority CC 05 and LB 04. In Authority CC 05, interviewees indicated that given the high priority placed on developing the local economy and the role that procurement and commissioning have in achieving this goal, the business community is considered to be a key partner. As such, the council often consults with them on matters relating to procurement and commissioning. For example, the County Business Federation and the council worked together to launch the Social Value Task Force; this looked at how to embed Social Value principles into the County Council's procurement processes. Also, the Third Sector is engaged. Currently, the council has an elected member-led working group on the Third Sector which feeds into the council policy approach. Furthermore, this group is regularly consulted on issues such as the outcomes they would want to see the council focus on, in relation to procurement and commissioning activities. In terms of the community at a more grass roots level, apart from the involvement of elected members who represent their

communities, the council also take steps to engage them in the procurement and commissioning processes. One way in which the council approaches this is by working with a number of localised organisations called Area Action Partnerships which bring together community representatives in a specific community or locality. Usually, these groups are responsible for setting out community priorities for their specific action partnership areas. The priorities that have been set by the Area Action Partnerships for particular locales are also fed into the procurement process in terms of the kinds of social value that the council might be looking for in specific contracts.

Similarly, in Authority LB 04, interviewees indicated that the community was involved in helping to determine social value in at least one of their big projects, the Housing Repairs contract which was recently awarded. In letting this contract, different groups of people, including the community, were engaged around developing specific kinds of Social Value considerations to be sought. In particular, there was a great deal of tenants' participation. Tenants were asked to identify what they wanted from that contract and who should sit on contract management meetings. They also indicated that, going forward, the council wants to develop the next step which will ensure the Social Value approach incorporates community needs more fully. To do this, the council will be working through its internal Community and Quality board who are looking at how to identify areas of specific needs that will represent the priorities of the borough. Within the internal Community and Quality Board, there is a link back to the community. Through this process, the council is hoping community involvement will be maintained in future procurement and commissioning projects which also could help deliver key priorities of the council.

The remaining Authorities indicated little engagement with their communities during the contract management stage or in assessing outcomes delivered by the contractors under their social values approach. Given that the practices promoted by Act are meant to deliver outcomes which meet the needs of the community, some participants from authorities which have not shown evidence of community involvement in identifying the outcomes, did acknowledge that the community's involvement aspect, should be the way forward, therefore this will be an area of development in their journey of adopting the social value approach.

...I see that as a way of involving local people and population generally. It has got to be at a more micro-level than the city-wide level...but we are not there. (UA 02)

Whereas having the community involved in assessment of outcomes delivered is considered to be good practice, there is concern about potential conflicts of interest. This concern was raised by the head of procurement at Authority MBM 03. He feels that in smaller communities, where it is likely that people will know each other, the impartiality required during the evaluation of tenders may be compromised. Further, he notes that risk is even higher when you involve the community in developing the specification as well as taking part in the evaluation and monitoring or assessment of the outcomes delivered. As a result of this, the legal team in the authority has advice that officers should not use the community for both developing the specification and evaluating the tender; instead, if required they should engage an external resource to help with developing the specification and evaluations.

## 6.10 Conclusion

Whereas in the past, the policies adopted emphasise achieving price reduction as the dominant objective of procurement with social and environmental becoming subordinate objectives, the findings show emerging policies which are focused on achieving wider benefits delivered to communities. In this regard, whilst ‘cost effectiveness’ remains a key objective of the authorities’ spending, the aim of new policies is to maximise the spend by seeking to deliver ‘added benefits’ to the community. However, the findings show that the Act is not the sole driver of this shift in policies towards seeking community benefits or social value. While other factors were highlighted, the key driver is the funding gap and the rising demand of public services, which each authority is currently faced with. Therefore, adopting policies that promote wider value seem to be the right thing for senior managers and elected members to do as they seek to extract maximum value from their procurement and commissioning spend.

This focus on economic benefits also means that, so far the Act has not succeeded in shifting policies away from the focus on economic outcomes to social and environmental outcomes. It is worth noting that the Act is not first to place a duty on public agencies to develop procurement and commissioning policies which are based on meeting community needs. As the review on the policies driving practice in the UK discussed in the first chapter shows, the EU policies have changed towards the incorporation of societal value. It is even argued that the new directives implemented in UK under the Public Contract Regulation 2015, are promoting more incorporation of social value. Further, domestic policies such as the Local Government Act 2000 gave Local Authorities general powers to promote the economic,

social, and environmental ‘wellbeing’ of their population. In addition, the revised Best Value and General Powers of Competence under the Localism Act 2011 – all brought forward by the former coalition government, also provide the policy background which favours the use of procurement to achieve wider socio- economic and environmental needs of the community. Therefore, there is no lack of central government policies for Local Authorities and other public agencies to draw from, to set goals that are based on seeking wider community benefits of social, economic and environmental, should they want to adopt an approach as promoted by the Act.

In terms of the practices, the finding shows that the implementation of the Act did contribute in making practices more focused on achieving specific social, economic and environmental outcomes in contracts. While these changes represented a major shift for some authorities, for others they were minor changes. Further, though there are many common areas in the approaches adopted by the five organisations in implementing the Act, there are some notable differences. For instance, the Sustainability Procurement approach, as seen in the case of Authority CC 05, has meant that the changes they have had to make to meet the requirements of the Act were minor compared to other authorities. However, the Act did help them to refine or refresh their approach and provide a common language between the contracting authority and contractors in describing non-financial outcomes which Authorities are seeking from their contracts.

Overall, practices have changed towards authorities developing specific approaches to pursue wider benefits by adopting a framework which identifies community benefits based on the

needs of the community. These frameworks have been used by officers to select social value to be included in a tender exercise. Other changes are that community benefits (social value) issues are given a separate section in tender evaluation, and also specific terms and conditions are drawn which bind contractors to deliver those benefits. If these changes are to be adopted across the public sector, it would mean that contractors who want to win contracts from the public sector will now have to demonstrate in their offers additional benefits, over and above the core requirements, which they will provide to the community as part of their contract delivery. Viewed from this angle, it means that the changes required to achieve outcomes promoted by the Act, are not only from the public sector but also from providers (contractors). The role of providers is examined further in the next chapter. Suffice to mention that generally there are differences noted between the traditional approach and the approach emerging based on seeking outcomes promoted by the Act; which I have discussed in detail in the 8<sup>th</sup> chapter.

It was highlighted during the debates on the bill that one of the potential risks of effective implementation of the act, will be the failure by authorities to measure the outcomes achieved through a social value approach. Crucially, the tool has to not only measure the tangible outcomes but also intangible outcomes i.e. impact of the outcomes. Having such tools will not only help strengthen the case to adopt approaches which are based on the Act but also, goes to help the authorities who engage in a social value practice assess the extent to which the goals of the organisation's procurement and commissioning activities are aligned with the needs of the community they serve. Further, it will help providers particularly the third sector, which is regarded by government as a key player in delivering community value,

demonstrate the achievements and impact of its activities in delivering contracts. But so far, the findings indicated that practices have not yet developed to the extent where both tangible and intangible outcomes are being measured. Rather the awareness to measure the outcomes have increased under the Act.

Lastly, at the heart of a social value approach is the role played by communities in determining the outcomes to be targeted in tender exercises and also, in monitoring those outcomes during the delivery of the contract. In both the Act and the Public Contracts Regulations 2015, consultation with providers, users and relevant stakeholder is encouraged so as to deliver value for money for the tax payer. The findings indicate that, compared to the traditional approach, organisations are adopting practices in which communities and wider stakeholders are being consulted. What is not clear however is that, after the consultation, who makes the final decision as to which outcomes are to be selected for inclusion in a tender as the social value. Even though this area has not been the focus of the investigation, I will argue that the community should be involved in determining the priorities as a part of a social value approach.

# **CHAPTER 7: The findings to Research Questions 2 & 3**

The preceding chapter reports the research findings on the contribution of the Act in changing policies and practices towards seeking outcomes which add value to the public realm. This chapter aims to establish the specific role of elected members and providers in a social value (community benefits) approach. Additionally, it seeks to establish if the benefits accrued in a social value approach are higher than the cost of implementing it. This information is sought so as to provide a fuller understanding of key roles of stakeholders in achieving social value or community benefits through procurement and commissioning, which information is also to be used in developing a model which describes the processes that underlie a social value (community benefits) approach.

Whereas the findings reported in chapter five only answer the first research question, this chapter provides the findings for the two remaining research questions. Consequently, the chapter is divided into two parts; the first part examines specifically:

Research Question 2:

*What is the role of elected members and contractors/providers (in the private and voluntary sectors) in ensuring that public sector organisations focus on delivering Community Benefits outcomes as added benefits, as promoted by the Act?*

Given the difference in roles between elected members and providers (contractors), the findings relating to the above research question have been arranged into two separate headings within the first part of the chapter. The first section explores the role of elected members while the second section looks at the role of the providers (contractors) under a social value approach.

The second part of the chapter explores the cost of adopting a social value or community benefit approach by the Authority. Specifically:

Research Question 3:

*What is the impact on cost to the local authority of seeking Social Value (community benefits) as additional value, promoted by the Public Services (Social Value) Act?*

Since, under this question, I am seeking to establish whether cost is a hindrance or not, the investigation of this has been broadened to examine what other factors might hinder the adoption of a social value approach. Therefore, the last section of the findings answering this question also identifies key factors hindering or facilitating the implementation of an

approach that seeks to deliver additional social, economic and environmental benefits or outcomes from a procurement and commissioning exercise.

### **7.1 The role played by elected members in a community benefits (social value) based approach**

Under the existing governance structure in Local Authorities, elected members provide a leadership role and set the policy direction for the organisation. Within the procurement and commissioning process, Byatt's (2001) recommendation on delivering Better Services for Citizens identifies the role of elected members to be in setting the strategic agenda and scrutinising the procurement process. As such, elected members are less involved in the actual details of procurement exercises (Murray 2007).

Given that prior to the implementation of the Act, policies and practices tended to focus on price and quality, with quality being very much determined by those with the technical expertise, their involvement in the process is generally in approving the decisions for the award of contracts. This role of elected members was echoed in the response provided by one of the interviewees at Authority UA 02, who said; *“the role played by elected members before the Act was mainly about approving contracts in meetings. Most of these duties were delegated to a subcommittee who looked at those contracts and approved them. There were very few procurement project issues discussed in the main cabinet meetings”*. Additionally, in Authority MBNW 01, it was further noted that prior to the Act, *the outcome which*

*members were mainly interested in was the price obtained from the procurement and commissioning exercise.* These comments suggest that wider social, economic and environmental outcomes were not a major consideration even in the scrutiny process by elected members.

Under the approach adopted as part of implementing the Act, the emerging roles played by elected members include:

### **7.1.1 Leadership in developing specific social policies for the organisation's social value approach**

In implementing the Act, participants indicated that elected members played a leadership role in developing specific social value policy for the organisation's procurement and commissioning activities, just as they did under the traditional approach. There are various ways in which elected members fulfil this role in the authorities. For example, in Authority MBM 03, participants indicated that elected members were originally involved in thinking about the approach to social growth; underneath that is the commitment to deliver social value. Secondly, members of the scrutiny committee were also involved in discussions about the Social Value model and how it would be used in the procurement and commissioning process. This was part of the commissioning and social value scrutiny review. However, in both Authority UA 02 and LB 04, social value as an objective in procurement and commissioning was first identified as a manifesto pledge, which upon coming into power, the parties implemented. For example, in Authority UA 02, the Labour administration which took over in 2012, had pledged in their manifesto that they would develop a Business Charter for Social Responsibility, when they were voted into power. These commitments were

followed through when the party came into office. It is to be noted that the Charter is also the instrument through which they deliver their commitment to the Act. Similarly, in Authority LB 04; the current political administration had also expressed their desire in their manifesto that they would seek “*to get maximum social value from developers and from their own spend*” (LB 04), which they are following through on. Furthermore, participants in LB 04 indicated that, overall, the language used by elected members when talking about outcomes delivered from procurement and commissioning activities has changed. Before the Act, social value was not a term elected members used in relation to procurement and commissioning outcomes. Now, not only is it in their manifesto, *it has become an integral part of their political approach* (LB 04). And, in Authority MBNW 01, although social value was not a manifesto commitment as it is in other Local Authorities, the elected members did adopt it and also worked closely with senior officers to develop the relevant policies which promoted implementing practices reflecting the principles of the Act. Consequently, unlike the traditional approach where the outcomes expected were limited to price and quality, participants from all five cases indicated that elected members now expect and require social value to be delivered from the procurement and commissioning activities as indicated in the quote below:

“..they are actively wanting to know what we are doing within each contract; what the outcomes relating to social value in every contract is” (MBNW 01).

It is worth mentioning that the kind of outcomes elected members would ask for under the social value approach differs from one authority to another. For example, in MBM 03, local jobs and access to the council’s contract for local SMEs seem to be emphasised.

“... from the cabinet members’ point of view, I think the win-win is; number 1), local business and 2) evidence of local staff being trained, payment of minimum wages, opportunities for promotion and also opportunities for local companies to win. So, that is where their idea of social value is. Also unemployment issues being addressed” (MBM 03).

Whereas in Authority CC 05, the dominant social value elected members tend to ask for, are mainly local smaller businesses gaining more access to the council’s contracts.

From the above responses, it suggests that although elected members’ roles as leaders and as those who set the policy agenda are the same as under the traditional approach, the outcomes they expect under the social value approach are much broader than those required under traditional approach. Crucially, under the social value approach they are expecting outcomes which are based on meeting wider community needs.

### **7.1.2 Elected Members provide the community ‘voice’ in the procurement and commissioning process.**

Apart from their leadership role, the data from all five cases indicates that, elected members are acting as the ‘community’s voice’ in a social value based commissioning or procurement processes. This role is summarised in the response provided by one of the respondents in UA 02 who indicated that elected members are the “*link between the community and the procurement teams in the council*” (UA 02). Another respondent in Authority LB 04, also describes this role as “*advocator and educator in terms of the opportunities which exist through a social value approach*”.

In exercising this role, the study found that organisations have adopted different ways to ensure elected members get closer to the community so as to become the effective voice of the people. For example, in Authority CC 05, it was noted that for major projects, there are boards set up which will usually have an elected member whose role is to articulate what the community wants as outcomes to be delivered from those projects, so that procurement officers can put those outcomes into the procurement process. This elected member will usually be part of local partnership groups.

Similarly, in Authority MBNW 01, the Authority has adopted a devolved system of working across the borough, and is trying to emphasise *place leadership* with elected members playing a pivotal role. Further, it is looking to introduce a new development programme to help elected members acquire the relevant skill set, such as negotiating, influencing, and partnership working at a cooperative level as well as with other strategic partners – to reflect the emphasis it places on democratic governance, and also on the new ways of working. But the key aim is so that elected members could exercise *place leadership* within the cooperative contract that the authority is seeking to have with its residents. Because of the importance attached to this development programme, there are consequences for elected members if they do not attend the training modules. For example, if an elected member chooses not to take part in some modules, she/he will not have the right to vote on financial matters within district level. This means that they will not be able to exercise their role as a voice at that level or make local decisions.

In the case of UA 02, which is a much bigger local authority, although it was indicated that they have a localisation policy; devolution and localisation is still at district level, which is the size of a parliamentary constituency. However there is a strong push now to devolve this further down so as to get procurement and commissioning decisions to be made by elected member representatives closer to local community groups.

.....What I have been trying to do is to push as many as possible, procurement decisions down to that level or down to what we call the quadrant group of districts; 2 or 3 districts that forms a quadrant in the city (UA 02).

### **7.1.3 They help to enforced the social value policy and approach within the organisation.**

Another emerging role that elected members have played in helping the organisation focus on achieving community benefits through procurement and commissioning, is that they are acting as the ‘enforcers’ when it comes to embedding the practice within the organisation’s processes. As the comments noted below show, some elected members are beginning to look for what social value have been delivered from the exercise in the reports which officers send to them for approval. If a report fails to cover community benefits achieved through that project, they will challenge the officers.

“Through the reports, the cabinet member overseeing procurement and commissioning checks that social value is covered. And if there is a contract where they didn’t apply the weighting splits, it will be questioned by the Cabinet Member for Commissioning, Contracting and Improvement” ...“... if there is no social value section covered in the report, explanation is sought or the report is not approved...” (UA 02)

“... we have had situations where Members have challenged our use of social value within contracts and we’ve had to go and report back to them. In one particular example, we did a very detailed review of how social value had been used, because Members wanted to make sure that it had been used fully”. (MBM 03)

“The elected member who is the champion of procurement is often asking for social value; e.g. how many local companies got business? Did you afford them the opportunity? Is there any apprenticeship scheme?” (MBM 03).

“As a result of what is being done in the council around the Social Value Act, elected members are actively seeking to know what officers are doing within each contract; what the outcomes relating to social value in every contract are” (MBNW 01).

Further, in MBNW 01, participants indicated that some of their elected members are on a number of committees nationally where they are promoting the council’s social value approach, which is helping to embed the approach nationally (MBNW 01). In Authority UA 02 there is a special cabinet post created to oversee procurement and commissioning, with a view to delivering the outcomes identified in the Charter (which is the implementing tool of the Act). The cabinet member for this post has been the main person who is leading and also enforcing the approach promoted by the Act across the organisation.

“My post is as a result of our manifesto commitment in that, when we came in 2012, we created my role which is Cabinet Member for Commissioning, Contracting and Improvement; and is probably fairly unique in the country”. (UA 02)

It is to be noted that for authority UA 02 in particular, the drive to deliver social value is being driven mainly by the cabinet and the elected members, whereas in authority LB 04, it is the officers, (Director) who is providing that steer and also driving the social value approach. This suggests that the policies on implementing social value approach can be driven either by the elected members or senior officers. It confirms Wilson's (1989) assertion that bureaucrats do also influence policy and in fact, can be the drivers of policy within politically led organisations.

Further, the main political parties in all the five cases examined are from the Labour party, although some Conservative led authorities (not included in this study) are also known to have adopted the Act. Whilst there could be differences in the emphasis by these parties of what is to constitute social value based on their philosophical stance, this study is not able to confirm these differences (if any) because such data was not collected. Additionally, no evidence has emerged which shows whether back benchers have a different view on the type of social value being pursued especially within Authorities UA 02, MBM 03 and MBNW 01 in which the cabinets are very much involved in driving the policy.

It is however worth mentioning that the numbers of elected members who are showing such interest and playing the roles described above are few. Some members are yet to embrace the opportunities which a social value approach offers in terms of incorporating the needs of the communities they represent in a contract. In the longer term this might be one of the threats to effective implementation of an approach which follows the principles of social value.

“Generally speaking, it is still a minority (of elected members) who are interested or will ask about social value in a contract. As I said, you came in from a very low base of members’ involvement in procurement so actually waking them up to the opportunities in Social Value Act is a long job”. (UA 02)

## **7.2 The role of provider (contractors) in achieving outcomes promoted by the Act**

Prior to the implementation of the Act, providers who delivered social value as added benefits of the contract were generally not rewarded or recognised in evaluation of tenders. As such, the opportunity to deliver community benefits through contracts has been welcomed by all types of organisations. The data from all five cases indicated that no particular organisation type (i.e. VCSEs, SMEs, or large organisations) has emerged as the organisation that delivers more community benefits outcomes than others.

“... all bring in something really different ... and inform what we are doing in a different way” (MBNW 01).

“I haven’t noticed any difference. I would suggest that some of the big companies have seen this (as I explained to you before) as some kind of unique selling point (USP). From a reputational perspective, they have got some issues in the public sector about delivery, or a perception of those values that they are trying to find – something that shows that ethical, public sector heart. ” (LB 04)

This therefore suggests the type of provider organisation would not matter much. Further, this confirms that community benefits are offered independent of the size or type of organisation. However, all five organisations indicated that they have made specific changes to enable SMEs and VCSEs to gain more access to the public contract market. For example, all the

authorities indicated that they organise workshops to help organisations in the sector on how to evidence the social value they deliver when submitting their bids. The aim is to help them get better at articulating social value in their tender offers so that they can pick extra points during tender evaluations. In particular, authority LB 04, is looking to introduce an e-portal where it will advertise all purchases over £5k. Apart from the opening of more business opportunities to the VCSE and local SMEs, it is hoped that this portal will drive up competition a bit more in the lower category of spend, and provide transparency concerning where that money is going. Further starting from 2015, the authority will be organising what it calls a “Speed Dating Event”, where it will be asking its big suppliers to come along and talk about the sub-contracting (supply chain) opportunities they have for small suppliers in their business. Similarly, Authority CC 05 is also emphasising the breaking of contracts into lots, which it is hoped, will help local businesses win more contracts from the council. And, authority UA 02 already has in place, a local portal where all their big suppliers are required to advertise their subcontracting requirements so as to provide local SMEs and the VCSEs the opportunity to win business.

Despite these changes, there are no guarantees that VCSEs and local SMEs will win more contracts from the public sector, as there are other obstacles that they need to overcome. For example, the resources they have to put into submitting a tender and more competition with big players in smaller contracts as result of cut back in government spending. Furthermore, there is no evidence emerging from the data to suggest an increase in awarding contract to SMEs or VCSEs because of social value now being recognised and rewarded in tender evaluation. This is against the backdrop of providers in all three categories indicating that the

introduction of the Act provides opportunities for the social value they have delivered in the past to now be recognised.

### **7.2.1 The role played by providers in delivering social value or community benefits outcomes**

Under the emerging social value approach, a key role of provider organisations is to deliver the social value agreed during the tendering process. The data show the five cases investigated adopting different methods to try and get the participation and commitment of provider organisations in delivering the social value the Local Authority wants for the community they serve. One of the methods adopted, is to let the provider organisations make their own offers, as part of the procurement process, of the type of social value they will deliver through the contract being tendered. For example, in Authority LB 04, participants indicated that during the tendering process of their Housing Contract, it was the providers who made the offers of the sort of social value they would deliver through that contract. A different approach however is taken in Authority MBNW 01. Instead, in one of their projects they chose to identify the sort of outcomes which they wanted the providers to deliver as social value through the contract.

Either approach has a risk. The approach adopted by LB 04, has the risk of a contractor offering social value, which may be ‘easy’ for them to deliver – in other words they are not being ‘stretched’ by delivering outcomes which are more aligned with the authority’s priorities. Conversely, the approach by MBNW 01 can also result in limiting the ability of the

provider to deliver outcomes which are relevant to the needs of the community. The way forward, I would suggest, is to have a place where the needs of communities are identified, like the Observatory which LB 04 now uses, to refer providers to, for them to select from there the social value they want to include in their tender offerings. This will ensure that the relevant social value are being delivered, and also that the outcomes delivered are aligned with the authority's priorities and objectives.

So far, I have reported the findings relating to the role played by elected members and providers who are key stakeholders in procurement and commissioning activities. The section below looks at the cost to the authority of adopting a social value approach and the emerging factors which facilitate or hinder such an approach.

### **7.3 The impact on cost of adopting a social value or community benefit outcome approach**

Adopting an approach which seeks to deliver community benefits outcomes is generally perceived to result in price increases for the contracting authority, especially where the community benefits sought are considered to be an 'added benefit', not the core part of the services being commissioned or procured. However, interviewees from all five organisations indicated that they had not yet noticed any impact on costs except in social care contracts, an area where traditionally staff are on low wages. Even in those circumstances, the cost increases relating to the payment of the Living Wage, are viewed as having longer term

benefits which outweigh the short term additional costs incurred as shown in the quotes below:

“I will say no cost increases have been noted so far. There may be costs in the Adult and Child Care services, but that is because they are traditionally low paid areas. But the benefit of staff retention, high morale etc. could balance that” (UA 02).

