

# Social Value consultation

## Evidence submitted by UnLtd, The Foundation for Social Entrepreneurs

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# Summary

We welcomed the Government's commitment in the Civil Society Strategy to use its buying power to drive social change. We at UnLtd know that social entrepreneurs not only compete with competitive peers on price and quality, but they are also delivering services with social value at their heart. Our consultation response describes how the Government can achieve their goal through unleashing the potential of social entrepreneurs.

## 1. Feedback on the Government's proposed evaluation framework

We broadly welcome the proposed framework, but a key limitation is that the proposed quantitative metrics don't reveal the full picture. Simply comparing bids on such quantitative metrics does not create a level playing field for social entrepreneurs or a better outcome for the people the bid aims to serve. We are calling for **assessing bids by using qualitative evidence and more rounded quantitative evidence of social and environmental value.**

We're also arguing that another important way of assessing a potential provider is by looking at their legal structure and whether they have a legal commitment to positive impact. A Company limited by Shares can make an unambiguous long-term commitment to delivering social and environmental value by embedding purpose in their articles – and the Purposely tool developed by UnLtd and Bates Wells Braithwaite, with strategic support from DCMS helps businesses do exactly that.

## 2. Feedback on the proposed minimum 10% weighting for evaluating social value

We welcome the proposal to have a minimum requirement. However, many social entrepreneurs have told us that they feel 10% is not enough to significantly change priorities and drive a shift towards embracing social value. Therefore, we are calling on the Government to **increase this to a minimum of 20%.**

It's also worth noting that even introducing a 20% weighting might make it seem as if social value was simply an add-on. If the Government is serious about delivering public services with values at their heart, they need to ensure that social value is a core consideration in bids.

## 3. How to mitigate any barriers that the proposed approach might pose to particular sizes or types of bidders, including SMEs or VCSEs:

- Ensure that **civil servants regard what's in the proposals as the bare minimum and that they are being encouraged to explore and evaluate more ambitious approaches** to social value procurement
- **Support** social entrepreneurs **to communicate and evidence their impact**
- Ensure that **large providers treat social entrepreneurs as equal** partners by ensuring that **social value is constantly monitored throughout the lifecycle of the bid**

However, simply implementing the proposed framework is not enough to unleash the potential of social entrepreneurs in delivering services. We know that the large contract structures, delayed payment structures, burdensome bid requirements and risk-averse commissioning cultures mean the procurement playing field is geared towards the large providers.

To level the playing field, we encourage the Government to:

- Make procurement more transparent with social entrepreneurs having clear access to information

- **Make procurement flexible on the scale, scope and cash value of the tender**
- **Make procurement more efficient and accessible**
- Culture and understanding: **Put social value in the heart of decision-making processes by codesigning processes with social entrepreneurs and the beneficiaries**

Furthermore, while we know that this consultation is looking at central Government, it is crucial that **these changes are applied to all levels of public sector procurement** (including local government).

Lastly, we know that there is a **chronic gap in the social investment market**, meaning that many social ventures struggle to scale up so that they could meet the demand of government procurement in the future. To tackle this, there needs to be new blended or repayable financing between grants and impact investment.

We need to see Government support this shift by:

- **Supporting new repayable finance mechanisms** (through a matching direct cash injection or by offering incentives and underwriting risk for third parties).
- **Introducing an innovation fund** to experiment, evaluate and iterate new blended or repayable financing.
- **Using its convening power to invite businesses who would like to bid for £10m+ procurement contracts to contribute to programmes which provide scale up support** as demonstration of the social value they provide.

We as UnLtd are **eager to work together with the government** – as we have been doing so – to **help unleash the true potential of social entrepreneurs in delivering public services**.

# Introduction

UnLtd is the Foundation for Social Entrepreneurs. Our mission is to find social entrepreneurs with bold solutions to today's challenges. Through funding and support, we help them realise their potential and create lasting change.

We welcomed the Government's commitment in the Civil Society Strategy to use its buying power to drive social change. The Government has a major role to play in supporting the growth of a successful inclusive economy, and social entrepreneurs are a key community in contributing to this success.

Government commissioning, if done well, can catalyse inclusive economic growth and improve the lives of people living in the UK. However, recent examples like Carillion and Interserve have shown the disastrous consequences ill-commissioned procurement can have on people's lives.

Social entrepreneurs have the potential to transform the country, as they are offering solutions to society's biggest challenges. Many have used their lived experience to develop innovative, radically new ways of tackling social problems. Many of them are eager to work with local as well as central government to deliver positive impact on an even bigger scale. Being embedded in their communities, social entrepreneurs not only compete with peers on price and quality, but they are also delivering services with social value at their heart.

By putting not just value for money but social value as an important criterion for assessing bids, the Government is sending a crystal-clear message: the future belongs to those organisations who can deliver public services in a sustainable, inclusive and innovative way.

