

White Paper

Social Value in Public Procurement – Not in Isolation

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Executive summary

Government in the UK and around the world is committed, more now than ever, to ensuring additional value can be realized for the resident population through the execution of business as usual procurement at a strategic level. Social Value or Community Benefits (the terminology varies depending on locality) is arguably the highest profile example of this.

Whilst procuring organizations recognize the need to deliver on commitments, encouraged by the various legislation in this field, there remains the need to carefully consider the core concerns of the service or solution being purchased. The ramifications of an ill-planned procurement process haven't gone away, regardless of great intentions to maximize the positive impact on society.

In this paper we will consider the relationship between tender assessment scheme design at a technical and cost level, and the evaluation of social value.

Social Value can be great for Public Procurement, but the Best Possible Outcome is not just Social Value in isolation.

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Introduction

Commerce Decisions Limited (CD) has extensive experience and a proven pedigree in helping buying authorities with their assessment scheme design, testing and the execution of tender evaluation, such that individuals and organisations alike benefit from the best possible outcome on a given procurement.

Since its foundation in 2001, CD has been at the forefront of UK best practice procurement programme management on some of the most complex and challenging procurements. We have conducted original research and gained extensive experience on hundreds of large-scale procurement programmes for UK Ministry of Defence (under a corporate agreement) and Government clients in the transport, infrastructure, health, education and security domains.

CD is working with organizations to deliver the best possible outcome by defining and rolling out best practice processes that can be adopted widely. Client organizations have benefitted from our support in ensuring improved project efficiency, more projects completing as planned and delivering increased value.

CD is providing programs with the confidence that they are dealing with today's challenges efficiently, tackling programme complexity, meeting the demands of procurement regulations and delivering robust defensible decisions that are open to external scrutiny.

In July 2018, CD [published some thinking around Social Value](#), commenting on the upturn in focus on the subject and discussing how to go about measuring outcome value in a procurement context. UK authorities have been heavily reliant on localised legislation in order to come up with their own evaluation techniques.

In March 2019, the UK Cabinet Office published a consultation paper on how Government should take account of social value in the award of central government contracts. This included a light touch evaluation model, which is encouraging to see alongside an acknowledgement from the Public Contracts Regulations 2015 which requires award criteria to be linked to the subject matter of the contract.

In this paper we will explore the potential risks of expending disproportionate effort on techniques to evaluate social value, against consideration of how that might impact the selection of an overall winning bid.

Social Value in the Assessment Scheme Design

Linking Social Value to the subject matter of the core procurement is not a simple process; more guidance around what is acceptable and compliant is available in some localities than others. There often appears to be a default lean towards a very linear solution, such as 'create x jobs for the area'. Some contracts may be of sufficient construct to allow for this, but others may have issues whereby suppliers don't have (or need) a local presence.

Innovation. Why not encourage the supply chain to come up with solutions to deliver socially valuable outcomes as a result of fulfilling the contract? A 'normal' part of the process in any well-planned procurement is to engage with industry at an early stage to understand the latest developments, techniques and standards. These are pertinent to the desired outcome of the procurement, and such is the case with Social Value. The supplier may have untapped resources, or even a relationship, which could be leveraged to realise (and measure) more value to society, but how does the buyer know this? If the supplier is limited to answering with their compliance to a linear suggestion such as 'create x jobs', that potential for additional value will never be revealed to the buyer, and never come to fruition.



Figure 1 - Scottish, Welsh and UK Legislation

The underlying theme of Social Value (or local equivalent) legislation for Scotland and Wales, alongside the UK's Public Services (Social Value) Act 2012 is the delivery of benefits to (broadly speaking) society, the environment or local economy.

CD takes experience from supporting a truly international client base. For example, in Canada, there is no specific legislation that mirrors the UK. However, there are certain rules in place nationally that speak to similar aims, with provincial variations. Time spent with clients in this area, Australia, the broader Asia-Pacific region and beyond exposes some interesting comparisons. For the purposes of this paper, we are concentrating on the UK; even there we see some internal differentiation; which we continue to explore.

The Public Services (Social Value) Act 2012 outlines its purpose to require public authorities to have regard to economic, social and environmental well-being in connection with public services contracts. It goes on to say that the authority must consider how the proposed procurement might improve the economic, social and environmental well-being of the relevant area.

