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Cabinet Office

Sent via email - Domestic-policy-queries@cabinetoffice.gov.uk

Re: Social value in government procurement consultation

1. Introduction

- 1.1. Community Leisure UK welcomes and values the Cabinet Office's consideration and consultation on social value in the award of central government contracts. This is a critical and constructive piece of work to review social value across government contracts.
- 1.2. We value the opportunity to submit a consultation response, as we are gravely concerned about the state of public service procurement practice. Our concerns are in regard to the longer term, damaging impact of current practice on communities and generations to come. The methods and behaviours displayed in procurement/re-procurement practice and the resulting contracts created (in public leisure) are damaging public services and their deliverers.
- 1.3. We provide a collective response on behalf of member leisure and culture trusts to the open consultation.
- 1.4. By way of brief introduction, Community Leisure UK is the trade association that represents the largest collective of public leisure and culture services in the UK. Trusts are key anchor institutions in their place, contributing significantly, as public service providers should, to the local strategic, economic and community needs. All members are either registered charities, societies or community interest companies; importantly all reinvest their surpluses into those community services and facilities.
- 1.5. Our 110 members collectively deliver 45% of public leisure provision in England and Wales (compared to c. 20% delivered by local authorities). Their reach into communities is vast, they operate over 3,700 services and facilities, employ over 67,000 staff across the UK and have a combined turnover of c. £1.6bn.
- 1.6. The majority of our members, but not all, have contracts with local government for the delivery of their public leisure services in its broadest sense. Increasingly across public cultural services too. We are keen to note – and this will be reflected within our responses – that although members have contractual relationships at a local government level, these procurement experiences, challenges and opportunities reflect at government level, and vice versa.
- 1.7. For example, the collapse of Carilion's contracts with government has rippled to a local level where public service contracts in leisure are being awarded on short-termism, lowest cost / highest bidder basis, where the margins (like Carilion) are being squeezed to a low breaking point.
- 1.8. This issue is being compounded by local authorities needing / being advised to be more commercial, drive efficiencies, bring services back in-house ('insourcing') and manage services on their diminishing

core grant. The challenges, pressures and advice given are significant to navigate, while the need for services is increasing right across the life course.

- 1.9. Ultimately, these pressures are driving contract decisions to be awarded on cost, where quality considerations are often marginalised and, importantly, social value is poorly considered and sometimes not even included.
- 1.10. Community Leisure UK wholeheartedly agrees that “*public services should be delivered with values at their heart*” (Cabinet Office consultation document). Truly accounting for, championing, and embedding social value at government level is one tool to actualise this belief. Yet trust’s / SME’s / VCSE’s abilities to bid for or be awarded public leisure and culture contracts is being seriously eroded – because of the decisions being made on highest bid or cheapest cost. This does not marry with the values of the trust model.
- 1.11. The founding questions before every procurement process and contract creation should be:
 - 1.11.1. *what do we (the commissioner) need from those services?*
 - 1.11.2. *what is the purpose of those services?*
 - 1.11.3. *what outcomes are we trying to achieve?* and
 - 1.11.4. *who should those services be for?*
- 1.12. We believe that only once those questions are answered, should a procurement process begin.

2. Consultation questions

Question 1: 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?

- 2.1. We believe that social value is about delivering wider social, economic and environmental benefits and outcomes for the ‘place’. Ultimately this place means people and communities, securing more or maintaining these benefits and outcomes for the area or stakeholders.
- 2.2. In our view, the proposed policy metrics in the main, do not address the benefits as much as they could in terms of the social benefits. The Policy Outcome ‘Ensuring businesses in the supply chain encourage more cohesive communities’ starts to discuss some of the social value benefits, but it does not go far enough.
- 2.3. For social value to be genuinely accepted and respected by procurement officers / buyers / commissioners, the metrics need to ensure that they are not achieved by merely ticking a box or by just being a responsible organisation. The metrics need to really get at the heart of the organisation, their culture and values.
- 2.4. We are seeing shifts in contractual behaviour in small number – where the contracts and procurement processes and metrics are designed on local, strategic outcomes and need. Yet this is in no way the norm.
- 2.5. Recent example of contracts put out to procurement or draft procurement specifications are detailed below. They have been made anonymous as not all information is in the public domain.
- 2.6. A large park authority in the south, recently procured a contract for their leisure services (value £10m for 10 years). The specification weighted 70% quality and 30% cost. Example metrics in

the specification included *'provide your planned approach to delivering health and wellbeing including physical activity interventions aimed the vulnerable or those at risk of developing health problems'*, and *'where you have used sport, physical activity and learning development within the core programme to improve social values, and how you will imbed some of this learning and best practice within the life of this contact?'*. Other local authorities have included *'X number of volunteer hours to be achieved within the contract'*, because the impact of volunteering upon individual's wellbeing and improved community outcomes are well evidenced.