We welcome the consultation opportunity and the proposed metrics as a step in the right direction. However, we know that social entrepreneurs face a number of systemic barriers, which means they struggle to develop the capacities to be able to bid for government procurement – even though they have told us that they'd like to.

Our response is building on an evidence base of over 400 social entrepreneurs per year working with UnLtd, as well as specific 1-2-1 interviews on how social entrepreneurs view government procurement. While many of them primarily work with local authorities, we believe their experience and thoughts are directly applicable to central government commissioning too.

We have also consulted with other important sector organisations such as Bates Wells Braithwaite, the Federation of Small Businesses (FSB), Locality, Social Enterprise Mark and Social Enterprise UK.

Our submission outlines not only our responses to the four consultation questions, but also what the government needs to do to truly level the playing field for social entrepreneurs and realise its buying power's potential in driving social change.

UnLtd would be pleased to continue working with the government on making this happen.

# 1. Do you agree with the proposed policy metrics in the model in the attached annex?

UnLtd has conducted a short survey and set of key informant interviews with social entrepreneurs across the UK. Our research has identified a broad agreement with the proposed metrics. We have evidence that many social entrepreneurs are meeting these policy metrics. Furthermore, they are not only considering them for the sake of certain contracts, but these social outcomes are embedded in the core mission of our social entrepreneurs' ventures.

However, we'd like the Government to consider the following points to further improve the proposed framework:

## **1.1.1 The proposed quantitative metrics don't reveal the full picture: Simply comparing bids on such quantitative metrics does not create a level playing field for social entrepreneurs**

The proposed metrics are quantitative metrics and as such they don't give the full picture. There is a risk that certain bidders and procurement teams may treat this as a tick box exercise, and simply meeting certain metrics doesn't necessarily mean long-term positive outcomes.

## **Case study: how social entrepreneurs can provide high-quality personalised support compared to large providers**

### **Social entrepreneur**

Formed in 2016 by Jacob Hill, Offploy is on a mission to support people with criminal convictions into meaningful, mentored and sustainable employment. This helps the UK fill its chronic skills shortage, reduces reoffending and makes society safer.

So far, they have supported 140 ex-offenders into sustainable employment, using highly personalised and effective interventions that are crucial to ensure long-term success according to founder Jacob Hill.

They use their lived experience to design such solutions as Jacob himself spent 2 years in prison and at least 80% of the team have experienced the criminal justice system first hand.

For example, they use peer mentoring to support job seekers and also provide post-work support. The latter is often not funded as it is not part of the contract, but they know from their evidence that it is essential to ensure that the ex-offenders stay and thrive in their job and not leave after a brief amount of time.

The desire to create an impact is at the core of their organisation, rather than just being focused on outcomes – to the extent that they are willing to use their retained earnings to find the services that go above and beyond the contract but are crucial for achieving the desired impact.

From their experience, large providers are only focused on delivering the bare minimum of the contract requirements – and not always successfully.

He also feels that a more honest dialogue with commissioners would be helpful: if they could be told what the desired impact is rather than just looking at short-term specific outcomes, they could design a more effective solution with users at its heart. You can read more about these issues in section 3.4.

### **Large provider**

‘Working Links, a large provider was awarded contracts to run three Community Rehabilitation Companies in 2015. Three years later, in November 2018, the HM Inspectorate of Probation rated the services of the Dorset, Devon and Cornwall CRC as “inadequate”, the lowest possible rating. Before the report on this inspection was published, the Chief Inspector of Probation, Dame Glenys Stacey, advised the government that intervention was necessary, the first time she had taken this course of action.

Inspectors found staff were under-recording the number of riskier cases because of commercial pressures. They were also completing individuals’ sentence plans to meet performance targets, without actually meeting the offender.’

Earlier this year, Working Links went into administration.

Source: <https://www.justiceinspectorates.gov.uk/hmiprobation/media/press-releases/2019/02/ddcrc/>

This case study shows how, on employment, a large provider might score better if they employ more ex-offenders than a small social venture, even though this might not represent the greatest value to the government, the economy and society. It may be that a better quality of work offers greater savings to the DWP, greater productivity and economic opportunity for the BEIS. A large provider may not invest in the development and retention of this workforce, and with the lack of support, these ex-offenders are likely to leave their work soon. On the other hand, a small social venture might work with fewer ex-offenders, but by investing in their development and providing personalised support, those ex-offenders will stay employed for years, resulting in a better value for money after all.

This is of course not always the case as we recognise that some large providers do offer high-quality impact. Our point is that simply comparing bids on such quantitative metrics therefore does not create a level playing field or reflect true value to the Government and the economy. On the contrary, it gives less impact-focused providers an advantage while crucially failing to measure and value the quality of the service.

This issue has also been highlighted in Locality's submission.

