



Centre for Citizenship  
Enterprise and Governance

# SOCIAL VALUE IN PUBLIC PROCUREMENT

2014 PATHFINDER PROJECT  
FOR PUBLIC, PRIVATE, THIRD  
AND COMMUNITY SECTORS

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## Social Value Consulting Services to the UK Public Sector Organisations

Date

October 1, 2014

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This report is a redaction of multi-disciplinary contributions from various sources all of whom are acknowledged. Whilst there is a central theme, readers may detect a variety of styles and approaches which add to the richness of the conclusions. Responsibility for issuing the report is taken by the Centre for Citizenship, Enterprise and Governance (CEEG is part of the University of Northampton Business School). We are grateful to the UK Social Value Portal for their assistance under which this report is shared under a Creative Commons 4.0 license (Attribution-Non-Commercial-No Derivatives 4.0 International CC BY-NC-ND 4.0) details of which are available from CCEG. The report was based on realistic figures from real life examples in the West Midlands. Non-public information has been removed to allow other public sector organisations to learn from the findings of this report.

## Executive Summary

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### WHAT GETS MEASURED GETS DONE

This report proposes a system to transform public procurement in the UK so that it delivers many millions of pounds of social value. We can, for the first time, give companies and social enterprises a built-in incentive to provide social value, not just once but in an ongoing competitive race to outdo each other. In the public services we can have a race to the top, instead of a race to the bottom.

This report is the work of the Centre for Citizenship Enterprise and Governance by a large interdisciplinary team with sections covering the relevant legislative, industry and procurement frameworks. It is not an academic research paper but concludes with a proposal for a pragmatic solution, which can be made available to all suitable public sector organisations within 6 months.

#### ALL CONTRACTS WON ON SOCIAL VALUE

The climate for public sector organisations could not be more difficult. Increasing non-statutory social costs set against rapidly decreasing budgets have led to crisis. Most western economies, including the UK, still face many years of pressure on public spending. Governments are increasingly looking for ‘blended solutions’ – bringing together the public, private and third sectors to make limited public funds go further. Such blended solutions are not easy to make work.

The Public Services (Social Value) Act 2012 (SVA) offers a tool which public sector bodies can use to create these blended solutions but it has not yet lived up to its promise. Under the SVA public sector organisations such as Local Authorities can consider ‘social value’ as a criterion when awarding tenders for services – for example awarding 10% of the marks. Awarding 10-20% of the marks for a tender on social value may sound a small amount, but if the margin of winning contracts is usually less than 10-20% this means that all contracts will be won or lost on social value. ‘What gets measured gets done’ and if companies need to add social value to win contracts then that is what they will do. But what does taking social value into account mean? How can the criteria be set in a way that complies with EU procurement rules? How can it be measured and assessed by overstretched procurement teams, who lack the time and experience to pick their way through claims of social value?

Then there is a problem of scalability. Most public bodies have very large numbers of suppliers. A standard consultancy led manual social impact tool is too costly, too cumbersome and resource intensive. So when used social value criteria are used at all, they are often assessed simply by a slick presentation and written submission, which probably tends to favour the larger organisations than a small passionate social enterprise. It becomes a tick-boxing exercise rather than a means of measuring real commitments and using the power of competition to drive more and more social value.

We believe the missing element has been a robust, objective, legally compliant, marking and assessment system for public procurement tenders. The portal we are proposing in this paper will resolve this issue. It is fully financially modelled, achievable, and can be delivered within 6 months at no/minimal cost to the public organisations using it. Importantly, it can scale to measure the many thousands of supplies used the larger public sector organisations.

## HAVING YOUR CAKE AND EATING IT

This report has been prepared particularly with Local Authorities in mind as they face severe funding pressure while being expected to deliver a huge range of services. This will help them have their cake and to eat it too – to comply with SVA, to deliver significant resources into non-statutory responsibilities (and thus to relieve the delivery pressure), to create and educate all organisations with their areas on socially responsible business, to cover all costs associated with the initiatives but also to generate income for the Local Authorities to develop their social ambitions. Other public sectors will have their own challenges and opportunities. We have mapped out a low risk and a low cost measured pathway to ensure these ambitions can be achieved and have given detailed guidance on best practice in community engagement drawing on historical implementations of very similar roll-outs.

## THE KEY THAT UNLOCKS THE POTENTIAL

The portal we are proposing would enable any public sector organisation to effectively and safely set criteria for social value in their tenders and have bidders' performance against these criteria assessed. It is this objective measurement, made possible by the correct social value metric that can be fully automated, that unlocks the potential of the SVA. Under the system:

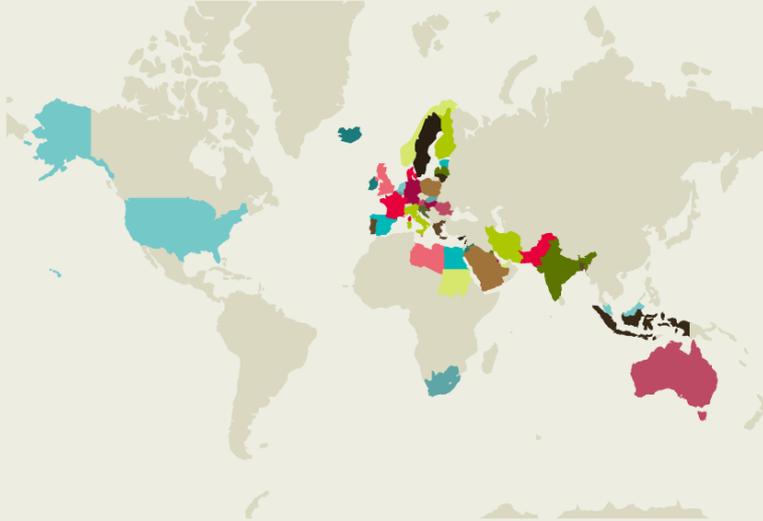
- The organisation can set either general social value criteria or set specific criteria for particular tenders, with our guidance on how to comply with EU procurement rules
- By using criteria that specify the 'local' social value added, organisations can legitimately give local firms a chance to do better than bigger (inter)national firms, and deliver to the UK £100m's of social value annually.
- Bidders submit information on their 'social value add' to the portal. This information is independently verified and assessed against the council's criteria.
- There is no cost to the public sector organisation. It will be funded by a 1% levy on the winning contractor to cover cost of independent social impact analysis and monitoring contract compliance across the period against Social Value Act and under the Best Value obligation
- A further optional 1% raised will go into a fund to support social value projects chosen by the public sector organisation and provide training for bidders, including local social enterprises, to maximise their social value add - raising millions of pounds of funding on top of the social value benefits.
- The system funds capacity development across the public, private, third, and community sectors in CSR and social value provision
- Stress testing the financials leads us to conclude the system has guaranteed sustainability and scalability to be adopted by other public sector organisations

## CONCLUSION

This report is not a talking forum, a discussion point, or an academic study. It is an eminently practical 'what, how, when' report with an implementation goal of April 2015 launch for the first public sector organisation, and 30 days for subsequent organisations. The findings utilise the most current and rapidly adopted methodologies in the world now in practice across 5 continents, have been risk assessed, with numerous pilots carried out in the UK. We value your feedback to our collective understanding of creating social value, and hope we are able to engage everyone in providing an agreed solution. We would welcome a dialogue with other organisations.