“I haven’t seen any increases because at the moment it is being absorbed in the different ways we do things” (MBNW 01).

“..there's no real evidence that we've seen that the social value that we're specifying or obtaining are leading to us getting higher prices or spending more money” (CC 05).

While no cost increases have been reported, it is worth mentioning that one of the participants from Authority MBNW 01 acknowledged it is possible that cost is being diverted from elsewhere. Whether for now such cost is borne by the contractor is yet to be ascertained. Aside from this, there are other approaches too which contracting authorities are adopting to achieve neutral cost under a social value approach. For instance, some participants indicated that their organisations used the introduction of the Act as an opportunity to redesign services.

“One example where this is being looked at is in Care at Home contracts where the approach is looking at a share-risk reward mechanism. Whereas traditionally, providers focus on care to clients in their homes, the new approach aim is to help re-enable the clients. This approach is likely to take away profit from providers, therefore, to incentivise them to do it, the saving will be shared between the Authority and the provider. There can be another ‘added value’ on that contract, which is about enabling the client on a day-to-day basis. That will help save money by reducing demand on the

service, but presently, what that saving will be is not known because it can't be quantified" (MBNW 01).

"...We are working smarter, more efficiently, more effectively and more joined up" (CC 05).

Another approach that participants have identified which is keeping costs stable is that during the pre-tender meetings with contractors, it is made clear to contractors that their community benefits offer should have no cost. That if there is a cost attached, that kind of outcome will not be considered as community benefits offered through the contract.

"What we try to make clear in any kind of market dialogue is that if people are kind of pricing for social value, then we don't really consider that as a social value offer. We tell them to price for their service and we tell them to think about what other additional service they can deliver whilst delivering the service (those contractual requirements). So, if people start putting cost against it, that would really work against them because we don't see that as part of social value". (LB 04)

Furthermore, in the light of shrinking budgets, some organisations have indicated that they normally would state up-front the budget allocated for the service, goods or works being procured or commissioned. In this way, the offers they receive from providers are usually within the budget.

There are other reasons why cost might not increase which have not been identified by the interviewees. For example, it is likely that social value was delivered in contracts before the Act, therefore, it is the continuation of that practice which means no extra cost is needed. Furthermore, considering there are many big organisations which have policies such as Corporate Social Responsibility, under which they have sought to deliver benefits to the

communities they operate in, providers could be merely pursuing their CSR policies which invariably, will offer back benefits to the company in the form of good reputation. Another reason could be that it is strategy to winning more contracts within the authority, which then allows the provider organisation to share the cost and offer social value without needing to charge for it. All the reasons identified above suggest that, a social value approach, contrary to the view that will increase cost, can be delivered in contracts without cost going up.

Overall, although participants agree that a social value approach has a financial value which needs to be established, identifying such value is proving to be difficult for all of them. Currently a robust process that helps practitioners establish a financial value accrued from the outcomes achieved is still elusive. In addition, there were also other obstacles which were identified by the participants from all five cases. I have summarised them below.

#### **7.4 Other emerging non-financial factors which are hindering effective adoption of a social value approach**

##### **7.4.1 Existing pressure to realise savings from procurement and commissioning activities**

The financial austerity measures introduced since 2010 are putting pressure on public agencies to deliver savings. While adopting a social value or community benefit approach has financial savings, the lack of a process to demonstrate this value has meant that people do not see the approach as delivering savings for the authority. Therefore, there is resistance from some business units or departments towards implementing the approach.

#### **7.4.2 Existing culture is hindering a social value approach.**

The existing culture in most Local Authorities is usually based on a top-down approach when it comes to procurement and commissioning exercises. A community benefits approach however requires community involvement, with outcomes determined by the community. This ‘Community to Local Authority’ type of approach does not fit well with the existing structure, which is based on multiple hierarchical layers, reflecting the procurement and commissioning decision making. In addition, for a long time, businesses have focused on increasing dividends for shareholders, and the culture of seeking to deliver community benefits as part of the contract delivery is still emerging. As such, some commissioners and procurement professionals are worried about the cost impact if they start asking providers to deliver social value at a time when corporate finance is telling them that they must save money. But as indicated earlier, some businesses rather see the implementation of the Act as an opportunity for achieving recognition for the social value they have been delivering. Viewed from this point, it suggests there is a willingness from businesses to adopt the approach without increasing the cost charged to the authority.

Lastly, internally, there are concerns about the resource implications and the time they will add to the procurement process. Many believe adopting a community benefits approach in procurement and commissioning will require more resources, which they do not currently have. Therefore, for some commissioners and procurement teams, change cynicism has been an obstacle. These cultures seen in both the Local Authorities and businesses, have the

potential to hinder the pursuit of social value outcomes as the goal of procurement and commissioning activities.

#### **7.4.3 A lack of a common definition among both partner agencies, and internal staff**

A move towards collaborative commissioning, more sharing of resources and better coordination, requires that Authorities establish a common language regarding what represents social or community value in the area they serve. Currently this is a challenge for many Authorities. For example, what the police might refer to as community benefits for the area may be different from the council's; hence the priorities might be different. Therefore, the lack of a coordinated approach which bring the various partner agencies together for them to speak with the same terminology describing outcomes in their area which they want to identify as community benefits, could potentially hinder the adoption of social or community value approach.

#### **7.4.4 Devolved procurement functions**

Even though, at the corporate level, organisations may have opted to implement the Act, the devolved procurement arrangements in some organisations have meant that, in some cases, there are departments or business units within the council which have not reflected the approach in their procurement exercises. Indeed, the study found that Local Authorities which have a strong corporate procurement and commissioning function were able to embed it across the organisation much more easily. Furthermore, high staff turnover due to cuts in

government funding has meant that there are always new staff who don't understand how to incorporate social value into their contracts. This means that in Local Authorities where there are devolved procurement practices, there is a likelihood for those new staff to not know about the duty under the Act to seek social value in contracts. Further, the new staff and the departments they work in, won't be adopting practices which are based on social value principles. All of these, could weakened the impact of the Act in the organisation.

#### **7.4.5 Mandatory use of pan-government framework agreement to procure an authority's requirements**

For some time now, central government has been pushing for public agencies to use pan-government or regional framework agreements to procure their requirements, because of the potential benefit of savings achieved through economies of scale. This has led to large organisations being selected for inclusion into framework agreements, with local SMEs and the Voluntary Sector organisations being left out. Furthermore, these frameworks offer limited flexibility for Contracting Authorities to seek social or community benefits outcomes when conducting a mini-competition from the framework to award a contract. Also, where Local Authorities come together to collaborate in a procurement exercise, it tends to be difficult to get the contract packaging right for local businesses to be included.

However, I think it is possible for framework agreements to include social value. Granted the main benefit of framework agreement is the economy of scale it offers which also means that big firms end up winning contracts, it could be set in a way which requires the contractors

selected to the framework agreement to deliver social value. For example, clauses could be built in which encourage the main contractor to give opportunities to local businesses for supply chain requirements, or to encourage offering apprenticeships to locals. There is no evidence from the findings to indicate this approach has been adopted, therefore, the suggestion above can be used as an experience to see if it will indeed result in delivering social value. In any case, a failure to consider and adopt the right packaging for a framework agreement, could potentially limit access to public contract for SMEs and VCSEs who, as noted above, do deliver social value.

## **7.5 Emerging facilitators of a social value approach.**

### **7.5.1 Political and senior management support**

All five organisations indicated that political leadership and buy-in from senior managers were crucial in adopting an approach to procurement and commissioning that seeks to deliver community benefits. Furthermore, they are the ones who provide the policies without which procurement teams trying to implement them would face more resistance from other business units.

### **7.5.2 Published case studies and guidance**

Interviewees indicated that producing procurement and commissioning guidance for officers to use has helped facilitate embedding of the practice. Some have gone as far as suggesting the publication of case studies which reflect experiences, or stories of successful projects, for

others to learn from. Others have indicated these stories are shared in workshops within the organisation to help other staff understand and be able to implement the approach promoted by the Act.

Already there are published case studies showing approaches adopted based on seeking social value. These are available from the Chartered Institute of Procurement & Supply (CIPS), Local Government Association (LGA), the Commissioning Academy, Social Enterprise UK (SEUK) and the Social Value Portal. This means that whereas the early adapters had fewer examples to help them develop their approach, authorities which are now adopting the Act, have many examples to choose from.

### **7.5.3 Incentivising of Contractors**

Even though some of the private sector organisations see a social value approach as being beneficial to them, making the social value approach as the way to do business or as a way of delivering public sector contracts is still in its infancy. In Authority UA 02 companies which have signed up to their charter to deliver social value, are allowed to use the logo of the charter in their stationery as an incentive. They can also use it in other places to promote their business. A similar approach is also being explored by Authority MBM 03. At the time of the research, it was indicated that this authority was exploring the idea of having a self-scoring system whereby contractors can rate their performance against the community benefits they have delivered from the organisation's social value framework. This information will be made public. These are some new ways being explored to try and

incentivise contractors in adopting a social value approach. However, suffice to mention that some companies already see social value as an opportunity to build their reputation, especially in the light of the failures of major public contracts and the negative public perception of these companies. Viewed from this angle, whether the companies are incentivised or not, it is likely that those whose reputation has been affected by the financial crisis and failures of contract, would like to take the opportunity to demonstrate that they also deliver social benefits to society.

## **7.6 Conclusion**

The findings show that elected members play a key role in helping Local Authorities achieve social value as promoted by the Act. Whereas, under the traditional approach, they usually take a less visible role in the process, under the social value approach they are seen as the voice of the community and as such they are to have a more active role especially in identifying the outcomes to target in an exercise. Further, their role as the voice of the community is especially important, given the growing interest of citizens in exercising their democratic choice, particularly in matters relating to the spending of public funds.

Regarding the contribution of providers, the findings indicated that all types and sizes of provider organisations can deliver social value. The challenge however is how to ensure that the social value offers which providers present in their tender submissions represent the priorities of the contracting authority and also the needs of the communities. And finally,

there is no cost increase seen so far, and even though there is a net benefit to adopting the approach, a rigorous process to establishing financial value is still elusive.

The next chapter discusses implication of these findings on procurement and commissioning practice in the UK.

## **CHAPTER 8: The implications of the findings on development of procurement and commissioning policy and practice.**

This study set out to investigate a potential broader role for procurement and commissioning as key economic activities of public agencies. Whereas some researchers have focused on achieving regulatory compliance, and others have investigated the role of procurement as a policy tool, this study explores the concept of creating and delivering value from procurement and commissioning activities within the constraints of a regulatory environment. As such, the study focuses on identifying the policies and practices which help to maximise the value from organisations' procurement and commissioning activities. In investigating this, I have adopted an anti-foundationalist view and an interpretivist epistemology and used case studies of revealing practices to gain understanding of the phenomenon being investigated. Furthermore, I have collected primary data using semi-structured interviews with practitioners and relevant stakeholders, and secondary data from sources such as organisations' internet websites, official documents, and publications from the wider media relating to a 'social value' approach.

In order to identify an approach which could inspire the achievement of social value or community benefits, the investigation was based on examining the emerging policies and practices adopted as a result of the coming into force of the Public Services (Social Value)

Act 2012. This is because, as a piece of legislation, the Act places a duty on organisations and agencies receiving public funds, to seek to deliver ‘social value’ outcomes from their procurement and commissioning spend. Although a definition of what ‘social value’ is or should constitute has not been provided in the Act, the review of the practitioner or grey literature carried out in this study defines the term as ‘additional benefits’ which are delivered beyond the core requirements of the exercise. In other words, social value means delivering outcomes which represent wellbeing improvements for - individuals and the community. It is to be sought as an additional outcome in a procurement or commissioning exercise. Another aspect of social value which the literature highlights, is an implied process that requires the right inputs to achieve the right social value. Further, the outcome should be local, that is, they are to be based on the needs of the community in the area served by the public organisation or agency. This implies that each public organisation is required to define and identify the specific outcomes which they consider to constitute social value in their area. It is this meaning and interpretation of the term ‘social value’ that I have adopted in order to investigate a social value based approach as a potential new route for maximising the organisation’s spend through procurement and commissioning activities.

This chapter therefore discusses the research findings in the light of the key issues highlighted in the literature review and the implication on development of procurement and commissioning policies and practices. In doing so, it highlights the differences between traditional and social value approaches. Further, it draws from the findings to outline a process for implementing a social value approach, so that those organisations which are seeking to adopt a social value approach can follow a similar process to achieve outcomes

which represent social value to them. Overall, the findings are likely to contribute in changing practices towards Local Authorities setting procurement and commissioning goals based on wider value or benefits being delivered to society. Consequently, the outcomes sought from procurement and commissioning activities, are not just going to be limited to price and quality, but should include wider wellbeing improvements to individuals and communities delivered through a contract. This means moving away from having the elected members and public managers only making key decisions about the outcomes to target in an exercise towards adopting a joint decision making process whereby elected members, public managers and community, all have a voice in the process. Additionally, the role that elected members should play in a procurement or commissioning exercise should not be limited to setting the policies and scrutinising them but include providing the “community voice” in the process, especially in identifying and prioritising outcomes which represent social value in the community. For provider organisations, the definition of value need no longer be limited to the notion of shareholder value but should be based on delivering outcomes which have societal value. And lastly, it should lead to more emphasis on measuring outcomes delivered through procurement and commissioning activities. The measurement tools used should reveal both the financial value and impact of the outcome delivered through the contract. This means using tools which can measure both financial and non-financial value.

## **8.1 The difference between a traditional and social value approach**

The review of procurement and commissioning practices shows that since the reforms of the 1980s, which advocated a shift towards delivering efficiencies in government spending, the main drivers for procurement and commissioning within the UK public sector have been the achievement of commercial goals and regulatory compliance (Erridge 2007). In particular, the Gershon review of public sector efficiencies in 2004 linked procurement goals to delivering cashable and non-cashable savings which made many see the procurement function as a tool to help organisations achieve saving objectives. But this overemphasis on commercial factors has resulted in practices which are not based on seeking wider societal value.

On the contrary, both EU public procurement directives (implemented in the UK under public contract regulations) and national policies encourage the development of procurement including commissioning practices to meet wider societal needs. Generally, the UK has tended to adopt a stringent interpretation of the EU rules driven by a risk adverse approach, which led to misconceptions that EU rules do not support seeking wider social, economic and environmental outcomes in a procurement exercise. But, these misconceptions are dispelled by a number of the European Commission's publications, the new Public Contract Regulation 2015, and the Social Value Act implemented in January 2013, all of them promote the use of procurement and commissioning to seek broader value for society. In addition, there have been other national policies such as the well-being powers of the Local Government Act 2000, the General Power of Competence (both pre-dating the Social Value Act) which encourages public agencies in UK to develop practices that enables the achievement of -

community benefits through procurement and commissioning activities. This means that even without the EU procurement directives, UK government policies alone do provide a basis for public agencies to develop policies and practices which are based on a social value approach.

Social value is seen by some to be inherent in all public services delivered. This view implies that even without specific policies and practices being adopted which seek social value, contracts will naturally deliver some kind of social value. However, this study favours the concept of social value as ‘added value’, while not losing sight of the core requirements of the services being procured or commissioned. As such, there are differences noted between traditional approach and the emerging social value approach based on the findings. These differences are summarised in the table below.

**Table 15: Key differences between the traditional and social value approaches**

Activities	Traditional procurement and commissioning practices	Emerging social value approaches and practices
Objectives	To achieve ‘value for money’ which is about achieving the right balance between economy, efficiency and effectiveness.	To achieve ‘wider value’ (e.g. social, economic and environment value as added benefits) with achieving value for money a key part of it.
Outcomes	Emphasises achieving right price and quality. Wider socio-economic and environmental outcomes are usually not the main focus of the exercise.	Emphasises achieving wider benefits reflecting community needs. This can be social, economic and environment outcomes. Further, the outcomes are to be determined by the community.
Criteria for selection and award of contract	Based predominantly on commercial factors; with non-commercial factors considered as subordinate factors.  In addition, the criteria are generally categorised into price and quality.	Criteria based on assessing wider value (social, economic and environmental) aimed at providing wellbeing improvement to individual and community.  Overall, the criteria are generally categorised into price, quality and social value.
The Elected Members’ responsibility and contribution in developing organisation’s procurement and commissioning policy	Drawing-up of wider policies which influence procurement and commissioning activities of the organisation. Interested in procurement securing price and quality outputs.	Drawing-up of specific social (community) value policies to focus procurement and commissioning activities on achieving wider benefits delivered to communities. Elected members are interested in what social (community) benefits the contract has delivered for their communities or

		constituency.
Elected members' role during the procurement and commissioning process particularly during the pre-procurement phase	Approving the strategy proposed by the procurement or commissioning officer. Usually, this is done through reports such as business case or similar types of reports	They provide the 'community voice' in the process particularly, helping the procurement officers or commissioners, identify the right outcomes to target as social value in the contract.
The contractor's responsibility and contribution	The primary contribution of contractors/providers is seen to be the provision of core services requirement at best price to the authority and user.	Contractor is expected to deliver 'added value' beyond the core requirement of the procurement project. This includes benefits delivered to the community such as jobs, training, apprenticeships, community cohesion, lower carbon emissions, lower levels of noise etc. Furthermore, value is assessed not just based on price, but on wider social, economic and environmental factors.
The role of the community	By-standers; as consumers of services.	Helping in co-defining, co-creating and co-monitoring of value.
The interface between procurement and commissioning functions	The setup is usually based on two functions working separately to deliver outcomes.	The setup is based on having a closer interface between procurement team and commissioners aimed at leveraging the organisation's spend to deliver social value.

Further, the findings show there are two emerging factors which are driving the adoption of an approach to seek wider value from procurement and commissioning activities. These are: a reduction in central government funding and political party manifestos, both factors are arguably linked to the wider changes in the political and economic environments e.g. the global financial crisis of 2007/8 which led to government adopting austerity measures, and the increase in demand for public services from citizens. It marked the coming into government of the coalition between the Conservative and Liberal Democrats parties with the primary objective of reducing the national deficit which most people blame on the 2007/8 financial crisis. Later, that commitment was translated into cuts in public spending which meant that Local Authorities had to deliver the same services or in some cases, more of the service with less. In the light of this, adopting policies which seek to extract more from procurement and commissioning spend seems to be the right thing to do. This is underscored by the findings which shows four out of the five cases changed their policies in 2011. The quotes below summarise the key drivers and provides an indication of when organisations started to adopt practices which seek to achieve wider value from procurement and commissioning activities.

“Our journey probably started before the Social Value Act. I think the context being the financial challenge and the reduction quite dramatically in local government funding by central government (austerity measures) and therefore the Council wanted to look at its relationship across all of its providers (all third parties) which led us to embark on a connecting commissioning strategy” LB 04

“Prior to the Act coming in, the Council had already agreed it wanted to place a priority on what we call growing the social sector; social growth. The reason for that is, ... if we grow

the social sector then that will help reduce demand on public resources in the future. And if we can reduce demand on public service, that potentially helps us with some of the budget problems and pressures that we face”.

“The Labour party had a pledge in their manifesto that it will set up a Business Charter with the view to extracting more value from the procurement process; making the money that we spend through procuring goods, works and services, work harder for the people of *this authority*.” UA 02

While the data show that the Public Services (Social Value) Act 2012 is not the key driver for organisations adopting an approach of seeking wider value, however, it has made some contributions to both the policy and practice development. In particular, as a legal instrument, it has made procurers and commissioners become bolder in stating or making clear their intentions to seek social value or community benefits as added value during meetings with contractors and also within the tender documentation. Further, the Act is used to enforce the approach of seeking social value, both internally with other departments and externally, especially for those contractors who might otherwise want to resist providing social value outcomes as part of the contract delivery.

“I suppose that if Social Value Act didn’t come along I think, we would have a lot more challenges implementing the approach we are adopting now if we were not able to say, but hold on, there is a Social Value Act that say we have to do this.” UA 02

“What the Act did enable us to do was to be more explicit in seeking social value outcomes ....and gave us that kind of legislative framework that help us have perhaps better leverage with providers” LB 04

“It's given us more of legitimacy to have that debate because perhaps in the past, some people just thought it was a bit of paper they have to fill in just to get a procurement off the ground” CC 05

The emerging drivers for procurement including commissioning highlighted above also seems to suggest, that a social value approach requires a different process to the traditional approach. Therefore, the section below describes, based on the findings, the process for a social value approach.

## **8.2 The emerging process of a social value approach**

The literature review shows that even though there are many policies which supports procurement including commissioning practices to seek wider value, generally, practices were more focused on achieving compliance and commercial goals. In contrast, the data show emerging practices, which are based on achieving broader goals, making procurement and commissioning a tool for Local Authorities to respond to challenges they faced in delivering public services; e.g. cuts in funding and rising demand of public services. The research findings suggest a possible process that other organisations could follow in order to implement a social value based approach. First, the organisation must have a social policy for its procurement and commissioning activities, which links the needs of the community

with procurement and commissioning goals. For instance, in case UA 02, the authority developed a specific social value policy which was one of the three policies adopted under the Business Charter for Social Responsibility. The drawing up of the policy should be a joint activity between elected members and senior officers – all working jointly to identify the policy goals. In doing so, they are to consult with the community or stakeholders. As the finding shows, elected members have the responsibility of providing leadership within the Local Authority setting, and also setting the policy agenda. While senior officers are supposed to be the ones who implement the policies, they too have a key role in developing those policies. For example, the research found, in two of the cases examined, that the desire to use the organisation's procurement and commissioning spend in order to achieve wider benefits (social value) for residents was part of a political party manifesto, which elected members followed up when they were elected. Conversely, in case MBNW 01, the findings show that the policies on adopting practices which seek social value were first drawn up by Senior Officers responsible for procurement and commissioning which were then presented to elected members before they became the organisation's Social Value priorities and strategy.

Second, the organisation seeking to adopt social value needs to develop a Social Value Framework; which is a dynamic document that identifies the specific outcomes – social, economic and environmental benefits – which constitute social value. This is demonstrated by the findings, which show that all five cases developed a Social Value Framework after carrying out consultation with communities and stakeholders aimed at identify community based outcomes which should be targeted in a procurement and commissioning exercise. This

approach suggests that the community (whose members help to define the outcomes), are also best placed to be judges in determining whether the benefits have been delivered or not. It implies that the community has a role in monitoring the social value delivered. For the organisation, it further offers an opportunity to align corporate objectives with community needs.