### Recommendations

- Recognising this and assessing bids accordingly by using qualitative evidence will be critical. During informal discussions with civil servants, **we understood the Government may consider assessing bids on how social value is going to be delivered alongside the quantitative metrics, and we welcome this approach.**
- **We'd also welcome further information on how the bids will be scored and assessed**, as that is crucial for success.
- To get a detailed and accurate understanding of how much money social entrepreneurs are saving to the public purse and how much economic value is generated (**to monetise the social value**), UnLtd has started developing a collective impact framework to standardise how cost-benefit analysis can be effectively compared across different proposals. We'd be happy to work with the Government and share learnings.

#### 1.1.2 Consider legal structure to help understand the authenticity of bidders

We'd also argue that another important way of assessing a potential provider is looking at their legal structure and whether they have a legal commitment to delivering social impact.

UnLtd has worked with DCMS and law firm Bates Wells Braithwaite to launch an online tool, 'Purposely'<sup>1</sup>. Purposely makes it simple and free to legally embed purpose.

Lines are blurring between sectors, with not only charities, CICs and ClGs delivering social impact but more and more businesses becoming purposeful and delivering social impact alongside profit. This blurring brings with it the risk that a number of businesses could pretend to be purposeful, without delivering meaningful impact, thereby potentially misleading buyers and Government's worthwhile goals (also known as whitewashing).

There are useful ways to understand whether a for-profit business is authentic or not around purpose. If a company limited by shares incorporates their purpose into their articles of association alongside commitments to ethical business practices, that represents an unambiguous commitment. Most companies are unaware of this flexibility in UK law (section 172(2) Companies Act 2006), and even if they

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<sup>1</sup> <https://getpurpose.ly/>

are, it's time-consuming and expensive to do so. This is why Purposely is such a powerful tool, as it makes it simple and free to legally embed purpose.

The Government, having recognised the value of Purposely, has expressed further support for the tool in the new Civil Society Strategy<sup>2</sup>.

### Recommendation

- **Commissioners should look at the legal structures of the bidders as part of assessing the bids:** whether the bidders' purpose is embedded in their articles and governance and explore whether they could favour working with those that have a clear commitment to deliver social and environmental value (within the flexibility of the state aid regime, if applicable).

#### 1.1.3 Is it social value or is it the minimum standard required by law?

It's also worth noting the distinction between social value and the minimum standard required by law. Measuring for example whether bidders comply with modern slavery or pay minimum wage is important but does not constitute social value. On the other hand, if an organisation was supporting victims of modern slavery by for example giving them meaningful employment opportunities as part of delivering the contract, that would constitute social value.

This issue has also been highlighted by Social Enterprise UK in their consultation submission.

### Recommendation

- The Government **should primarily assess social value – monitoring legal compliance is a different process.**

#### 1.1.4 Further themes and metrics to consider

##### Recommendations

- While the proposed themes and metrics are a good start, we'd encourage the government to be more ambitious **and consider other important themes** such as housing or the wider factors of employment.
  - To encourage further social innovation (which is hard to predict in advance) in an open, responsible and inclusive way, the Government could explore introducing a 'Social Value Innovation' theme where applicable, as advocated by Social Enterprise UK in their submission.
- There are also **further metrics** to consider, for example, the skills and employment metrics could also include refugees alongside the other groups who are distant from the labour market groups.
- The government does not need to build these from scratch. Instead, continuing to **build on** initiatives such as **the National TOMs**<sup>3</sup> can provide an effective framework for the Government to recognise validated social value with more detail based on the work of experts.

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<sup>2</sup> <https://www.gov.uk/government/publications/civil-society-strategy-building-a-future-that-works-for-everyone>

<sup>3</sup> <https://socialvalueportal.com/national-toms/>

## 1.2 Do you have examples of such metrics being successfully used in public procurement?

### **Case study: monetising social value: template to calculate financial savings for the Government**

*While this case study focuses on calculating the financial savings rather than social value, we felt templates like this can be a useful tool to help the Government win minds and hearts and achieve the needed behaviour change.*

As part of its Access to Employment Programme, two members of UnLtd's steering group, Matthew Pike (DWP) and Nick O'Shea (Ignition Brewery) have created a template which costs the financial benefits of contracts awarded by local authorities. This includes the employment of people far from the labour market, training and work placements, apprenticeships and assets such as equipment and property. The aim is to give councils a clear idea of the financial value of their contracts – focusing on pounds and pence rather than social value estimates – so that elected members can calculate an accurate financial measure. This is being informally trialled in a south London council on existing contracts to determine the amount of social value derived.

*We'd be more than happy to share further learnings from the trial, please reach out to UnLtd if this is of interest.*

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

### Recommendations

We welcome the proposal to have a minimum requirement. However, many social entrepreneurs have told us that they feel 10% is not enough to significantly change priorities and drive a shift towards embracing social value. **Therefore, we are calling on the Government to increase this to a minimum of 20%.**

#### Case study: Greater Manchester introducing 20% social value weighting in their contracts

Greater Manchester has started using a 20% social value weighting in contracts.

