

Tina Holland, Programme Manager
Local Government Association
18 Smith Square,
Westminster,
London, UK, SW1P 3HZ

Date: Wednesday, September 18th, 2024

Dear Tina,

Re: 2024 Social Value Conference

The need to place the VCSE Sector at the heart of social value system intelligence

VCSE Panel Executive Summary: At the upcoming 2024 Social Value Conference, our panel of experts has been invited to discuss the steps we need to take to ensure the VCSE community is better embedded into both the design and delivery of public sector services. Combining research findings with our collective experience, this letter outlines the current landscape, summarises the concerns and makes several recommendations, which will be discussed by the **VCSE panel on Wednesday, October 16th at 2 pm**. This letter draws upon the panel's diverse perspectives, combining the world view of an academic/social innovator with 30 years business experience; a public benefit lawyer who has, from the beginning, observed social value getting distorted; two charitable social enterprise executives who have experienced problems directly with the TOMs™ model, that does not recognise the distinctive inherent social value of purpose-driven organisations; and a recognised leader in the social value movement.

Current Landscape - Social Value at Crossroads

Hamilton, 2024, finds that how social value is interpreted strongly influences public management practice. While the most transformative actors interpret social value as an organisational or system-wide mindset, requiring a paradigm shift in how value is defined, transitioning public managers are more likely to interpret social value as a bolt-on additionality to the procurement function. There is a growing sense that market-purchasing needs to be separated from the system stewardship required to commission and deliver complex human services; and that a more principled, outcomes-based approach to social value needs to be adopted.

(See Principles of Social Value in Appendix)

In the context of public procurement, two distinct approaches to social value are being advanced. Across central government, a policy-aligned, prescriptive, qualitative Social Value Model (MACs) signals directionality and evaluates the bid quality against the specified social value. This requires public managers to first identify and define the social value they want. However, at the sub-national level the descriptive, standardised, quantitative TOMs™, an economic cost-benefit model endorsed by the LGA, is predominant. By interpreting social value as an additionality, Hamilton (2024) finds that the TOMs™ model fails to account for the inherent social value embedded in public-purpose (VCSE) organisations and that financial proxy values are being strongly contested.

A more ambitious market-shaping, place-making approach to public sector leadership is needed.

As social value continues to evolve, the quest for materiality is deepening. Reporting on England's crumbling social care system, CIPHA (2024) finds that amongst councils with social services responsibilities, 74.4% of council budgets in England now relate to adult and children's social care. The effective design and delivery of complex human services requires VCSE intelligence, bold commissioning and professional system stewardship.

Standardised processes used for market purchasing cannot and should not be used to commission community services. To foster knowledge exchange and continuous learning; to report whose lives have been changed, in what way and by which social value intervention, there is a pressing need to invest in mission-led governance and public purpose digital social brokerage systems (Hamilton, 2024 see Appendix).

Our VCSE panel of experts concludes that while the UK has the most advanced social value regulatory system in the world, the public management of social value is at a crossroads.

A Summary of Concerns - Are we valuing what matters most?

Rather than changing the system, there is a sense that social value has been consumed by a highly marketised system, with Julian Blake of Stone King advancing *Fundamental Correctives to Commissioning* (see attached). Prominent VCSE actors are asking "are we *creating competition where there used to be collaboration* (Hamilton 2024 Key Interview - Social Enterprise). VCSE actors are losing opportunities because their inherent social value does not fit within the standardised, TOMs™ measurement system.

Research concludes that the TOMs™ are commercially focused, easily gamed and pose a significant risk of non-delivery. Interviewees reported a high-level of dissatisfaction with the TOMs™ social value measurement system. There's a sense that we have adopted a new approach, but the approach is not driving the required social change. We know that how social value is interpreted strongly influences public management practice, yet many inconsistencies persist.

- Social value is conflated with economic value
- Inconsistency in definitions between the Social Value Act and the HM Treasury Green book
- Inconsistency in application between local government and central government
- Simplification has led to gaming the system with no accountability
- The VCSE sector has become marginalised- without clear voice or agency in social value frameworks
- Poor governance and potential conflicts of interest have led to a lack of trust in the NSVTaskforce

Concerns specific to the TOMs™ measurement system

- **Commercialised Market Purchasing v System Stewardship**
TOMs™ is designed to quantify the additional social value being offered by commercial bidders. A distinct social value system for commissioning of social services is needed.
- **Inherent Social Value v Additional Social Value**
TOMs™ fails to recognise the inherent social value embedded in public purpose organisations.
- **The TOMs™ Financial Proxy Values are Highly Contested**
TOMs™ is overly focused on securing additional local employment and local spend; things that can be easily counted. Rather than transforming systems to improve the wellbeing of people and planet, the financial proxy values typically represent potential cost savings to central government.
- **Economic Value v Social Innovation**
Tools like TOMs™ focus on economic value, neglecting wellbeing and social innovation, leading us to ask - does social value have to be priced to be valuable?
Single parents place a high value on 10 am start times, a month's advance notice of their work schedules and flexible family employment opportunities. Helping workers overcome childcare and transportation challenges, by rewarding socially responsible business conduct, significantly improves wellbeing and quality of life, yet is rarely demanded.
- **Verification and Accountability**
Public managers and VCSE public purpose actors are increasingly concerned about the risk of non-delivery of social value. To overcome this risk the TOMs™ model must strengthen the assurance process. Failure to deliver social value must be tackled and involve penalties.
- **VCSE Cost Burden**
The 1% cost of TOMs™ payable by the winning bidder, adds a cost burden to VCSEs that is rarely covered by the project budget.

