Briefing 1
Introduction to social value

By NAVCA’s Local Commissioning and Procurement Unit

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Social value is of vital importance for NAVCA’s members, since the phrase captures the essence of what voluntary and community sector organisations are about.

Awareness of the concept has been increasing and is focussed on the commissioning of public services: what is valued, how value is created by services and how it is measured. Local support and development organisations are leading the sector in engaging with local partners to articulate, debate and shape what is valued and how such value can be created in local communities and embedded in commissioning.

NAVCA’s Local Commissioning and Procurement Unit are publishing a series of papers on the theme of social value, discussing how it is being thought about and applied in commissioning and procurement policy and practice. This is the first paper in the series and introduces the origins and rise of the concept and the findings from the national pilot programme to apply social value in public services. Thanks to Vic McLaren, who has researched and written this paper.

The theory of Social Value and the rise of ‘Outcomes’ culture

Social Value is a recognition that social outcomes such as stronger communities, improved health and improved environments have a value to society. The Coalition Government has underlined its commitment to creating social value by announcing that the Treasury’s Green Book will be revised to take account of social impact. The prime minister has said ‘We are developing a new test for all policies – that they should demonstrate not just how they help reduce public spending and cut regulation and bureaucracy – but how they create social value too.’

In the past policy makers have had a tendency to claim policy success based on outcomes that were achieved rather than those they actually intended. However, influential think tanks, such as DEMOS and the 2020 Public Services Trust, have argued the case that this approach fails to improve the quality of policy selection, skews the basis of decision-making, and ultimately reduces trust in democratic politics. Essentially, the argument is that without a very clear view of what outcomes are being aimed for, and how much we value them, there can be no consistent way of knowing how to apportion public funds.

It is now clear that public services are facing a period of unprecedented cuts as the economy and the public debt recovers from the post-war period’s greatest economic catastrophe. In the light of increasingly austere budgeting conditions, policy makers from all sides of the political spectrum are keenly focussed on delivering value-for-money in public

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1 The Green Book is HM Treasury guidance for Central Government, setting out a framework for the appraisal and evaluation of all policies, programmes and projects.
services. This has led to growing interest in concepts such as ‘public value’, ‘value added’, and various other socially-derived outcomes measures as an alternative to narrow fiscal interpretations of value-for-money. The voluntary and community sector’s unique selling point has been to deliver exactly this type of wider social value. As potentially key partners in delivering public services the present time is therefore one of unique challenges and opportunities.

The present financial crisis has made it clear to many that unbridled market forces are unable, on their own, to produce the kind of prosperity, civility, and social justice that human beings desire for themselves, their communities and their children. Not only that, but there has been a recognition over the past decade that the hierarchical structures of public bureaucracies were very effective in the mass production of standardised basic public services in the post-war period but are no longer appropriate. Times have changed and they are nowadays often found to be too rigid to respond rapidly to fast-changing and increasingly diverse patterns of need in our present diverse and consumer aware communities. In other words, public bureaucracies are often too remote from the ‘front line’, where tailor-made solutions need to be developed and tested. As citizens no longer want, nor will tolerate, one-size-fits-all public services, Governments need to demonstrate the capacity to join-up policy and service delivery.

One other point worth making, as Geoff Mulgan has pointed out, until the 1990s, internal accounting conventions assumed that public sector productivity never improved. However, in a period of greater public pressure for results and value for money, that position became increasingly untenable. Considerable effort has been expended ever since into working out not just what public interventions cost, but also what value they create, and just as significantly, what value the voluntary and community sector can provide for public commissioners and purchasers.