According to the findings of the Centre for Local Economic Strategies, this, alongside other initiatives to embed social value in procurement has resulted in:

- The proportion of procurement spend with SMEs increasing from 46.6 % in 2014/15 to 61.7% in 2017/18.
- £119.6 million was the estimated re-spend of the top 300 suppliers back in the Manchester economy on local employees and suppliers of their own in 2017/18.

Furthermore, in 2017/18, suppliers to Manchester City Council

- created an estimated 1,302 jobs in Manchester
- provided an estimated 158,591 hours of support to the voluntary and community sector
- created an estimated 1,788 employment opportunities for 'hard to reach' individuals in Greater Manchester
- created an estimated 665 apprenticeships in Manchester

Source: <https://cles.org.uk/blog/from-policy-to-practice-how-social-value-can-drive-real-outcomes-and-change-lives-in-manchester/>

UnLtd's anecdotal evidence from a Greater Manchester-based social entrepreneur also suggests that the increased weighting is seen as a positive step that helps to level the playing field for social entrepreneurs.

Increasing the minimum weighting to 20% is also advocated by Social Enterprise UK and Social Enterprise Mark. FSB also advocates for ensuring that the 'value' and 'quality' elements must outweigh the 'lowest price.'

### Social value is not an add-on

However, it's also worth noting that even introducing a 20% weighting might make it seem as if social value was simply an add-on. If the Government is serious about delivering public services with values at their heart, they need to ensure that social value is a core consideration in bids.

As Bates Wells Braithwaite says in their submission: *'social value should not be perceived as the icing on the cake. Rather, it is an ingredient without which there is no point in baking a cake.'*

### 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?

#### 3.1 Ensure that civil servants regard what's in the proposals as the bare minimum and that they are being encouraged to explore and evaluate more ambitious approaches to social value procurement

##### The context

We already know that there are significant differences in how local councils are accounting for social value within the existing legal framework. There are councils who treat social value as a clear priority, making it a significant decision criterion, while there are others who are just doing the bare minimum. For more evidence on this see SE UK's report Procuring for Good<sup>4</sup>.

##### Recommendations

- To mitigate this risk when it comes to central government, it needs to **be clearly communicated that the proposed framework is a light touch approach, representing the minimum standard** on social value that government departments need to consider in their procurement activity.
- As suggested by the proposal, government departments will have the flexibility to determine which of the **policy outcomes and metrics** are appropriate. These **need to be carefully tailored to suit local context** to encourage a vibrant local economy that creates relevant solutions.
- **Provide** procurement teams with **clear examples of quality social value delivery and measurement**.
  - For example, UnLtd provided DCMS with a case study on Radiant Cleaners demonstrating the social value generated from Radiant Cleaners' model of providing supportive employment to people who were long term economically inactive. UnLtd is willing and able to do more of this.
- **Share best practice examples and guidance on quality approaches to social impact management for VCSEs to better understand requirements and for procurement teams to recognise quality**.
  - For example, The Manchester City Council provides a [toolkit for social value](#) for potential contractors. This will also require updating the Cabinet Office's Green Book on evaluation to ensure social value is consistently represented in procurement bid evaluation.

#### 3.2 Support social entrepreneurs to communicate and evidence their impact

##### The context

A further risk is that social entrepreneurs, while they are very good at delivering social outcomes, are less well-resourced to evidence and communicate their impact. They often don't speak this language and don't

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<sup>4</sup> <https://www.socialenterprise.org.uk/procuring-for-good>

have the financial and human resources to learn it, while large providers can have dedicated staff members responsible for bid writing who are sent to expensive bid-writing courses.

This issue has also been highlighted by Social Enterprise UK in their submission.

UnLtd provides social entrepreneurs with free workshops to develop their approach to social impact management<sup>5</sup> and many providers in the sector provide advanced courses for fee paying trainees.<sup>6</sup> The Government and Civil Society have also collaborated to develop area-specific knowledge hubs; for example the What Works Centre for Wellbeing.<sup>7</sup> Finally, multiple attempts have been made to standardise social impact valuation and communication. The National TOMs<sup>8</sup> and the New Economy's Unit Cost Database<sup>9</sup> both provide fiscal, economic and social value figures for the government's 5 business case mode.<sup>10</sup>

While the work highlighted here indicates excellent steps forward in developing accessible materials for all to measure and communicate social impact, there are recognised inconsistencies in recommendations and users' ability to understand the materials.

### Recommendations

- **Provide further investment in standardising approaches to collecting, assessing and communicating social value to ensure quality evidence**
  - For example piloting a programme which provided in-depth support to a range of promising SMEs offering solutions for those far from the labour market – enabling them to evidence impact and scale up based on public sector procurement using social value.
- **Work with trusted organisations like UnLtd to reach and educate social entrepreneurs**
- **Offer free and standardised resources and trainings for social impact management featuring case studies**

### 3.3 Ensure that large providers treat social entrepreneurs as equal partners by ensuring that social value is constantly monitored throughout the lifecycle of the bid

#### The context

There are two clear ways of ensuring social entrepreneurs and other smaller organisations can take part in government procurement: either by breaking down contracts into smaller pieces (see our recommendations below) or by encouraging large providers to incorporate them in their supply chains.

