

# SOCIAL VALUE IN GOVERNMENT PROCUREMENT – SUBMISSION TO CABINET OFFICE CONSULTATION



## Written Evidence Submitted by the British Property Federation

### British Property Federation

The BPF represents the real estate sector – an industry that contributes significantly to the UK economy. We promote the interests of those with a stake in the UK’s built environment to government, and our membership comprises a broad range of real estate owners, managers, developers and supporters. Their investments help drive the UK’s economic success; provide essential infrastructure and improve society by creating great places where people can live and work.

### Top-line comments

The BPF has explored the topic of social value with our members in numerous forms in recent months and years. Increasingly our members are emphasising the social value that can be provided through development projects and its importance in delivering sustainable places and communities. One of the key aspects of the discussions and debates that we have facilitated is the increased role that social value indicators can and should play in the award of procured contracts. This must however be carefully balanced against the potential unintended consequence of increasing barriers for SME bidders. Equally central to this approach is to ensure and promote the quality of social value output over mere quantity. The publication of this consultation is therefore timely, and we welcome the opportunity to respond accordingly.

We would also take this opportunity to note that we submitted relevant representations to the recent MHCLG consultation *Planning reform: supporting the high street and increasing the delivery of new homes*. Notably, this consultation requested views on proposals to increase or abolish the threshold for the disposal of surplus land at less than best consideration by local authorities. In responding to these proposals we emphasised that we support the raising or abolition of the threshold. However, at the heart of the issue is a need to assist local authorities and public bodies in moving away from a culture of procuring for highest financial return/greatest savings value, with lowest legal risk, to a system of assessing options based on wider social value, community value, and longer-term sustainability. Further detail and our full response to this separate consultation can be seen [here](#).

We note that the consultation states that the intention is to impose a mandatory obligation on “*central government bodies*”. However later in the consultation it is stated that the policy approach would be mandated for “*central, government departments, their executive agencies and non-departmental public bodies*”. We have interpreted this to mean that the policy would be mandatory for all bodies listed in Schedule 1 of the Public Contracts Regulations 2015, rather than as an indication that all bodies governed by public law may be subject to these rules.

Notwithstanding this point of clarification, as the policy may be voluntarily adopted by any contracting authority, our comments apply to the use of social value criteria more generally.

Provided below are representations relating to questions 1, 2, and 3 of the *Social Value in Government Procurement* consultation.

**BPF Comments relating to the questions within the consultation on Social Value in Government Procurement**

*Q1 - Do you agree with the proposed policy metrics in the model in the attached annex? Do you have examples of such metrics being successfully used in public procurement?*

**General**

1. We support the government's intent to imbed social value into not only its own procurement activities, but into the working methods of businesses across the UK. By highlighting the importance of value beyond financial returns and by taking better account of the social benefits of its outsourced projects the government can play a significant role in driving cultural change.

We also support the associated ambition to level the playing field for all types of businesses, and would encourage government to ensure that any measures implemented as a result of this consultation are fully informed by the respective businesses and do not create additional barriers to entry for SMEs and typically less well-resourced organisations.

2. We have received representations highlighting the complexity of defining 'social value' and the associated importance of correct/robust measurement of outcomes. This is to say that the causes of positive social impact can not always be easily attributed, and often quantitative data does not tell the true story of 'local impact'. Taking environmental impact as an example, this is a difficult outcome to qualify, as the reduction in one environmental impact could lead to an increase in another. Equally, the proposed policy metric "number and type of initiatives to reduce environmental impacts" is unlikely to provide a test of true value. A policy metric of this kind may also have the effect of benefitting larger bidders who have a greater capacity to deliver a high 'number' and varied 'type' of initiative. Careful thought must therefore be given to not only the metrics themselves but to the testing of outcomes after projects are completed. This is to say that there should be a feedback loop of assessment that informs future metrics and procurement guidelines to ensure that lessons are learnt from impacts on the ground. To this effect a programme of initial piloting might assist the future development of the evaluation model.

Further, a point of importance for the proper functioning of the procurement process is a need to enable fair, clear, and transparent assessment of all tender responses received. This will ensure that proposals are deliverable and the procurement exercise is a valuable process.

3. Related to comments we have made later in this submission, the metrics used within the evaluation model must consider the associated burden on bidders. Consideration must be given to whether the proposed model will easily transpose onto existing models or whether bidders will need to tailor and adapt their procurement approaches accordingly. Similarly, if the new model leads to additional requirements rather than simplifying or providing more clarity, SMEs may be disincentivised to bid.
4. The ultimate goal, we believe, of a greater focus on delivering social benefit, is to ensure that government activity and projects of all scales play a greater role in delivering positive outcomes to the communities that are served by the contracting authorities. To this end it may be advisable to measure the policy metrics in relation to the significant societal issues relevant to the local area that is subject to a given project. Guidance for the evaluator should include priority social issues of a given local area, issues that should be communicated to bidders in advance. This may not be applicable for all contracts, particularly those that are pan-regional or national, however the emphasis where possible should be on local need and subsequent delivery. Monitoring and justifying outcomes in terms of a project's actual impact on a population provides

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the important benefit of greater legitimacy for political and departmental spending decisions into the future.