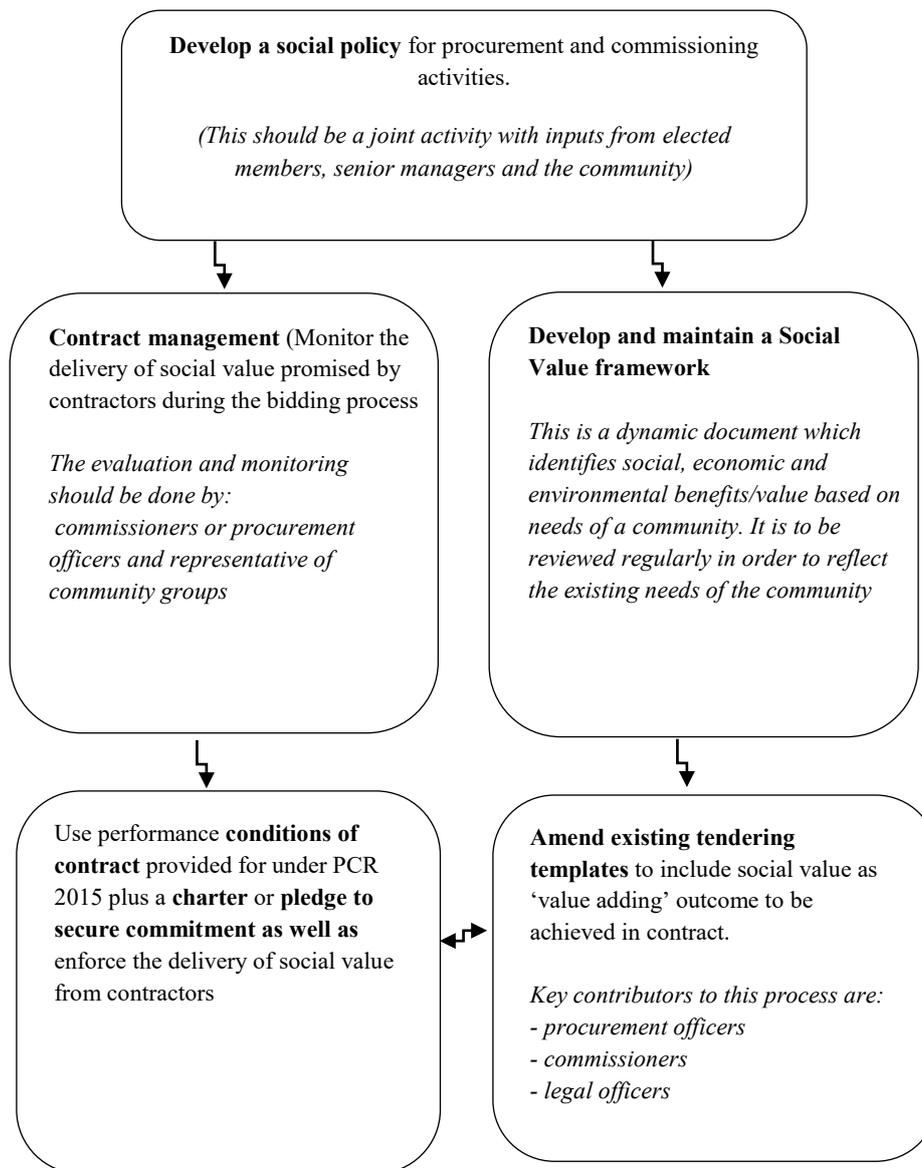
It is worth noting that the outcomes identified in the organisation's Social Value Framework are not meant to be static; they must continue to be updated to reflect the needs of the community. Although the data from the findings fail to indicate how often Local Authorities have updated their Social Value Frameworks to reflect the changing needs of the community, nor have they provided examples of such reviews being undertaken, I will suggest that the timing of such reviews should be based on whenever there is a perceived or noticeable change to the social, economic and environmental needs of the community. Alternatively, such reviews should be carried out whenever a national census exercise has been completed. Or, since in some Local Authorities, social value is part of a political party manifesto, the changes or reviews could be aligned with the Local Authority's electoral term.

Third, organisations need to amend existing tendering templates to incorporate community benefits as 'additional' outcomes targeted in contracts. On this point, emerging practices from the cases studied show that a separate section on social value (community benefits) is being incorporated in tender documentation, which is weighted and scored. So far, the weighting applied to this section is between 5% and 10%, with some authorities indicating that it may go

higher as the provider market develops, and also as the authority gains more experience. In addition, some authorities (mainly case UA 02 and MBNW 01) ask their contractors to sign a Charter or Pledge as commitment to deliver social value. Others have also used key performance indicators backed by Special Conditions of Contract to support the delivery of social value in contracts.

Fourthly and finally, authorities should adopt new contract management processes which include representatives of the community in assessing outcomes delivered through contracts. Traditionally, contract management processes have been built around the organisation's objectives. However, since social value is based on seeking outcomes founded on the community's needs, the community should play a key role in assessing the outcomes delivered by contractors. A summary of the processes set out above is shown in the table below.

**Table 16: Emerging process of a social value approach.**



In order to make this process more focused on social value, there are certain characteristics of the emerging practices which can help strengthen a social value approach and therefore need to be encouraged, and others which if they continue could lead to weak practices. The table below provides a summary of characteristics which are to be categories as ‘weak’, ‘average’ or ‘stronger’ in supporting a social value approach.

**Table 17: Weak, average and stronger characteristics of a social value approach.**

<p><b>Weak characteristics</b></p> <ul style="list-style-type: none"> <li>▪ The approach adopted considers communities as by-stander consumers of services.</li> <li>▪ Only a few Elected Members are playing their roles as ‘democratic voice’ in the process.</li> <li>▪ Local authority not measuring outcomes delivered</li> <li>▪ Greater focus on competition as a means of delivering value; no focus on developing both the community and provider market as co-creators of value.</li> </ul>
<p><b>Average characteristics</b></p> <ul style="list-style-type: none"> <li>▪ Contract length not tied to the potential time for social value to be realised from that contract.</li> <li>▪ Practices being developed for the purpose of compliance with the Act; which means the full potential for achieving social value is not explored.</li> <li>▪ Organisation still taking a risk-averse approach in seeking social value.</li> <li>▪ Measurement only based on tangible, not intangible outcomes.</li> </ul>
<p><b>Strong characteristics</b></p> <ul style="list-style-type: none"> <li>▪ Commissioners and procurement professionals specifically asking for social value/community benefits in contracts.</li> <li>▪ Specific social policy developed to align procurement and commissioning goals with the social, economic and environmental needs of communities in the area served by the Local Authority.</li> <li>▪ The creation of a specific cabinet member role and ‘social value champions’ positions, to focus the organisation on maximising the value from procurement and commissioning spend.</li> <li>▪ More elected members acting as the community ‘voice’ in procurement and commissioning processes, thereby strengthening democratic governance.</li> <li>▪ Local authority developing a dynamic document, website (e.g. Observatory) or a Social Value Framework document which identifies the outcomes representing social value for the area for providers to go to and select the social value they offer in their bid.</li> <li>▪ Use of deliberative methods to establish the collective will or choice.</li> <li>▪ Decision making to be based on a joint process especially when establishing the social value and the priorities to target in an exercise.</li> </ul>

Back to a weak form of social value approach

Moving to an effective approach of embedding social value

Apart from the process outlined above, the findings also suggest two possible routes which could be adopted, when running a procurement exercise, to achieve social value. Both are discussed in detail below.

### **8.3 The procurement routes to achieving social value in contracts**

Unlike the traditional approach, the emerging practices suggest two routes which are to be adopted when seeking social value. These are ‘core value’ and ‘added value’ route (which are the terms used by authority MBM 03) or the ‘award criteria’ and ‘performance obligation’ route (being the terms used by authority LB 04). The term ‘core value’ means that the benefits are a core part of the contract, and the term ‘added value’, means that the outcomes are to be considered as ‘value adding’ to the core requirement of the contract. Under the core value and added value route, officers start with distinguishing between what is ‘core value’ and ‘added value’ in the contract they are about to tender. If the potential social value identified falls into the ‘core’ category, the outcomes are stated in the specification; whereas if these were to be ‘added value’, they could be asked for specifically from contractors as ‘additional’ outcomes to be delivered in a contract. To further support the realisation of ‘added value’, the authority can use the performance-related conditions of contract provided for in the PCR 2015 (section 70) to bind contractually the contractor to deliver these outcomes.

Similarly, in the award and performance criteria route, the Award Criteria route is adopted if the community benefits to be targeted in a particular contract are linked to the subject matter or are a core element of the contract. Under this option, officers can incorporate social value or community benefits at both the selection stage (in terms of the bidder’s experience) and at the award stage (in terms of the bidder’s proposals to deliver social benefits). The Performance Obligation route is to be used where the community benefits sought are identified as ‘added benefit’ by imposing performance obligations on the successful contractor. In both routes, the use of open questions which invites the tenderer to submit offers is encouraged. The route adopted for the award and performance options are summarised in the table below.

**Table 18: The Procurement Routes towards Achieving Social Value**

Before you can choose the correct route, you need to consider what it is you are purchasing, how you are going to do this and what additional benefit you hope to secure.	
Route 1 - Award Criteria	Route 2 - Performance Obligations
This approach will be available if the social issue can be said to be related to the subject matter of the contract.	This approach is nearly always available and should be the minimum expected.
<b>Embed in Business Case</b> Embedding in the Business Case means that you are thinking about social issues from the outset, giving you the best chance of maximising the opportunity.	<b>Embed in Business Case</b> Embedding in the Business Case means that you are thinking about social issues from the outset, giving you the best chance of maximising the opportunity.
<b>Reference in OJEU (Part A services)</b> This is a legal requirement that also ensures bidders are aware from the outset of your intentions	<b>Reference in OJEU (Part A services)</b> This is a legal requirement that also ensures bidders are aware from the outset of your intentions.

<p><b>Test previous experience of delivering social benefits in PQQ</b></p> <p>As the social issue is related to the award criteria, it is permissible to test bidders' experience of delivery on social issues.</p>	<p><b>Explain importance in Pre-Qualification Document</b></p> <p>Again, this is about ensuring that bidders have no doubt as to the importance of seeing a social return to the council.</p>
<p><b>Craft award criteria, and disclose in ITT/ITPD</b></p> <p>Either within the ITT or the invitation to participate in dialogue (ITPD) the social award criteria weightings and method of scoring should be disclosed.</p>	<p><b>Disclose Performance Obligations in Tender Documents</b></p> <p>Whilst not tested as part of the award decision, the contract clause must be provided to all bidders in order that they can price to deliver these.</p>
<p><b>Award Contract</b></p> <p>All submissions are evaluated and the most economically advantageous tender identified.</p> <p>All commitments made by the preferred bidder including those related to social issues should be reflected in the final contract.</p>	<p><b>Award Contract</b></p> <p>The contract is awarded to the bidder submitting the draft tender providing they have committed to meet the contractual obligations (including the social performance obligations).</p>
<p><b>Monitor Performance</b></p> <p>Having secured a commitment from the contract or to deliver social value, it is imperative that the council manage the successful delivery of these.</p>	<p><b>Monitor Performance</b></p> <p>Having secured a commitment from the contractor to deliver social benefits, it is imperative that the council maintain the successful delivery of these.</p>
<p>Feedback results and learning into the commissioning cycle</p>	

Whether it is the 'core' or 'added value' route that is being adopted, the Social Value Act and PCR 2015 both emphasize that consultation with key stakeholders must be undertaken during the pre-procurement phase, to ensure that the outcomes sought meet the needs of the community targeted by the procurement or commissioning exercise. The revised Best Value

regime (2011: 6) also emphasises this point, stating that during all phases of the commissioning cycle “*authorities are under a Duty to Consult representatives of a wide range of local persons; this is not optional*”. This duty to consult with stakeholders aligns with the emerging social value approach, which aims to deliver outcomes that are based on the community’s needs. For instance, all cases reported increasing their consultation with communities as well as with suppliers, as part of the process of adopting a social value approach. Specifically, there were two areas where the community consultation in the process was noted; first, when the local authority was developing its Social Value Framework (i.e. the document which identifies the collective themes or outcomes which constitute social value) and second, during the procurement process. However, the consultation approach and the process adopted differ from one authority to another. For example, in authority UA 02 the process started off with an initial draft produced by the cabinet member overseeing procurement and commissioning, based on the policies drawn from their party manifesto, who then consulted with the above mention stakeholders. Conversely, in authority MBNW 01, it is the head of procurement and commissioning who first produced a draft based on the authority’s co-operative principles and the Social Value Act, which then was discussed with elected members and community representatives. In authority MBM 03, the consultation was carried out through a series of workshops with communities, and then with other stakeholders, including elected members of the Scrutiny Committee. And, in Authority LB 04, even though social value was a manifesto commitment for the in-coming political party administration, the process was initiated by the Director responsible for procurement and commissioning, who first contracted the services of an external legal team to help develop the initial ideas into a process which could deliver social value. After that, community groups, voluntary organisations, SMEs and large businesses were engaged in identifying the

outcomes which represented social value. In addition, when procuring their Housing contract, this authority had representatives of the community involved in determining the social value which the contractors should deliver. Furthermore, representatives of the community sat in the monitoring meetings to assess the social value that the contractor promised to deliver during the tendering phase. All of these examples go to show that a social value approach can be initiated by elected members or bureaucrats (i.e. senior officers of the Council) which confirms Wilson's (1989) observation that officers can and do also play a key role in the policy development of the organisations.

While community participation is a key factor in a social value approach, their involvement in the tendering process, particularly in evaluations of bids, could pose a potential risk of bias, especially when making contract award decisions. Officers must not lose sight of this (MBM 03). My view is that this can be mitigated by clearly defining the boundaries of the community's role in the process. Furthermore, given the modern day challenges faced by public agencies, where Local Authorities have taken significant cuts to their funding while demands on services are increasing, a failure to include the community or their representatives in the various stages of procurement process could be a missed opportunity to deliver outcomes which represent value to the community with less money to spend.

#### **8.4 The implications of the findings for procurement and commissioning practices**

So far, the above discussion has shown that a social value based approach differs from traditional approach and that, there is a process emerging from the data that other

organisations can adopt to seek outcomes which represent social value. Apart from establishing the difference and the approach to procuring social value outcomes, the findings potentially have wider implications on the development and improvement of procurement and commissioning practices. The section below discusses the implications as well as the contributions that the findings are likely to have on procurement and commissioning practices in the following areas:

#### ***8.4.1 The type of goals and outcomes set for procurement and commissioning activities.***

One area where potentially the findings could have an impact on is the type of goals which organisations set for their procurement and commissioning activities. Under traditional practices, the goals were usually based on achieving commercial benefits and compliance. Conversely, a social value approach promotes goals which are based on seeking outcomes that provide wellbeing improvements to individuals and communities as additional benefits to the core requirement of the exercise. Crucially, a social value approach suggests procurement and commissioning goals should be aligned with the needs of communities; they should not be based on the public agency's priorities only. Furthermore, the findings imply that procurement and commissioning goals can be developed so that outcomes from a single exercise can meet the needs of multiple stakeholders. This means that the definition of value, the prioritisation of the outcomes, and the process adopted to deliver those outcomes must have the community at the centre. It also means that the outcomes to expect from procurement and commissioning are not to be limited to achieving compliance and commercial benefits but should include achieving wellbeing improvements to individuals and communities through the delivery of contracts. This implies that the outcomes sought should

be linked to local needs or priorities, not based on national themes. This is reflected in the various Social Value Frameworks from the five cases which show the outcomes that represent social value in their area. A summary of the model and themes pursued by each of the five cases is shown in the table below:

**Table 19: Social Value Framework Models and key themes**

Organisation	Name of framework / model	Key themes
MBNW 01	Social Value Procurement Framework (SVPF)	<ul style="list-style-type: none"> <li>i) Jobs, growth &amp; productivity</li> <li>ii) Resilient communities &amp; a strong voluntary sector</li> <li>iii) Prevention &amp; demand management</li> <li>iv) A clean &amp; protected physical environment</li> </ul>
UA 02	Business Charter for Social Responsibility  (Note: the principles of the Charter contain three policies adopted on the same day which are: Social Value policy, Living Wage policy and Business Charter for Social Responsibility.	<ul style="list-style-type: none"> <li>i) Delivering local employment,</li> <li>ii) Supporting buy 'local' first policy,</li> <li>iii) Impacting communities through partnering approach,</li> <li>iv) Being a good employer - which includes support for staff development and welfare and adopting the locally agreed Living Wage</li> <li>v) Adopting green and sustainable principles</li> <li>vi) Contractors adopting ethical procurement principles.</li> </ul>
MBM 03	Social Value Model	<ul style="list-style-type: none"> <li>i) Increase in Community Resilience</li> <li>ii) Reduction in demand for public services</li> <li>iii) Impact of volunteers</li> <li>iv) Impact of Community Businesses</li> <li>v) Private Sector Investment in Communities</li> <li>vi) Residents making socially responsible decisions</li> </ul>
LB 04	Social Value Tool Kit for Commissioners.  (Note: This toolkit is	Contractors are directed to the observatory which has latest information on key priorities of the Borough. In addition, the following outcomes were identified in the tool kit to show what Social

	supported by specific guidance published by Councils Workforce and Community Relations directorate (Procurement and commissioning Policy for Jobs and Skills))	<p>Value looks like:</p> <ul style="list-style-type: none"> <li>i) Creating skills and training opportunities (e.g. apprenticeships or on-the-job training);</li> <li>ii) Creating employment opportunities for the long-term unemployed or NEETs (those not in education, employment or training);</li> <li>iii) Offering work placements to school children and young adults;</li> <li>iv) Providing career advice and information for young people on specific careers, such as construction, architecture or engineering;</li> <li>v) Offering curriculum support to schools, with contractors sharing knowledge and expertise about their discipline;</li> <li>vi) Providing additional opportunities for individuals or groups facing greater social or economic barriers.</li> <li>vii) Creating supply chain opportunities for SMEs and social enterprises;</li> <li>viii) Creating opportunities to develop third sector organisations;</li> <li>ix) Improving market diversity;</li> <li>x) Encouraging community engagement..</li> </ul>
CC 05	Sustainable procurement & Social value framework	<p>Seeks to deliver outcomes in three broad areas of social, economic and environmental. The following are the key topic areas to be targeted:</p> <ul style="list-style-type: none"> <li>i. Biodiversity &amp; land use</li> <li>ii. CO2 and greenhouse gas emissions</li> <li>iii. Engaging stakeholders &amp; raising awareness</li> <li>iv. Equality, diversity and employee well-being</li> <li>v. Ethical supply</li> <li>vi. Local goods and produce</li> <li>vii. Regeneration</li> <li>viii. Supporting SMEs and local business</li> <li>ix. Third Sector and Social Enterprise</li> <li>x. Timber and sustainable materials</li> <li>xi. Training, education &amp; employment</li> <li>xii. Waste reduction, re-use, recycling</li> <li>xiii. Water</li> </ul>

#### ***8.4.2 A change to the meaning of value in procurement and commissioning***

Whereas, under traditional practices, the concept of ‘value’ refers to the price and quality, the emerging practices of a social value approach suggest ‘value’ could be defined as achieving the price and quality, plus other value-adding benefits. For example, the findings show that in authority MBNW 01, social value was interpreted to mean *‘maximising every pound spend’*. Another definition describes social value to be *‘about delivering outcomes’*. Similarly, in authority UA 02, social value is defined as *“improvement of wellbeing”*; while in authority MBM 03 it is defined as *“outcomes, measures and activities that create strong and well connected public, private and social sectors”*. And, for authorities LB 04 and CC 05, social value has the same meaning as sustainable procurement principles. The implications of all of these definitions are that the criteria for awarding contracts should not be limited only to the two broad categories of ‘price’ and ‘quality’, but should comprise both ‘price’, ‘quality’ and ‘social value.’ It suggests changing practices towards asking for social value as ‘additional’ benefits delivered in contracts. This has an implication for providers (i.e. businesses and third sector organisations included), which is, to win contracts from public sector, they will not only have to submit an offer that is competitive in price and quality, but will have to include an offer of social value as part of the contract delivery.

#### ***8.4.3 A change towards the process of decision making being a joint activity***

This finding has implications for who should be involved in the decision-making process for procurement and commissioning of public services, goods or works. Under traditional practices, the decision-making process in a local authority, which is based on a structure

promoted by the Local Government Act 2000, is centred on the elected members (supported by senior officers) who make the final procurement and commissioning decisions. Conversely, practices under a social value approach suggest that decision-making should be a joint process which comprises elected members, senior officers and the community; not an organisational-only activity. The community should be at the centre of the decision-making process, especially in the defining, prioritising and monitoring of social value. Such an approach is not only promoted by the Public Services (Social Value) Act 2012, but also supported by the Localism Act (2011), which promotes the devolution of powers from central government to communities. Furthermore, the Best Value policy revised in 2011, places a duty to consult representatives of a wide range of “local persons” when undertaking a procurement and commissioning exercise. All these policies suggest developing practices towards Local Authorities devolving their procurement and commissioning decision making powers to the locality level.

To enable public managers determine what the community ‘will’ or ‘choice’ is or should be, the literature identifies methods such as the deliberative approach, or majority rule based on a voting system, or both, that can be used. It is important that public managers are able to determine the community choice if the aims of delivering of public services, goods and works must be about adding value to the public realm.

#### ***8.4.4 Elected members' role in procurement and commissioning expanded to include being the 'community voice' in the process.***

Existing research identifies the role of elected members in procurement and commissioning activities within the UK Local Authorities, to be at strategic level and in particular, in setting the procurement priorities and scrutinising the process adopted by officers. This includes scrutinising procurement processes and monitoring the outcomes of procurements (Byatt, 2011; Murray, 2009; Murray, 2007). Further, elected members take a less visible role in procurement and commissioning processes. Under the social value approach, the data confirms elected members playing the above roles. They provide leadership that sets out policies which specifically target social, economic and environmental value to be sought in procurement and commissioning activities. For their scrutiny role, they will challenge officers, if they have not followed a process which sought social value. In the latter role, they are also seen as 'enforcers' of social value practice across the organisation.

In addition to the above roles, the findings show an expansion in their roles to include being the 'democratic or community voice' in the process, although, they are not to get involved in the actual tendering process as that is a role played by officers. Their role as the 'community voice' in the procurement or commissioning process is not only limited to the development of the policies but has now become enlarged during the pre-procurement stages when officers are trying to identify the social value to be targeted in a procurement or commissioning exercise.

“it's about being a link between the community and the people doing the procurement; to say hey, when you get some social value, we need some here. So it is that advocate's role”. UA 02

For their leadership role, they lead the development of specific policies to help the organisation focus on seeking social value as the outcomes achieved through its procurement and commissioning activities.

Another role suggested by the findings is the creation of a cabinet member post to specifically drive through policies and practices which promote seeking wider value from procurement and commissioning activities across the local authority organisation. Although this is implemented only in authority UA 02, it has contributed in helping the organisation to focus more on achieving social value outcomes through procurement and commissioning activities. Further, in line with the understanding that social value is also about maximising the organisation's procurement and commissioning spend, having a single cabinet post with responsibility over procurement and commissioning is likely to help the organisation get more from its spend than separate cabinet members having responsibility for procurement and commissioning. Already, the findings show each organisation has at least one elected member who is their social value champion. Therefore, these roles can be used or expanded to achieve similar objectives to the specific cabinet member post created in UA 02. This and the other roles mentioned above, all promoted under a social value approach, suggest that a higher political responsibility for, and greater involvement of, elected members in the procurement and commissioning activity of the organisation are required.

Despite the important roles that elected members play in a social value approach as outlined above, the study shows a threat to the social value approach by identifying that a majority of the elected members, have not yet fully embraced the Act or the social value approach. The factors characterizing the few elected members who are interested in social value have not been investigated in this study. However, as Byatt (2001) recommended “there should be clear political responsibility for procurement with appropriate training”. In this regard, authority MBNW 01 provides a good example. Respondents indicated that a training programme is being developed for members to help them gain the skills required for the new ways of working; including skills which could help the authority achieve social value outcomes e.g. negotiation, collaboration and partnerships skills. At a national level, training programmes for elected members on procurement and commissioning are also offered by the Local Government Association and there are other agencies too. Given the potential power of procurement and commissioning, this training should help to ensure elected members gain a better understanding of the Local Authorities’ purchasing power and how it can use that power to achieve social value policy objectives.

#### ***8.4.5 Greater access to public contract market and a change in the definition of value for provider organisations which have social value embedded in their corporate objectives and policies.***

From the literature review, it is clear that the coming into force of the Act did raise expectations, especially among leaders of infrastructure organisations, that it will help in opening more opportunities for local SMEs and Voluntary, Community and Social Enterprise

(VCSE) organisations. In particular, it is thought that VCSEs are likely to benefit more from the implementation of the Act than other types of organisations because social value is inherent in their operations.