The proposed framework encourages the latter approach: the opportunity to foster partnerships between VCSEs and the private sector could catalyse innovation in service provision and economic growth. However, the downside risk is that exploitative partnerships could be created based on the size of the partners - and simply measuring supply chain diversity in the bid assessment will not mitigate this risk.

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<sup>5</sup> <https://www.eventbrite.co.uk/e/evidencing-your-social-impact-workshop-bristol-tickets-60812043459>

<sup>6</sup> For example the New Economics Foundation provide advanced courses in social impact, social return on investment and social value - <https://www.nefconsulting.com/training-capacity-building/training-calendar/measuring-social-impact/>

<sup>7</sup> <https://measure.whatworkswellbeing.org/homepage/intro/>

<sup>8</sup> <https://socialvalueportal.com/national-toms/>

<sup>9</sup> <http://www.neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database>

<sup>10</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/190609/Green\\_Book\\_guidance\\_short\\_plain\\_English\\_guide\\_to\\_assessing\\_business\\_cases.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/190609/Green_Book_guidance_short_plain_English_guide_to_assessing_business_cases.pdf)

For example, a social entrepreneur has shared their experience of large providers including social entrepreneurs and charities in the bid as 'bid candy' but then not actually using them in the delivery process. Another social entrepreneur shared how large providers cherry pick the kind of work they'd like to deliver and only involve social entrepreneurs in tiny, less favourable tasks.

These issues are experienced by others too as evidenced by Bates Wells Braithwaite's, Locality's and Social Enterprise Mark's consultation submissions.

But collaboration with large voluntary sector providers can be difficult too. One social entrepreneur shared how the prime contractor, who was a large voluntary organisation, wanted to exclude companies limited by shares from their delivery partners as they had a very black-and-white view of how social good can only come from the traditional voluntary sector and not recognising how social enterprises and purposeful businesses can create social value.

### Recommendations

- **Impact: Ensure that social value** (such as incorporating social entrepreneurs in the supply chain) **is constantly and proportionally monitored throughout the lifecycle of the bid** and not just when bids get assessed
- **Governance: Monitor the contract arrangement**
- **Finance and Risk: Promote** initiatives such as Capacity Lab's to provide **risk sharing/risk reduction mechanisms for social enterprises to be involved in delivery consortia**

### 3.4 Transform the ecosystem to ensure social entrepreneurs have a fair chance of competing

The Government has a strategic objective for the use of social value to diversify the supply chain. However, simply implementing the proposed framework is not enough to unleash the potential of social entrepreneurs in delivering services. We know that the large contract structures, delayed payment structures, burdensome bid requirements and risk-averse commissioning cultures mean the procurement playing field is geared towards the large providers.

While we know that this consultation is looking at central Government, it is crucial that **these changes are applied to all levels of public sector procurement** (including local government):

**To truly level the playing field, the Government needs to implement the following points:**

#### 3.4.1 Government procurement needs to be more transparent with social entrepreneurs having clear access to information

##### The problem

Most social entrepreneurs we have spoken to perceive government procurement as non-transparent and complicated, 'a difficult system to navigate.' Without a local broker (see Capacity Lab case study below), it can be difficult for social entrepreneurs to understand what the priorities are of the local commissioning organisations or what contracts might be coming up. For many social entrepreneurs, even knowing where opportunities are listed is a barrier for newcomers.

Many social entrepreneurs and other VCSEs don't know where to begin, where to find info, how to understand where they might fit, how to apply, what they need to do make them eligible to apply.

However, a couple of social entrepreneurs found the opposite. The G cloud received positive feedback from a number of social entrepreneurs.

This indicates that there might be a perception issue, social entrepreneurs might not be looking at the right places, overwhelmed by the ‘millions of tendering portals.’

It is worth keeping in mind as mentioned in 3.2, that language can be a real barrier for social entrepreneurs who don’t have the resources to learn the commissioning jargon or who don’t have a background of working in the public sector.

As a result of all of this, many social entrepreneurs have told us that they feel government procurement is not for them, that they don’t feel they have the confidence to compete – even though they’d like to get involved.

#### **Recommendations:**

- **Work with trusted organisations such as UnLtd to reach and inform social entrepreneurs**
- **Publish detailed case studies to show what good looks like for social entrepreneurs and commissioners**
- **Make language more accessible:** Cut back on jargon where possible and provide glossaries
- **Work with local broker organisations** (see Capacity Lab case study)

### **3.4.2 Government procurement needs to be flexible on the scale, scope & cash value of the tender**

#### **The problem**

Social entrepreneurs have particularly high levels of local expertise: a thorough understanding of local needs, realities and providing bespoke solutions to address them. This also means most of them don’t have the capacity to deliver large-scale contracts. Therefore, the tendency to commission larger contracts in terms of scale, scope and cash value excludes social entrepreneurs as well as small voluntary sector organisations and SMEs.