## Pathfinder Project

Measurable social value has become a global phenomena ranging from c. 2% cash 'levy' in countries like India to Indonesia, and many Islamic governments at 2.5% ... through to 20% social inclusion ring fencing of funds in EU and 30% 'tax' in Australia for exploitation of non-renewable resources. The UK is part of a global movement in developing a social value strategy which is driven by legislation and procurement.



## FRAMEWORKS

Applicable to how you implement social value locally are a host of National, European and International legislative, social innovation industry and procurement frameworks that directly impinge upon key decisions. The most relevant of these are:

<b>Legislation</b>
<b>EU: GECES Social Impact Measurement - June 2014</b>
<b>EU: Non-Financial Info Disclosure for &gt;500 employees- April 2014</b>
<b>UK: Social Value Act - public procurement PQQ/ITT - Jan 2013</b>
<b>UK: Localism Act - November 2011</b>
<b>UK: Sustainable Communities Act 2007</b>
<b>UK : Local Government Act 'Best Value' - 1999</b>
<b>UK: Directive 92/50 EEC Horizontal Policies for Procurement - 1992</b>
<b>Major Trends</b>
<b>INDIA: 2% CSR Law - 2% gross profits targeting CSR - April 2014</b>
<b>USA: WEF Stock Market Listings reporting proposal - March 2014</b>
<b>INDONESIA: BUMN Law 2% on profits for CSR</b>
<b>Industry Bodies</b>
<b>Global Reporting Initiative (GRI-4)</b>
<b>International Integrated Reporting Council (IIRC)</b>
<b>Benefits Corporation</b>
<b>ISO26000 Social Responsibility - 2010</b>

The main conclusions we have reached from our extensive research of these frameworks are as follows

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**SOCIAL IMPACT METRIC:** you have to be prepared to accept virtually all relevant submissions, whether empirical data or analysis reports, and your implementation must measure community sentiment and translate to your KPI's

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**HYPERLOCALITY:** you cannot discriminate towards local suppliers by virtue of geography, but you can by virtue of local impact, and you should have a methodology to take into account social impacts that lie outside your region

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**DECISIONS:** to avoid legal challenges separate decision and measurement authorities, both of whom must remain neutral and the latter able to monitor for the entire length of the contractual obligation and able to arbitrate

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**TARGETS:** the most used targets are the creation of 20% maximum social value and achieving a minimum of 2% financial contribution, but neither can be yes/no gates

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**CAPACITY DEVELOPMENT:** educating the public, private, third and community sectors is the key to successful implementation to ensure they can meet this agenda

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**CITIZENSHIP:** multi-stakeholder best practice across public, private, third and community sectors is via face-to-face engagement but scaled through digital platforms

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# SOCIAL IMPACT

The challenges of measuring social impact are the same whether at the global scale or locally. There are too many organisations to measure, a plethora of differing social impact metrics, not enough expertise and these are too costly to achieve those goals using traditional techniques.

**▲ 1,000,000,000 +**

Organisations in the world across public, private, third and community sectors

**● 1000 +**

Social Impact Metrics in the world

**👤 250,000,000 +**

Consultants required to audit annually if using primary research

**★ UK£ 3,000,000,000 +**

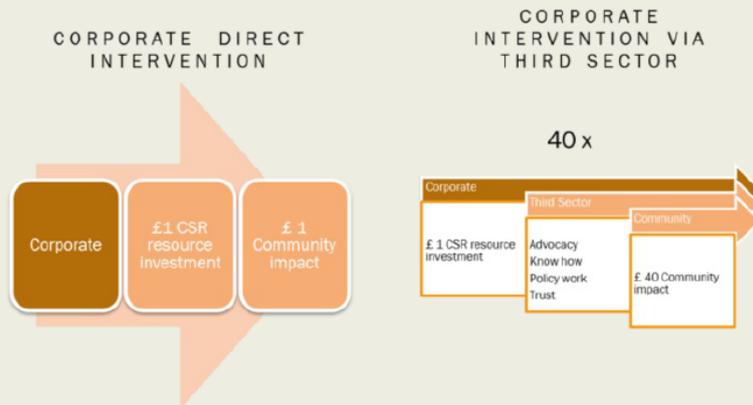
Yearly cost of social impact analysis

First you have to be able to identify every stakeholder. Current methodology use the citizenship map approach



Next you have to measure the social impact of the organisation themselves, as well as the target area they are (or will be) working within, forecast what will be the social impact of that delivery as well as the multiplier effect of going through NGO agencies

# Choice considerations



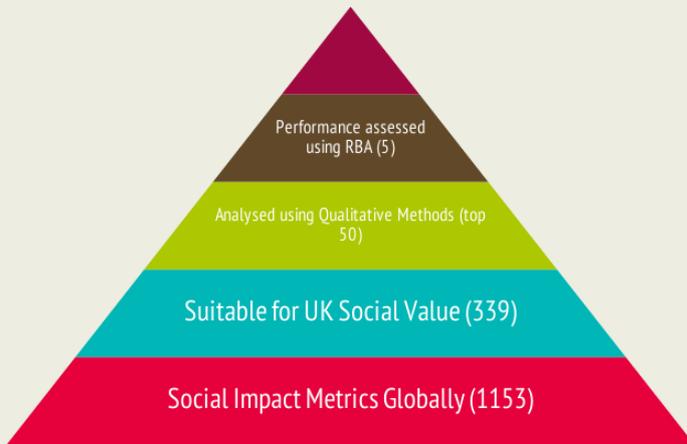
In choosing the methodology or impact tool to undertake this you have to take into account a plethora of factors that make one metric more suitable than the other to you



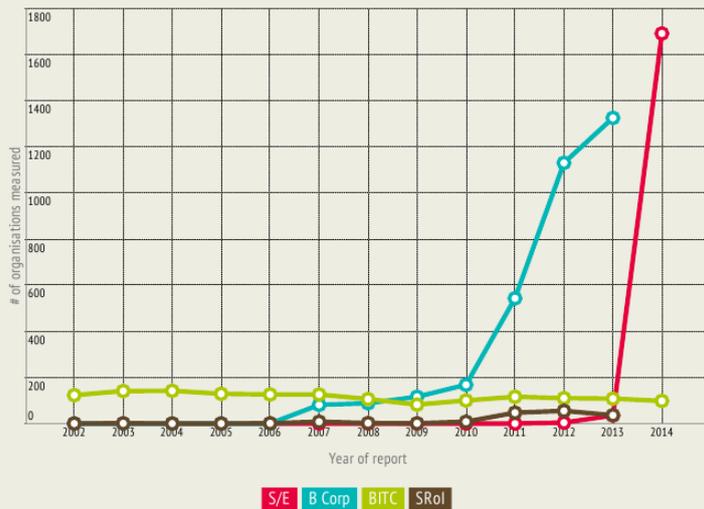
Given the scarce resources available to public sector organisations and to SME/Micro businesses, a key driver is to understand the resources, effort and time it will require to undertake this task. We consider these figures to be reasonable targets

	Analyst Entry	Org Entry	No Entry	Time
Manual	Y			2 hours
Online		Y		15 mins
Cloud			Y	10 secs

There are no bad metrics as they were all developed for a reason. The report has beauty paraded 1153 social impact metrics and through a series of criteria identified the top 5 for the UK



Using Results Based Accountability (RBA) we have analysed the top 5 to arrive at the most suitable metric to meet the criteria

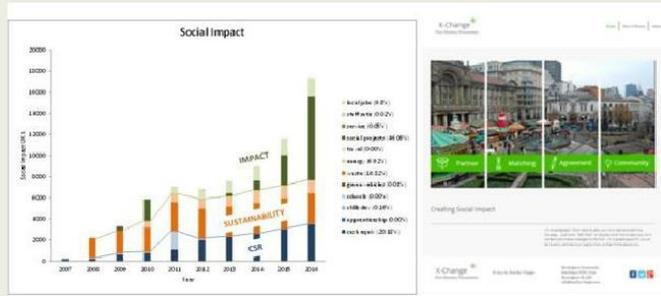


The Social Earnings Ratio, S/E, has been tested as an overarching translator metric as well as dealing with empirical data from organisations.