The data shows that all five cases have made some changes aimed at helping SMEs and VCSEs to gain more access to the public contract market. It is worth mentioning that the drivers of those changes are not solely derived from the Act alone but also from other policies which predate the Act. However, the coming into force of the Act has injected a new desire to get more social value from these organisations. Some of the examples of the changes made to support SMEs and VCSEs include; providing detailed feedback when their tender is unsuccessful, so they can do better in future opportunities (LB 04); organising ‘meet the supplier events’ to help SMEs and VCSE organisations, in particular, to evidence social value better in their tender submissions (large private organisations are also invited) (MBNW 01); and the creation of a web portal where big companies who are awarded large contracts can advertise their supply chain requirements so that local SMEs and VCSEs will have the opportunity to apply for contracts (UA 02).

In spite of these changes, the evidence is yet to emerge to show that more contracts are being awarded to SMEs and VCSEs as a result of organisations adopting a social value approach. One factor could be that it is too early to see the impact of the changes. It is hoped that SMEs and VCSE organisations will get better at evidencing social value in their tender submissions, which could help them win more contracts. Conversely, it is also likely that the changes will

not have such great impact as expected, because of the belief that competition leads to identifying the most suitable and competitive provider, therefore, more services are going to be subjected to tendering and fewer to grants funding. In this regard, SMEs and VCSEs do not usually have the resources that large organisations have when it comes to tendering – therefore, they face tougher competition to win contracts.

The study also examined whether there is a particular type of organisation which has delivered more social value than others but it found that no one organisation, e.g. VCSEs, SMEs or large businesses, has a monopoly in delivering social value. This is because, while VCSE organisations are more likely to deliver outcomes of a social nature, small and large private companies tend to deliver economic value to communities through public contracts. Therefore, all types of organisation are seen as *“bringing in something really different.... and informing the work being done relating to social value in a different way”* (MBNW 01). The implication of this is that, provider organisations which have embedded social value in their mission and corporate policies are likely to have more access to public contract markets than those who do not.

Overall, the findings appear to suggest that a key role for provider organisations in a social value approach, is to draw from their resource to deliver social value outcomes for the contracting authority. However, the challenge for Local Authorities is how to ensure that providers/contractors are ‘stretched’ enough in delivering social value. There are two emerging approaches from the data; one approach is where the contracting authority states

the social value for contractors to deliver; the second approach is that the contractor proposes the social value it will deliver. Allowing providers to make their own offer of social value has some limitations. For example, providers might just offer social value outcomes which are easy for them to deliver. Conversely if the social value outcomes are set by the authority, it might limit innovation from the provider, who may have great knowledge of the local area. Crucially, any outcomes which are promised by the contractor or stated by the local authority have to represent real value to the communities and the priorities of the local authority. In order to ensure this, should the option of the authority setting out the social value be adopted, then the process of identifying those outcomes must be community-based. The deliberative approach can be adopted to determine the collective preferences of the community. If, on the other hand the preferred route is for the contractor to be the one to propose the kind of social value they will deliver, then it is suggested that they should select outcomes from the local authority's observatory or from a dynamic document which lists the current needs of the community. This will help to minimise the likelihood of providers offering social value outcomes which are not aligned with the needs of the community and the authority's priorities. Whichever approach is chosen, one instrument that has been used to secure further commitment from contractors, is a Charter or Pledge. In authority UA 02, this is mandatory if the spend is over £200k but for other cases which are using the pledge, it is voluntary.

For private businesses, voluntary, community and social enterprise organisations (providers), the findings are likely to have implications for their concept of, or definition of value, and for how they seek to maximise that value for stakeholders. So far, the findings seem to suggest that those businesses which incorporate the concepts of "Stakeholder Value", "Corporate

Social Responsibility (CSR)” and “Shared Value” as promoted by Porter and Kramer (2011), are likely to offer social value in a contract at nil cost. This tendency could be strengthened if seeking social value is made the new way of doing business and winning contracts from public sector. However, should private businesses (who deliver the majority of large contracts for the public sector) choose to pursue the traditional view that their primary purpose is to maximise value for their shareholders only (Conner 1991), the implication could be that those organisations may start charging for delivering social value in the longer term. Because of the cuts in central government funding, this additional cost could lead to practices which focus on delivering the core requirements and not on seeking the additional benefits which might be delivered from the contract.

#### ***8.4.6 Measuring of outcomes***

The literature review (chapter three) indicated concerns raised prior to the implementation of the Act that organisations may not measure the outcomes delivered under a social value approach, so that the full impact of the Act might not be realised (Hazel Blears MP). Furthermore, although social value is believed to have a financial value, it is not easy to establish. Yet, there is a growing call for the inclusion of social and environmental outcomes in assessing the effectiveness of service delivery. This is echoed by the government Green Book (2010) which makes it clear that, in principle, assessment should include ‘all benefits to the UK’ (page 21). This means, the tool or technique to be use should measure both market and non- market outcomes.

The empirical findings show that there is an increase in the awareness of the need to measure social value outcomes with all five cases identifying an approach to measure these outcomes. Generally, the measurements are based on tangible outcomes, not intangible outcomes. The method being used is simply based on counting how many of the tangible outcomes a contractor has delivered or will deliver over the contract period or over a certain financial threshold. For example, MBNW 01 ask contractors who are awarded large construction contracts, to employ at least one apprentice for every £1million spent under the contract. Therefore, to measure the outcome, the authority just counts the number of apprentices employed by the contractor against the spend on that contract. This approach, is not adequate because it does not measure the full impact that the outcome has had on the apprentice. Arguably a major hindrance in measuring social, economic and environmental impact, is the Local Authorities' failure to establish common indicators adopted across the organisation or the sector, which provide financial value equivalent for the impact made as a result of the outcome delivered through a contract. For example, an indicator which will show the financial value of apprenticeship and volunteering in social care service or in a construction contract, which indicator and monetary value should be applied across the organisation or sector. The literature review indicates that, there are economic techniques, such as willingness to pay and stated preference among others, which can be used as indicators or to establish financial value for non-financial factors. Other tools such as Cost Benefit Analysis and Social Return on Investment (SROI) are also discussed in the literature with the government promoting the use of the latter to measure social, economic and environmental outcomes. But it seems these tools or techniques are not being used. Further, while many of the participants interviewed were aware of SROI, it is generally not being adopted because the process of SROI was considered to be resource intensive. Given the cuts to funding and

staff, it is not considered to be a cost-effective tool either. Further, like the traditional economist's tools, SROI has a tendency to focus attention on cost savings to society, while not adequately incorporating many of the ways that the outcomes delivered have improved people's lives (Javits 2008).

From the findings of this study, not everyone is in favour of monetisation of all outcomes; there were suggestions made that some outcomes should be reported in case study format (MBM 03). This means adopting a mixed approach in which some outcomes are measured based on financial indicators and others based on qualitative reporting which focus on impact achieved through that contract. While such an approach is likely to ensure that both tangible and intangible benefits are reported, the qualitative reporting of outcomes, leaves policy makers, funders and practitioners unable to quantify the full financial value of social value outcomes. In addition, policy makers prefer financial value which is easier to compare. This is particularly important, considering the cuts in funding from central government which are forcing senior managers in Local Authorities to make decisions about which projects to fund and those to stop funding. Conversely, adopting an approach which monetises outcomes could potentially be misleading in some cases as the impact of the outcome can't be fully quantified. Further, trying to calculate a financial value to reflect the impact of an outcome on an individual or community, could prove difficult to establish for practitioners. My view is that, there needs to be an acceptance that some outcomes can only be reported in qualitative format, and others can be monetised based on financial indicators which are agreed across the organisation and sector.

In summary, the awareness of the need to measure outcomes delivered through procurement and commissioning has increased as a result of adopting the social value approach. As such, it is likely that this increase in the awareness of the need to measure outcomes could become a key driver for greater contract monitoring, thereby helping to embed the culture of contract management in the public sector. It could also lead to new tools emerging, or existing tools being modified, to enable the measurement of both the tangible and intangible impact of the outcomes delivered from procurement and commissioning exercises. In terms of the implications, it will improve existing practices to effectively monitor and report outcomes. In addition, it will help to highlight the contribution of procurement and commissioning in achieving organisational goals and objectives as well as value for money.

#### ***8.4.7 The interface between procurement and commissioning teams***

A social value approach promotes the adoption of a structure based on a closer interface between procurement and commissioning functions within the organisation. This offers opportunities for the local authority to implement a coherent strategic approach based on organising procurement and commissioning resources in order to focus on specific areas of spend (category management), and to seek to extract wider value by leveraging the spend from that category. However, it is worth noting that both procurement and commissioning require different skill sets; the former focuses on the commercial aspect and identifying the most suitable provider, while the latter is more focused on establishing the needs of communities, setting priorities and monitoring the outcomes delivered. Therefore, the two

functions need to work closely with each other, in order to deliver more value from the organisation's procurement and commissioning spend by applying both more in-depth knowledge of the service and commercial acumen in the process.

#### **8.4.8. The impact of a social value approach on cost to the local authority**

There is an assumption that asking Suppliers to deliver social value in contracts will result in cost increases for the contracting authorities. But the data from the study show that adopting a social value approach has, so far, not resulted in cost increases. Rather, social value is being provided at nil cost. This has been attributed to a number of factors. For example, contractors were often told during pre-contract meetings that their social value offer should not be charged (LB 04). In one of the cases in this study, they suggest publishing the contract price so that providers knew upfront what the budget allocation was, which means they submit bids that are either at the published price or less (MBM3). Another method that has been used to keep the cost at nil is the redesigning of service delivery and developing new relationships with partner agencies and communities. In the case of the latter, the approach adopted is that, the community is considered to be co-creators of social value (MBNW 01). In this new relationship, the local authority works with the community to establish what resources are available in the community and then it says to them; *'that is your bit, but we will support you to be able to do it'* (MBNW 01).

“... because of the budgetary pressure on services, commissioners are in turn putting a cap on service contracts (especially social care contracts), which makes the Authority unable to accept offers that are beyond the allocated budgets”. **MBM 03**

“...we are saying to residents...which of those needs can be met by your natural resources, natural community, what is in your community? What already exists? What social bonds are there that you could either go to or people come to you for? If that already exists, we don't need to commission that. We don't need to have any involvement in that. So that all that this may leave for us is the specialist niche provision” MBNW 01

Apart from the above, there are other likely factors which could also be contributing to a nil cost for social value offer in a contract. The strategic management literature review shows 'shared value' as an emerging concept, which promotes the notion of maximising value for shareholders by seeking to deliver societal good as well as increasing economic value (Porter & Kramer 2011). In addition, established concepts such as Corporate Social Responsibility and Stakeholder value, both, promote the notion of companies not only focusing on increasing value for -their shareholders but also contributing to the welfare of communities and stakeholders. Furthermore, the nature of corporate financial reporting seems to be changing; now investors are not only looking at financial indicators to determine a company's health but also its social contribution (Baron 2014). And lastly, there is the added reputational value which companies get by giving their time and resources free of charge toward enhancing societal benefits. All of these factors, could be some of the drivers to keep cost of social value in contracts at nil cost.

While the data indicates that asking for social value in contract adds no cost to the authority, it is likely that cost is being diverted from elsewhere. At the moment, it may be that those costs do not compare much to the factors and benefits listed above for businesses or voluntary organisations to deliver social value in contracts. In view of this, it still remains to

be seen whether in future, providers will start to charge for social value. One factor which could change the emerging practice of not charging for social value, could be whether businesses will adopt social value as a core part of their mission and operation or not. Further, it also will depend on whether the wider public sector adopts social value practice as the way to award contracts. This would mean that companies which want to deliver public contracts will have no choice but to offer social value in their bid submissions. Therefore, like other criteria which are weighted and scored, companies will have to demonstrate they can offer social value at either a very competitive price or nil cost to gain higher scores in tender evaluation.

## **8.5 Conclusion**

The discussion above of the findings and their implications shows that procurement and commissioning goals and practices can be broadened from the commercial and compliance objectives to include seeking outcomes which provide wellbeing improvements to individuals and communities (social value). Further, it aligns with Erridge and Greer's (2002) observation that the overemphasis on adopting an economised approach is at odds with the potential for procurement to build social capital through innovative community based solutions involving public, private and voluntary organisations. It also shows that procurement and commissioning practices can evolve to respond to the modern day challenges that public agencies face, for example, the rising demand for public services and the expectations of citizens for government help to meet their economic, social and environmental needs (Benington and Moore 2011). Overall, this chapter has shown that there are policies and practices which can be utilised to enable public agencies to increase the value

obtained from their procurement and commissioning spend. It shows that a social value approach can contribute to the development of these practices. Further, because a social value approach is primarily focused on the community, that is to say, on identifying and prioritising the outcomes based on the needs of the community, it could contribute to the debate relating to Public Value. The next chapter therefore summarizes the key themes or pillars emerging from social value approach, discusses the extent to which the findings addresses the research objectives and draws the conclusion.

## CHAPTER 9: Research objectives and conclusions drawn

This chapter outlines how my research objectives have been achieved, and states my conclusions, reflections, and the limitations of the study. It also identifies future areas of research into the social value-based procurement and commissioning approach. However, the chapter structure begins by reporting the result of a secondary data review (mainly from internet sources) on the progress made so far in implementing the social value approach covering the period from November 2014 to September 2016. It aims to gauge the progress of the social value approach and to identify further changes (if any) adopted by the five cases studied and by contractors in implementing the Public Services (Social Value) Act 2012.

The key findings from the review are that social value as an approach to deliver wider value from procurement and commissioning activities is growing among English Local Authorities, and that the government through the Cabinet Office, together with other infrastructure organisations such as Social Enterprise UK (SEUK) and the Social Value Portal are doing all they can to promote it. Contractors are also becoming clearer in highlighting the kind of social value which they are likely to offer when bidding for contracts.

In addressing the research objectives, possible theoretical models for a social value approach are considered. As this study is based on a qualitative approach, the principle of grounded theory was applied. Consequently, it states the emerging key themes or pillars from the data

which underlie a social value approach and examines them against established theories underpinning various models for public services delivery, such as classic Public Administration theory, New Public Management (NPM), New Public Governance and Public Value theories. Based on the emerging themes, Public Value theory is considered to be a possible theory to underpin a social value approach in procurement and commissioning.

Broadly, this study concludes that procurement and commissioning policies and practices can move away from the focus on price and quality towards targeting and delivering outcomes which provide wellbeing improvements to individuals and communities, for example, providing individuals and communities with opportunities for jobs, training, social cohesion, and better air and wider environmental quality. All of these value-adding outcomes are, so far, being delivered at nil cost to the authority.

## **9.1 A secondary data review of the social value approach**

As highlighted in Chapters 6 and 7, the empirical data from the five cases show contracting authorities making changes to policies and practices to enable their procurement and commissioning activities to focus on seeking wider value for the community. This review aims to gauge the pace of change in implementing a social value approach among the five case studies and contractors between November 2014 (when the last case study data was collected) to September 2016. It focuses on identifying new documents or amendments as well as new policies and practices which have been added to tendering documentation during the period under review to further strengthen a social value approach.

It is based on secondary data primarily collected through internet searches carried out on key government websites (for example, the Cabinet Office and Parliamentary Archives websites), major online and print UK newspapers (for example, the Guardian), and in particular, the individual websites of the five cases. The online internet searches were conducted using certain key words in the search column as filters. These include; ‘Social Value Act’ ‘procurement’ and ‘commissioning’. In addition, words such as ‘corporate plan or strategy’ and ‘procurement or commissioning strategy’ were used for the searches carried out on individual websites of the cases. This is because such documents do sometimes contain information on the organisation’s procurement and commissioning goals and objectives. Below, is a summary of the key findings.

### **9.1.1 The findings**

In February 2015, Lord Young’s review of the Public Services (Social Value) Act 2012, following two years of implementation, highlighted three main barriers: little awareness of the act, varying understanding of how to apply it within government procurement, and the lack of agreed standards for measuring social value (Young 2015: 7) Similarly, a survey carried out by the Social Value Portal of 480 councils around the same period, suggested that only 15% of Councils were applying the Act (Ebanks, 2015)

However, a more recent survey conducted by Social Enterprise UK (SEUK) shows an increase in the number of organisations adopting a social value approach. The survey is based on Freedom of Information requests submitted to 353 English councils between February and April 2016: 306 replied representing an 87% response rate. The key findings of the survey are:

- A quarter (24%) of councils have a social value policy or similar document – a comparable number do not have a social value policy (26%).
- A third (33%) of all councils routinely consider social value in their procurement and commissioning (embracers and adopters).
- A further 45% of councils consider social value for contracts for services above the Official Journal of the European Union (OJEU) threshold of €209,000 (compliers).
- Embracers – councils who are leading the way on social value, are drawn from every tier of local government, from every political complexion, and from all but one region of England.
- A third (32%) of District Councils fall into the bystander category; those making little or no use of the Social Value Act.
- Where councils score social value when scrutinising tenders, the score is typically between 5-10% of the overall points awarded, but is significantly higher for embracer councils.
- Overwhelmingly, social value is seen to lie within the remit of the procurement team.

No council has published an evaluation of savings made as a result of the Social Value Act  
(Source: Butler et al (2016))

The report went on to explain that *“broadly, embracers and adopters seem to have a positive attitude towards the act, viewing it as a measure that affords them greater flexibility in procurement and commissioning. Compliers and bystanders see the legislation as placing a duty or an obligation on them”* (ibid).

In addition, there are growing numbers of published case studies showing how organisations (both contracting authorities and providers) are adopting a social value approach. For example, the UK Cabinet Office website shows case studies from 8 providers, ranging from adult social care providers, construction and voluntary organisations, in which each organisation has documented their experience in seeking or delivering social value from contracts (HM Government: Cabinet office policy paper: 2016)

Other case studies are also published by Social Enterprise UK and the Social Value Portal – all aimed at promoting the adoption of a social value approach. The results of the above survey and the increase in publications of case studies suggest that the social value approach is gaining traction within the wider English Local Authorities. Similarly, the review of the individual cases examined in this study also found that a social value approach is being embedded even further in their procurement and commissioning processes. For example, the review found statements in some authorities’ corporate plans or strategy documents which indicate a stronger commitment to embed social value as part of their procurement and commissioning objectives and processes as shown in the quotes below:

#### **Case MBNW 01**

A new clause was added to the standard contract’s terms and conditions in 2015. The new clause reads:

*“ The Contractor shall use reasonable endeavours to ensure that, in providing the Services, the Contractor improves the economic, social and environmental well-being of the Borough. The Contractor acknowledges that, under the Public Services (Social Value) Act 2012, the Council is required to consider how services that the Council*

*procures, improve the economic, social and environmental well-being of the Borough and furthermore, that as a matter of procurement policy and practice, the Council requires contractors providing goods (including the provision of goods as part of a contract for the provision of services) to the Council to use reasonable endeavours to improve the economic, social and environmental well-being of the Borough”.*

### **Case MBM 03**

The statement below was added to their procurement strategy for 2016-2020 and the procurement and transformation plan 2016 documents:

*“We will seek to secure the best social and economic return on the ‘Council’s Pound’ (for example, through public sector procurement and commissioning processes) to maximise positive outcomes for the borough’s residents and businesses”.* Source: Procurement Strategy for 2016-2020 document (page 44)

*“A new system of recording and reporting on Social Value measures which have been achieved is being designed; partner agencies are being consulted on the approach in order to have a consistent methodology which is understood by all parties”*

(source: Procurement strategy and transformation plan 2016)

## Case LB 04

The following new statements were incorporated in their corporate plan for 2015-2018:

*“We will also maximise social value from our contractual relationships with external partners, as set out in our social value toolkit for commissioners. The social value experience or capability of bidders for council contracts is assessed and contributes to the overall score awarded to bids. We will support small and medium-sized enterprises and the voluntary sector to develop their ability to take part not only in our commissioning opportunities, but also external opportunities.”*

*“We will deliver inward investment and ensure we use our own procurement to produce additional employment and opportunities”.*

Source: Corporate plan for 2015–2018 page 38

## Case CC 05

A statement of commitment to go further in seeking social value was added in their procurement strategy for 2016-2018:

*“...achieving social value through procurement won’t be simply based on adhering to the duties imposed by the Public Services (Social Value) Act, but on seeking to go further”.*

Source: Procurement Strategy for 2016 -2018

## **Case UA 02**

The search did not find any changes in authority UA 02.

All of the above examples demonstrate a rising trend among Local Authorities towards adopting social value, by effecting amendments or policy statements to further embed a social value approach within the organisation.

Similarly, contractors/providers are also showing signs of embracing the social value approach when tendering for public contracts. The table below shows a summary of key outcomes from three firms with big contracts within Local Authorities that have indicated what will be their social value offer when bidding for public contracts. This information was taken from the individual company's published document updated in 2016 stating their position on social value.

**Table 20: Outcomes that contractors have identified to offer as social value when bidding for contracts.**

<b>Organisation</b>	<b>Area of business</b>	<b>Outcomes the organisation will offer as social value in contracts</b>
B-KG 01	Property, residential, construction and services	<ul style="list-style-type: none"> <li>• Volunteering and community projects</li> <li>• Charitable donations and gifts in kind</li> <li>• Employment and skills programme</li> <li>• Responsible procurement (meaning purchasing goods or materials from a social enterprise or community investment company rather than a traditional supplier)</li> <li>• Working with social enterprises</li> <li>• Reducing environmental impact</li> </ul>
L-VL 02	Waste Management	<ul style="list-style-type: none"> <li>• Employment Opportunities (e.g. employment opportunities for young people and those from marginalized sectors of the community. Working closely with social enterprises, our placements can target groups such as the long-term unemployed and ex-offenders)</li> <li>• Staff volunteering time to help community projects</li> <li>• Community Giving</li> <li>• Waste Awareness Project</li> <li>• Apprentices</li> </ul>
H-WMD 03	Construction, residential development and property support services.	<ul style="list-style-type: none"> <li>• Providing opportunities to help youth unemployment and inspiring young people</li> <li>• Inspiring socially excluded people by providing opportunities for them to improve their lives.</li> <li>• Community transformation</li> </ul>

In conclusion, the above findings go to show that a social value approach in delivering public contracts is growing among English Local Authorities and contractors. It also shows that contractors are likely to respond to the requirement to include social value offers in their bids by identifying the social value which align with their corporate mission and objectives. Further, it shows that the social value approach could prove to be a useful method to help authorities address the economic wellbeing, social wellbeing and environmental wellbeing of

the area they service, thereby maximising their procurement and commissioning spend, while continuing to face cost pressure as a result of reduction in central government funding.

## **9.2 The research objectives addressed**

### ***Objective 1: To contribute to the definition and interpretation of the term ‘value’ in procurement and commissioning***

The literature review shows that prior to the coming into force of the Act, the definition and meaning of the term ‘value’ as an objective of procurement and commissioning, had evolved from the narrow focus on price during the CCT era, to ‘price and quality’ under the Best Value regime. In addition, some organisations have sought to move away from the concept of value, as ‘price’, by adopting Sustainable Procurement principles, also referred to within the Greater London Authority as Responsible Procurement. Sustainable Procurement extended the definition of ‘value’ to mean both short and longer term economic, social and environmental benefits for society as considerations in contracts. However, under the Act, the concept of value is equated with ‘social value’ which is described as ‘added value’ or ‘additional benefits’, over and above the core requirements of the exercise. It connotes wellbeing improvements delivered to individuals or communities as a result of a procurement or commissioning exercise. These improvements can be in the form of social, economic and environmental benefits enjoyed by individuals and communities.