This sentiment is echoed in the submissions of other sector organisations such as Social Enterprise Mark, Locality and the FSB.

Furthermore, while social entrepreneurs would be open to working together, the system is set up to foster competition, not collaboration. For example, there is usually not enough time after a bid gets advertised for social entrepreneurs to come together and build consortia to deliver together. Consortia building also takes resources which smaller organisations don’t have such as staff time and legal expertise.

#### **Recommendations:**

- **Reverse the trend of increasingly large contracts:** Break down bids into smaller pieces
- **Encourage joint bids from VCSEs and SMEs**
- **Design longer timescales to allow time for organisations to come together and build consortium**
- **Invest in resources needed for consortia building**
  - Work with local broker organisations (see Capacity Lab case study)
  - Invest in legal and other support

### 3.4.3 Government procurement processes and systems need to be more efficient and accessible

#### The problem

Some of the contract requirements, such as 3-year track record or the amount of reserves an organisation should have, or a wider geographical spread (even if it's a local contract) directly exclude not only social entrepreneurs but many VCSEs and SMEs from competing. Many social entrepreneurs feel that these criteria are irrelevant for delivering that specific contract.

Or for example, small organisations might have a negative balance sheet because they are borrowing so that they can grow – but as commissioners are very risk-averse, contract requirements exclude organisations with negative balance sheets.

Other requirements such as having many different policies in place and lengthy application processes indirectly exclude social entrepreneurs as well as many VCSEs and SMEs, as they are too burdensome: smaller organisations don't have time to spend a week on complex detail, which seems peripheral to the potential for success and value.

This also applies beyond contract requirements to other processes and payments:

- **Processes are too lengthy:** Social entrepreneurs have told us that they wait up to or over 6 months to hear if they have been successful. A small, agile organisation cannot afford uncertainty for such a long time.
- **Payment structures in general:** Social entrepreneurs with tight cash flow are unable to wait until the end of the contract to get paid. Payment structures where organisations do not receive payment until the delivery means the risk is all on the delivery organisation – and social entrepreneurs are not able to undertake this.
- **Delayed payments** are causing problems for agile social ventures who have a tight cash flow (breaking contract).

#### Case study: payment issues

A social entrepreneur told us how when they delivered a 6-month work programme, it took them 8 months to get paid – and that was after they have asked a member of the House of Lords to help them speed up the process. The social entrepreneur had to borrow money from their family to pay her employees on time.

#### Barriers to new entrants

- On some occasions, processes actively exclude new entrants. A social entrepreneur told us that they would like to bid for a significant government opportunity, but to be able to deliver, you have to be on the rota. It hasn't been open in the last 3 years so you can't get accredited – gateway is closed effectively.

## Recommendations:

- **Simplify contracts and make requirements proportionate by cutting down on inessential questions**
- **Reflect on how decision-making on the outcomes of bids could be sped up and better communicated**
- **Ensure prompt payment culture**
- **Reflect on payment structures (PbR etc.): Steer away from structures where the risk is all on the delivery organisation and move towards risk sharing** e.g. social impact bonds, or innovative insurance models (see Capacity Lab case study below)
- **Remove unnecessary barriers for new entrants** by ensuring there are frequent entry opportunities

### 3.4.4 Culture and understanding: Put social value in the heart of decision-making processes by codesigning processes with social entrepreneurs and the beneficiaries

#### The problem

Social entrepreneurs often offer radically different solutions to existing ones, based on extensive user involvement or often their own lived experience. This offers commissioners direct, close, trust-based insight into the needs and aspirations of the people they serve. That offers inherent social value and also means that future products and services can be better, more cost effectively designed, with greater (tighter) fit to citizens' needs.

While some commissioners like Devon (see case study below) actively embraced social entrepreneurs offering radically different solutions, unfortunately many commissioners lack the time and/or the incentive to do so, and this is worsened by the risk-averse commissioning environment. As a result, they resort to looking at basic social value additions e.g. the number of apprenticeships.

This is evidenced by the interviews with social entrepreneurs that we have conducted as well as our programmes where we aimed to bring commissioners and social entrepreneurs together. Social entrepreneurs have the impression that commissioners feel that it's not a priority for them to explore how they could work with social entrepreneurs to deliver better social outcomes, and pressure on achieving commercial targets in the context of diminishing public resources.

We have also heard from social entrepreneurs that organisational silos often hinder efforts to increase social value. For example, procurement teams are often not strategically in a position to drive the social value agenda and can be very detached from the regeneration and economic development teams who might be more interested in social value.

UnLtd has been delighted to assist the Government with its efforts to prepare civil servants to deliver social value procurement, and we will gladly assist further.