# Pilots in 2014

In UK, measurement of social impact is being used to award contracts as fulfillment of Social Value Act 2012. The methodology described in this report has the distinction of being used in the first public sector contract awarded since launch of SVA2012 - SCAPE (UK£ 385m) was determined in February 2013. Since then, it has been used in a number of other implementations including, most germane to this report, the Birmingham Market-X-Change pilot in February 2014 in the areas of Balsall Heath, Castle Vale and Shard End conducted by a consortium of Aston University, Birmingham University and Birmingham City University under the umbrella of the Centre for Citizenship, Enterprise and Governance (CEEG).



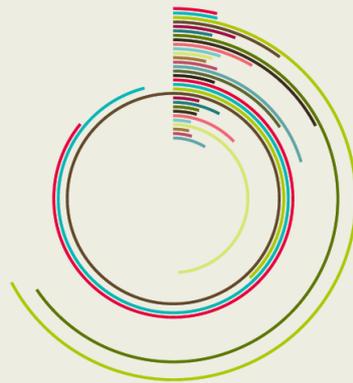
The Birmingham pilot demonstrated the capability of the methodology to rank social value performance and articulate it in simple values, including a one-number god-like metric for benchmarking

	Efficiency of CSR (S/E)	Social Impact as % of size (capitalization)	Social Impact created	Environmental Impact	People Impact	Cash Impact	Pay Disparity	Tax Avoidance	Popularity
Birmingham Royal Ballet		●			●				
Co-Operative Group				●					●
Investec						●			
Jaguar								●	
John Lewis Partnership							●		
RBS			●						
Unilever	●								

Results can automatically map on an interactive Google Earth GIS to start looking at correlations between social value, economic value, financial value, unemployment, deprivation, health outcomes, etc through Big Data analysis. A number of other uses are currently being explored in the city eg. provenance of local products and services



Our methodology is also being used in the 'Birmingham 100' ranking league table which celebrates the good work being carried out in the city



The S/E Ratio is also being used to evaluate the professional services sector in the city along Colmore Row (Business Investment District), as well looking at the performance of listed companies in the area in real time mapping of their financial value (share price) against their social value every 10 seconds



## THE BUSINESS CASE

Public Sector organisations have a large number of organisations registered on their supplier portal. Many local authorities, are struggling to deliver non-statutory services - parks, libraries, leisure centres, arts, voluntary organisations, charities, mental health units, community centres, health centres, etc. These latter services are under threat due to funding shortages within the public sector. Social Value can be used to bring resources to these non-statutory services in a significant transformation of the landscape in the city. Any implementation of social value has to be conducted in scale to have any effect. The basic paradigm is the matching of private sector agendas and resources to third sector organisations to empower the community and lift the heavy burden off public sector organisations

Rank benchmarking

Capacity development



NGO's Can Multiply Co SI

The key deliverable of the public sector portal will be the capacity development of all organisations within the city across all sectors which will be funded by the social value portal implementation. Scale is achieved not only through mentoring, meetings, conferences, etc but also through the delivery of certificated courses, an existing online MOOC (Massive Open Online Courses) in social innovation, leadership development, etc with a blend of traditional and digital learning



we have reports detailing the IT platform that will carry out all measurements of social value, match it against KPI's, and report it back to both the public sector organisation and the organisation being measured.



Through a mechanism of charging a suggested 2% levy to successful bidders, and UK£ 5 per measurement for other organisations (compared to c. UK£ 3-5000 per company for traditional social impact measurement systems), the results are very encouraging.

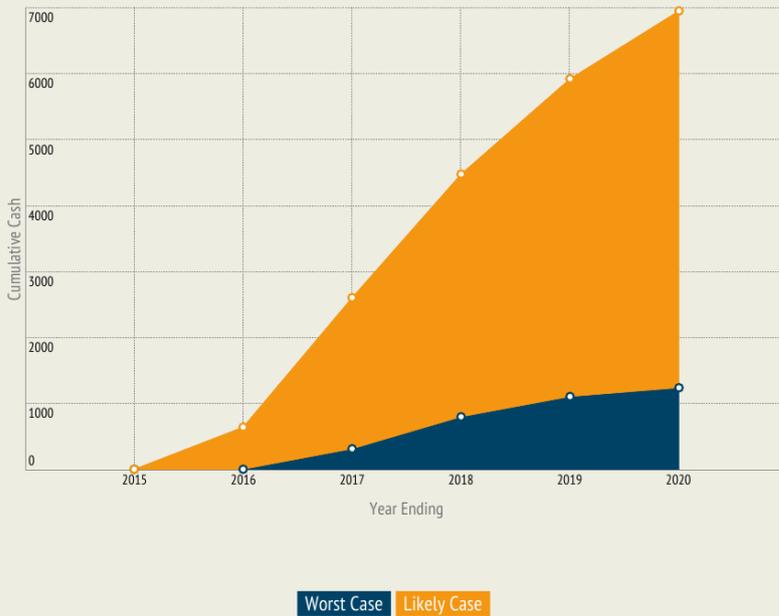
**A one-off integration investment of UK£5-50k (only if required) with no further funding for the lifetime of the contract; this can be amortised**

**It will deliver 20% social value at a cost of 4.65 pence per tax payer ie 2000 x RoI to the citizen**



**Strategic Goals will be delivered across the region to private, public, third sectors targeting 75% enrollment within 5 years at no cost to the public sector organisation**

**The public sector organisation will receive recurring revenue to re-invest in Social Value initiatives giving 100 x Rol**



**Organisations will take a leading exemplar role on an international stage**

# UK ROLL OUT

▼ **5,000,000**

UK£ 5+ m investment at no risk to the public sector

▲ **5**

Public sector organisations required for optimum scalability

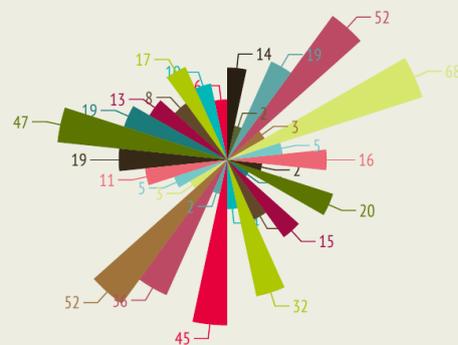
The system is capable of Real-Time-Information (RTI) and has been designed for roll out across other public sector organisations throughout the UK and Europe. The architecture is that of a scalable implementation of an enterprise class platform as used in other large public sector roll outs such as Universal Credits and Tell-Us-Once with valuable lessons learnt from the Welfare Reform's Under-Occupancy engagement. Using a formula of 4.65p/citizen public sector organisations will be able to access the same platform at c. UK£ 15-50k one off cost which can be amortised



