

Social value in procurement

The Public Services (Social Value) Act 2012 extends public bodies' thinking beyond the financial costs of a contract and makes them evaluate how the services they procure might improve the economic, social and environment wellbeing of an area.

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The Public Services (Social Value) Act 2012 extends public bodies' thinking beyond the financial costs of a contract and makes them evaluate how the services they procure might improve the economic, social and environment wellbeing of an area. People's lives are affected daily by the goods and services that public bodies procure and the underlying aim of the Act is to maximise the positive outcomes of the procured services rather than focus solely on minimising the cost.

The Act applies to contracts which are valued over the EU Procurement thresholds as set in the Public Contracts Regulations 2015 and therefore, does not apply to:

- Mixed service contracts where services are of less value to the main purpose of the contract;
- Contracts awarded by a call off framework; and,
- Contract below the EU thresholds.

However, for those relevant contracts, the Act asks the contracting authorities to consider the wider benefits which could be built into the service specifications or as part of the wider contractual agreement. This is done by considering a proportionate and relevant social value in relation to the services that are commissioned, and the local authority must take reasonable steps to adapt additional benefits throughout the delivery of a service.

As public funds are decreasing this often means there is pressure on local authorities to obtain services from the cheapest supplier which can mean a reduction in the quality of services. However, when incorporating the requirements of the Social Value Act, these benefits create a positive medium to longer term outcome in a cost and resource-efficient way. For example, by employing unemployed residents for a service this allows people to be taken off benefits and into paid employment. The challenges of adapting social value into contractual arrangements is often that social value is difficult to quantify and so, despite the long-term benefits to local communities, the 'value' of social value is still unknown.

The Act's criteria also allows alternative providers like voluntary organisations, community groups and social enterprises to bid for services which would otherwise be dominated by larger organisations and by increasing the competition in bids, local authorities benefit from better value for money and innovative ideas. Currently, suppliers often incorporate social value in the tendering process without appreciating it. With more awareness of the wider benefits of social value in both councils and suppliers, the potential of social value could be further increased and advertised.

Social value benefits should be seen as a necessary requirement in all procurements to maximise the potential of a small budget and reap the benefits of smaller organisations in the local communities. The Social Value Act allows the councils to improve the economic, social and environment welfare in the area and so, the benefits can be designed specifically to help the area in need.

If you would like to discuss any of the issues raised in this article please contact [Peter Ware](#).

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