### Case study: ways to mitigate risk

Social venture ChangeMaker 3D uses 3D printing technology to support people experiencing mental health issues by teaching them resilience and technical skills, thereby improving their employability.

They approached the local council with their business model which the council really liked. However, under their procurement procedures, ChangeMaker 3D would have been excluded. The level of contract was much higher than their previous years' turnover, they had less experience than desired, therefore it would have been rated as too high risk. To mitigate this risk, the council has advised ChangeMaker 3D to work with companies who are existing, trusted partners in service delivery – this would help them strengthen their bid.

As a result, they were able to participate in government procurement and also tap into the experience of the private sector companies.

### Recommendations:

- **Decentralise decision-making processes: Ensure procurers have the freedom to make decisions based on their local realities.**
- **Break down silos and embed social value in the whole commissioning authority: Ensure there are sufficient links between procurement teams and other departments who are interested in regeneration and economic development.**
- **Pilot a local commissioner leading with social value and adapting procurement as a result, rather than the inverse. The economic and social value add, as well as savings to the commissioner, should of course be evaluated as part of the pilot.**
- **Involve social entrepreneurs early on so that their unique, independent insights from citizens can feed into product and service design.**
- **Allow time for social entrepreneurs to develop new, bespoke solutions to commissioning bids involving users.**
- **Work with social entrepreneurs and local broker organisations to develop innovative solutions to mitigate risks.**
- **Support commissioners through training and education to better understand the value and benefit of social entrepreneurs' products and services.**

### **Case study: the importance of local brokers: Capacity Lab**

*This case study demonstrates how local broker organisations can contribute to the implementation of most of the aforementioned points.*

Capacity Labs was founded in 2015 by partners Catch22, Interserve PLC, Big Society Capital and Amberside Advisors. They work in the public sector space, supported by public investment, to bring public, private and third sector organisations together through a common goal: to rethink and reimagine how public services are delivered.

They work with 1) community organisations to build capacity so that they can participate in procurement as well as with 2) commissioners to create new products community organisations can bid for.

Their position as a broker organisation, with local expertise and understanding of both sides puts them in a unique position to bridge the gap between community organisations and commissioners.

For example, short commissioning deadlines don't nurture innovative, user-led solutions as they don't leave enough space for social entrepreneurs to see the tender, design a solution with beneficiaries and then bid. So commissioners end-up with ready-made, one-size-fits all solutions.

This is where brokers like Capacity Lab come in, because they have the intel before the tender is published and can let social entrepreneurs know in advance so that they have more time to develop bespoke solutions.

Furthermore, as a lot of social entrepreneurs and other community organisations don't even know where to begin (see 1.1), broker organisations can deliver vital support in helping them to understand how commissioning works and where to look for innovations.

Capacity Lab has also devised new kind of contracts, making community organisations equal partners even if they only deliver 5% and innovative Insurance products to mitigate risks for commissioners.

### Case study: how commissioning has stimulated innovation: the Filo Project and local authority commissioners in Devon

The Filo Project provides small group day care in the community for older people who are socially isolated. They work with people suffering from dementia, who are recovering from a stroke, Parkinson's and other socially isolating conditions. Groups are small and personable with one host looking after 4 clients. Transport is provided by the host and the day is spent at the host's home between the hours of 10 and 4.

They started at a time of change in Devon with care homes closing and day care options very limited. It was an ideal time for them to promote a different 'model' of day care.

The Filo project started 5 years ago with two groups and 8 clients. It wasn't an accepted model and all the usual concerns such as safeguarding, lack of regulation etc. were raised but the proof was in the pudding. However, with the help of the local authority, they proved that this model can be sustainable whilst delivering high-quality care. As a result, 5 years on, they have 60 groups a week in Devon with more planned and a solid presence in two neighbouring counties. Their models can be replicated easily and do not cost much to do so.

From the perspective of the local council: they realised that day centres were not only expensive but also did not fulfil needs. They started looking at outcome-based commissioning and embraced radically innovative ways of solving social issues.

Devon council recognises that social isolation is a real issue and they realise that sociable social care is important. They also appreciate the other outcomes around keeping people in their own homes and out of hospital. It not only means better social outcomes but also significant financial savings: the cost of someone going into residential care for a year is £41,600 versus 2 days of day care every week with the Filo project being around £4,900.

How commissioners provided the right context/environment for Filo to thrive:

- They took on a market shaping role as mandated by the Care Act, to develop a market for all, not just those with eligibility for LA funded support.
- They provided clear market analysis in their Market Position Statement and Commissioning Intentions documents to identify geographical areas of need and dedicated staff to help providers to understand this
- They developed a more inclusive procurement process, i.e. a call off framework, which ensures that providers meet a range of quality thresholds to facilitate individualised commissioning on behalf of clients, as opposed to a large, 'winner takes all' type contract. This enables choice for the client and more opportunity for SMEs and VCSE organisations to work with LA commissioned clients.
- Subsequent iterations of this tender have embedded social value criteria, although the weighting has been relatively low.
- They were committed to personalisation and offering choice and even though it wasn't a driver, it has led to a more consumer-driven sector because services are also available to self-funders and direct payment users and they have the assurance that services have been vetted by the LA.
- They dedicated staff to market development (for example to find and help providers understand the quality standards and help them to convey their service in their applications). Cultural challenges to this approach on both sides had to be worked through.
- To build this market, the LA initially had frequent entry points to encourage new applicants.