*"The World's Most Rapidly Adopted Social Metric"*

*S/E Ratio - Vatican Press (July 2014)*

By using a universal metric that has widespread adoption allows cross-sector organisations to explore other options as the data mining marketplace grows in big data sharing between organisations both nationally and internationally



- Bidding | Value of Arts | Procurement | Branding | Regional targeting | Human Rights
- Impact investment | Risk Management | Grant awards | Health & Wellbeing | CSR reporting
- International Development | Consumer behaviour | Data mining | Job market | Logistics
- Component supply | Consultancy | Provenance | Ethical investments | Needs assessment
- Management dashboard | Benchmarking | Funding 3rd sector | Reputation strategy
- Ethical advisory | Curation marketplaces | Hyperlocality | Sector ranking leagues | SIB

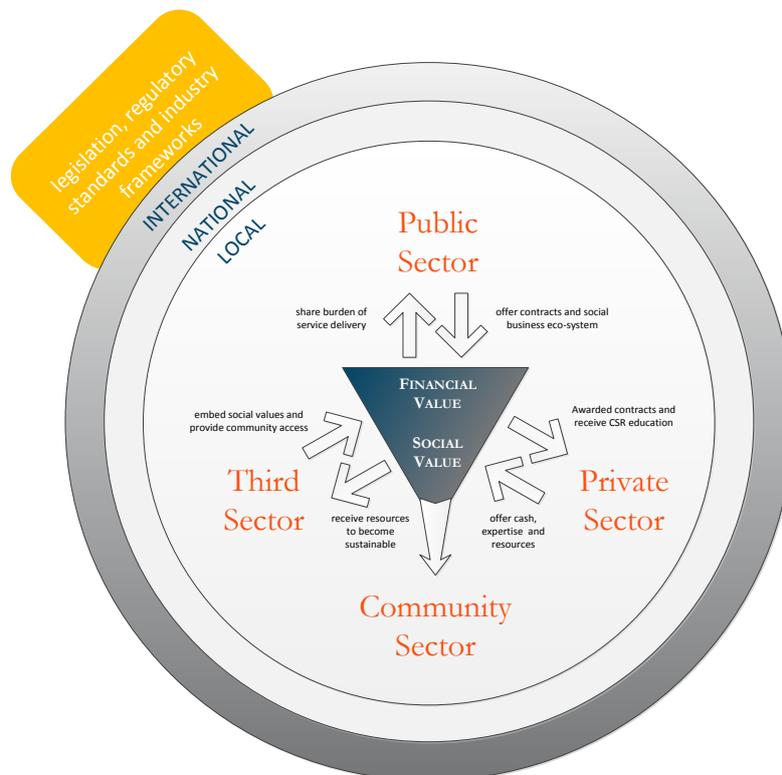
**We are seeking 5 pathfinders organisations of varying sizes to share in the delivery of social value outputs to their service users for April 2015 launch**

# 1 The Blended Model

In the past six years there has been a seismic shift in the social innovation industry stemming from the financial crisis of 2008. Before the crisis things were best described as adequate with the Private Sector enjoying a burgeoning period with company stock market listings at an all-time high. The Public Sector benefited from taxes on increasing company profits, and the Third Sector<sup>1</sup> enjoyed Lottery money – a fairly recent addition to their funding. The community was the recipient from all this. Since the crash, however, no sector has adequate resources forcing us to become reliant on each other to survive and to develop new blended solutions to meet the challenges of society.

**i** *The blended model describes our current imperative all round the world that as Public Sector funds recede, we are increasingly turning to the Private Sector to deliver our community services through Third Sector agencies. Easy to articulate, but extremely difficult to do.*

To encourage blended solutions governments all over the world have created frameworks and legislation to try to ensure the needs of people are met despite what at times appears unsurmountable and unpredictable problems at local, national and international levels most of which we cannot control. What it has created in the middle is a need to articulate financial and social value using a common language. The problem is that whilst financial value is a mature and well defined concept, we have yet to arrive at a common language and definition of social value. Indeed, not only is there not a robust consensus on social value between the three sectors, there is not even consensus within a sector.



<sup>1</sup> The Third Sector describes the space taken up by voluntary organisations, charities, not-for-profits, and some Community Interest Companies (CIC) and Social Enterprises.

The inherent complexity of social value instruments does not stop there. With the rapid escalation of legislation, procurement directives and industry frameworks – 5 since March 2014 alone (UK, EU, India, USA), the conflicting advice and structures between local, national and international initiatives, means that dependent procurement decisions are increasingly leading to significant litigation. Typically procurement metrics within the usual PQQ/ITT<sup>2</sup> process usually have less than 5% difference between success and failure, but social value structures are typically asking to demonstrate 10-20% social impact in contract value (20% being the EU/UK goals<sup>3</sup>, larger in Wales), so the importance of getting proper processes right cannot be underestimated.

All this within a backdrop of decreasing available resources to the public sector but increasing commitment to promote ‘good’ businesses often linked to the complexity of attendant ‘*difficult to do*’ agendas such as health, well-being, education, poverty, deprivation, unemployment, crime, etc. With some local authorities preparing for a very significant reduction in staffing whilst simultaneously aiming to expand CSR values across their localities the potential problems are evident. In effect procurement departments aim to target the tens of thousands of varying sized businesses registered on their digital tendering platforms or procurement portals in a manner which is both transparent and efficient; this means inevitably scalability of existing approaches is a severe bottleneck. Not only measuring but also monitoring social value performance puts an onerous burden on the public sector and SME<sup>4</sup>/micro businesses. This is worsened by the use of *not-for-fit* purpose social impact analysis techniques which are usually expensive, overly complex, slow, resource intensive, subjective, easily challenged, difficult to articulate and niche; shockingly there are over 1150 social impact metric techniques internationally so creating a bewildering choice for the naïve operator.



*Practices that are likely to end you in expensive litigation include ignoring extensive EU and UK legislation, positive discrimination for local suppliers, the use of conflicted corporate advisory services to determine procurement, use of metrics outside industry standards, sampling of monitoring performance, failing to take into account social value performance outside your region. Ignorance is no defence in court.*

To get around such hurdles public sector organisations have come up with some interesting but questionable solutions. The usual outsourcing the responsibility to the corporate professional advisory industry is, of course, illegal due to the conflict of interest; the poacher cannot become the gamekeeper unless it disowns the clients which they are also measuring. In frustration some have developed their own metric, ignoring the industry standards that have been developed by professionals over years of research and refinement; naturally they are incomplete and fail to conform to the plethora of global industry frameworks. Unfortunately the sector is also often counter intuitive falling foul of broader EU regulations that mean you cannot give preference to local suppliers. Even selected sampling for monitoring contracts is discriminatory.

This report is not just fact finding, not only about best practice and neither simply researching what acceptable would look like. It not only sets out the details of the issues, but provides pragmatic solutions that can be readily implemented within the normal operating operandi of public sector organisations. It is not academic research but sits within an agnostic, non-agenda, non-partisan university approach with significant advisory across all sectors.. This is a developing understanding of the space and thus it is not perfect but it is comprehensive. We have given what is legal, compliant with national and international frameworks, the choices available, how to compare apples with oranges in social value, best way to implement and how to avoid significant costs.