Building on this, communicating the desired social value outcomes to bidders in advance will be an important consideration in ensuring a level playing field and that the information they provide is relevant and proportionate to the contract in question. Close collaboration between central government and the respective local authorities will be important to this effect.

5. Further, in relation to delivery, we would strongly encourage contracting bodies or relevant public sector authorities to follow-up to ensure that contracts are delivered and delivered to the stated requirements. As with much implementation of policy, the enforcement is a crucial element.
6. Whilst the framework/model proposed has its merits and represents a positive step towards embedding social value in procurement practices, as well as providing clarity and consistency for bidders across government agencies and localities, we would warn against a one size fits all approach. Due to the diversity of projects for which the model will apply, the weighting of metrics will need to be carefully considered and therefore the evaluation model will need to be accompanied by the appropriate training for users. It is therefore encouraging to see that the consultation document references the training that will be provided for all 4000 commercial buyers within government. The benefit of a standard evaluation model is acknowledged, in that it will likely generate greater levels of buy-in and adoption, however respective flexibility will be needed to enable innovation in this field.
7. It will be necessary to ensure that any method for measuring and evaluating social value is applicable across a range of procurement types, this is to say that the metrics and timescales may not for example be the same across the provision of services and the delivery of infrastructure/buildings.

### **Metric specific comments**

#### *Environmental Sustainability*

8. Given the significant role that decarbonisation and environmental sustainability will play in any future economic output and/or growth in the UK, we are pleased to see the relevant metric included, however the evaluation model may offer an opportunity to strengthen the expectations placed on suppliers, and in turn help to facilitate a more environmentally friendly business culture by emphasising the role of environmental gain as opposed to evidence of reduction in environmental impact.
9. As mentioned elsewhere in this submission, there must be a focus on the quality of the output delivered, above the number of initiatives. This is particularly acute for environmental sustainability by which certain single measures can have a significantly greater impact than numerous tokenistic actions. We would also be concerned that other evaluation metrics such as number of apprenticeships created, may be favoured by contracting authorities over environmental metrics that may be harder to measure. Additional guidance on how various environmental metrics should be evaluated by those assessing tender responses may therefore be helpful.

#### *Skills & Employment*

10. The proposed policy metrics should be measured in relation to identified local social issues (where appropriate and applicable to the type of contract), as employment and skills pressures can vary significantly from community to community.

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### ***Q2 - Do you agree that the proposed minimum 10% weighting for evaluating social value in the bid is appropriate?***

11. We appreciate the delicate balance that must be struck between driving social value and ensuring that government procurement first and foremost 'achieves the best commercial outcomes.' We also welcome the acknowledgement that 'to not maximise social value represents a missed opportunity', a missed opportunity that will lead to costs being absorbed elsewhere in the realm of public services. For instance, it is documented that better employment opportunities and higher environmental standards have a positive impact on health and wellbeing, in turn reducing pressures on the health and social care system. The proposed 10% weighting may however be interpreted as an indication of ambition.
12. We have received representations that the proposed 10% weighting is too low and that it may not lead to the cultural shift that the respective policy is trying to achieve. With this level of weighting it would be expected (acknowledging our comments above) that decisions will still too often be driven solely by 'achieving the best commercial outcomes'. Whilst a balance clearly needs to be struck, if the aspiration is for social value to become a key factor in project delivery, careful thought must be given to how prominent the associated metrics become to ensure they remain both relevant and proportionate to the contract opportunity in question. There may be scope to accept 10% as a target for smaller, lower-value contracts, whilst higher weighting is attributed to larger more strategic contracts/projects. Thought might also be given to applying non-negotiable minimum standards to address areas of greatest need for a given project rather than applying a weighting.

### ***Q3 - Does the proposed approach risk creating any barriers to particular sizes or types of bidders, including SMEs or VCSEs? How might these risks be mitigated?***

13. In short, we believe there is some risk of creating barriers for, in particular, smaller companies through the proposed model and associated policy metrics. The burden of reporting as well as resources required for the upfront bid process can already pose challenges for SMEs and MEs. Some of the policy metrics proposed for the evaluation model would typically require SMEs or MEs to commit additional time and resource to reporting and highlighting related data, whilst larger bidders would already collect and be in possession of the required data. We would note however that larger bidding organisations may require sufficient time during the bidding process to receive internal board commitment for proposals, a process that may require additional resource or funding. Larger organisations may also be subject to more stringent internal sign-off processes.
14. We have received representations that smaller businesses in the development sector at times avoid entering public procurement processes due to the high bid costs involved, lengthy bid processes, and greater chance of non-delivery due to factors such as political change or lack of sufficient resource in the contacting authority. A level of certainty in delivery is a key driving factor in decisions taken by developers and real estate practitioners. This does not preclude a focus on social value as a determinant of winning bids, rather to suggest that the proposed evaluation model should be considered in the context of whether it results in net additional obligations for bidders.

Should you require any further information on any aspect of this submission please contact Alex Green (Assistant Director), on either [agreen@bpf.org.uk](mailto:agreen@bpf.org.uk), or 020 7802 0107.