It should be noted however, that the meaning of value under Sustainable Procurement principles or approach is thought to convey a similar notion as social value. Hence some of the organisations examined in this study (for example, LB 04 and CC 05) seem to have used the definition applied for Sustainable Procurement principles for their ‘social value’ definition. This study however, argues that the practices both policies have led to are slightly different. For example, even though the Sustainable Procurement policy broadened the definition of value, practices have drifted more towards a focus on long term environmental benefits (Cook 2009), which narrows both the meaning of the term value and the outcomes which are sought. On the other hand, social value has resulted in practices which specifically seek social, economic and environmental benefits delivered as well-being improvements to individuals or communities. Further, it connotes outcomes which are considered to be ‘additional benefits’ to the core requirement of the exercise. Under a social value approach, outcomes which constitute social value are identified in the various Social Value Frameworks and comprise: jobs, training, improvement in health, community cohesion, better air quality for communities. Additionally, under the social value approach, value is to be determined by the community; which point is not emphasised under Sustainable Procurement principles.

This study also lays out a distinction between the sociological, economic, and ecological concepts of value, and how these terms have helped in providing a better understanding and description of social value. For instance, the sociological view emphasises value to be that which represents ‘worth to the collective group or the society’; which indicates that a key characteristic of a social value outcome is that it meets or targets the needs of the collective

group, and not just the individual only. The economic view maintains that value is pretty much determined by *value in exchange* (prices) rather than *value in use*, which is a concept based on the utility or the satisfaction that an object provides to the individual. However, under the social value approach, economic value conveys the notion of wider economic improvements made to individuals and communities as a result of outcomes achieved through the procurement or commissioning exercise, for example, jobs, apprenticeship, training, skills development and local economy development opportunities. This suggests that economic value should be assessed not only on price but on the wider economic benefits delivered to the individuals and communities targeted in the exercise. Similarly, while an ecologist's view shows a distinction between intrinsic and non-intrinsic value (also referred to as instrumental value), this study has adopted the latter. This view suggests that environmental value has to be determined based on human satisfaction. In other words, humans are the centre for determining value, which implies that all other living things are there to sustain humanity's existence (MacKinnon 2007: 331). Therefore, human action can contribute to the increasing or decreasing of environmental value. Viewed from this angle, it implies that contractors can behave in ways which either increase or decrease the value of the environment from the human perspective. This means that, with the right policies and practices being adopted, contractors can be made to deliver certain outcomes which represent environmental value to the community.

All the various elements and emphases of the outcomes which should be considered to represent value highlighted above have helped in enriching the definition or interpretation of the term 'value' as a key objective of procurement and commissioning activities. Consequently, it has led to the suggestion that the term 'value' within the context of

procurement and commissioning should be defined as *wider economic, social and environmental outcomes which represent wellbeing improvements to individuals and communities without ignoring the core requirements of the exercise*. Simply, *value* should be interpreted as *social value*. This broader definition of value implies that there is a need to re-frame procurement and commissioning policies and practices in terms of models which deliver wider benefits. Further, it suggests that the community should be the ones who determine value. Therefore, they should have a central role in procurement and commissioning processes, especially in identifying and monitoring the social value delivered in contracts. This wider application of the term ‘value’ also suggests that organisations need to develop a specific social policy based on the broader needs of the community they serve, which is adopted alongside or incorporated within the organisation’s procurement and commissioning objectives.

Based on the definition of value projected in this study, value can be achieved from large or small size contracts as well as being delivered by small, medium or big provider organisations, or by voluntary, community and social enterprises. It suggests that, whether contracts are packaged in smaller financial values or let as a single large contract based on bundling of various requirements, contracting authorities can aim to deliver wider value (social value) from their spend. In this regard, the notion that collaborative arrangements are the approach that delivers highest value (recommended by the national Audit Commission’s review of public procurement (2010) and Philip Green’s efficiency reviews (2010)) is to some extent being challenged. While procuring contracts from pan-government framework agreements or consortia-buying of goods, services and works have helped authorities to

achieve value, that value is mainly financial value achieved through economies of scale. Such arrangements (which were the hallmarks of traditional practices), have offered very little room for seeking wider economic, social and environmental value as additional benefits delivered to individuals and communities. Further, they have resulted in large businesses winning more contracts than the SMEs and VCSEs who also, as the findings of this study have suggested, have the potential to deliver social value for the authority. Suffice to mention that the new Public Contracts Regulations 2015, require contracting authorities to divide their contracts into lots where it is possible to do so. This is to enable SMEs and VCSEs to have greater access to public contracts, and in line with the theme of this study, provides opportunities for SMEs and VCSEs to deliver social value through contracts with the public sector.

***Objective 2: To identify a theoretical model of how community (societal) benefits can be delivered as 'added value', aimed at improving public procurement and commissioning practices. The model identified will help describe a process for delivering outcomes targeting multiple stakeholders.***

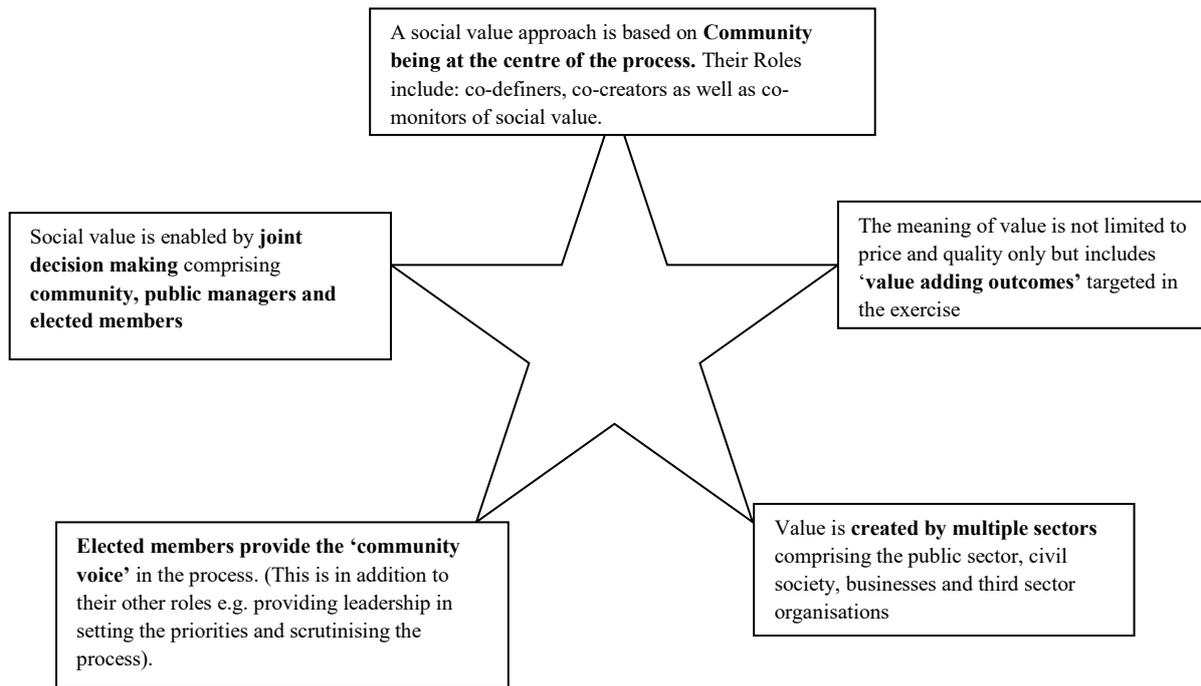
As this is a qualitative study, the principles of grounded theory are applied in identifying a potential theory which will underpin social value. Therefore, the approach adopted was to allow key ideas from the data to be the basis for developing a theory for social value. The findings reported in Chapters 6 and 7 as well as the discussion of the findings in Chapter 8, indicate that a social value approach emphasises delivering wider value that has meaning for the community, rather than what a public-sector decision maker might presume is best for them. The findings also establish that there are some key differences between a traditional

and a social value approach. In particular, there are emerging key themes or pillars which underpin social value practice. These are:

- Value in procurement and commissioning should be determined by the community, who are co-definers, co-creators and co-monitors of social value.
- The meaning of value should extend beyond price and quality to include wider benefits which provide wellbeing improvements to individuals and communities.
- Value in procurement and commissioning is created not only by public sector managers (that is, procurement and commissioning managers) but by multiple sectors or players who all contribute to creating value in public services.
- Elected members provide the ‘community voice’ in the procurement and commissioning process particularly in identifying and prioritising outcomes to target in an exercise. Depending on the approach being adopted, they are advocates, bringing to the attention of procurers and commissioners the social value needs which exist in the community they represent. Their role as ‘community voice’ or ‘advocates’ is in addition to the roles they play in setting the goals and scrutinising the processes which officers adopt when procuring or commissioning services, goods or works.
- The social value approach promotes decision making process to be from ‘community to local authority’; not a top-down approach. Altogether, it should be a joint process.

All the five pillars or themes listed above represent interlinked activities which enable social value to be achieved. This is shown in Figure 2 below.

**Figure 2: Emerging themes or pillars of the social value approach**



**Towards a possible theory for a social value approach**

Classical Public Administration (CPA) theory emphasises maintaining a clear separation between public and private interests, public and private organisations, bureaucrats and politicians and bureaucrats and citizens in delivering public services. It also promotes the need for public scrutiny and accountability mechanisms to monitor and protect this divide. Further it regards public service delivery as the sole responsibility of paid public servants who deliver services, using resources within the statutory limits of their authority. But as Alford (1998) pointed out, it is not possible for government organisations to bring about their mandated outcomes without the contribution of time and effort by their citizens. Communities or citizens do have resources that they can bring to help create value in the delivery of public services, a fact which is not accounted for in classical Public Administration theory. Furthermore, adopting a monopolistic provision entirely through state

agencies is unfeasible given the seemingly expanding role of government in meeting the social, economic and environmental needs of citizens. This failure of Public Administration theory to reflect the vast resources of communities as well as their role in delivering public services, rules out the possibility of constructing a theory for social value based on the tenets it espouses.

Traditional procurement and commissioning practices arguably are driven by New Public Management (NPM) theory which was the dominant theory that underpinned the reforms of the 1980s. NPM was founded on neo-classical economics and particularly of rational/public choice theory. As such, it emphasised achieving economy and efficiency as outputs in producing public services, but marginalised notions of Public Value or ‘social value’ in delivering public services (O’Flynn, 2007; Hefetz and Warner 2004). It promoted the use of market based practices or values in the provision of public services. In addition, it emphasised competition as a means of obtaining value, and saw citizens as by-standing consumers of services delivered by providers (Bovaird 2007). Further, NPM aimed to create effective, competing silos, which is in contrast with the pluralist approach required in modern governance to deal with the growing complexities facing a globalizing, networked society (Osborne, 2010; Torfing and Triantafillou, 2013). This view is underscored by Pollitt et al. (2004), and Bouckaert et al. (2010) who argue that during the last decades, classical public administration and new public management have contributed to fragmentation of governance capacity, while greater coordination and collaboration seem to be required. In view of this, New Public Governance (NPG), based on ideas of network governance, is suggested as an alternative paradigm (Salamon 2002; Osborne 2010).

According to Osborne (2010: 9), “*NPG posits both a plural state, where multiple interdependent actors contribute to the delivery of public services, and a pluralist state, where multiple processes inform the policy-making system*”. This means it is not only the government which has a special role to play in delivering public services, but citizens as well as businesses and voluntary sector are also important as active participants. Whereas New Public Management theory is based on a notion of competition and choices to improve public service delivery, NPG promotes more cooperation, negotiation, and the active participation of relevant stakeholders, who are envisaged to contribute their knowledge, ideas, and resources. The goal of such cross-cutting collaboration is to exchange and pool public and private ideas and resources through negotiated interactions in order to enhance effective and democratic governance, while also helping to facilitate mutual learning and build joint ownership of new and innovative solutions (Torfing and Triantafillou 2013). The principles of this paradigm are generally rooted in sociological theories regarding organisations and networks, and political theories on active citizenship, empowerment, and participation (Sørensen and Torfing 2007).

While NPG as an alternative governance paradigm focuses on promoting greater coordination and collaboration, which implies paying attention to the institutional and external environment within which policy formulation and public service delivery take place (Osborne 2010), Public Value theory (initially formulated by Moore (1995)), constructs and articulates a theory of public services being delivered based on value, which value is determined by the community through dialogue and deliberation. The central proposition of Public Value theory

is that public resources should be used to increase value to the public, which implies that public managers are to focus on activities which create value for the community. In doing so, it addresses the 'democratic deficit' inherent in NPM theory (Benington in Benington and Moore 2011). Given that the social value approach in procurement and commissioning is built on a notion of maximising the value of public spend by focusing on delivering outcomes which add value to the public sphere, a Public Value theory seems to be a possible theory to underpin a social value practice. In the light of this, the section below examines key principles of Public Value theory, comparing them with the emerging themes of a social value practice, to determine how Public Value theory might provide theoretic models which fit with social value approach.

a) *The community as active participants in delivering value from public services.*

Public Value theory, like NPG, breaks away from ideological positions of market versus state provision towards the notion of governments and their agencies adopting flexible, innovative or creative approaches in responding to citizens' changing aspirations and the increase in demand for public services (Hefetz and Warner 2004; O'Flynn 2007; Benington and Moore 2011). In this regard, communities are considered to be key players; and not by-standers in delivery of public services. Moore (1995) underscores this point when he argues that, the concept of Public Value infers that value has to be defined and assessed by the community, similar to the private sector, where consumers determine the value of the product or service. Similarly, the findings on social value approach, present the community as key stakeholders in a procurement and commissioning exercise which aims to deliver outcomes based on the principles of adding value to the public sphere. Such roles include being co-definers, co-

creators and co-monitors of outcomes deemed to represent social value. In practice, the community are the ones who determine what outcomes constitute social value for procurers or commissioners to target those outcomes as the ‘additional’ value which the contract will be awarded on. This is demonstrated in all five case studies which show the community playing a role in identifying social value outcomes adopted corporately by the local authority to be sought in contracts. Further, some cases, had the community involved in the monitoring of the social value delivered by contractors.

*b) The notion of ‘value adding’ in public service delivery*

While traditional procurement and commissioning practices emphasise price and quality, in which quality means meeting the users’ requirements as key objectives, the social value approach extends the outcomes sought, to include benefits which provide wellbeing improvements to individuals and communities. These benefits are to be sought as ‘added value’, which means that they are additional to the core requirements of the exercise. As an approach, Public Value also promotes the notion of value adding. According to Benington (2009), the areas in the Public Value approach where value can be extended beyond market economic considerations are in the political, the economic, the social and the ecological. Similarly, under a social value approach, practices so far have shown that value can be added, beyond the core requirement of the procurement and commissioning exercise in the following categories:

- Economic value – examples of value-adding outcomes include the opportunities created to enable local economy development, the provision of training, employment, and apprenticeships; and in supply chain opportunities for SMEs.
- Social value – examples of value-adding outcomes include improvements in community health, community cohesion, or the opportunity for companies to donate money or resources to fund projects which help improve community relations.
- Environmental value – examples of value-adding outcomes include reductions in noise levels or CO<sup>2</sup> emissions, or the preservation of natural sites.

While the above does not include value adding activity in the area of politics, the empirical evidence indicates that political party manifesto was in fact, a key driver of social value in two of the cases examined in this study. However, the study did not explore to what extent the outcomes identified as social value represent value adding politically in those organisations. Still, from the above, it is clear that both the Public Value theory and social value emerging themes subscribe to the notion of value-adding in public service delivery.

### *c) Who should create the social or Public Value*

Although, the initial work of Mark Moore (1995) presented public managers as the creators of Public Value (social value), subsequent development of the theory extends it to multiple sectors or players. Benington (2009: 237) identifies the key players to be private businesses, the voluntary and informal sector (community organisations), as well as the government – all of which have a role to play in creating and delivering value in the public sphere. He goes

further, to state that *“one of the potential roles for government (or the public agency) is to harness the powers and resources of all three sectors (the state, the market and civil society) behind a common purpose and strategic priorities, in the pursuit of Public Value goals”* (ibid). Arguably, the implementation of the Act is a demonstration of the UK government’s fulfilment of the role of government as described by Benington above. The Social Value Act makes it a requirement for public agencies to consider social value when undertaking procurement exercises. This could also be seen as expressing the government’s view that other sectors in addition to public agencies have a role in delivering value to the community. This is supported by the findings from the case studies, which show that contractors, whether big or small, or whether in the private sector or third sector, all have the potential to deliver social value. For example, in Authority LB 04, it is reported that the contractor for the housing contract is delivering added economic value such as jobs, apprenticeships and training opportunities for local residents of the borough. And in Authority MBNW 01, the findings show that the Local Authority sees the community as partners in achieving the co-operative and social value goals. All of these examples go to show that the tenets of Public Value and the emerging themes of the social value approach, both promote the notion of value being created and delivered not by a single sector but many stakeholders.

*d) Democratic governance as a key principle in delivering value to the public sphere.*

Public Value theory has been criticised for bypassing the democratic role that elected members play in the delivery of the public services, and replacing them with public managers

who have no democratic mandate to make crucial decisions on behalf of citizens (Rhodes and Wanna 2007). But this criticism has no basis, considering the many references made to the role of elected members as ‘political executives’ in creating and delivery public services, even in the initial development of Public Value theory (Alford and O’Flynn,2009:177; Moore, 1995:118–9). In fact, it is arguable that Public Value theory is rooted in the notion of democratic legitimacy and trust. Equally, the emerging themes of social value also project similar roles for elected members. For instance, elected members are seen to be playing the role of providing leadership in setting the organisation’s social value policies and priorities, and in scrutinising the process that officers have adopted. They also are the voice of the community in the process. In other words, they can say to the procurement professionals, “if you are considering whether to include social value in your tender, these are the social value requirements in the area I represent”. Additionally, they can be the ‘enforcer’ of a social value approach in the organisation and, they would challenge officers if they have not sought social value in a contract. For example, in case MBM 03, officers do produce an annual report on the social value they deliver from contracts which they send to the Leader. These roles highlight the ‘executive’ role of elected members in a democratic process of delivering value in public services; in the same way, their role has been projected under Public Value theory. Overall, elected members’ democratic role is not side-lined under a social value approach, rather they play a crucial role toward helping the organisation to focus its procurement and commissioning processes on achieving societal value.

*e) Decision making as a joint process*

The literature on Public Value theory suggests the use of deliberative methods to establish what outcomes could add value to the public realm. This implies that decision making is a joint activity between the public manager and various stakeholders. Similarly, under the emerging social value approach, procurers and commissioners are required to establish what the community choice is or should be, so that they can incorporate those outcomes into the procurement exercise. Further, the community are to be involved in determining which outcomes to prioritise in a procurement exercise. This means adopting a joint decision making approach comprising the elected members, public managers and the community in identify which outcomes represent social value. Such an approach is supported by policies such as the Revised Best Value regime, Localism Act 2011 and the Social Value Act 2012 which encourage authorities to consult with stakeholders during the pre-procurement phase. Adopting this approach should lead to the joint ‘ownership’ of the outcomes delivered through procurement and commissioning. Further, it should help the organisation to align its priorities with what the community considers to represent social value.

Despite these similarities between the Public Value and the emerging themes of social value, there are some differences which are summarised in the table below:

**Table 21: Differences between Public Value and Social Value**

	Public Value	Social value (based on the emerging themes identified in this study)
Central theme	Use of public resources to produce what the Public Values and or what adds value to the public sphere.	Seeking or targeting specific social, economic and environmental benefits delivered as well-being improvements to both individuals and communities.
Process	Promotes a process based on seeking to achieve Public Value as a core requirement of the exercise. (Note: the notion of value-adding was a later development).	Promotes a process based on seeking to achieve social value as secondary objectives; that is, as additional benefits to the core requirement of the exercise.
Theoretical sources	Management and political theory.	Organisational sociology, political theories on active citizenship, empowerment, and participation.
Beneficiary	The focus is on value delivered to community or the public.	The focus is on outcomes delivered both to individuals and the community.

Overall, the discussion in this section has shown that the emerging themes of social value are similar to the principles and practices promoted under Public Value theory; although not based only on the initial ideas of Mark Moore (1995) but on the ideas emerging from subsequent development of the theory. This is because both concepts have as a central theme the creation of value in public services; which value is to be determined by the community. Crucially, they both subscribe to a notion of new models of service delivery, which thrive on

the participation of the community in delivering public services as well as obtaining the democratic legitimacy for the outcomes which are to be sought.

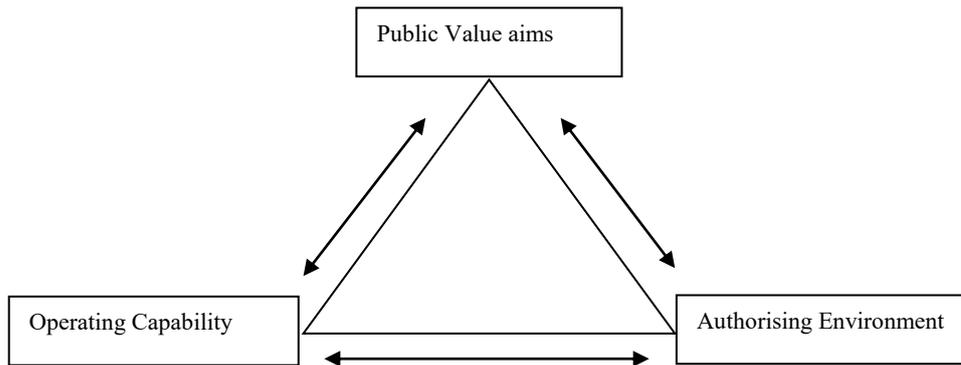
### **A possible theoretical model for seeking outcomes which meets the needs of multiple stakeholders**

In this section, I explore Moore's (1995) Strategic Triangle model as a possible theoretical model to be used to support the targeting and delivering of outcomes which meet the needs of multiple stakeholders from a single procurement exercise. First, I will state the model, and then provide a possible application of it within procurement and commissioning processes based on the emerging themes of a social value approach. Further, I have used examples drawn from the cases to show how the practices can be adopted using a Strategic Triangle model.