The Well-being of Future Generations (Wales) Act 2015 shares an almost identical purpose, but then splits the overall aim into seven Well-being Goals:



Figure 2 - Seven Well-being Goals (Wales)

So, how do procuring authorities actually ensure the delivery of measurable Social Value benefit? There is an argument to say that Social Value could simply form additional, weighted, criteria within the technical evaluation scheme, such as:

Technical (e.g. 60%) / Price (e.g. 40%)
 Social Value (e.g. 10% of total Technical)

Or, it could be a separate entity. In this case, you might end up with a three-dimensional split along the lines of:

Technical (e.g. 60%) / Price (e.g. 30%) / Social Value (e.g. 10%)

The risk, in either format, is that Social Value could be the determining factor where the scores are equal across Technical and Price. If, however, this becomes the deciding factor, where all other scores are perhaps close but NOT equal, how do you protect the needs of the procurement itself, and maintain a low risk of legal challenge? It is possible that a tender of lesser technical quality, where price is not too far different, could end up the overall winner through their Social Value score. If this becomes a possibility through the construct of the assessment scheme then the competition becomes more susceptible to gaming by less technically capable suppliers.

As we explore later in this paper (see Testing), the example 10% weighting could have a much greater impact in real terms than originally anticipated.

Another challenge that presents itself, particularly if Social Value is scored within the core Technical section, is the risk that the cost of delivery [of the chosen Social Value deliverable] is simply added to the price of the tender.

CD methods drive an outcome focused strategy to any procurement project, in the most literal sense. This applies both to the technical solution and Social Value. For example, let's take the construction of a school; what the organization is buying is not a school, it is the services of a supplier(s) with the necessary resource and skill to build

a school.

Rather than attempting to 'solutionize' too early, the buyer can instead focus on what the school should be able to deliver – such as x education for x students and x facilities; rather than a brick building with x classrooms of x size, a canteen, parking, etc. This then leaves room for the supplier, with their expertise in the field, to propose a fit-for-purpose solution, benefitting from the full breadth of their creativity.

Applying the same logic to Social Value, buyers should not ask for the creation of x jobs. Instead, they should place importance on local economic issues (in the case of employment) and ask the supply chain, in their bids, to consider and propose options to deliver a solution. Again, benefitting from creativity, rather than stifling more positive societal impact through asking flat (pass / fail) questions.

Conclusion

Post-execution of the supplier selection process, having designed and implemented the assessment scheme for technical, price and Social Value, linking the outcomes of said strategy back to legislation can be a very difficult area. How do you quantify the outcome? What does good look like?

CD is partnered with industry leaders in Supply Chain tracking to support and facilitate the tracking and tracing of Social Value, keeping Stakeholders and Governments apprised at every step of the journey.

Social Value can be great for Public Procurement, but the Best Possible Outcome is not just Social Value in isolation, the core needs of the project must be protected.

This paper has been designed to consider the relationship between tender assessment scheme design at a technical and price level, and the evaluation of Social Value. By looking in detail at the potential risks to a successful outcome, we can alleviate these early in the process.

Working cooperatively with buyers and suppliers alike, we can encourage true innovation and deliver greater value to society and the environment, through the execution of 'business-as-usual' procurement.

CD has extensive experience of working with clients to successfully build appropriate and robust assessment schemes.

We engage the project stakeholders to quickly determine and agree the most appropriate approach to complex procurement. We have encapsulated years of experience into our Structured Criteria Development (SCD) and Real Value for Money (RVfM) methodologies that will provide a robust technique for developing the evaluation criteria to ensure the success of the project quickly and effectively. In focusing on a consolidated list of evaluation criteria rather than evaluating suppliers against lengthy and detailed requirements, the evaluation will be clear, concise and allow for ease of supplier differentiation. CD's process has proven very successful in guiding procurement teams through the complexity of strategic projects.

Read on for further insight into how our approach neatly fits in with outcomes that are critical to delivering real added value through public procurement.

