

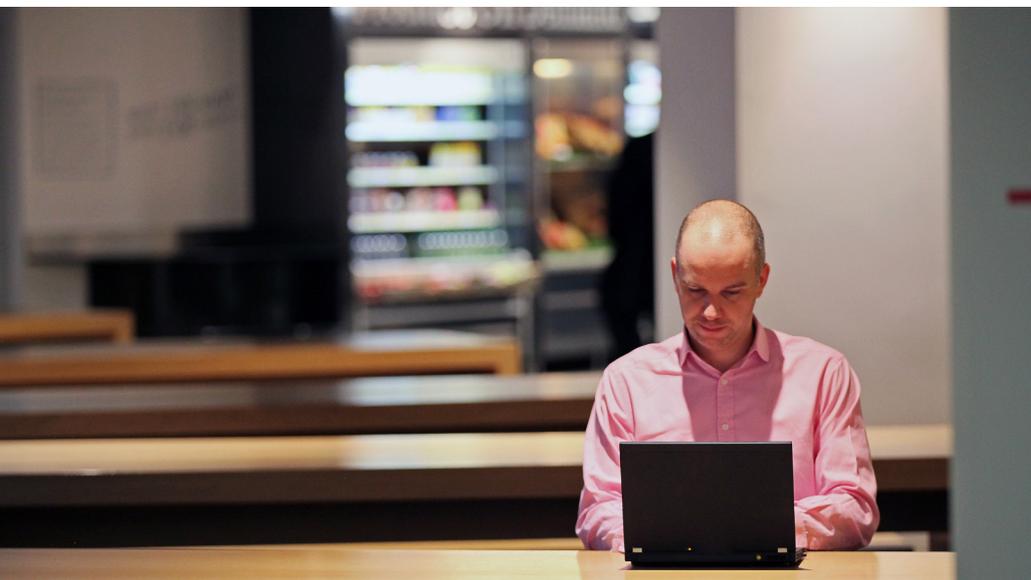
# Proportionality standards

June 2015

**SOCIAL  
ENTERPRISE  
UK**



# Social value



Social value has been recognised by Government as a key component for the fair and equitable procurement of contracts<sup>1</sup> and as a viable and effective means of delivering social benefits to communities.

The Public Services (Social Value) Act ('the Act')<sup>2</sup> was passed at the end of February 2012 and became law on the 31st January 2013. Under the Act, for the first time, all public bodies in England and Wales are required to consider how the (revenue) services they commission and procure might improve the economic, social and environmental well-being of their area. The current financial threshold at which the Act applies is €134k or c. £95k<sup>3</sup>.

Lord Young's recent review noted that – where it has been taken up – the Act has had a positive impact to date.

His review also noted, however, that there remains: '**mixed awareness and take-up of the Act, [with] Local Authorities and Housing Associations leading the way ahead of central government and health commissioners, [but that] the extent or depth of take-up varies [with] many commissioners considering social value but far fewer having a fully developed strategy or policy in place**'<sup>4</sup>.

Our previous 2014 analysis<sup>5</sup> – across 77 local authorities and 123 housing associations – echoed this conclusion. As a reflection of the potential benefits of embedding social value in the procurement and subsequent operation of housing and related services our findings suggested that:

- **Social value can deliver both cost savings and better services:** more than half of respondents (52%) said delivering social value leads to cost savings and more than two-thirds said it led to: '**better service delivery**' (71%) and: '**opportunities for innovation**' (70%);
- **Social value improves external relationships:** 82% of those surveyed reported that delivering social value had led to an: '**improved image of their organisation**', while 78% said it had led to: '**better community relations**'; and
- **Measurement improves with clarity of purpose:** 37% have a written social value policy – these respondents were also far more likely to have a method for measuring social value.

<sup>1</sup> Open public services: white paper: Cabinet Office, 2011.

<sup>2</sup> Public Services (Social Value) Act: Her Majesty's Stationary Office (HMSO), 2010.