Towards ‘Public Value’

The idea of Public Value originates in the writings of a Harvard Professor, Mark Moore, during the mid-1990s, and has been subsequently developed and adapted by influential UK academics and public policy commentators such as Professor John Bennington and Geoff Mulgan. The concept of public value recognises that neither the public bureaucratic state nor the private competitive market have proved adequate instruments for responding to many of the complex changes in patterns of need prevalent within contemporary society. Public Value

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2 Chief Executive of The Young Foundation and former Cabinet Office strategic policy adviser
can be defined as firstly, what the public values, and secondly, what adds value to the public sphere. According to Professor Bennington, the notion of public value extends beyond economic considerations. It can also encompass both political and environmental dimensions of value alongside cultural and social facets, with the latter adding value to the public realm by contributing to a range of public benefits. This includes social capital, social cohesion, social relationships, cultural identity, along with individual and community well-being.

It is important to stress the fact that public value is not created by the public sector alone. Public value outcomes can be generated by the private sector, the voluntary and community sector and by informal community networks as well as by governments. Whilst emphasising the importance of a distinctive public realm, public value takes an entirely pragmatic view about who delivers public services. The challenge is to decide whether the private and not-for-profit sectors can effectively deliver public value. Certainly, outcome-based commissioning represents a radical departure from standard commissioning approaches. The latter focus primarily on outputs and the quantity of the service provided rather than towards the impact of these upon service users.

The real challenge for public value is to articulate the distinctive type of value produced by a public-oriented service: one that reconnects public bodies with the public they are there to serve. Public value requires policy or services to be responsive to what is valued by the public, but also to shape what the public needs. It is about managing expectations, not just the delivery of more or better services. It also characterises the public sector client as less a consumer and more a citizen, with the potential for ‘co-production’, in effect a co-collaborator in the achievement of the organisation’s outputs or outcomes. This type of thinking is already prevalent in discussions regarding the fate of the long-term unemployed, since Job Centres cannot achieve their purpose without just such client collaboration. For advocates of public value theory, its greatest potential is at macro level where it can re-direct attention to the critical role that democratic politics and public management can play in helping to shape a sense of common identity and public purpose.

**Theory into Practice: Social Value Commissioning Project**

Unlike ‘public value’, which has been carefully articulated and developed within the context of academic literature, the concept of ‘social value’ has no single authoritative definition. It has mainly been defined within the context of outcomes’ measurement, most obviously within the framework of Social Return On Investment (SROI). However, there has been one significant addition to the literature on social value, in the form
of the final report (2010) of the national Social Value Commissioning Project led by NHS North-West. Here, social value is defined as:

“...[the] additional benefit to the community from a commissioning/procurement process over and above the direct purchasing of goods, services and outcomes”.

The researchers identified a great many positive outcomes during the course of the project evaluation, including the fact that ‘social value’ as defined by the project was already in evidence as part of existing commissioning and procurement processes.

However, the researchers also urged caution against the tendency of commissioners and providers to ‘over-claim social value’. The report, perhaps inadvertently, also highlights the lack of a clear theoretical and methodological base for the concept, along with uncertain application:

“.........[the] unclear policy landscape concerning social value may mean [it] is not easily and readily understood by the rest of the system, and this could hamper wider take up. There is a clear opportunity to clarify this by drawing together all of the various strands of work in this area and embedding this more formally into policy and guidance”

and again:

“...[the] use of social value also fits comfortably within the broader commissioning context, where commissioning includes working in partnership with prospective suppliers to deliver maximum benefits to their specific communities...[but] only by providing a way in which commissioners can make small transitional steps towards the use of more sophisticated tools such as SROI, or social accounting or audit, which converts social value into monetary terms can we start to change the culture and processes of commissioners to think outside of their commissioning ‘silo’”.

So, whilst social value in the context of commissioning remains very much a work-in-progress, the underlying principles would appear to be sound and entirely in synch with enlightened public policy developments. Social value requires commissioners to look beyond the primary outcomes for which services are commissioned to secondary, and potentially, tertiary benefits. Examples cited in the NHS project report for commissioning intentionally for social value-added included:

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• A mental health service which employs people with a history of mental health problems to help deliver the service. The social value of this commissioning process amounted to improved well-being for the latter through enhanced job prospects and reduced social isolation.