As a theoretical model, the Strategic Triangle has three distinct areas which represent interlinked processes necessary for creating Public Value (social value) within the public sector environment. The first area focuses on helping the public agency or its manager define what the *Public Value aims* should be. This means identifying the relevant inputs which go into a process that leads to the creation of value delivered in the public sphere as an intended objective of the exercise. Second, the *Public Value aims* identified have to be *authorised*, that is, they have to be aligned with the political aspirations, or they should have the political legitimacy and support required for public managers to take the necessary actions which deliver those outcomes to the community. And third are the *operating capabilities*, which

show how the inputs can be transformed to produce the public aims. In all of this, the public manager's aim is to align all these three areas of the triangle in pursuit of delivering outcomes which represent value to communities. These three areas of the triangle are summarised in the figure below:

**Figure 3: The Strategic Triangle**



Source: Adapted from Moore (1995)

While the above shows a process to identify and deliver Public Value, it is argued that the same model can be used to identify and deliver outcomes which meet the needs of multiple stakeholders from a single procurement exercise. From the findings, there are various sources or inputs which procurement officers and commissioners can draw from to establish the outcomes that represent value (public aims) to multiple stakeholders. These include: the Public Services (Social Value) Act 2012, other national policies, specific social policies developed by the Local Authority which focuses the authority on seeking societal benefits and, consultation with stakeholders during the pre-procurement phase to establish which outcomes will meet their needs. The consultations with providers (contractors) as key stakeholders during the pre-procurement phase, can and have helped the authority refine its requirements and also gauge the market's readiness or capability to deliver the outcomes it

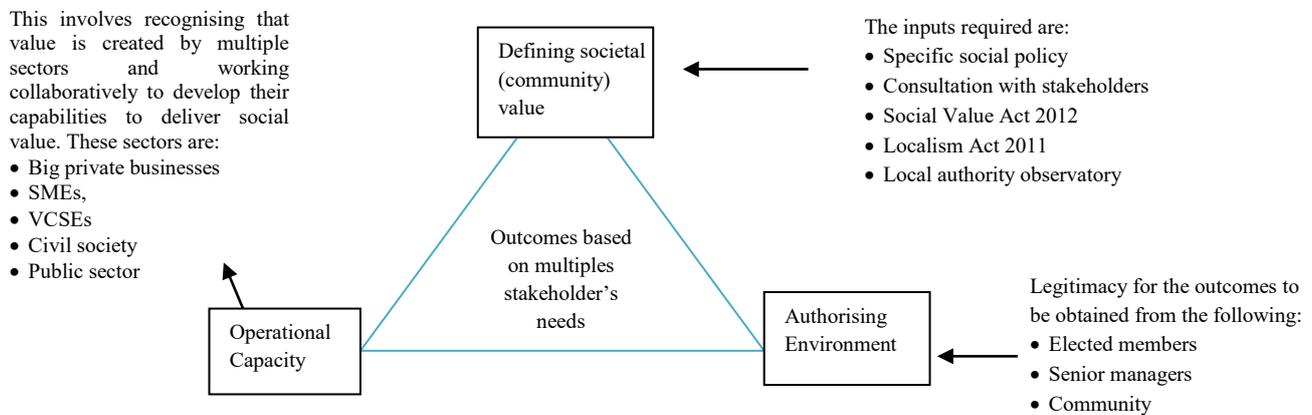
aims to achieve. For example, in cases UA 02 and MBM 03, specific social value policies were developed which run alongside or are incorporated into the wider approach to procuring or commissioning services, supplies or goods. While in case LB 04, the organisation's observatory has been suggested as a place where contractors can select outcomes to offer in their tenders as social value. Both activities are likely to lead to the selection of the outcomes which represent value to multiple stakeholders; and not just one stakeholder group. Furthermore, the literature identifies various methods that procurement officers and commissioners can adopt to establish the 'the will or choice' from different groups or individuals. In this thesis, the deliberative method or the majority rule using voting system have been suggested as rational approaches to establish social value outcomes from communities.

In terms of activities associated with the *authorising environment*, the emerging practices of a social value approach, suggest this role should not be limited only to elected members and senior public officers, but should include, representatives of the community. Whereas under traditional practices, decisions are usually made by elected members or senior officers under delegated authority, to achieve outcomes which meets needs of multiple stakeholders, there should be representation from stakeholders being targeted by the exercise. This will ensure that the outcomes targeted have the legitimacy from the stakeholders before and after the procurement exercise.

And lastly, *operating capability* under a social value approach is about the multiple sectors or players who together create and deliver social value. The findings show all types of organisations (small, large businesses and VCSEs), as well as civil society, as potential creators of the value delivered in the public sphere. Already, the resources available from civil society (that is, the community) and their role in creating those outcomes have been discussed above. Few will dispute that large businesses have the resources and knowledge required to create and deliver value which benefits many stakeholders. In fact, since the implementation of the Act, some of the large businesses with big contracts in the public sector have published online information which shows how they are responding to the requirement of the Act to create social value as part of the contract delivery. With regard to SMEs and Voluntary organisations, the findings show authorities are helping them to develop their capabilities to deliver outcomes which represent societal value. For example, in case UA 02, the authority requires all their contractors who were awarded large contracts, to first advertise their supply chain requirements in the authority's web portal, so as to give local SMEs and VCSEs a greater chance to see the opportunity and also to apply for it. Other authorities (for example, LB 04 and MBNW 01) have indicated they provide SMEs and VCSEs detailed feedback and training to help them evidence social value in their bid submissions. All these examples show that under a social value approach, the operational capabilities exist to deliver outcomes which meets the needs of multiple stakeholders.

The figure below provides a summary of the process described above based on the Strategic Triangle model.

**Figure 4: A procurement and commissioning process model based on Moore’s Strategic Triangle.**



In summary, the above discussion on how the findings have addressed the second research objective, has led us to explore the various possible theoretical models which can support a social value approach. It concludes that Public Value theory can be applied to the emerging practices of a social value approach. Initially conceived as the public management equivalent of shareholder value with emphasis on public managers to create value using public resources, now Public Value has expanded to include a theory on networks, and multiple sectors as important players in delivering public services. Hence, Stoker (2006:41) projects Public Value as an alternative paradigm for a post-competition approach based on NPM, to suggesting it connotes collaborative network forms of governance. In this regard, Public Value theory could be considered to have similar theoretical roots to the New Public Governance (NPG) paradigm. But this study takes the view that Public Value is a management model for public managers to maximise the value from services they deliver to the public. Therefore, while the emerging themes of social value have characteristics which

are similar to New Public Governance, they are more aligned with the broader principles of Public Value theory. Consequently, the theoretical sources for a social value approach are likely to be those underpinning Public Value theory, which focuses on maximising the value in public service delivery. Further, it emphasises the need to adhere to democratic principles as well as ensure that the outcomes are based on what represents value to individuals and communities in the process.

***Objective 3: To explore the implications of this model for the current debate on ‘Public Value’, examining how it might contribute to policy and practice in creating and delivering value in public services delivery.***

While the literature indicates a shift towards an outcome based approach in public service delivery, there has been less discussion about delivering those outcomes based on value as determined by the community, until the emergence of Public Value. As a possible theory to support the social value approach, a key contribution of Public Value theory, is that it has ignited the debate about what community value is and how to use the limited resources of government to target key priorities. Further, it emphasises both political as well as community participation in the process, which should result in outcomes being delivered to the public sphere. Both of these issues are important in developing approaches which seek to maximise the value obtained from procurement and commissioning spend. They also represent a departure from the classical Public Administration view that saw public servants acting in the public interest and New Public Management suggesting ways in which service providers could be made more responsive to the needs of users and communities (Bovaird 2007).

The original ideas developed around Public Value theory convey the notion of value being determined by individuals (Moore 1995). However, the Public Value literature has since moved toward the view that value is based on the notion of the collective preferences of a group, and not just focused on the individual (Stoker 2006). Further, whereas Moore (1995) has limited the role of communities in creating value to two areas, namely the determination of what constitutes Public Value, and securing legitimacy and support, from the theory underpinning a social value approach, a broader participation of the community is expected. Similarly, under a social value approach, community participation in delivering value in public services is seen to be in three areas, which are:

- *Co-defining of social value*: this means citizens and public officers making use of each other's assets to define the outcomes which collectively represent social value for the area. The findings suggest this usually happens both during the development of the organisation's social value framework, and also during subsequent exercises to establish the corporate definition of the outcomes which represent social value. I would further add that this needs to be a continuous process, so as to reflect the evolving needs of the community.
- *Co-creation of social value*: this means the public officers working with citizens to create or add value to services being delivered. From the findings, there is not much evidence of this happening however; it is a key factor in achieving social value. Citizens must not be considered only as consumers but also as creators of the value they consume.
- *Co-monitoring*: citizens ultimately are the arbiters of the value delivered from public contracts under the social value approach. As such, there is a need for collaborative

relationships with more empowered frontline staff who are both able and confident to share power and accept community or user expertise.

Co-defining, co-creation and co-monitoring do not only place a demand on citizens to contribute their resources, they also require that a public agency's staff and machinery shift in attitude from the view that they are the only actors in the provision of public services, towards embracing new methods of delivery in which rules, norms, and institutional frameworks are negotiated with citizens. In such contexts, the role that the public administrators should assume is that of an enabler with a focus on utilising the vast array of citizens' resources (time, knowledge, expertise) to deliver the agreed outcomes.

The model of social value identified above also expands the role of elected members from their 'executive' role as projected in Public Value theory to being the community's voice in the procurement and commissioning process. In the latter role, the elected member can be the advocate of social value for the people they represent. Further, in fulfilling this role, they can help the organisation to focus its procurement and commissioning processes on outcomes which represent real social value to the community.

Lastly, even though the early theory of Public Value saw public managers as the ones who create the value in public services, the model presented above suggests that value in public services is created through the joint inputs of various multiple sectors. The roles of other sectors such as businesses, voluntary organisations and civil society have also been mentioned in the recent development of Public Value theory (Benington 2009). While in

most procurement and commissioning exercises, public agencies tend to adopt competition to identify the provider who will co-create the value they want to see delivered in public services, developing a partnership relationship after the award process, could prove to deliver more value. According to Erridge and Greer (2002: 518), partnerships can be built on social capital and provide benefits to both the public sector and the provider by increasing access to both resources and information, reducing transactional cost, improving contract specification, facilitating shared risks, and improving co-operative action. Based on the model of delivering social value outlined above, this partnership is not merely limited to the providers but also includes the local communities.

Overall, this study has addressed the research objectives it set out to achieve. First, it is hoped that it will contribute to the development of procurement and commissioning practices by expanding the definition of value to include wider economic, social and environmental benefits. Crucially, value in procurement and commissioning should not be based only on price and quality but on wider value, which value is determined by the community. This means that practices adopted should enable the pursuit of the twin objectives of delivering price and quality, and wider value (wellbeing improvements) from procurement and commissioning activities. Further, procurement and commissioning processes can incorporate democratic principles for example, elected members taking on the role of community's voice or advocates in the process particularly in identifying which outcomes to target in a procurement exercise. And lastly, the study has provided a theoretical model for targeting and delivering outcomes from a single exercise which meets the needs of multiple stakeholders while contributing to the wider debate on delivering value in public service delivery.

### **9.3 Conclusions drawn**

Previous studies have established the role of procurement and commissioning as policy tools for governments to use to achieve key objectives, but there is less research focused on delivering value, especially with value being determined by the community. Further, for the past few decades, policies and practices have mainly been focused on delivering value measured by the economic cost of the service, goods or works. Another criterion that the practices have emphasised was quality, which was interpreted to mean providing services, goods and works based on meeting the user's needs. Wider value, beyond price and quality considerations, was not usually the objective of the exercise.

This focus on price and quality as the targeted objectives of the exercise arguably does not maximise the potential value public agencies can realise from their procurement and commissioning activities, especially in the face of the increase in demand for public services, and the expectation for government to intervene in addressing the social, economic and environmental needs of individuals and communities. In view of the above, this study has highlighted the policies and practices which can enable organisations to maximise their procurement spend. The findings show that public agencies can increase the value of their procurement and commissioning spend by adopting policies and practices which are based on seeking wider value. To do this, first, public agencies need to adopt a specific social value policy which is implemented alongside or incorporated into their corporate goals and objectives for procurement and commissioning activities. The outcomes which the policy

aims to deliver should be identified through consultation with the community and other key stakeholders in the area served by the public agency. This implies that the process of making decisions, particularly when deciding the outcomes to target in an exercise, should be a joint approach comprising elected members, public managers and communities. Adopting this approach should enable ‘joint ownership’ of the outcomes delivered from procurement and commissioning exercises.

Since public procurement is based on rules set by international, national and local organisations, it is worth noting that the approach of seeking wider value is promoted by the EU procurement rules as well as national policies. As indicated in the literature review, the European Commission has published a number of guidance documents on using procurement to seek social and environmental value. Here in the UK, the Act is one of a number of pieces of legislation and guidance which together set a clear framework for considering wider value or social value in procurement and commissioning. Other policies include the Wellbeing powers in the Local Government Act 2000, and the General Powers of Competence in the Localism Act 2011 – both promote the use of procurement and commissioning to achieve wider benefits for the communities served by the Local Authority. Furthermore, the Open Public Services White Paper, published in 2012, urged councils to use the flexibility and freedom available to them to consider overall value, rather than merely cost, in their spending decisions. This means that procurers and commissioners have the legal framework basis to ask contractors to deliver economic, social and environmental value as part of the contract delivery.

If the meaning of 'value' is understood as having core requirements met as well as delivering wellbeing improvements to individual and communities by way of additional benefits, as suggested in this thesis, then this suggests that value can be delivered in contracts, regardless of whether the contract is of small value or higher value. This is because large or small organisations as well as voluntary, community and social enterprise organisations have the potential to deliver social value in contracts. In the light of this, who defines value, and who will determine which outcomes are to be considered as key priorities in a procurement or commissioning exercise, should not be limited to the elected members and senior public officers, but should include the community. In this regard, the findings have shown that it is possible to have a process which involves the community as co-definers, co-creators and co-monitors of value delivered through procurement and commissioning activities. Further, the outcomes to be targeted need to have the political legitimacy required for spending public money. This means elected members' role should not only involve setting the policies, priorities and scrutinising the practices that officers adopt, but should extend to providing the democratic (community) voice in the process by being the advocates of the community's social value during the pre-procurement phase. All of these should help practices develop towards delivering wider value, and more so, contribute towards practices which aim to deliver outcomes that meet the needs of multiple stakeholders from a single exercise. Further, developing procurement and commissioning goals to address issues of society, aligns with McCrudden's (2004) claim that there is a long tradition of procurement linkages with societal needs. He goes further to assert that, historically, procurement was used in the USA, France and UK as a policy tool mainly to promote welfare policies and that the desire to address the welfare issue marked the origins of public procurement. Viewed from this point, the emergence of wider policies which aim to deliver social value and or community benefits,

can and should be seen as aligning procurement goals with its historical use, which is, developing goals based on community needs, not on an organisation's policy objective.

#### **9.4 My reflections**

In this section I reflect on the reasons and motivation for undertaking this study before moving on to state the limitations of the research and areas for further research.

I was attracted to public procurement as a career because of my interest in the subject, and also because I believe that public money has to be spent in a way that achieves the maximum benefit for the tax-payer. My career in public procurement started in 2006, just after completing a Master's degree in Business Administration. Since then, I have worked for both local and central government organisations and my role has mainly been within the corporate procurement function. Although the scope of what the corporate procurement function does differs from one organisation to another, the Byatt report *Delivering Better Services for Citizens* (2001:25) recommended that its key role should include the gathering of procurement data across the organisation, providing oversight of procurement outcomes, training, and to 'act as an internal source of expertise, identifying and disseminating best practice within the organisation'.

Given that all my roles were in the corporate function, I have led, or provided advice on, high value procurement projects, as well as working across services or departments to help them achieve their procurement objectives. Furthermore, I have had supervisory responsibilities regarding maintaining the corporate contracts register, ensuring that procurement spend across the organisation is captured and recorded. As a result, I have gained a wider view of procurement activities across various departments of the organisation. Another task I was engaged in was the updating of corporate procurement templates to embed organisational or government policies, as well as reflecting on best practice emerging.

During all the years I have been in procurement, I have noticed that even though organisations tend to have a number of goals for their procurement activities, (for example: using procurement to promote the growth of SMEs, BMEs, voluntary, community, and social enterprises, and to stimulate the local economy) the key driver over the past decade has been to deliver savings and efficiencies. Procurement practices have been very much inclined to pursue collaborative opportunities which have tended to favour bigger profit making organisations, thus squeezing out smaller suppliers. In view of this, I have been curious to identify how practically procurement goals might be linked to community (societal) value. In addition, I also have an interest in investigating the underlying policies (international, national and organisational) which enable the use of public procurement to deliver wider social, economic and environmental objectives. The quest to gain understanding on the above is what has led to my PhD journey of investigating how public bodies could effectively use their procurement and commissioning spend to achieve wider value, as added benefits delivered to communities.

The findings of this research have reaffirmed my views that procurement and commissioning are powerful tools for governments to use to achieve their policy objectives. Given that procurement is a regulated activity, this can be done if political leaders and senior managers draw up the appropriate policies to support the incorporation of wider social, economic and environmental factors in the tendering exercise. Many practitioners in the UK, including myself (based on previous advice provided by the former Office of Government Commerce (OGC) which applied a very restrictive interpretation of the EU directives) have tended to adopt practices or give advice which has limited the incorporation of social and environmental outcomes within tenders. During the research, particularly as I reviewed existing policies and practices, it has become clear that the EU directives actually support using procurement to address the social, economic and environmental needs of communities. In fact, the new regulations make it even clearer by allowing for specific terms and conditions to be drawn up to support socio-economic and environmental goals in contracts and the award of contracts to social enterprise organisations. Furthermore, there are many national policies, among which is the Public Services (Social Value) Act 2012, for procurement professionals to rely on in order to seek wider community benefits to be delivered in contracts. While my views as a practitioner have changed towards the use of procurement and commissioning to address wider community needs, I still consider, because of the risk-averse culture the UK adopts, that it is going to take some time before the changes which the study has highlighted become widespread. I further believe that both procurement professionals and commissioners can be innovative and can deliver more value under leadership which provides them with the relevant support.

In practice, sometimes the emphasis on achieving regulatory compliance seems to overshadow the use of procurement and commissioning to create and deliver value. This research has helped me to re-examine this view and now I believe the two goals of achieving regulatory compliance and applying approaches which maximise value can both be pursued simultaneously.

## **9.5 Limitations of the research**

Despite the researcher's efforts to recruit participants from private businesses and voluntary organisations which deliver contracts to the public sector (contractors), it has been difficult to gain access to senior managers in this sector or gain access to discuss the research subject. As such, all the cases examined in this study were drawn from the public sector. I believe this research would be enriched if I had been able to draw on primary data, rather than having to rely only on secondary data from the private or third sector organisations which deliver the contracts. For future research, I would suggest an approach where the researcher is embedded in an organisation which has a contract or contracts with one of the big private companies. That way, the researcher would have access to senior contract managers of the firm and also be able to observe the way they go about delivering social value.

Another limitation is that, given the time it takes for community (social) value to be delivered, many of the outcomes which were promised in the contracts that this study examined are yet to be realised. This means that some of the evidence is only beginning to

emerge, although the cases have provided insight into the processes required for a social value approach. In hindsight, this study should have focused on short term social value benefits which authorities have targeted in contracts, and to have sought evidence drawn from those, indicating the longer term social value as dependent on outcomes which needed to be assessed in future studies. Alternatively, I would suggest a study on social value in procurement and commissioning to be based on a longitudinal study. Such an approach would provide enough time for the researcher to examine the activities of an authority from the commissioning stage when outcomes are being identified to the end of the tendering process, and also throughout the delivery of the contract and the actual evidencing of those outcomes.

Another limitation has been lack of access to elected members. For those elected members with a keen interest in social value, it was easy to book an appointment; however, with others it was a problem. Given the crucial role elected members have in focusing the organisation on achieving social value, and also as leaders and policy makers, their views are very important in informing the drivers behind the policies adopted under social value. In this study, I have mitigated this by soliciting information about the role of elected members in social value approach from senior officers (directors) and heads of procurement. However, a better approach would have been to identify one elected member who has a higher interest in social value, and once they have been interviewed, to ask them to introduce the researcher to colleagues who also have some interest in social value. Otherwise, the barriers seem difficult to break through, especially if the researcher is self-sponsored.

## 9.6 Areas for further research

This study has examined the role of public procurement and commissioning in delivering community benefits as added value in contracts. It identifies Public Value theory as a potential theoretical model to underpin procurement and commissioning activities which are based on seeking social value. To achieve this, the approach adopted has to enable or allow for citizen preferences to be considered and reflected in the exercise through deliberative governance or participatory democracy. Crucially, communities have to be the ones to determine the outcomes to be targeted in a procurement or commissioning exercise. In the light of this, even though the study has made some contribution in the areas mentioned above, I think the following areas need further research:

*a) Identify an approach or tool to measure both tangible and intangible outcomes based on simplified processes and lower cost than the existing tools*

There are several tools/methods which can measure both the social impact and commercial value of an intervention. Most are either expensive or require intensive resourcing which has limited their attraction for Local Authorities, because of the reduction in funding from central government. Therefore, an investigation to identify which of the existing tools/methods including newly developed methods would measure both social and commercial outcomes at lower cost, might encourage more practitioners to adopt it. This would mean that more organisations would measure the outcomes delivered from a social value approach. Further, it would be helpful to identify indicators which have been agreed nationally, or across the sector, or even across the organisation, for measuring social value. For example, it would be valuable to have an indicator that evaluates the cost in monetary terms of an apprentice or a

former prison inmate who has gained employment as a result of a contract delivered under social value principles. This would help to make the case for adopting a community benefit (social value) approach, and also ensure that there are standards of measuring outcomes across the sector, and that the financial benefits attributed to various social value are identical.

***b) Exploring the extent to which the outcomes sought under a social value approach are linked to the political parties' agendas.***

The findings show the key roles which elected members can play in a social value approach. However, the thesis does not address to what extent the policies which elected members have developed are linked to their party's political ideology and agenda. For example, would a Conservative-led authority emphasise providing more opportunities for local SMEs as a key social value? Similarly, would a Labour-led authority focus more on paying the Living Wage as a key social value outcome? Further, is the cabinet promoting certain social value which are not subscribed to by the backbenchers? These are issues which would help in explaining further the various variables under which social value policies and processes are formulated.

***c) The extent to which key outcomes sought under the social value approach are similar or different based on the region in which the local authority is located.***

Social value is intended to be defined locally, which definition should reflect the needs of its local community. In view of this, should one therefore expect to see authorities in the south

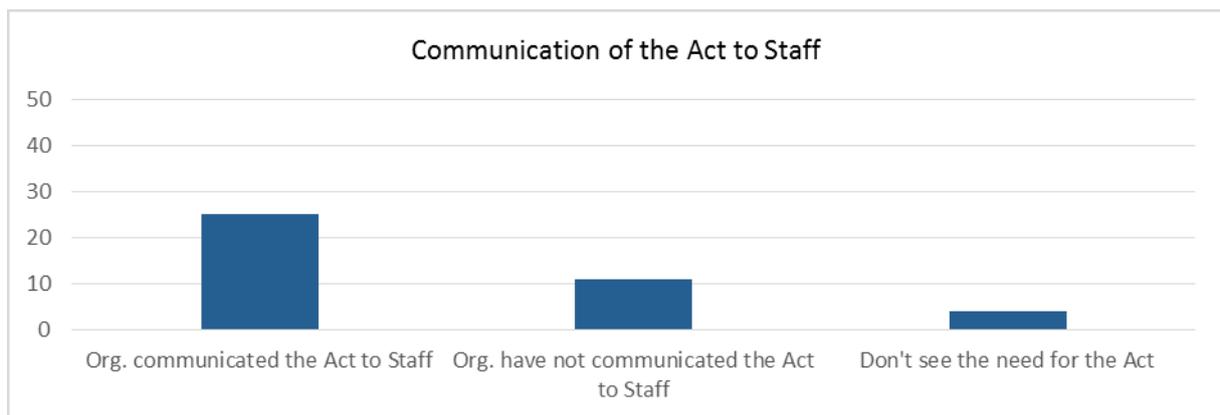
of England emphasising more economic outcomes, while authorities in the north emphasise social outcomes, or vice versa, or would the priorities be similar? The findings from such research could establish whether key outcomes of social value are based on regional differences or reflect national needs.

## Appendices

### Appendix A: The Survey findings

#### The level of awareness and perception of the Public Services (Social Value) Act 2012

The result shows more organisations communicated the Act to staff than those that did not. Only a few respondents indicated they don't see the need for the Act.