<sup>3</sup> Social Value Act Review: Cabinet Office, 2015.

<sup>4</sup> Ibid.

<sup>5</sup> "Communities Count: the Four Steps to Unlocking Social Value" Social Enterprise UK, 2014.

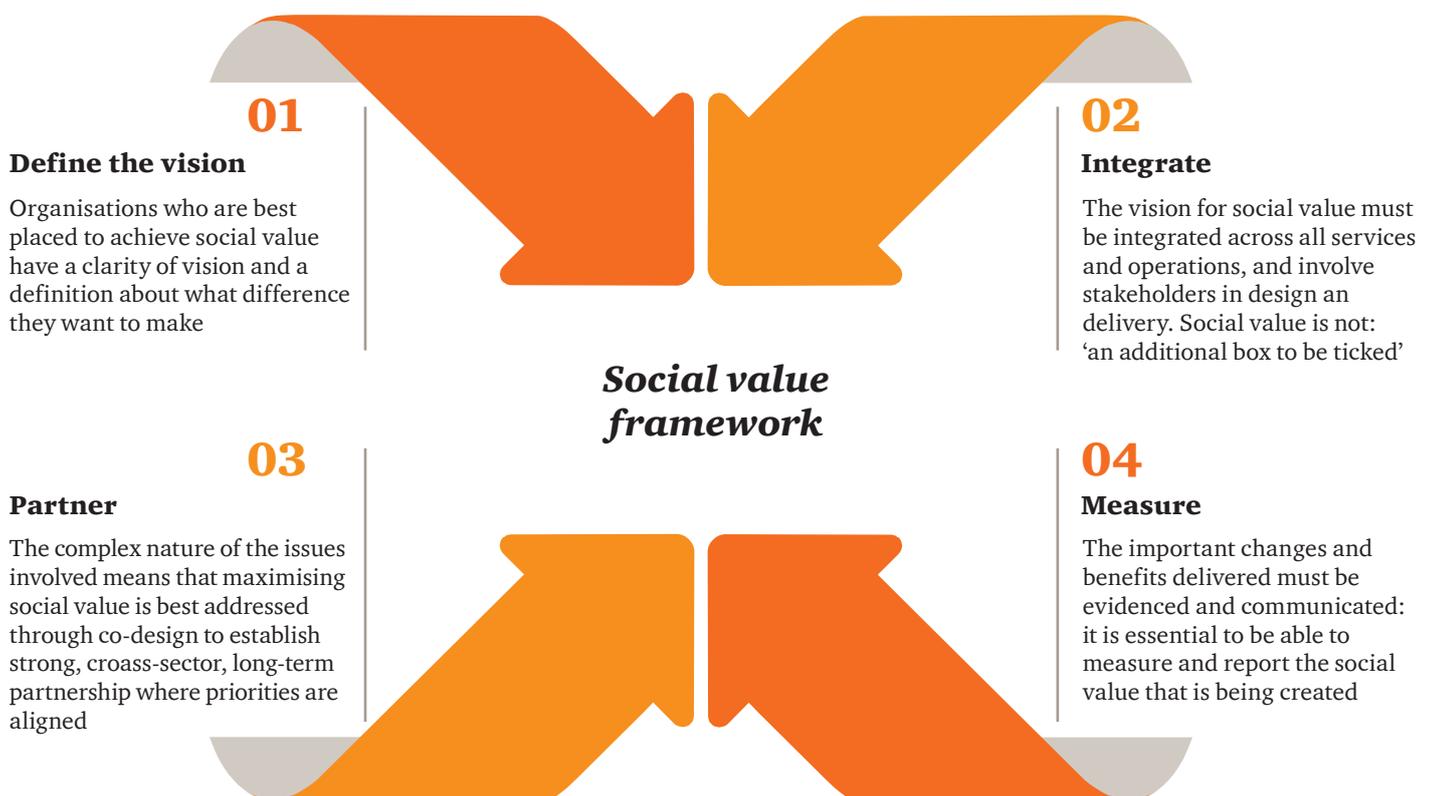
# Social value framework

We concluded, as illustrated in Figure One below that, in terms of best practice there are four steps to embedding social value within any organisation operations (whether commissioners or providers) – clarity of what you are seeking to achieve, integrating this purpose within all service lines, considering how best to co-design and partner with others in delivery and measuring what you do to determine whether you are generating the impacts you set out to.