The Commerce Decisions Approach

Ask an expert:
"Social Value is often considered at the very end, and this can lead to a sub-optimal result in terms of SV. By paying due consideration early in the process, positive outcomes can be woven into the procurement strategy."
 Antony Mitchell, Principal Consultant, Commerce Decisions

Commerce Decisions (CD) has extensive experience of working with clients to successfully build appropriate and robust assessment processes. We are often engaged to support customers in accelerating the appraisal of options, building assessment strategies, developing appropriate award criteria and enhancing the evaluation process.

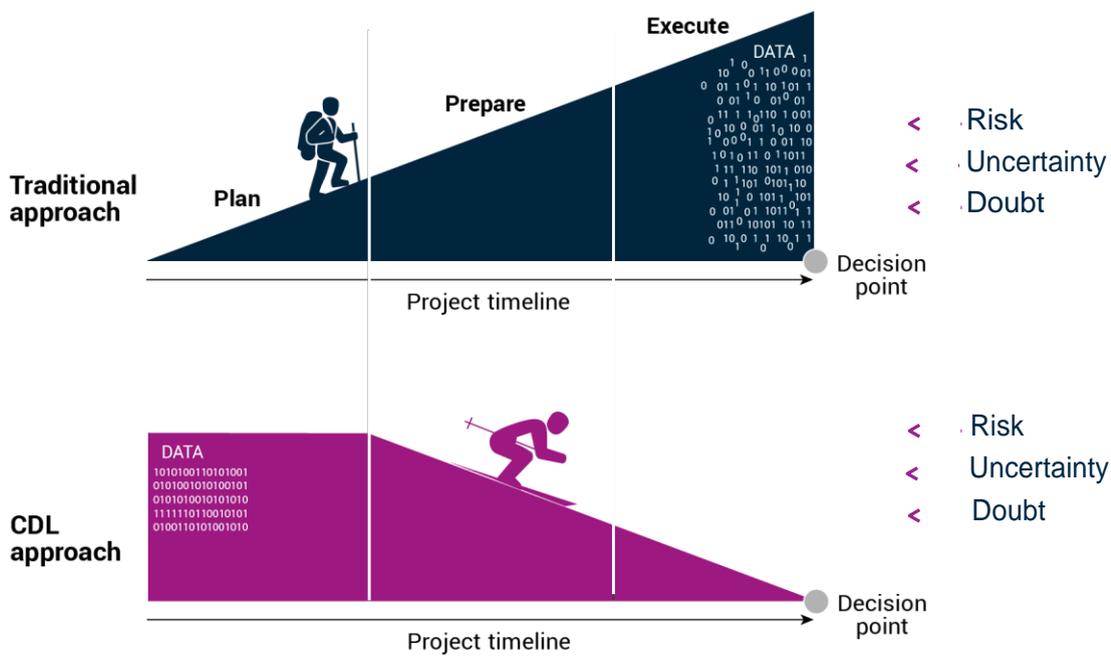


Figure 3: Our approach - the contrast of traditional tender assessment and Commerce Decisions tender approach



Figure 4: Our approach – CD engagement throughout the procurement journey

The complexities faced by procuring authorities are significant, but typical of those encountered in the most strategic, complex, high risk programs globally. CD has the necessary skills and experience to ensure the hurdles encountered are navigated quickly and effectively.

CD deploys suitably experienced procurement specialists to work with the project stakeholders and support industry engagement. The work involves facilitation of discussions and workshops to draw out the requirements, goals and dependencies to ensure the delivery of client needs. This process results in a harmonized set of criteria and weights which select the most appropriate partner (Government & Industry) based on their ability to deliver.

CD's solution allows the project team to differentiate the competing offers on a fair and equal basis whilst providing flexibility to select the long-term partner which best delivers the client's requirements at the best value.

Strategy

Our procurement program management service delivers successful, efficient and defensible programs in a structured, best practice and fully auditable manner by:

- focusing on the capabilities and requirements;
- considering all options and packaging strategies;
- clearly defining all user, system and functional requirements;
- implementing our proven method of Structured Criteria Development (SCD) to ensure programs are seeking the right information and responses;
- enabling a robust, effective, efficient and defensible competition to select the right supplier;
- linking procurement 'promises' to delivered contract performance.