Key learning from this example about what LAs could do in future:

- Provide good quality market analysis information, written in accessible language for providers to understand and an advocate for their sector to act as a bridge between the LA and market, help advise on re-procurement standards etc.
- Offer proportionate procurement vehicles and timeframes to deliver choice of service and diversity of providers across a large geographical area.
- A focus on outcomes-based commissioning, rather than model or task-focused, to stimulate innovation and diversity.
- Embed social value and appropriate weighting within contracts and utilise other flexibilities in the Procurement Act to enable VCSE organisations to compete effectively.

### 3.5 Helping social entrepreneurs scale up today so that they can compete and deliver in government procurement tomorrow

As well as transforming commissioning, the Government also need to look at what should be done to build the ecosystem/pipeline of social ventures who could meaningfully deliver government contracts at scale.

We know the Government recognises the important role that civil servants play in this ecosystem, and is open to ideas – such as an awareness-raising social entrepreneur marketplace in Whitehall – that will build understanding of and buy-in for the practical changes that follow this consultation. We look forward to progressing these ideas with the Government. We would also like to collaborate on addressing other elements of the ecosystem which we know to be problematic at present, based on the experiences of our social entrepreneurs.

UnLtd's work with early stage, growing social ventures has revealed the chronic gap in the social investment market, meaning that many social ventures struggle to scale up so that they could meet the demand of government procurement in the future.

#### Case study: Proper Job Theatre

Proper Job Theatre is a social venture that offers employability training courses for people most distant from the labour market. Many of their beneficiaries have such severe anxiety issues that they can't even leave their homes, so this training course is the very first step on their journey to their employment. They first complete a two-week course combining innovative arts-based approaches to building a team and then move on to developing individual action plans, a tailored progression route for each participant and follow-up sessions working alongside individuals for 6 weeks following the course.

They are funded under the local govt adult education budget and are contracted through a number of local councils including Manchester Huddersfield and Wakefield.

They have recently bid for a much larger opportunity that would double what they are delivering, increasing their turnover from 500,000 to a million.

However, due to the payment structure of the contract (they only get paid after completing the training courses), they had to apply to UnLtd for a loan worth £150,000 as their tight cash flow means they would not have been able to deliver it otherwise.

*This case study demonstrates both the importance of scale-up funding as well as how procurement payment structures exclude social entrepreneurs.*

UnLtd supports early stage, growing social ventures. These ventures will typically have grown organically through 'friends and family' support, grants and pro bono resources to develop their businesses. As they mature, and increase their trading income and customer base, they need capital, and/or routes to market (clients, distribution etc) to realise their growth and impact potential.

**This market is hampered by a chronic gap of two complementary elements:**

- **longer-term, more patient, equity-like finance for social entrepreneurs in the £50k – 500k range**
- **top calibre, in-depth support to the social entrepreneur which removes barriers to growth**

In our pioneering Big Venture Challenge (2013-2017), UnLtd supported 120 high impact, high growth social ventures over four years. We helped 74 of these ventures raise £13.77 million – an average raise of £177,000 – with spectacular results:

- In 2016, these social ventures served 1.24 million beneficiaries
- Average impact growth was 600% over two years
- Average turnover grew 166% over two years (from £187,000 to £490,000)
- 93% are still going strong (compared to c.40-50% of commercial SME peers).

We have learnt from our Big Venture Challenge and developed a pioneering new Thrive model of support, which combines an intensive accelerator with access to a pool of affordable patient capital plus post-investment support.

We think this model should be a channel for dormant assets and other Government capital ‘windfalls’ without a 5% hurdle (the hurdle prevents the investment from being as affordable, flexible and patient as it needs to be in these development phases).

### Recommendations:

We need to see a shift to meet the demands of the sector. That requires new blended or repayable financing between grants and impact investment and the Government is uniquely well-placed to help to take this shift forward.

- We would welcome **Government coming alongside these repayable finance mechanisms** (which are much more affordable than other dormant asset-financed vehicles and 100% more sustainable than grant making). This could be through a matching direct cash injection (at a relatively low level such as £250k to ‘test the model’) or by offering incentives and underwriting risk for third parties.
- **The Government could also introduce an innovation fund** to experiment, evaluate and iterate new blended or repayable financing.
- The Government could **use its convening power to invite businesses who would like to bid for £10m+ procurement contracts to contribute to programmes which provide scale-up support** as demonstration of the social value they provide.