Adopting these steps has internal and external benefits:

- **Internally** in terms of effective management and understanding of what works and what does not through better monitoring and evaluation of activities and impacts, tracking performance and making operational changes as necessary and, ultimately, more effective management of resources against organisational objectives; and
- **Externally** including accountability to funders and customers, increased transparency to all stakeholders, influencing new stakeholders/potential funders and policymakers and securing contracts and investment (that in the absence of evidence of social value are both less likely).

Figure one: Basis for a social value framework



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# Proportionality

While recognising these benefits our analysis also identified measurement as one of the key areas of challenge both in terms of what and how to measure. In particular providers and commissioners alike identified proportionality as a key issue i.e. what should be the level of resources expended on measuring the impacts and value of services. This is a critical area for several reasons:

- Achieving **maximum social value** from a contract should not be materially reduced by diverting resources away from delivery at the frontline;
- Both providers and commissioners are working with **strained resources**;
- If measurement requirements become complex or burdensome they may favour larger scale providers (of any sector) with the **capacity to respond** to these; and
- Measurement of social value needs to be **meaningful**, credible, and evaluated over the course of a contract.

Given these factors we have outlined, in Figure Two overleaf, a decision tree that sets out some suggested proportionality standards in relation to the:

- Relative size of the contract (as detailed at Annex One) – on the grounds that in some cases (although as recognised by the next two below not all) the level of measurement and evidence required needs to be proportionate to the resources and funding of any given project or programme<sup>6</sup>.

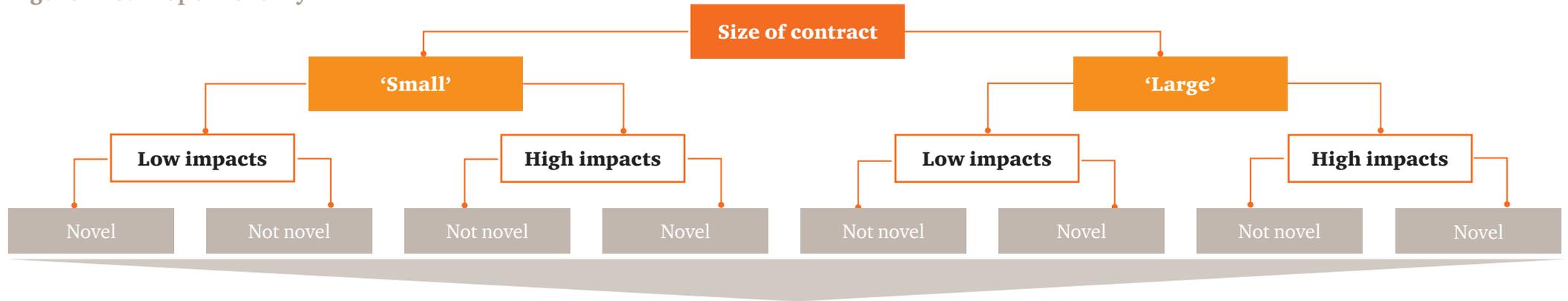
- **‘Novel or Contentious’** nature of the programme, project or services being considered – which might dictate that the level of resources involved in evaluation, and the regularity of reporting, requires to be a significant proportion of any contract (or a separate and higher absolute level of funding required than standard contracts) because:
  - A proposed approach has never been adopted before;
  - Payment (in part or whole) is dependent on demonstrating (net) impacts<sup>7</sup>;
  - The risks of failure could be severe (either to beneficiaries or reputational to commissioners and provider or both); and
  - Detailed evaluation can be used to inform (and demonstrate to) others the efficiency of a given service (and rolled out accordingly).
- Potential levels of economic, environmental and social impacts likely to be generated – in a similar way to the previous criteria there may not be a direct relationship between the size of the contract and the levels of impact anticipated and, consequently, the anticipated levels and types of impacts likely to be generated should also play a part in decisions about measurement protocols<sup>8</sup>.