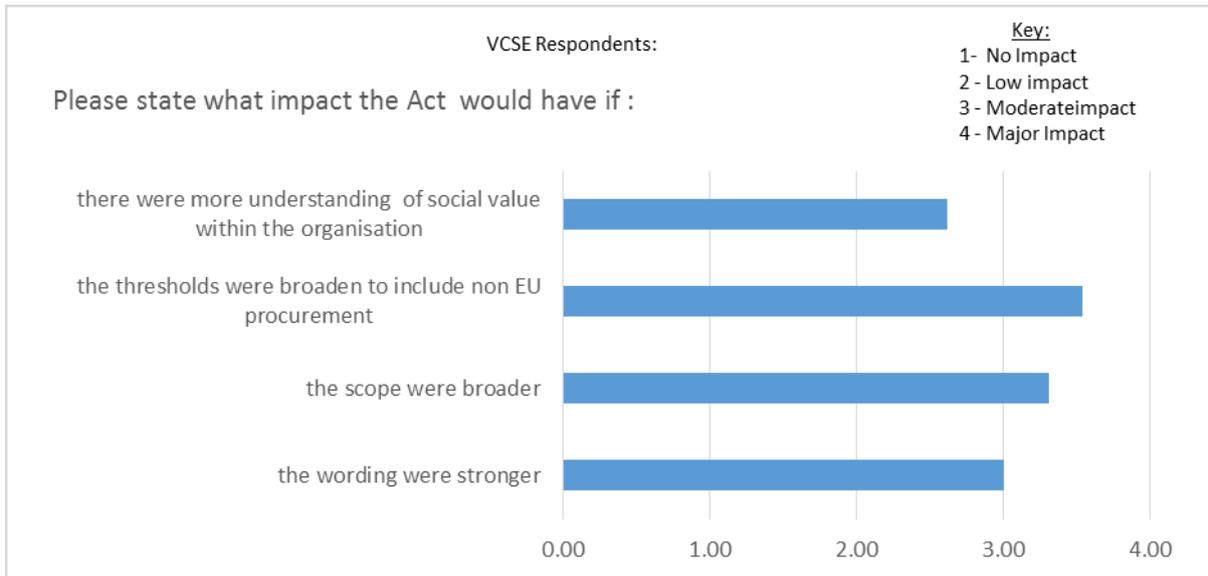
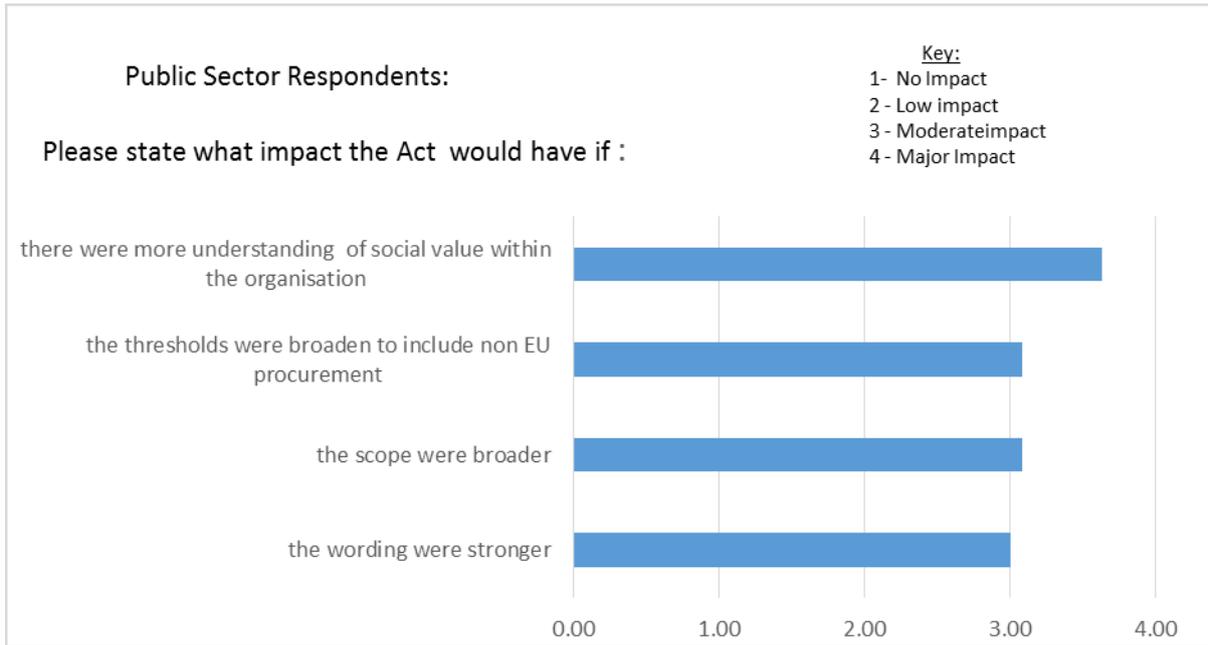


On staff expectations about the Act, the results show that public sector respondents expect the impact of the Act on procurement and commissioning to be moderate in 2015, while its impact from the time of implemented to now has been rated as being low. They also indicated that the Act is likely to have *moderate impact* in reducing the perception that EU rules restrict the inclusion of social and environmental factors in procurement.

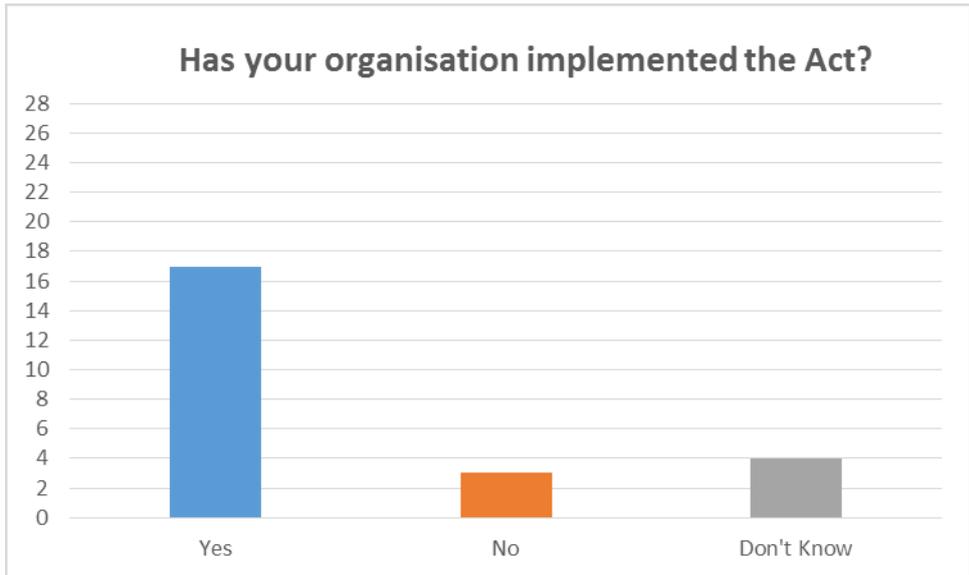
VCSE organisations respondents expect the impact of the Act on VCSE organisation as key partners in public service delivery in 2015 to *be moderate* while its impact since implementation is rated as being *low*.



In terms of how the current scope and wording of the Act is perceived, public sector respondents indicated that the impact of the Act could be between *moderate and major* if there were more understanding of social value within the organisation. They also indicated that the impact of the Act could be *moderate* if the application of the Act includes procurement valued at below the EU threshold (non-EU threshold), the scope were broader and the wording made stronger. For VCSEs, removing the limitation of the Act to only procurement which are valued above EU threshold and broadening the scope of the Act were the two factors identified that would strengthen the Act to have *moderate to major* impact.

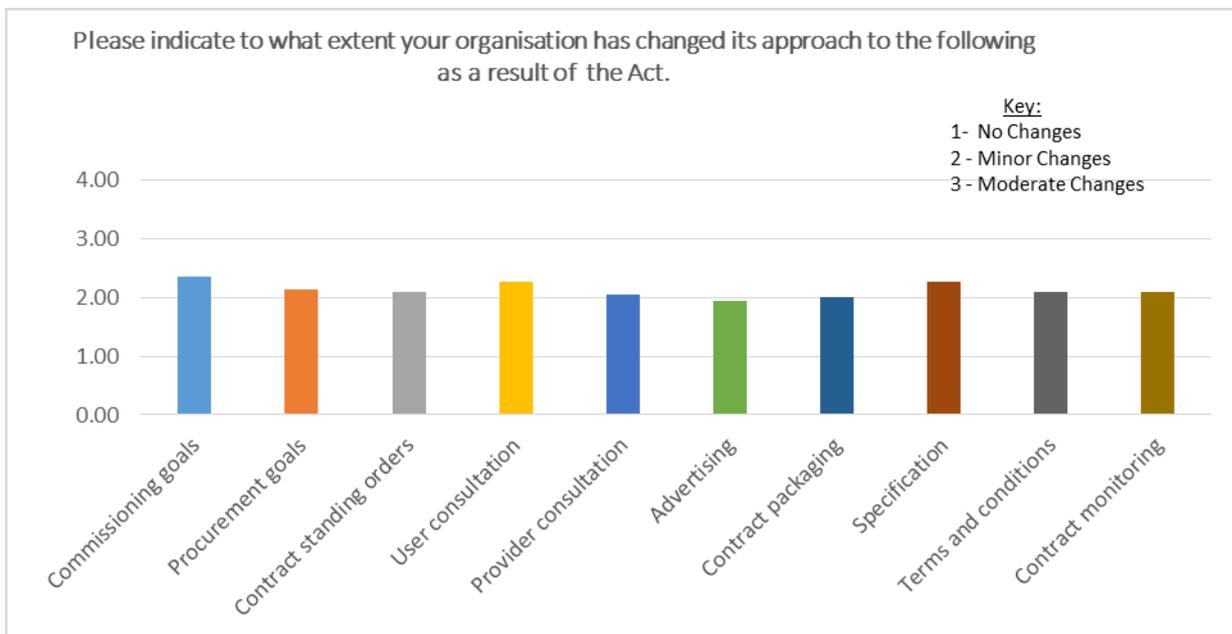


On the implementation of the Act, the majority of public sector respondents indicated that their organisation have implemented the Act.

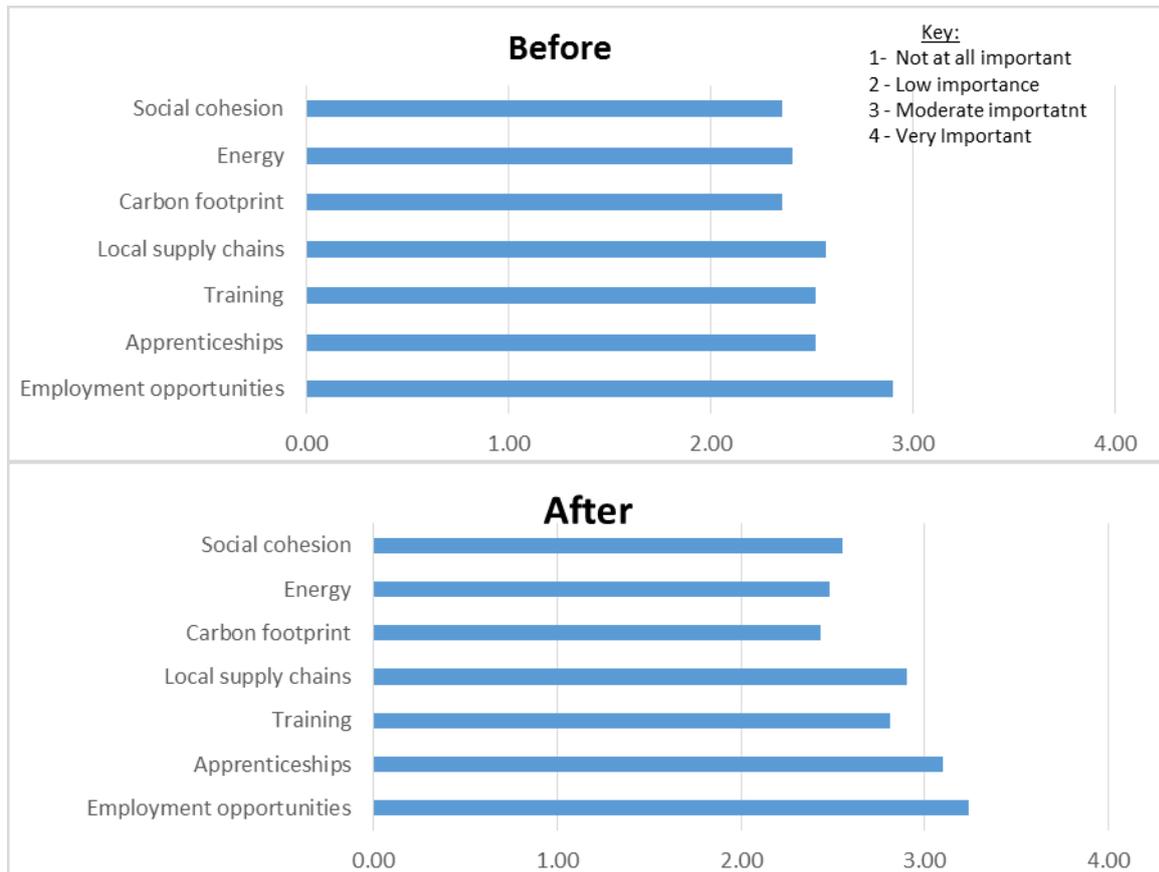


Changes (if any) which organisations are making as a result of the Act:

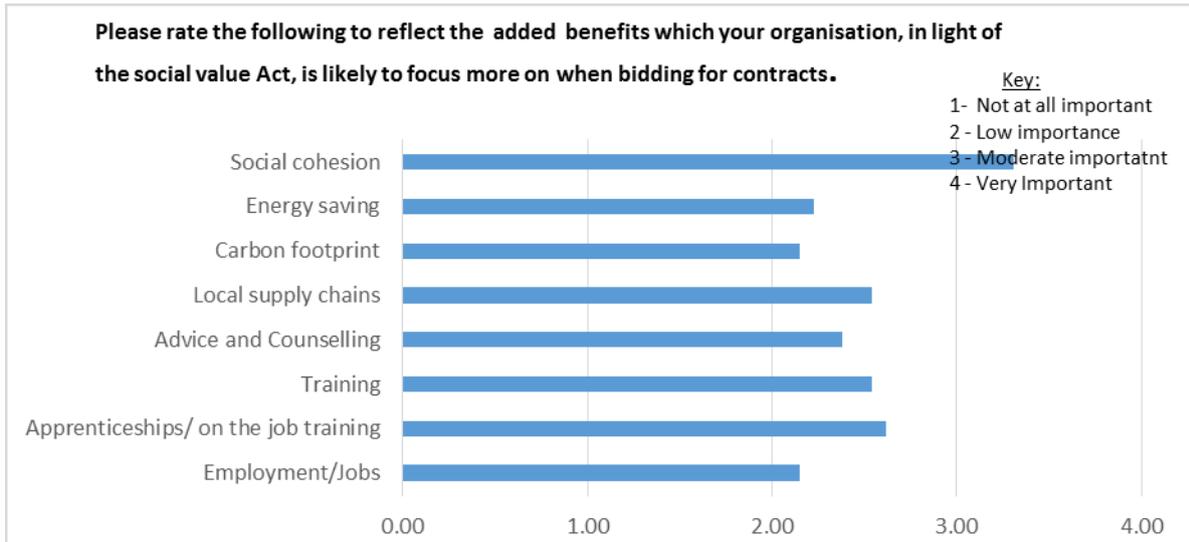
There is a high expectation that the implementation of the Act will result in changes being made to procurement and commissioning practices. In view of this, public sector respondents were asked to indicate the changes (if any) they have effected so far in their procurement and commissioning practices and processes since the coming into force of the Act. The responses, shown in the table below, indicate that overall the changes were minor. However, in some areas the changes were more than minor, e.g. commissioning goals, user consultation and specifications.



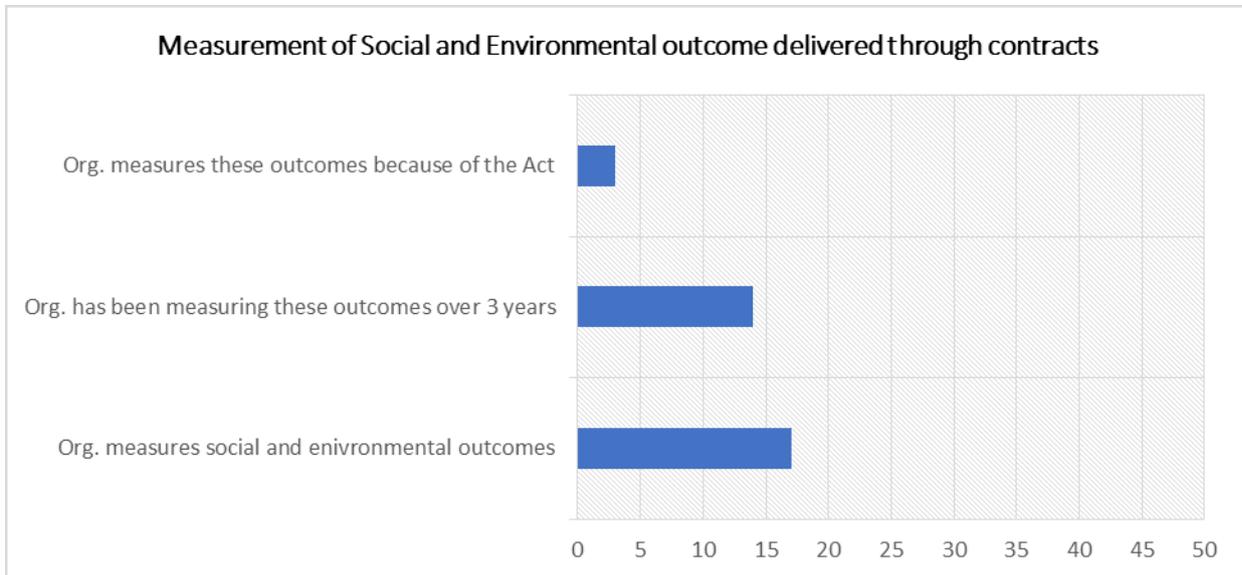
In addition, I asked the public sector respondents to rank their organisation’s priorities in terms of the value added outcomes they sought to deliver from their procurement and commissioning activities, before and after the coming into force of the Act. The result shows that before the Act was implemented, *employment opportunities* were the dominant outcome sought in contract delivery. However after the implementation of the Act, there is more emphasis being placed on *local supply chain, training, apprenticeships and employment* outcomes.



In contrast, VCSE respondents indicated that the value added benefit they are likely to include in their offer when bidding for contracts, in the light of the Act, is social cohesion, with employment/jobs, reducing carbon footprint and energy saving outcomes rated just above the *low importance* mark.

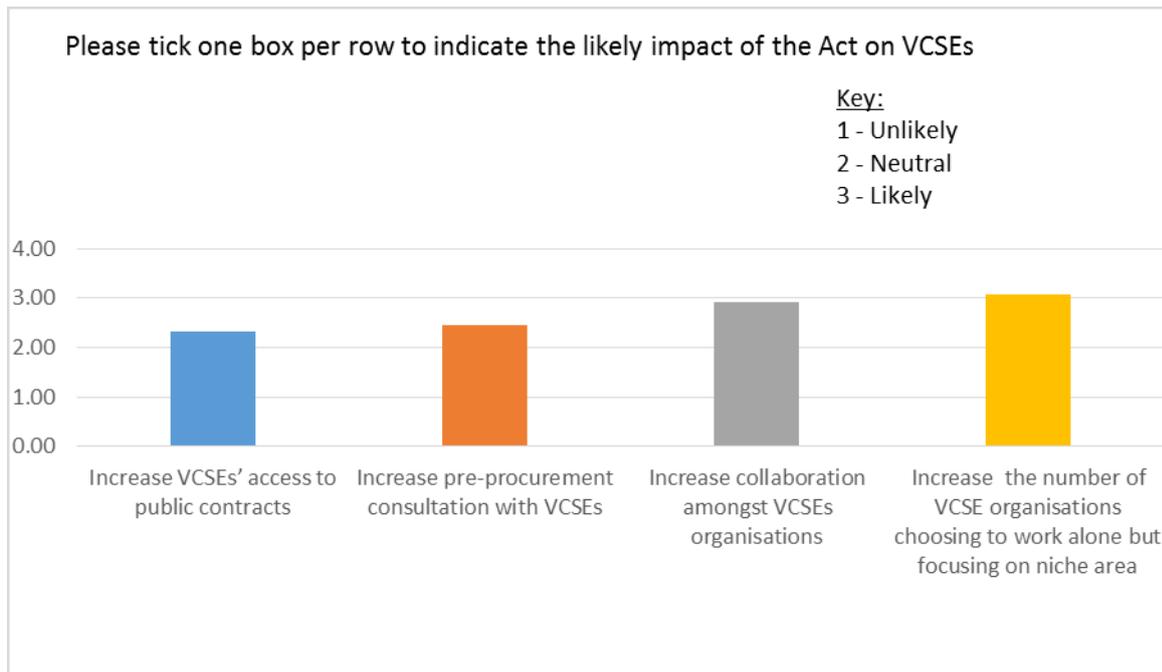


Regarding the measurement of social and environmental outcomes, the responses show that organisations measure these outcomes through contracts. A majority of those organisations indicate they have been doing this for more than three years; fewer indicated that they started doing it as a result of the Act. None indicated engaging external consultants to help with implementation of the Act. Two tools identified as commonly used to measure social and environmental outcomes were the Social Return on Investment and Social Audit & Accounting Tools.



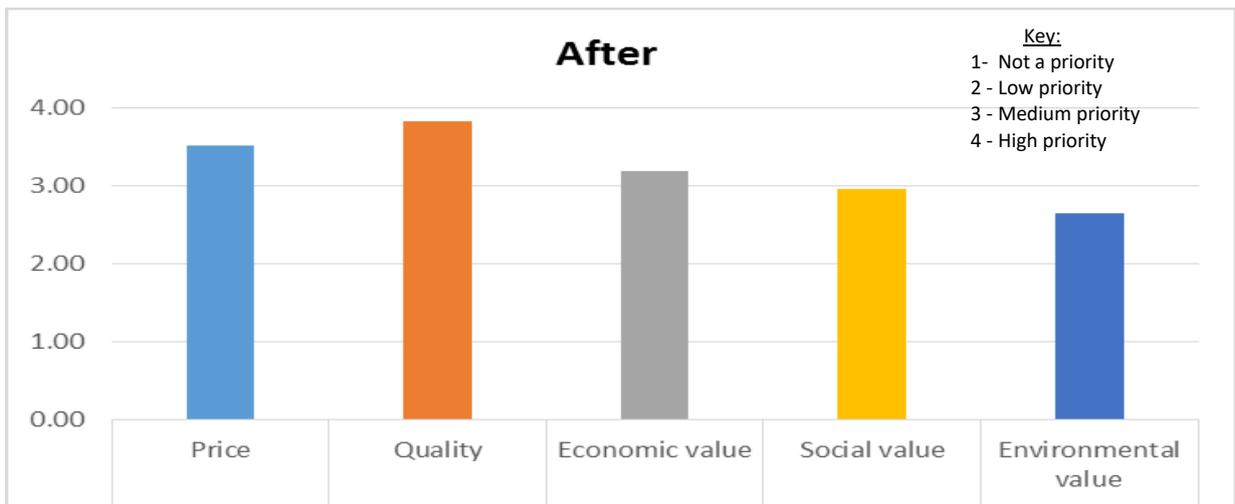
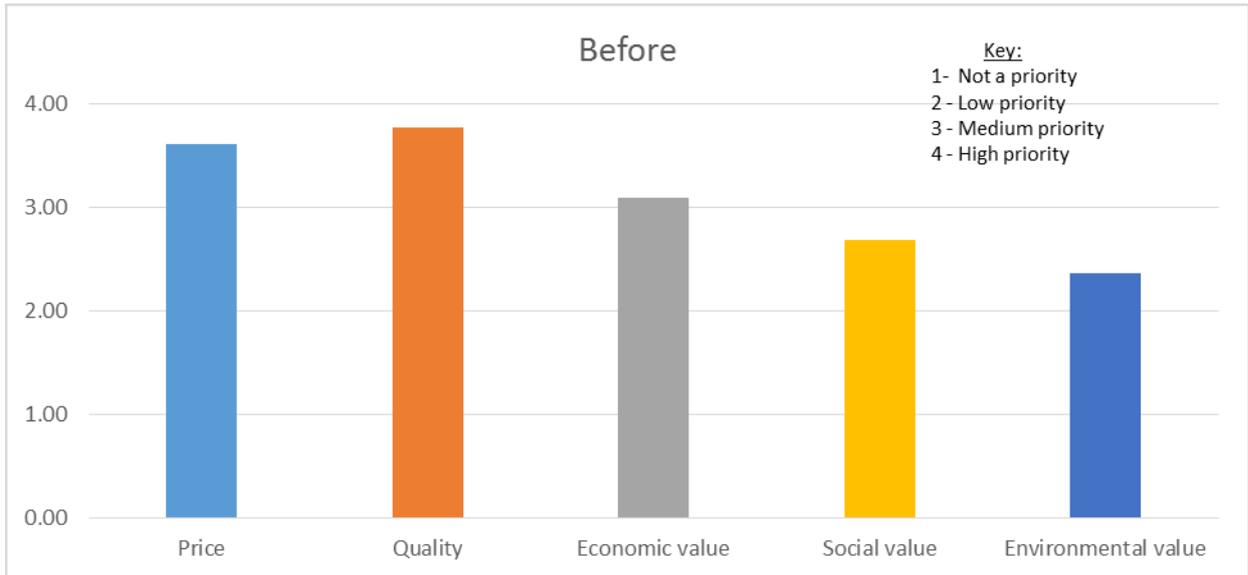
## Assessing whether or not the Act has opened up (or is likely to open up) more contract opportunities for VCSEs

The results suggest that, so far, the Act is not likely to increase VCSE organisations' access to public contracts nor will it increase pre-procurement consultation. Rather, they indicate that, VCSE organisations are likely to adopt collaborative approaches or operate in niche markets as the way forward under the Social Value Act.