<sup>2</sup> Pre-Qualified Questionnaire (PQQ) and Invitation to Tender (ITT)

<sup>3</sup> Minimum of 20% of ESF funding to LEPs is ring fenced from ESIF/EDFT to deliver social inclusion and eradicating poverty

<sup>4</sup> Small to Medium Sized Enterprises

## 2 Legislative Framework

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Legislation is influencing a seismic shift in the approach to procurement that affects all businesses that deal with the public sector, promoting social value at local level through the use of procurement criteria to drive wider social and economic benefits. In these times of financial austerity it is particularly important that maximum value in public spending is achieved. Demand for the core public services that the public sector provide will increase significantly over the next few years and in a time of reduced funding, procurement and commissioning officers will need to identify better targeted, more innovative and radical service delivery solutions to meet this demand. With the implementation of the Public Services (Social Value) Act 2012 public sector organisations need to meet the challenge of not only achieving the best price but also meeting the wider social, economic and environmental needs of the their regional and its citizens.

There are a host of UK and EU regulations that surround the Public Services (Social Value) Act. It is important that public sector organisations are compliant to each and every single one to avoid challenge. In this section we aim to elucidate:

- The Public Services (Social Value) Act 2012 and its background
- The influence of EU Legislation on The Public Services (Social Value) Act 2012 and procurement framework in relation to procuring social value.
- To understand how Best Value fits in
- An overview of other UK/EU legislation to consider when preparing a social value strategy

This section will look at the following specific pieces of legislation:

- The Public Services (Social Value) Act 2012
  - ❖ Procurement Policy Note –The Public Services (Social Value) Act 2012 –advice for commissioners and procurers Information Note 10/12 20 December 2012
  - ❖ The Public Services (Social Value) Act 2012: One Year On
- The Local Government Act of 1999
- Localism Act 2011
- ISO26000 (2010) Social Responsibility
- EU Directive 92/50/EEC (Horizontal Policies for Procurement)
- EU Non-Financial Information Disclosure (April 2014)
- EU GECES Social Impact Measurement (June 2014)

### 2.1 The Public Services (Social Value) Act 2012

*“An Act to require public authorities to have regard to economic, social and environmental well-being in connection with public services contracts; and for connected purposes”*

The Public Services (Social Value) Act 2012 was formally implemented from 31 January 2013. The Act applies to public services contracts and framework agreements relating to services to which the Public Contracts Regulations 2006 (“the Regulations”) apply. The act has the potential to transform the way public services are commissioned. Any given Council or Local Authority now has to consider choosing providers based on the social value created in an area and not on cost alone. The act applies to all public services contracts and those public services contracts

with only an element of goods or works. It doesn't apply to public work contracts or public supply (goods) contracts. However, there is widespread approval for public bodies considering social value in all forms of contracts including support from Nick Hurd, the Minister for the Cabinet Office who was in charge at the time<sup>5</sup>.

In regard to the EU threshold EU Directive 2004/18/EC<sup>6</sup> (primarily article 7) on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts regulates public contracts above a certain threshold, which is currently UK£173,934, for local government. The directive does not regulate the awarding of public contracts below this threshold. Many local authorities, however, have decided to apply the Act to all contracts through the creation of local charters and guidelines which appear to be aimed at all businesses regardless of size and contract value in contradiction to the EU directive.

To avoid confusion and challenge we would recommend a distinctive 2 prong approach to Social Value:



- Procurement under the Social Value Act 2012 that falls strictly into the threshold issue and fully compliant with the UK and EU legislation
- A broader eco-system region setting which involves social value education, guidelines, benchmarking, incentives, and preferences along industry standards, for which a whole set of other EU/UK legislation can apply

### **Procurement Policy Note –The Public Services (Social Value) Act 2012 –advice for commissioners and procurers Information Note 10/12 20 December 2012<sup>7</sup>**

It is important for public sector organisations to circulate this Procurement Policy Note (PPN) to the attention of those with a commissioning or purchasing role in order to fully understand the Act and its implementation. The PPN covers in detail introduction to the Act, what authorities are required to do under the Act, considering the economic, social and environmental wellbeing of the relevant area and applying this to the procurement process and technical questions and answers.

#### **The Public Services (Social Value) Act 2012: One Year On**

This document outlines some of the progress made since the Act came into force and what the Government plans to do next. In particular, one should take note of the following:

- *“EU procurement law allows commissioners to take wider social and environmental considerations into account when procuring public services. To provide greater clarity, the Government has been negotiating revised EU procurement directives, which have now been agreed by the European Parliament.”*
- *“The Cabinet Office’s lean standard operating process places a heavy emphasis on engagement with supply markets before procurement processes commence, and the requirements of the Social Value Act complement this approach.”*

<sup>5</sup> Now Brooks Newmark since July 2014 – who has since resigned

<sup>6</sup>Official Journal of the European Union (2004) Directive 2004/18/EC of the European parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts

<sup>7</sup> Cabinet office (2012) Procurement Policy Note –The Public Services (Social Value) Act 2012 – advice for commissioners and procurers Information Note 10/12 20 December 2012

- “The Compact, an agreement between the Government (and its associated Non-Departmental Public Bodies, Arms Length Bodies and Executive Agencies) and civil society organisations in England, commits the Government to ensuring that social, environmental and economic value forms a standard part of designing, developing and delivering services.”
- “Various regulations and guidance for particular groups of commissioners also complement the Social Value Act. Agencies under the Duty of Best Value are required to consider the overall value contributed by providers, with the aim of encouraging greater Voluntary, Community and Social Enterprise (VCSE) and Small and Medium Enterprise (SME) participation in public services.”
- “This duty of best value includes considering the wider economic, environmental and social value created through procurement, above and beyond that of the service itself. The Act builds on these frameworks, extending social value requirements to all contracting bodies and providing clear legal grounds for commissioners to achieve wider impact through procurement.”

## 2.2 The Local Government Act of 1999 and Best Value

There are other instruments at the disposal of the public sector which have not been replaced by SVA2012.

“An Act to make provision imposing on local and certain other authorities requirements relating to economy, efficiency and effectiveness; and to make provision for the regulation of council tax and precepts”<sup>8</sup>

In particular, The Local Government Act of 1999 Part 1 section 3 (1) sets out a general *Duty of Best Value* that public sector organisations have to:

“Make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”

It is important to note that the Best Value duty has not been repealed by the Public Services (Social Value) Act.<sup>9</sup> Commissioners should note that the Best Value Duty complements the approach in the Public Services Social Value Act (2012) but there are some differences which are summarised in the table below:

	Best Value Duty	Public Service (Social Value) Act
Duty	Consider value (including social value)	Consider how to improve social, economic and environmental well-being
Body	Local authorities	All UK Public sector authorities
Contract	Services, goods and works	Services only
Procurement stage	Throughout the process	Planning/Pre-procurement
Value of contract	Any value	The states above relevant EU procurement thresholds
Consult?	Yes – end user/service user	Yes – on the service being provided

<sup>8</sup>Local Government Act 1999 CHAPTER 27 (1999)

<sup>9</sup> Cabinet office (2012) Procurement Policy Note –The Public Services (Social Value) Act 2012 –advice for commissioners and procurers Information Note 10/12 20 December 2012

The Department for Communities and Local government issued statutory guidance on the Best Value Duty in the publication *Best value statutory Guidance*<sup>10</sup> setting out reasonable expectations of the way authorities should work with voluntary and community groups and small businesses when facing difficult funding decisions. They are required by law to have regard to the guidance.