• In a re-tendering of a furniture contract for supported accommodation, social value was provided by the contractor establishing a base in a deprived community and employing staff and engaging volunteers from that community.

• A Housing Arm’s-Length Management Organisation contracted a private sector company to undertake repair work on their properties. The successful contractor offered social value in the form of promoting careers in construction and trades to local schools, giving a commitment to employing local apprentices and working in conjunction with local communities.

Beyond the life of the original project there remains a commitment to support the required change in attitude and behaviour within the NHS and amongst partners. This supports the development of a culture in which commissioning and procurement activities and contracting processes reflect wider social, economic and environmental policy aims, including those determined at local level.

Summary & Analysis
The imperative to deliver genuine value-for-money in public services has been a concern for all governments for the past two decades. However, the present economic austerity has amplified the call for organisations in receipt of public monies to demonstrate outcomes rather than outputs. In the case of voluntary and community organisations this also means providing measurable evidence of the ‘value added’ which has been the sector’s USP. Unlike the private sector, which has widely understood metrics like profitability and a stock market with publicly available company performance information, there are no universal standards for measuring and assessing value in the public and voluntary and community sectors. The concept of social value derives partly from the notion of ‘economic value added’, and, with its emphasis on client/citizen co-production, in part from public value theory.

The pioneering Social Value Commissioning Project has thrown up some interesting thoughts and has highlighted confusion over the terminology. Furthermore, valid questions emerged about the relationship between social value, public value, and social capital, and the differences (beyond semantics) between social value and community benefit. NAVCA cannot provide definitive answers to these
questions but welcomes the private members’ bill\(^4\) and the commitment of NHS North-West and its consultant partners (CPC) to undertake further work.

The recent literature on public value highlights a range of issues which affect the whole field of outcomes-measurement and outcomes-based commissioning. Bennington\(^5\) identifies two separate concerns about public value which have broader relevance. Firstly, whether an absolute measure can be derived and whether this can be translated into monetary value (the whole basis of SROI). Secondly, he raises concerns regarding the adequacy of existing performance management frameworks to fully capture what public bodies do and the extent of public involvement in decisions. Mulgan grapples with measurement of public value outcomes, readily acknowledging that better metrics do not by themselves deliver better outcomes. For Mulgan the challenge is to develop a more sophisticated approach to thinking about value by analysing what really matters to the public. He concludes that value is never an objective fact, and in the public sphere is refracted through political argument, and, more specifically, through an interplay of ‘effective demand’ and ‘effective supply’. Measures of value need to be both plausible and comprehensible to the public: “...It’s not enough for a measure to make sense to specialists [by which he means public sector professionals] if it doesn’t help educate the public about choices and... enrich the democratic process, then it’s likely at some point to be rendered irrelevant by raw politics.”

Bennington & Moore helpfully categorise value under three headings; value produced by services (e.g. well maintained roads, clean streets, effective refuse collection); value as outcomes (lower crime or public nuisance, reduced rates of hospital admissions); and value as trust (whether the priorities of government both national and local are perceived as just and fair). Voluntary and community sector organisations, and particularly local support and development organisations, have the ability to influence all three of these through effective voice, developing the narrative, campaigning, and direct delivery. As Government and influential think tanks, such as the Centre for Social Justice, begin the process of examining how all government spending programmes can be assessed in terms of their social outcomes, NAVCA and its members will need to use all the tools available to better demonstrate their contribution to social value added. This means using their influence to improve commissioning and

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\(^4\) The Public Services (Social Enterprise and Social Value) Bill 2010-11

procurement by working towards embedding social value principles into practice.

**Further Reading**

**Outcomes**


**Value**


SROI & Social Impact


Commissioning & Procurement


Office of Government Commerce: Buy & Make a Difference- How to address Social Issues in Public Procurement. (Undated)


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