- 2.7. An example from the north east where the local authority and community leisure trust are re-designing the contractual arrangements to truly focus on the social, environmental and economic benefits most needed. For example, the contract includes metrics on *'post natal women from top 20% LSOA's accessing physical activity opportunities'*, *'quality adjusted life years gained through interventions'*, *'people accessing walking for health programme from rural areas'*, and *'looked after children accessing services'* etc. These are metrics based on local strategic needs applied through the leisure contract.
- 2.8. Directors of Children, Adult and Public Health services are working with their leisure trust partner in the north west to align, future proof and secure the health and social outcomes for their locality. They have co-created an outcomes framework which will co-exist with their extended leisure contract to help secure the trust's future and importantly, the health and social outcomes the locality needs. For example, the framework to sit alongside and be legally linked to the contract, include: *'Supported services participants (%) reporting improved quality of life'*, *'young people (number) completing alternative education at risk of exclusion, who are supported back into mainstream education'* and *'looked after children accessing services (number)'*.
- 2.9. The examples noted above get to the core of the organisation, their value system and beliefs. Ultimately their purpose. The examples are not outcomes that can be given tick box answers. These examples could be replicated and promoted, therefore helping to create the much-required shift from cost & output-based procurement, to cost effective & social outcome-based procurement.

2.10 Contained within the annex

2.10.1 We do not consider 'Safe and Secure Supply Chains' to relate to social value. With regards to 'Ensuring cyber security risks are reduced', this is about being a prudent and viable organisation, and not social value.

2.10.2 Equally we do not consider 'modern slavery risks are reduced' as social value. The Modern Slavery Act is legislative and should not be considered as providing social value. Reducing the risks of modern slavery is of course vital, but not in a social value context.

2.11 In our view, social value within the agreed contractual arrangements needs periodic reassessment. If contacts are awarded for longer periods of time, what a commissioner may deem important at the point of contract agreement may change as the contract term progresses. The needs of the place may have changed, therefore flexible re-negotiation should be a fundamental requirement of any contract.

Question 2: Do you agree that the proposed minimum 10% weighting for evaluating social value in the bid is appropriate?

2.12 We do not agree that the proposed minimum weighting should be 10%.

2.13 At this initial stage of weighting social value in government contracts our view is that 25% weighting is the minimum. However, if we are truly committed to delivering greater social, environmental and economic benefits for places now and in the future, then the majority of the contract weighting should be on social value.

Question 3: 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?

2.14 We believe that although our members are not involved in central government contracts, our experiences in relation to barriers to procurement is important to share.

2.15 The risk of the proposed approach lies in the issue of no change happening or the minimum weighting is so low, and therefore considered insignificant and unimportant by commissioners. We believe this is the greatest risk to SMEs and the VCSE sectors. The weighting must be significant enough to be considered meaningful and instrumental in decision making and awarding of public contracts.

2.16 There is a balance to be struck between creating contracts for open procurement that are rigorous, lawful and measurable, but are not overwhelming and overly complex, therefore meaning SMEs and VCSEs are prohibited from bidding by a lack of capacity and resource.

2.17 There is a risk associated with large profit distributing organisations having professional bid writing teams who churn out standardised procurement submissions, as they understand and articulate the language of social value and can 'spin' their social value impact. The barrier to overcome here, is their appearance to deliver social value because they can 'talk the talk'. Therefore, the metrics must get to the core of the organisation, their knowledge of and care for the place where the contract is based. Any organisation (SME, VCSE or profit distributing) who is successful in gaining the contract must demonstrate the actual commitment to social value, not a spun standard approach. Equally the successful organisation should be able to then clearly identify and publicly report on the social value impact that they have made as the contract progresses.