<sup>6</sup> In our experience of various Government Agencies in the UK monitoring and evaluation (often as part of a contract and using independent evaluators) is typically within the range of 2% to 5% of a contract value. This can be significantly greater, however, for example in relation to contracts under Payment by Results approaches.

<sup>7</sup> In using the term “net” impact we are assuming that the evaluation will consider what might have happened in the absence of the new service, project or programme and, therefore, some level of attribution can be assigned to whether any changes in outcomes and impacts are likely to have resulted because of activities of the provider.

<sup>8</sup> For example the economic impacts of most construction or other standard service provision are likely to be neutral (across service providers) in terms of employment secured and may, therefore, not require any or minimal measurement. Distinctions might, however, be made at procurement stages if such employment is targeted differently by providers at locally unemployed who are unlikely to secure work elsewhere. Evidence (and the benefits of such targeting) would then be required to demonstrate the social impacts of each services. In other cases the length of time between activities and impacts may suggest more robust measurement protocols may be required. For example service interventions for primary school children aimed at improved outcomes in adulthood may require on-going monitoring over 5 to 10 years to capture the linkages between an initial ‘intervention’ and short, medium and longer term impacts

Figure two: Proportionality



**Evidence**

Commonly agreed (qualitative) theory of change and how any social value might be captured by outcome or indirect measure(s) in most cost efficient manner	Qualitative and quantitative theory of change, baseline and agreed approach to the measurement of any social value and key risks to a level and degree of detail sufficient to provide (transparent) evidence of attribution and minimise any potential negative effects	Qualitative and quantitative theory of change, baseline and agreed approaches to primary research identifying net impacts for key beneficiaries of services and potential to 'design' these into contractual negotiations and payment by results in relation to efficiency and cost savings	Qualitative and quantitative theory of change, baseline and agreed approaches to research and risk management – including primary, secondary research, third party auditing and potential use of control groups – to identify on a regular rolling basis all net impacts, cost savings and efficiencies that can be attributed to individual service activities	Commonly agreed (qualitative) theory of change and how any social value might be captured by outcome or indirect measure(s) in most cost efficient manner	Qualitative and quantitative theory of change, baseline and agreed approach to the measurement of any social value and key risks to a level and degree of detail sufficient to provide (transparent) evidence of attribution and minimise any potential negative effects	Qualitative and quantitative theory of change, baseline and agreed approaches to research and risk – management including external and peer reviews, auditing and due diligence, industry kite marks/ benchmarking, contract groups, beneficiary surveys and secondary research to identify on a regular and potentially long term basis all net impacts (economic, environmental and social), cost savings and efficiencies attributable to individual service/ project/programme activities	Qualitative and quantitative theory of change, baseline and agreed approaches to research and risk management – including primary, secondary research, third party auditing and potential use of control groups – to identify on a regular rolling basis all net impacts, cost savings and efficiencies that can be attributed to individual service activities
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# *Annex one*

Table one: Typical contract sizes

	Level	Type of work	Contract range £(p/a)
<b>Small contracts</b>	1	Early-stage innovation, tests & pilots, small-scale new ideas	£0 – 10,000
	2	Low-risk, proven relatively small scale interventions services	10,000 – 50,000
	3	Medium-sized programmes/contracts with transformation occurring over time	50,000 – 500,000
<b>Large contracts</b>	4	Larger programmes, particularly those tackling complex societal problems	100,000 – 1m
	5	Significant scale programmes, probably multi-year and high profile	500,000 – 10m+

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