**i** This suggests, at least for clarification, that Best Value could be used to promote local authority social innovation strategies which lie outside the tight confines of the Social Value Act.

### 2.3 Public Contracts Regulations 2006

Of particular importance is to note Part 5 of *Award of a public contract Criteria* which states:

*“A contracting authority shall use criteria linked to the subject matter of the contract to determine that an offer is the most economically advantageous including quality, price, technical merit, aesthetic and functional characteristics, environmental characteristics, running costs, cost effectiveness, after sales service, technical assistance, delivery date and delivery period and period of completion.”*<sup>11</sup>

**i** Essentially, the opportunities to secure improvements to social, environmental or economic well-being will vary from service to service. Consideration of social value must, therefore, be built into the initial stages of the commissioning cycle – when reviewing service provision, conducting a needs analysis, consulting stakeholders and/or the marketplace, and specifying the services to be procured. We would advise that levels of social impact be explicitly set eg. 20% (the EU recommended standard) as the target for all contracts or graduated levels in between depending on the contract value or organisation size bidding.

In conducting the procurement process to deliver *well-being* improvements public sector organisations can only consider matters which are *relevant and proportionate*; in line with the Public Contracts Regulations (2006) and developing case law. Service commissioners must, therefore, take into account the cost, deliverability and nature of the contract when considering how it could facilitate through procurement the delivery of any of the social value priorities

### 2.4 Localism Act 2011

*“An Act to make provision about the functions and procedures of local and certain other authorities; to make provision about the functions of the Commission for Local Administration in England; to enable the recovery of financial sanctions imposed by the Court of Justice of the European Union on the United Kingdom from local and public authorities; to make provision about local government finance; to make provision about town and country planning, the Community Infrastructure Levy and the authorisation of nationally*

<sup>10</sup> Department for Communities and Local government (2011) A plain English guide to the Localism Act Department for Communities and Local government

<sup>11</sup> *Public Contracts Regulations 2006 Regulation (2006)*

*significant infrastructure projects; to make provision about social and other housing; to make provision about regeneration in London; and for connected purposes”.*<sup>12</sup>

In November 2011 The Department for Communities and Local government as part of making local councils more transparent and accountable to local people and giving people more power over what happens in their neighbourhood produced an overview of the main measures of the Localism Act 2011.<sup>13</sup> This guide gives an overview of the measures of the Localism Act 2011 under 4 headings:

- new freedoms and flexibilities for local government
- new rights and powers for communities and individuals
- reform to make the planning system more democratic and more effective
- reform to ensure that decisions about housing are taken locally

**i** *It is widely accepted that Localism Act has contributed very little to the UK social fabric as intended. All stakeholders in this have failed to take up the opportunity. Ironically many of its goals are aligned to Social Value. We would encourage Social Value to be used as the currency to make moribund initiatives such as Localism alive and delivering real solutions both economically and in the Community.*

*The numerous Community Right to Challenge bids, for example, would not have failed win contracts had social value been used to evaluate the bid.*

Many community groups and social enterprises already provide services that are highly valued by the community. Many more have innovative ideas about how to improve the services that they use. The Localism Act is intended to devolve power from central government to individuals, communities and local councils this will therefore have a direct impact on public sector organisations. The Act forms a key piece of legislation in the government’s drive for decentralisation.

In view of the situation in relation to funding of services where a cost saving is required and with further cutbacks this opens up a potential avenue to engage the community to take over the running of services that may face cutbacks or been abolished. The Community Right to Challenge, for example, gives community groups, parish councils and local authority employees the right to submit an “expression of interest” in taking over and running a local authority service.<sup>14</sup>

An expression of interest can be submitted by:

- A voluntary or community body
- A charitable group or trust
- A parish council
- Two or more employees of the local authority responsible for the service delivery

There is much evidence of failure in bidding for contracts by social enterprise organisations including ex-local authority employees who have successfully run service delivery for 30 years only to fail when bidding from outside

<sup>12</sup>Localism Act 2010 Elizabeth II Chapter 20 (2011)

<sup>13</sup> Department for Communities and Local government (2011) A plain English guide to the Localism Act Department for Communities and Local government

<sup>14</sup> Locality (2011) The Localism Act 2011: *What does the Localism Act mean for community organisations?*

the public sector through a social enterprise. Standard KPI's within PQQ/ITT do not reward hyperlocality or social impact; extending the framework outside SVA2012 would encourage Localism.

## 2.5 ISO26000 (2010) Social Responsibility

Providing guidance rather than requirements the ISO 26000:2010 standard was launched in 2010 and last reviewed in 2014. As it provides guidance only it cannot be certified unlike some other well-known ISO standards. However it helps clarify what social responsibility is and helps businesses and organizations translate principles into effective actions and shares best practices relating to social responsibility, globally. It is aimed at all types of organizations regardless of their activity, size or location.<sup>15</sup>

- This International Standard is intended to be useful to all types of organizations in the private, public and non-profit sectors.
- ISO 26000:2010 is a voluntary guidance standard- that is; it does not contain requirements such as those used when a standard is offered for "certification".
- Every organization is encouraged to become more socially responsible by using this International Standard.
- ISO 26000:2010 is one of the most authoritative worldwide standard for Social Responsibility.

The Seven Core Subjects, which every user of ISO 26000 should consider, are:

- Organizational governance
- Human rights
- Labour practices
- Environment
- Fair operating practices
- Consumer issues
- Community involvement and development



*One of the areas of constant litigation has been challenges to why some KPI's are used, and others not. "Because I say so" is insufficient. ISO 26000 is useful in that it includes some parameters that are not covered in other areas of law. Adoption of the ISO 26000 standard allows the ability to introduce issues surrounding governance, human rights, staff treatment and education/training of staff and management.*

ISO 26000 asks:

- Before analysing the core subjects and issues of social responsibility, as well as each of the related actions and expectations (Clause 6), the organisation should consider two fundamental practices of social responsibility: recognizing its social responsibility within its sphere of influence, and identifying and engaging with its stakeholders (Clause 5).

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<sup>15</sup>ISO (2010) ISO 26000:2010(en) Guidance on social responsibility

- Once the principles have been understood, and the core subjects and relevant and significant issues of social responsibility have been identified, the organisation should seek to integrate social responsibility throughout its decisions and activities, using the guidance provided in Clause 7. This involves practices such as: making social responsibility integral to its policies.

Organizational culture of an organisation's strategy and operations; building internal competency for social responsibility; undertaking internal and external communication on social responsibility; and regularly reviewing these actions and practices related to social responsibility.

## 2.6 EU Legislation

Public sector contracts, no matter what their value within the European Union are covered by a treaty which incorporates the free movement of goods and services and which prevents discrimination against firms on the grounds of nationality. The principles of the treaty are backed by a series of EU Procurement Directives.

- EU Directive 92/50/EEC (Horizontal Policies for Procurement)
- Amending Directive 1997-97/52/EC <sup>16</sup>
- Commission Directive 2001-2001/78/EC (amends the directive 92/50/EEC) <sup>17</sup>

Community legislation introduced to ensure government contracts were open to all nationalities on equal terms and to make tendering procedures more transparent so that compliance with the principles laid down in the Treaties could be monitored and enforced.