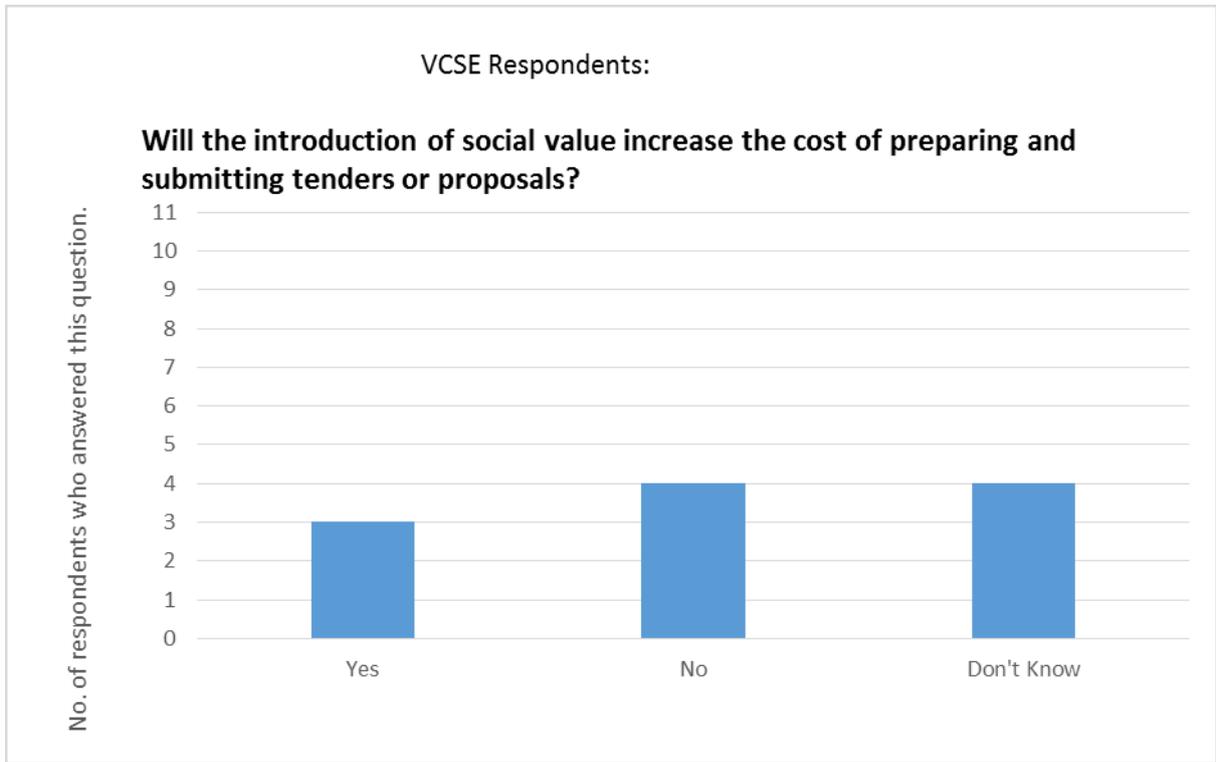
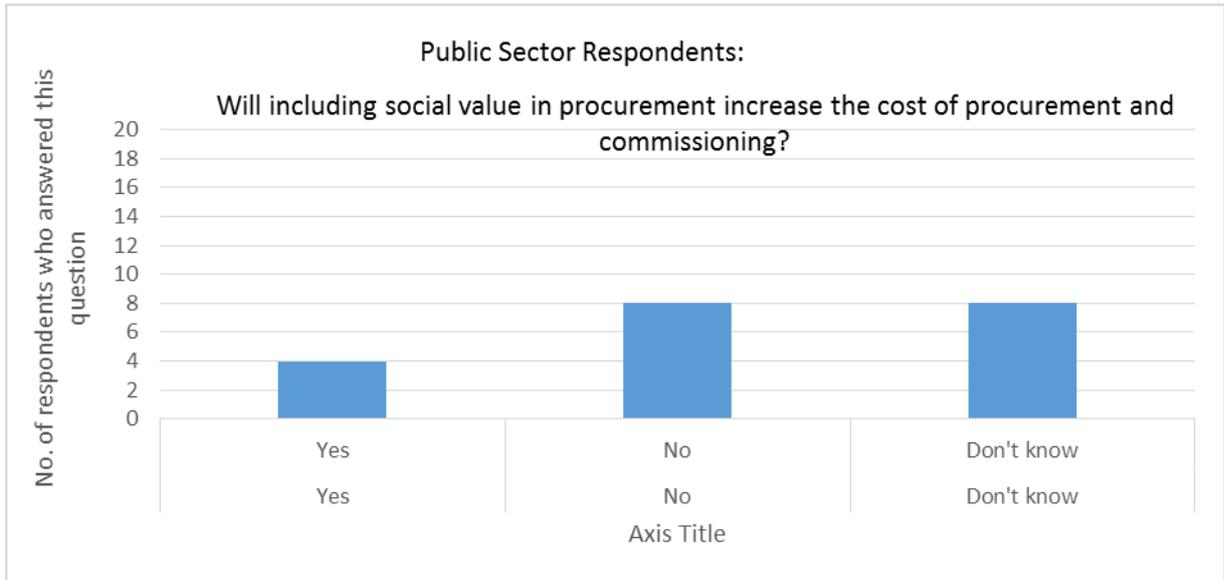


## Establishing whether or not cost is a deterrent to pursuing social value

Public sector respondents were asked to specify the outcomes to which their organisation tended to give higher priority in awarding contracts before and after the Act was implemented. The results show no marked changes after the Act. However, it is worth noting that among the three broad outcomes; social, environmental and economic, it is the environmental outcomes which are given least priority as outcomes to be targeted in contract delivery.



Both the public sector and VCSE questionnaires asked respondents about their views on whether including social value in procurement and commissioning will lead to increases in cost and also whether austerity will force organisations to make price a top award criterion. In both public sector and VCSE organisations, the number answering ‘No’ was higher than those answering ‘Yes’ but in both cases the highest responses were ‘Don’t know’.



## Appendix B: Interview Participant Recruitment Letter/Email

Dear (\_\_\_\_\_)

My name is William Jabang, Doctoral Researcher at the Institute of Local Government Studies, School of Government and Society, University of Birmingham. I've been working in procurement within the public sector for 8 years and in the last 2 years, I embarked on a research programme at the above university, researching into "the use of procurement and commissioning to deliver community (social) value". The investigation is based on the contribution of the Social Value Act 2012 to procurement and commissioning practices in delivering wider social, environmental and economic value to a community (society). Also it seeks to explore whether there are alternative policies or practices which might allow procurement and commissioning to deliver social, environmental and economic benefits or value to the community (society)

Recent searches I have done on Web publications and or speeches at conferences on Social Value Act, indicate that your organisation has implemented the Social Value Act 2012. I am therefore, writing to request your participation in an interview, for you to share your organisation's experience relating to the topic mentioned above. There will be other people invited from your organisation to share their views. In total, the study aims to collect data from 6-7 cases (organisations) with at least 4 participants from each case/organisation.

I have enclosed/attached a Participant Information Sheet which provides further information including how issue of anonymity and confidentiality, data security and so on, will be addressed throughout this research.

Should you decide to participate in this study, the interview is expected to last between 45 - 60mins at a time and place convenient to you. Participation in the interview is voluntary and participants may choose to withdraw at any time without having to give reasons.

I hope to hear from you soon about whether or not you have accepted my request.

Yours sincerely,

William Jabang  
Doctoral Researcher  
School of Government & Society  
University of Birmingham  
Edgbaston, Birmingham, B15 2TT



## Appendix C: Interview Schedules/Topic guides

### *Interview Topic Guide: A*

Research Title: *An investigation into the use of public procurement and commissioning to deliver community (societal) benefits*

Interview category: **Elected member or Director**

Date:.....

Time: .....

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#### Part I: Introduction

Introductions and 'ice breaking'

#### Part II: The main interview.

##### Research Question 1:

*To what extent does the Social Value Act (2012) contribute to public sector organisations adopting procurement and commissioning policies and practices which achieve 'additional' social, environmental and economic value to a community?*

##### Policies

1. How does this authority interpret the Social Value Act?
2. What are the key factors driving your organisation's current procurement and commissioning policies?
3. What are the key outcomes which are being targeted under those policies?
4. What do you consider to be the key differences between policies and outcomes adopted before and after the Social Value Act was implemented?

### Alternative Policies

5. In your view, are there alternative policies which the authority could adopt to deliver social, economic and environmental outcomes without relying on the Social Value Act?

### Research Question 2:

*What is the role of elected members and contractors/providers (in the private and voluntary sectors) in ensuring that public sector organisations focus on delivering community benefits outcomes as added benefits, as promoted by the Act?*

### Role of Elected Members

6. What role did elected members play in procurement and commissioning activities of the authority before the Act was implemented?
7. What is their role now after the implementation of the Social Value Act?
8. What do you think are the key difference(s) between before and after the Social Value Act was implemented?
9. What do you think should be their role in helping this authority to focus on delivery outcomes which reflect the value of the community?
10. In your view are there any skill set which elected members should have so as to help facilitated the implementation of a social value approach?

### The role of providers in social value approach

11. What do you see to be the role of providers in helping this authority implements the Act?
12. Are there any specific changes the organisation has made to enable them play that role?

### Research Question 3:

*What is the impact on cost to the local authority of seeking social value (community benefits) as additional value, promoted by the Public Services (Social Value) Act 2012?*

Affordability

13. From your experience so far, do contracts let under a social value approach cost more?
14. Do you think that the benefit of social value outweighs the cost?

General Questions

15. What are the emerging barriers to adopting an approach which is based on the Social Value Act?
16. What do you consider to be the facilitators for maximising the approach promoted by the Social Value Act?

Part III - Conclusion

Thank you

----- The End of the interview-----

*Interview Topic Guide: B*

Research Title: *An investigation into the use of public procurement and commissioning to deliver community (societal) benefits*

Interview category: **Heads of procurement, commissioning or business unit**

Date:.....

Time: .....

---

Part I: Introduction

Introductions and ‘ice breaking’

Part II: The main interview.

Research Question 1:

*To what extent does the Social Value Act (2012) contribute to public sector organisations adopting procurement and commissioning policies and practices which achieve ‘additional’ social, environmental and economic value to a community?*

Practices

1. Is there a definition that this authority has adopted for social value?
2. What are the key changes which this authority has made in procurement and commissioning practices as a result of the Social Value Act?
3. What role do communities play in identifying the outcomes to go into contracts?

Embedding Social Value approach

4. What measures have the organisation put in place to ensure that the practices adopted as a result of implementing the Act are embed in the organisation’s procurement and commissioning processes?

5. What approach(es) have the organisation adopted to get providers to commit to delivering social value sought by the authority in its contracts?

#### Measurement of Outcomes

6. Has the implementation of the Act in any way influenced the way the authority views and measure the outcomes obtained from procurement and commissioning activities?
7. Have the authority identify what measurement indicators to use?
8. Are those measurement indicators used across the organisation or restricted to individual contracts and why?

#### Alternative Policies

9. In your view, are there alternative policies which the authority could adopt to deliver social, economic and environmental outcomes without relying on the Social Value Act?

#### Research Question 2:

*What is the role of elected members and contractors/providers (in the private and voluntary sectors) in ensuring that public sector organisations focus on delivering community benefits outcomes as added benefits, as promoted by the Act?*

#### Role played by elected members

10. What do you see to be the key difference(s) in the role that elected members play between before and after the Social Value Act was implemented?
11. What do you think should be the role of elected members in helping this organisation's to focus on delivering outcomes which reflects the value of the community in its procurement and commissioning activities?

#### The role of providers under Social Value approach

12. What do you see to be the key contribution(s) or role that providers play under the approach you are adopting to implement the Act?
13. Are there any specific changes you have made to enable them play that role?

Research Question 3:

*What is the impact on cost to the local authority of seeking social value (community benefits) as additional value, promoted by the Public Services (Social Value) Act?*

Affordability

14. From your experience so far, do contracts let under a social value approach cost more?
15. Are there any specific factors which are contributing to the cost of contract under the Social Value Act practices?
16. Do you think that the benefit of social value outweighs the cost?

General Questions

17. What are the emerging barriers to adopting an approach which is based on the Social Value Act?
18. What do you consider to be the facilitators for maximising the approach promoted by the Social Value Act?

Part III - Conclusion

Thank you

----- The End of the interview -----

***Interview Topic Guide: C***

Research Title: *An investigation into the use of public procurement and commissioning to deliver community (societal) benefits*

Interview category: **Procurement officers, commissioners or social value champions**

Date:.....

Time: .....

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Part I: Introduction

Introductions and ‘ice breaking’

Part II: The main interview.

Research Question 1:

*To what extent does the Social Value Act (2012) contribute to public sector organisations adopting procurement and commissioning policies and practices which achieve ‘additional’ social, environmental and economic value to a community?*

Practices

1. What are the key changes that the authority has made in procurement and commissioning practices as a result of implementing the Social Value Act?
2. What is the predominant social value outcome that is being sought in contracts under Social Value approach? If it is more than one, which one represents the highest priority for the authority and why?
3. How do you decide which social value identified by citizens/communities will go into a contract? Who moderates the selection process?

Embedding Social Value approach

4. What steps have this authority taken to embed practices adopted as a result of the Act within its procurement and commissioning processes?

5. Has the authority taken any steps which have resulted in providers taking more seriously the authority's approach under the Act to seek social/community benefits outcomes from its contract?

#### Measurement of Outcome

6. Before the implementation of the Act, were you measuring outcomes obtained from procurement and commissioning activities?
7. Do you now measure outcomes obtained under the social value approach?
8. Are there any specific tools you are using to measure these outcomes?
9. Explain the process you follow to measure the outcomes?
10. Which outcome or outcomes (social, economic and environmental) are you measuring most and why?
11. Are the measurement indicators used across the organisation or restricted to individual contracts and why?
12. How do you ensure citizens or community have opportunity to provide feedback on social value delivered from the contracts let under social value approach?

#### Research Question 2:

*What is the role of elected members and contractors/providers (in the private and voluntary sectors) in ensuring that public sector organisations focus on delivering community benefits outcomes as added benefits, as promoted by the Act?*

13. Have you notice any changes in the role elected members play in the procurement and commissioning process. If yes are the changes as a result of the Act.
14. What approach is the organisation adopting to get provider to commit to delivering social value the authority is seeking in its contracts

#### Research Question 3:

*What is the impact on cost to the local authority of seeking social value (community benefits) as additional value, promoted by the Public Services (Social Value) Act?*

Affordability

15. From your experience so far, do contracts let under a social value approach cost more?
16. Are there any specific things that you do during the tendering process that is helping to get the cost within budget under the Social Value Act practices?
17. Do you think that the benefit of social value outweighs the cost?

General Questions

18. What are the emerging barriers to adopting an approach which is based on the Social Value Act?
19. What do you consider to be the facilitators for maximising the approach promoted by the Social Value Act?

Part III - Conclusion

Thank you

----- The End of the interview -----

## Appendix D: List of interviews and dates

Name of organisation	Category interviewed	Dates	Time
MBNW 01	Group interview:	28 May 2014	11:30 – 12:30
	<ul style="list-style-type: none"> <li>• Head of procurement</li> <li>• Lead commissioner</li> <li>• Head of policy</li> </ul>		
UA 02	Category lead (procurement and commissioning)	1 <sup>st</sup> July, 2014	10:00 – 10:50
	Cabinet member	4 <sup>th</sup> July, 2014	2:30pm – 3:30pm
MBM 03	Group interview:	14 <sup>th</sup> July, 2014	12:00 – 1:00pm
	<ul style="list-style-type: none"> <li>• Head of social growth</li> <li>• Head of commissioner</li> </ul>		
	Head of procurement	14 <sup>th</sup> July, 2014	1.00 – 2.30pm
LB 04	Director	13 <sup>th</sup> Oct., 2014	9:00 – 10:00am
	Head of procurement	13 <sup>th</sup> Oct., 2014	10:30 – 11:30am
	Contract manager	13 <sup>th</sup> Oct., 2014	11:30 – 12:30am
CC 05	Group interview:	10 <sup>th</sup> Dec 2014	10:30am – 12:00am
	<ul style="list-style-type: none"> <li>• Head of procurement</li> <li>• Cabinet member</li> <li>• Social value lead</li> <li>• Procurement officer (sustainability advisor)</li> <li>• Director Small Business Federation</li> </ul>		

## Appendix E: Participant's Information Sheet

Please consider this information carefully as it provide information for this research.

**Title of Research:** The use of procurement and commissioning to deliver community (social) value.

**Purpose of the research:** a) To explore the contribution of the Social Value Act 2012 to procurement and commissioning practices in delivering wider social, environmental and economic value to a community (society).

b) To explore alternative policies or practices which might allow procurement and commissioning to deliver social, environmental and economic benefits or value to community (society).

**What you will do in this research:** You will be asked several questions. The contents of interview is as outlined in the consent form. I will tape record the interviews and take notes.

**Risks:** No risks are anticipated. You do not have to answer any question which touches on an issue which is sensitive for you.

**Benefits:** This is a chance for you to talk about your experiences and opinions concerning the contribution of the Social Value Act 2012 in delivering wider social, environmental and economic outcomes to communities. Also, to propose alternative approaches which might enable practices which would deliver multiple outcomes to a community.

**Anonymity and Confidentiality:** Your responses to interview questions will be kept confidential and at no time will your actual identity be revealed, as explained in the consent sheet. You will be assigned a random numerical code. The recording will be destroyed at the end of the research. The data you give me will be used only for the thesis I am currently writing and later, in further publications to share with practitioners and academics.

**Participation and withdrawal:** Your participation is completely voluntary, and you may withdraw from the study at any time without penalty until the middle of November 2014. You may withdraw by informing me that you no longer wish to participate (no questions will be asked). You may also skip any question during the interview, but continue to participate in the rest of the study.

**The data storage and retention:** The data storage and retention follows the Code of Practice for Research of the University of Birmingham and guidance from the UK Research Councils. The data shall normally be preserved and accessible for ten years following the completion of the research, within the required confidentiality and anonymity conditions above.

**To Contact the Researcher:** If you have questions or concerns about this research, please contact [REDACTED]  
[REDACTED]  
[REDACTED] You may also contact the faculty members supervising this work: Professor Tony Bovaird [REDACTED] and Mr Ian Briggs [REDACTED].

## Appendix F: Interview consent form

***Title of Research:** The use of procurement and commissioning to deliver community (social) value.*

Please read the following information carefully and indicate whether you consent to participate in this interview:

- This research project is being undertaken by William Jabang, Doctoral Researcher at the Institute of Local Government Studies, School of Government and Society, University of Birmingham, Edgbaston, Birmingham, B15 2TT, United Kingdom. It is funded entirely by the student in pursuit of his academic goals.
- Detailed information about this research is provided in the Participant Information Sheet and the participant is free to ask questions about the research project.
- All personal data such as name, telephone numbers will be treated as personal under the 1998 Data Protection Act, and will not be revealed to people outside the project.
- Participation in this interview is voluntary; participants can withdraw from the study at any time and do not have to give any reasons for why they no longer want to take part.
- Interviews will be recorded by a tape recorder and also the researcher will be taking notes. The recorded information and notes taken during the interview will be transcribed by the researcher and will be stored in a password protected laptop.
- Copies of interview tapes and transcripts will be stored in accordance with the Code of Practice for Research of the University of Birmingham and guidance from the UK Research Councils. The data shall normally be preserved and accessible for ten years following the completion of the research, within the required confidentiality and anonymity conditions above.
- A copy of your interview transcript will be provided, free of charge, on request.
- Interviewee's words or phrases may be quoted in research outputs but in a way which ensures that their identity cannot be discerned.

If you consent to being interviewed, please print and sign your name, and date the form, in the spaces provided.

### **Agreement:**

The nature and purpose of this research have been sufficiently explained and I agree to participate in this study. I understand that I am free to withdraw at any time without incurring any penalty.

Name of interviewee \_\_\_\_\_

Signature of interviewee \_\_\_\_\_ Date \_\_\_\_\_

---

I have explained the project and the implications of being interviewed to the interviewee and I commit myself to following the above terms.

Name of interviewer: William Jabang

Signature of interviewer \_\_\_\_\_ Date \_\_\_\_\_

## Appendix G: Example of terms and conditions used by Authority UA 02 to support delivery of social value

New Terms and Conditions embedded in standard conditions of contract

### 1. Payment of Living Wage

1.1 The Living Wage shall be payable where the Council estimates the annual value of an Order to be issued in a financial year is likely to exceed two hundred thousand pounds (£200,000) or the aggregate value of Orders to be placed under this Contract and/or any other orders, placed under any other contract with the Council is likely to exceed five hundred thousand (£500,000).

### 2 Business Charter and Social Policy

#### 2.1 Contract

The Provider agrees to sign up to the Council's Business Charter for Social Responsibility ("the Charter") as set out in this Appendix 1. The Provider agrees to meet the standards required by the Charter throughout the duration of this Contract.

#### 2.2 Action Plan

In fulfilling its obligations under the Charter, the Provider shall develop and implement, an action plan, approved by the Council. The Provider's action plan shall include sufficient detail as to how the principles of the Charter shall be implemented during the duration of this Contract.

#### 2.3 Annual Statement

The Provider shall provide to the Council on each anniversary date, beginning from the Commencement Date, an annual statement confirming how the principles of the Charter has been implemented or are yet to be implemented.

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