2.18 To support this risk, there could be the introduction of another mechanism whereby the procuring organisation considers the founding questions (noted in 1.11). The answers to those questions then drives a decision on a preferred partner based on their shared purpose, value proposition, and beliefs i.e. a non-profit distributing charitable partner, or a profit-distributing commercial partner. This choice of preferred partner could then lead to an appropriate level of evaluation within the contract specification and present a balanced range of outcomes across social value, effective cost and quality. This may enable some flexibility within the procurement and contract to ensure SMEs and VCSEs are able to bid on a level playing field and with shared values with the procuring organisation or decide not to bid.

2.19 We welcome the government's commitment to training all their commercial buyers on procurement design to deliver social value effectively and efficiently. Capacity and awareness building is important.

2.20 We would also welcome a commitment to develop appropriate social value training on awareness and measurement for key public service sectors. At present measures are inconsistent and the concept as a whole is not widely understood by both commissioners and delivery organisations.

2.21 To help reduce risks by upskilling and awareness raising of government staff, is there scope to involve SMEs and VCSE representative bodies in designing the training, and / or provide a group where buyers can discuss with SMEs and VCSE organisations, ask questions etc in a safe space? Having those organisations with the on the ground experiences of procurement and contracts balanced with delivering the services, would certainly support risk reduction at the outset rather than retrospectively.

2.22 Training and awareness raising must include consultants who advise on or support procurement practice on public services. We have seen consultants (in public leisure) who - wrongly in our view - have significant sway on decision making. Yet in instances and reports we have seen their understanding, analysis, conclusions and therefore recommendations on organisations to award the contract to – is inaccurate and does not properly assess or portray social value and outcomes. Leisure consultants are frequently unable to distinguish between a commercial model where charity and social value is 'spun', and a genuine SME or VCSE where social value is at the core of the organisation.

Question 4: How can we ensure government's existing procurement policy mandates (for example on levelling the playing field for SMEs) take precedence in designing the procurement?

2.23 Fundamentally, if contracts are weighted significantly (as we suggest initially 25% minimum) for social value, then this helps to level the playing field that SMEs and VCSEs are seeking. This level playing field is about rebalancing cost & output based contracts (favouring those large and profit distributing organisations who can take the risk, write the bid, offer supposed efficiencies through scale, reduce the margins, cut the non-profit making services etc), with cost effective & outcomes based contracts (enabling those who are place focused, values driven, care about public service, potentially smaller organisations etc). Embedding social value in government (and hopefully local government) contracts provides a significant mechanism by which to start addressing this imbalance.

2.24 Equally we propose that levelling the playing field for SME's and VCSE sector should be considered in all aspects of procurement, especially around the measures used to assess financial resilience. Often these are an impossible first hurdle for smaller organisations, and ultimately can penalise them. These SMEs and VCSE's have a strategic purpose of reinvesting its surpluses rather than generating large reserves or having a diverse contract portfolio at a national level.

3. Final remarks

3.1 The public leisure and culture sector needs government to lead on this agenda. This Cabinet Office consultation and hopeful implementation, affords government with a significant opportunity to truly include, embed and prioritise social value within public service contracts. Equally important is the potential to effect change at a local government level.

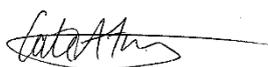
3.2 Ultimately, we are concerned that if public services (so often delivered and sustained by the civil society sector) continue to be re-procured based on cost & outputs – there will be a significant reduction in SMEs and VCSEs delivering those services. Meaning significantly reduced social outcomes being achieved. Instead there will be large, for-profit organisations delivering, where those services will only be for a limited

demographic who can afford to pay or engage, because they are the cheapest to engage / can pay the most, and do not need support, subsidy or intervention.

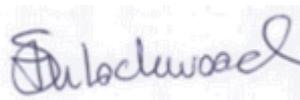
3.3 It does not have to come to that. Instead, if social value was truly accounted for by government, this modelling would undoubtedly support the development of social value being properly weighted and embedded within procurement specifications and therefore valued by others. There could be a thriving array of sustainable civil society public service providers who prioritise building resilient communities, involve people, contribute to the local economy, and truly support service integration across the locality.

Thank you for your time and consideration. We look forward to the conclusions of the consultation. If we can provide any further information or perspectives, or if you have any questions please do contact Cate Atwater on the email or telephone below.

Yours faithfully,



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