By taking this approach, CD has been able to successfully support some of the most complex procurement programs in a highly cost-effective manner.

Structured Criteria Development

Developing robust criteria and scoring guidance that reflects the strategy of the evaluation, the risk associated with the satisfaction of the requirements for the solution and the wider needs of the stakeholders is a time-consuming task that is critical to achieving a transparent, objective and auditable evaluation. CD has developed a structured and robust method to develop criteria which are easily understood by project stakeholders and crucially, easily articulated to industry.

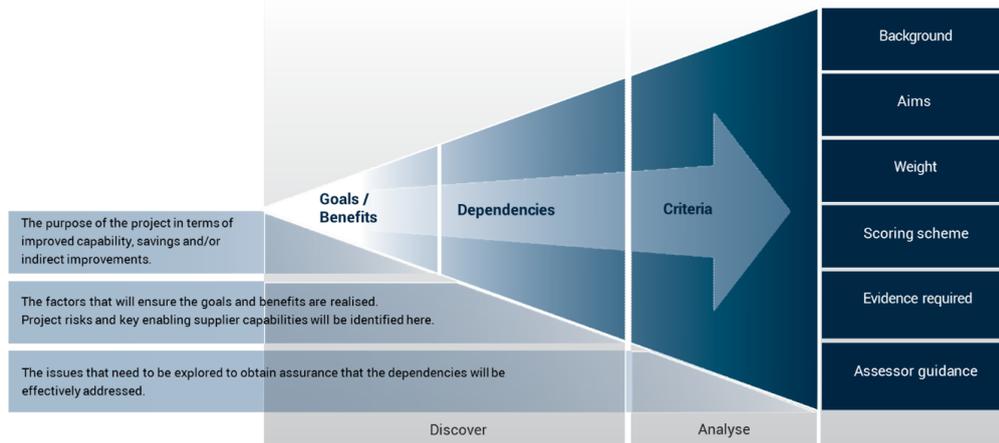


Figure 5: SCD process

The method, Structured Criteria Development (SCD), identifies two main sources for your criteria - the requirements you have for the solution being procured and your project stakeholders.

Ask an expert:

"Including Social Value consideration at this point ensures that positive outcomes and goals for SV are truly embedded in the criteria set. This could result in either SV being stand-alone criteria, or that SV is effectively woven throughout the criteria set."

Antony Mitchell, Principal Consultant, Commerce Decisions

SCD is a robust methodology that has been successfully delivered on many strategic programs over the last 17 years. The value of the techniques applied is augmented significantly by the facilitation and procurement process expertise of CD consultants. When undertaking the SCD process, CD is able to draw from a large library of previous work to maximize the efficiency of drafting criteria and guidance.

Weighting

CD works with project teams to compare different scoring methodologies and to assess their relative merits/drawbacks. Once the team has selected their chosen methodology and evaluation criteria, CD facilitates effective weighting of the criteria through a series of workshops with the project team, Subject Matter Experts (SMEs) and wider stakeholders (as required).

Simply put, without a robust weighting mechanism in place, the end result has little or no quantifiable relation to the difference between each solution, resulting in a serious risk of making the wrong choice. CD's robust approach gives project teams the confidence that their decision-making process isn't being exposed to any unnecessary risk; both in terms of being able to defend a decision and also how well the chosen solution actually meets the requirements of the internal stakeholders.

To deliver these workshops, we use a tailored, project-specific set of factors to develop initial weights for a project which are then tested and refined using processes such as scenario and sensitivity analysis.

Ask an expert:

"Rather than applying an arbitrary weight to Social Value, by considering the impact, supply chain capability, clarity of information, time constraints and requirements for the SV outcomes, a more meaningful (and defensible) weight can be produced."

Antony Mitchell, Principal Consultant, Commerce Decisions

Value for Money (VfM)

Ask an expert:

"The Social Value criteria and weightings should then be considered alongside the overall MEAT methodology – i.e. how much are we willing to pay for positive SV outcomes?"