"TOMs don't tell us the whole picture of the impact of social value and provide no insight as to what change it had upon an individual's life."

Interviewee, Hamilton, 2024

"Social value is the enduring and systemic change that happens to individuals and communities that improves their quality of life and wellbeing"

Politician, early social value catalyst,
Hamilton 2024

Key Recommendations to the LGA

- 1. TOMs™ Should NOT be used in the evaluation of Social Service Contracts**
- 2. Governance of the National Social Value Taskforce**
Ensure NSVT is public purpose led; free of potential conflicts and commercial interests
- 3. Move Beyond Procurement to Advance Social Value as a System-Wide Mindset**
Representing a paradigm shift in how value is defined, social value is a mindset that needs to be embedded into the strategic thinking of organisations
- 4. Distinguish Market-Purchasing from System Stewardship**
Commissioning public services is system stewardship, not market purchasing.
The same processes cannot be used for both. Social value should not be restricted to 'additional' value. Social value should be embedded into the main subject matter of the contract recognising the 'inherent' value created.
- 5. Wellbeing: Social Value must strive to improve people's lives**
Social Value is people-centric and problem-focused.
Social Value is created when an individual's wellbeing is improved.
- 6. Stakeholder Engagement: Place VCSEs at the heart of system intelligence**
Ask people what they need and act upon it. Social Value cannot be delivered without the intelligence and partnership of the VCSE sector.
- 7. Foster Social Value Specificity over Standardisation**
- 8. Move Beyond Charitable Additionality to VCSE System Intelligence and Delivery Partnerships.** The VCSE sector is a values-aligned, natural public purpose partner.
More than suppliers and beneficiaries, VCSE's are the social value knowledge experts; the design, delivery and social impact verification partners.
- 9. Assurance**
Greater transparency and verification is needed to enhance credibility and confidence
- 10. Materiality: Names not Numbers - Stories are Data with Soul**
People-centred stories are needed to change organisational cultures and behaviours

"Once a quarter I do a social value dashboard, and I was challenged by the board to bring the data. So, I brought a young man, because I say stories are data with soul."

Hamilton interviewee GM-NHS

HM Treasury Green Book Definition of Social Value:
*Social value, also known as public value, is based on the principles and ideas of welfare economics and ...therefore includes all significant costs and benefits that affect the welfare **and wellbeing of the population, not just market effects** (pg 5).*

By interpreting social value as a bolt-on additionality, the TOMs™ financial proxy values reinforce the economic dominance of the current system, fail to capture the inherent social value embedded in VCSE public purpose organisations, and risk perpetuating the very inequalities social value seeks to address.

The LGA has an important role to play in shaping the directionality of social value and mission-led governance in the UK. In the quest to improve social outcomes and foster place-shaping in our local communities, now is the time to raise public sector ambition and deepen multi-scalar strategic alignment between local and central government,

Yours sincerely



Sandra Hamilton

VCSE Panel Chair, 2024 Social Value Conference, Manchester Institute of Innovation Research

Julian Blake, Public Benefit Lawyer, Stone King

Ben Carpenter, CEO, Social Value International

Laura McGann, Deputy Director, Business Development, Family Action

Mark Simms, CEO, P3 Charity - People Potential Possibilities

Cc. Lorraine Cox, Chair, National Social Value Task Force;

Peter Schofield, Chair, LGA National Advisory Group

Louise Gittins, LGA Chair

Claire Dove, Crown Representative, VSCE Sector

Sam Butler, Cabinet Office

Appendix Documents

- LGA - VCSE Guidance - Julian Blake, Stone King; Fiona Sheil, Heard Consulting
- The Fundamental Correctives to Commissioning - Julian Blake, Stone King
- Social Value Principles, Social Value International: SVI is a network of practitioners. We are not a tool offering one solution or methodology. We advocate for a principles-based framework for accounting for value. We define social value as wellbeing.

References

CIPFA, 2024. CIPFA study identifies solutions to England's crumbling social care sector

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-study-identifies-solutions-to-englands-crumbling-social-care-sector#:~:text=CIPFA%20finds%20that%20only%2025,social%20care%20in%202022%2F23>.

Hamilton, S.G., 2022. Public procurement – Price-Taker or Market-Shaper?