*A very common mistake in procurement that is strictly illegal is the stating that preference will be given to local suppliers under a laudable hyperlocality agenda where local purchasing and local spend is encouraged.*

*Through the natural use of Social Value as a discriminator bidders with more local social impact can, however, be preferred and naturally these are often those with more local provenance and history of local delivery of community benefits. Choosing a social impact metric that measures hyperlocality then becomes key.*

Therefore, to back up the prohibition of import restrictions resulting from discriminatory public purchasing and to make it easier for resident and non-resident foreign firms to compete for public-sector contracts, the EU issued directives to coordinate procurement procedures in all public-sector procurement subject to the Treaties. The public procurement directives are based on three main principles: <sup>18</sup>

Examples of the EU principles to highlight this are shown below

<sup>16</sup> European Commission (1997) EUROPEAN PARLIAMENT AND COUNCIL DIRECTIVE 97/52/EC of 13 October 1997 amending Directives 92/50/EEC, 93/36/EEC and 93/37/EEC concerning the coordination of procedures for the award of public service contracts, public supply contracts and public works contracts respectively]

<sup>17</sup> European Commission (2005) COMMISSION DIRECTIVE 2005/51/EC of 7 September 2005 amending Annex XX to Directive 2004/17/EC and Annex VIII to Directive 2004/18/EC of the European Parliament and the Council on public procurement

<sup>18</sup> European Commission (1992) EU Directive 92/50/EEC Guide to the community rules on Public Procurement of services other than Water, Energy, Transport and telecommunication sector

- Community-wide advertising of contracts so that firms in all Member States have an opportunity of bidding for them.
- The banning of technical specifications liable to discriminate against potential foreign bidders.
- Application of objective criteria in tendering and award procedures.
- Equal treatment and non-discrimination: which means contractors from anywhere in the EU can compete on a level playing field regardless of their nationality, locality or whether they have a prior relationship with the contracting authority;
- Transparency: making requirements and award criteria clear from the outset;
- Proportionality: ensuring that the requirements reflect the needs and scope of the contract;
- Mutual Recognition: recognising the qualifications and technical standards of other member States.

Where the application of social strategy principles does fit in with EU legislation are clauses that contracting authorities are entitled to include environmental (and by implication social) considerations in their award criteria. These need not be purely economic in nature. They need to:

- be linked to the subject matter of the contract;
- not confer an unrestricted freedom of choice on the authority;
- be expressly mentioned in the contract documents or tender notice; and
- Comply with all the fundamental principles of community law, in particular the principle of non-discrimination.

The following are issues that public sector organisations need to be aware of in the wording in regard to social value policy and the application of their local CSR strategy principles. With respect to the word “local” in procurement

- Do not use it in isolation- it will be discriminatory; use the words “local impact”
- Promote targeted requirements that reflect European-wide priorities – example reducing unemployment

## 2.7 EU Non-Financial Information Disclosure (April 2014)

On 15 April 2014 the European Parliament approved the reform on non-financial reporting. The final adoption is expected between July and September 2014. Member States will then have 2 years to transpose it into their national legislation. The European Coalition for Corporate Justice <sup>19</sup>states:

*“ The EU Non-Financial Information Disclosure will require large listed companies to report annually on principal risks to human rights, the environmental and social impacts linked to their operations, relationships, products and services – as well as aspects related to bribery and diversity – and their due diligence procedures for identifying, preventing and mitigating those risks. This legislation is the first step in embedding into EU law the corporate responsibility to respect human rights and the environment as it is expressed in the UN Guiding Principles and OECD Guidelines for Multinational Enterprises”.*

The new rules will only apply to some large companies with more than 500 employees. This includes listed companies as well as some unlisted companies, such as banks, insurance companies, and other companies that are so designated by Member States because of their activities, size or number of employees.<sup>20</sup>The Directive leaves significant flexibility for companies to disclose relevant information in the way that they consider most useful, or in a separate report.

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<sup>19</sup> ECCJ (2014) *EU Directive on the disclosure of non-financial information by certain large companies: an analysis* European Coalition for Corporate Justice

<sup>20</sup> European Commission (2014) *Non-Financial Reporting*

**i** To demonstrate uniformity and conformity to Companies may use international, European or national guidelines which they consider appropriate. It would be perfectly normal for a public sector organisation to demand evidence of compliance, and offer their own social impact reporting framework to assist the company meet the standard.

## 2.8 EU GECES Social Impact Measurement (June 2014)

The Single Market Act II<sup>21</sup> states that:

*“The Commission will develop a methodology to measure the socio-economic benefits created by social enterprises. The development of rigorous and systematic measurements of social enterprises’ impact on the community ... is essential to demonstrate that the money invested in social enterprises yields high savings and income”. The GECES sub-group was therefore set up in October 2012 to agree upon a European methodology which could be applied across the European social economy”*

Nowhere in the world is there an agreed standard for social impact measurement. To develop one would bring consistency to reporting, form a foundation for performance management within social enterprises of all sizes (hence improving effectiveness) and encourage a more informed engagement with partners, investors, and public sector funders. <sup>22</sup> The Social Impact Measurement Sub-Group has, after 2 years of deliberation, come with a directive on social impact measurement. It has 5 components to it:

**i** On 15<sup>th</sup> June 2014 the EU finally agreed a directive on social impact measurement which gives a specific 5-fold approach. It is a piece of legislation which will help to sort out the men from the boys in social impact. Not only does it stipulate a multi-stakeholder approach ('citizenship framework') but it demands verification that target outcomes are achieved, and that the stakeholder can see them and values those outcomes.

*This means it requires stakeholder feedback. The vast majority of social impact metrics will fall foul of this. Although part and parcel of new generation social impact metrics which are IMPACT RECEIVED driven, older techniques are CSR OUTPUT driven. In addition, the public sector organisation is not allowed to discriminate against one report to another as long as they comply with the Directive.*

- **Identify Objectives:** of the various parties in seeking measurement and of the service being measured.
- **Identify Stakeholders:** who gains and who gives what and how?
- **Set Relevant Measurement:** the social enterprise will plan its intervention, and how the activity achieves the outcomes and impacts most needed by its beneficiaries and stakeholders. This link from activity to impact is the social enterprise’s theory of change. It will decide this, and establish measurement most appropriate to explaining that and the achieved impacts, and will then agree it with major stakeholders.
- **Measure, Validate and Value:** assessing whether the targeted outcomes are actually achieved in practice, whether they are apparent to the stakeholder intended to benefit, and whether they are valuable to that stakeholder.

<sup>21</sup> European Commission (2104) *Social Impact Measurement Sub-group*

<sup>22</sup> GECES (2014) Proposed Approaches to Social Impact Measurement in European Commission legislation and in practice relating to: EuSEFs and the EaSI GECES Sub-group on Impact Measurement

- **Report, Learn and Improve:** as the services are delivered and the measurements of their effectiveness emerge, so these results are reported regularly and meaningfully to internal and external audiences.