Antony Mitchell, Principal Consultant, Commerce Decisions

Value for Money is one of the most important considerations in a successful procurement programme. If suppliers do not understand how their bids will be scored, they cannot possibly make informed decisions about how to optimize their solutions. They cannot know if adding something into their bid will result in a higher score – because the additional cost is outweighed by the additional technical benefit – or a lower score because the extra cost outweighs the technical score increase. Conversely, the buying authority will wish to ensure that they are getting the best "bang for buck" and that the value for money approach is robust and not open to "gaming".

CD has significant experience of designing assessment schemes which ensure all parties have a detailed understanding of how solutions are valued and what better value looks like. To this end, we have developed the Real Value for Money (RVfM) methodology, which has been adopted into UK MOD policy (as Willingness to Pay) and is widely used by our clients globally.

Testing (Sensitivity Analysis and Scenario Modelling)

Ask an expert:

"To prevent falling into the traps outlined in the previous section (i.e. Social Value being the determining factor and allowing a less technically-able bidder to win), analysis can be carried out to test the overall procurement approach, including the criteria, weightings and the MEAT methodology."

Antony Mitchell, Principal Consultant, Commerce Decisions

The above methods have proven incredibly useful in designing the assessment scheme. However, in order to provide maximum assurance in the assessment model designed, CD uses robust mathematical techniques and creates real-world representative scenarios.

Using the scenarios produced, CD tests the assessment scheme to ensure that the criteria, weights and scoring system is correctly selecting the best (most desirable) solution in each circumstance. This ensures that the complex interplay between technical, financial and wider benefit/value proposition is adequately investigated and any risks mitigated.

Clients will wish to ensure that the assessment scheme (criteria, weights and scores) is having maximum possible impact in selecting the best value solution. Using the bidder scenarios defined above, CD investigates the utility of each criteria (individually and holistically). This process tests the impact of the assessment scheme and highlights any unintended side-effects of the evaluation scheme.

We have used this testing process on many large programs to assure senior stakeholders that the scheme will operate as designed, it isn't "gameable" and it has been considered robustly and using sound method.

About AWARD®

Our AWARD® solution is used around the world by our clients and consultants to capture, ratify and use the outputs of strategic procurement design and consideration. It is a proven, well-established bid evaluation solution specifically developed to support high risk, complex strategic procurements. AWARD® is continually being developed and enhanced to meet the increasing demands of an ever-evolving procurement sector.

AWARD® is the glue that holds the strategy together throughout its execution, ensuring that the transparency and rigor designed in the evaluation strategy is apparent and used, through selection to contract award. As Social Value becomes a more mainstream component to any public procurement, the necessity to prove due diligence will increase. Being able to demonstrate the rationale behind the approach, factoring and weighting of Social Value outcomes in the procurement plan will prove invaluable.



The AWARD® Suite delivers the most comprehensive strategic evaluation technology available on the market. It is designed specifically to support strategic projects; providing teams with the confidence that they are dealing with procurement challenges efficiently, meeting the demands of procurement regulations and delivering robust decisions that are open to external scrutiny. AWARD® delivers consistent repeatable processes for both project and organizational deployments. It has been proven to reduce time to contract, improve value for money, and reduce risk. CD is also partnered with industry leaders in Supply Chain tracking to facilitate the delivery, tracking and tracing of contractual deliverables (such as Social Value), keeping Stakeholders and Governments apprised at every step of the journey.

References

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- [3.] <http://futuregenerations.wales/about-us/future-generations-act/>
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About Commerce Decisions

Commerce Decisions has been supporting strategic, high-risk procurements globally since 2001, and is at the forefront of best practice procurement. With a unique focus on complex evaluation, we have unrivalled experience in supplier evaluation and are a trusted provider of procurement services to the public and private sectors.

We deliver a robust and defensible procurement process to our clients, proven time and time again across many sectors including construction, transport, education, health, defense and facilities management procurements – to date, we have supported over 17,000 strategic projects, collectively worth over \$500billion. This enviable experience and in-depth knowledge has enabled us to develop proven methodologies, supporting clients to deliver the best possible outcome on strategic and complex procurement projects.

Headquartered in Oxfordshire, UK, and with offices in Canberra, Australia, and Ottawa, Canada, Commerce Decisions provides software and services to support complex procurement processes for buyers. We improve the efficiency and effectiveness of the evaluation process to make the best buying decision based on all the relevant criteria, underpinned by our AWARD® software.