Critical Perspectives on International Business, Special Issue: UN Sustainable Development Goals 18, 574–615.

<https://doi.org/10.1108/cpoib-08-2020-0116>

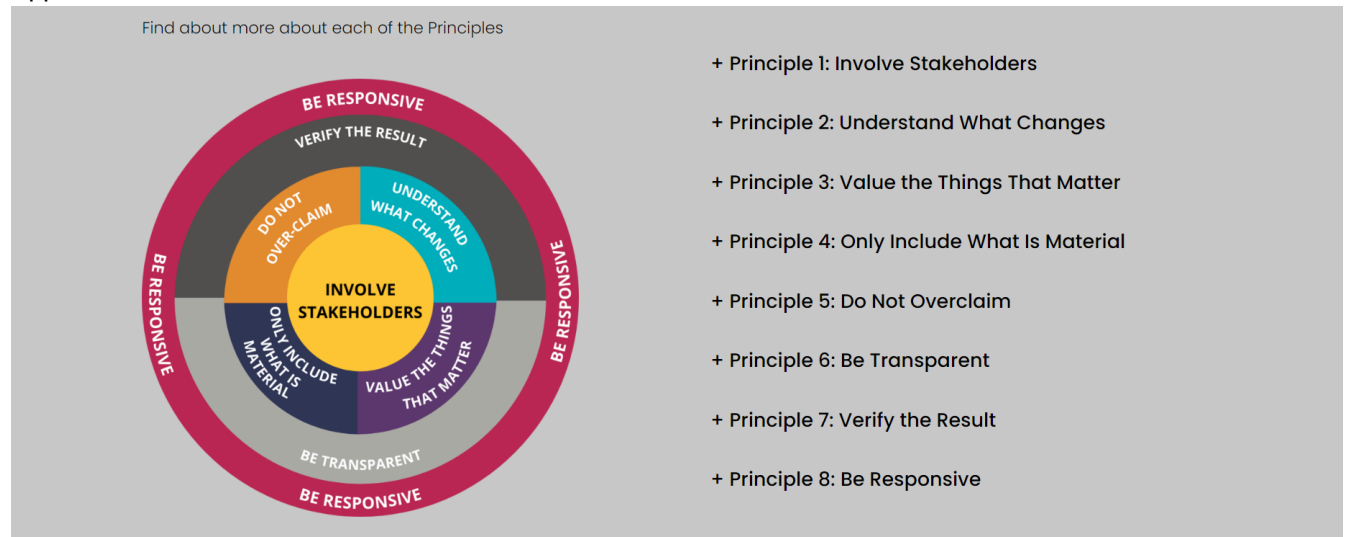
Hamilton, S.G., 2024, PhD thesis forthcoming

Manchester Institute of Innovation Research

Research question: How do public managers respond to mandatory social value policy regimes?

[Oxford University, 2022 Government Social Outcomes Conference - Summary of Key Findings](#)

Appendix



<https://www.socialvalueint.org/principles>

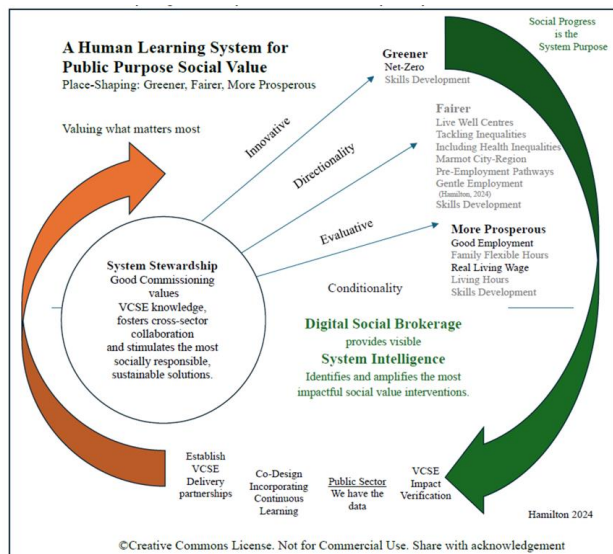


1. Interpretation

How Social Value is interpreted strongly influences public management practice

<p>Prescriptive Directionality</p>	<p>Transformers System Stewardship: Social Value is a mindset embedded organisation-wide.</p> <p>A paradigm shift in how value is being defined</p>	<p>Public Purpose led (MACs) Qualitative Central Government Level</p> <p>Public Managers evaluate the quality of the offer against the specified Social Value criteria</p>
<p>Descriptive Scattergun</p>	<p>Transitioners Social Value is an additionality to public procurement.</p>	<p>Market-led (TOMs) Quantitative Local Government Level</p> <p>Public Managers use financial proxies to quantify the additional Social Value offered</p>

Sandra Hamilton, Manchester Institute of Innovation Research
2024 National Social Value Conference-VCSE Panel-16th October, 2024



A Human Learning System for Public Purpose Social Value

Hamilton, 2024 Thesis Forthcoming