## 2.9 Draft EU procurement Directive Change to procurement rules

There are a number of upcoming changes to EU legislation that public sector organisations should adhere to in order to future proof their social value strategy. On 15<sup>th</sup> January 2014 the European Parliament agreed on a further set of new measures. Paul Winyard, Policy Officer at the The National Council for Voluntary Organisations (NCVO) highlighted the potential implications of these new measures in January 2014<sup>23</sup> a summary of which are outlined below.

### (i) A new 'light touch' regime for certain contracts below €750,000

*Contracts whose value is below this figure will be considered to have no cross-border interest and will be exempt from the EU Directive. The European Parliament in Strasbourg voted to accept the new Directive which is likely to be implemented in the UK by the Cabinet Office during 2014. The new regime offers an opportunity for a fresh start: provided it is understood and implemented correctly by local bodies, one advantage of this would be a reduction in the red tape required.*

### (ii) To make Most Economically Advantageous Tender (MEAT) the mandatory basis for the award of public contracts

*Contracting authorities will be obliged to consider **wider social and environmental objectives** alongside price and cost when evaluating tenders. Price and cost continues to increasingly outweigh quality and value for money in public procurement. This is despite the public services (Social Value) Act 2012 and the UK government's Best Value Guidance which both seek to improve procurement in this respect.*

*There are, however two conditions that could dilute this new rule:*

- *While MEAT will compel procurers to consider other factors such as value for money and social outcomes, it still allows the award of contracts on price and cost alone if this is deemed 'appropriate.'*
- *Obliging procurers to apply MEAT to contracts below the new EU threshold of €750,000 (the 'light touch' regime) is a 'policy option' currently being considered by the UK government.*

### (iii) The option for the UK government to prohibit local bodies from using cost or price only as the sole evaluation criterion when awarding contracts

*This policy choice is different to MEAT – it explicitly forbids the award of contracts on bottom line price or cost alone. If adopted by the government, contracting authorities will have to consider other factors, such as quality and **social value**, when evaluating tenders. This is in synergy with the way in which many councils are attempting to implement the Act – for example in many Procurement departments a high level annual strategy (typically a published document) is devised which attempts to integrate the social value policy.*

### (iv) Public bodies will be encouraged to divide large contracts into smaller lots

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<sup>23</sup>Winyard, P.(2014) Another step in the right direction – new EU procurement rules are on the horizon NCVO

This measure could help support smaller organisations compete against large scale commercial bids. A desire of public sector organisation which to a large extent has been lip service.

(v) **Turnover cap to help SMEs participate more in service delivery**

Under the proposed changes Local Authorities will no longer be able to require that an organisation's turnover is more than twice a contract's value. Unreasonable turnover requirements are a problem long-reported by the sector – they can arbitrarily prevent suitable providers from bidding for contracts. This will be welcomed by SMEs that are tendering for contracts. In addition to this part of the government's reforms package includes '*supporting all public sector organisations to understand the changes and how to put these into practice*',<sup>24</sup>

The EU report of February 2014 'Council adopts directives for the reform of public procurement'<sup>25</sup> highlights the need for better access to the market for small companies. It states:

*"embrace concrete measures to remove barriers for market access by small and medium-sized enterprises (SMEs), such as simplification of documentation obligations in procurement procedures, the creation of a standardised document for selection purposes, an incitation for contracting authorities to consider the division of contracts into smaller lots that are more accessible for SMEs, and a reduction on requirements for participation."*

**i** It goes without saying that any implementation of platforms, measurement techniques, policies, etc should ensure they are compliant not only with current regulations but have the flexibility to adapt to future changes.

This could be an expensive mistake if ignored which becomes more problematic with the current staff reduction strategies in the public sector. Outsourcing is one solution worth considering.

<sup>24</sup>Winyard, P.(2014) Another step in the right direction – new EU procurement rules are on the horizon NCVO

<sup>25</sup>Council of the European Union (2014) Council adopts directives for the reform of public procurement

## 3 Social Innovation Industry Framework

The Social innovation sector is like any other industry adopting trends, frameworks, trade standards. It is important and advisable for the public sector to consider these approaches which the international community have spent many years in developing. It will save time to mainstream approaches rather than start something new. Here are some of the main initiatives.

### 3.1 Global Reporting Initiative (GRI-4)

A sustainability report provides information about economic, environmental, social and governance performance. At present more than 95% of the world's largest companies report on governance and economic, societal, and environmental impacts. The most widely used standard has been the Global Reporting Initiative, or GRI (available at [globalreporting.org](http://globalreporting.org)) and the latest version of the GRI framework, the GRI-4, includes financial data.

The City of Warsaw in Poland recently published what is widely trailed as the world's first city GRI-4 standards in terms of sustainability reporting. Mayor Hanna Gronkiewicz-Waltz, the Mayor of the City of Warsaw, and a former Chairwoman of the National Bank of Poland, is showing leadership and foresight in publicly declaring a commitment to sustainability.<sup>26</sup>



*One of the curious anomalies of organisations that are tasked to measure other organisations' social value is that they rarely think of being measured themselves or operating within the same framework they ask others to work in.*

GRI's mission is to make sustainability reporting standard practice. To enable all companies and organizations to report their economic, environmental, GRI produces free Sustainability Reporting Guideline and is an international not-for-profit organization, with a network based structure.<sup>27</sup>The GRI Sustainability Reporting Guidelines (the Guidelines) offer Reporting Principles, Standard Disclosures and an Implementation Manual the Guidelines also offer an international reference for all those interested in the disclosure of governance approach and of the environmental, social and economic performance and impacts detailed below.

The Guidelines are presented in two parts:

- **Reporting Principles and Standard Disclosures**

This document contains Reporting Principles, Standard Disclosures, and the criteria to be applied by an organization to prepare its sustainability report 'in accordance' with the Guidelines.<sup>28</sup>

- **Implementation Manual**

This document explains how to apply the Reporting Principles, how to prepare the information to be disclosed, and how to interpret the various concepts in the Guidelines.<sup>29</sup>

<sup>26</sup> City of Warsaw (2013) Integrated Sustainability report

<sup>27</sup> Global Reporting Initiative (2013a) An introduction to G4 The next generation of sustainability reporting

<sup>28</sup> Global Reporting Initiative (2013c) Part 1-Reporting-Principles-and-Standard-Disclosures

### 3.2 International Integrated Reporting Council (IIRC) - Integrated reporting <IR>

The IR standard is adopted by the private sector although there is reference to the standard been able to be adopted by the public sector. This standard is more relevant to the larger companies. Integrated reporting (<IR>) is a new approach to corporate reporting which is rapidly gaining international recognition. The International Integrated Reporting Council (IIRC)'s framework for <IR> was launched in December 2013.<sup>30</sup>

The IIRC have produced a comprehensive guide to the International framework of integrated reporting.<sup>31</sup> IR demonstrates how organisations really create value communicating of an organisation's strategy, governance and performance demonstrating the links between its financial performance and its wider social, environmental and economic context showing how organisations create value over the short, medium and long term

Businesses that deal with the public sector are expected to show their impact on the wider economy, society and the environment. Integrated reporting allows creating a 'dashboard' view of an organisation's activities and performance in this broader context. IIRC is, however, very new and to some extent rivals GRI.



*There is no single industry framework that fits all sizes; GRI-4 is recommended for public sector organisations, IIRC for large corporates, B Corp for SME's especially in the USA. In general they are wieldy structures whose benefits of membership sometimes are outweighed by the difficulties to operate within them but if you can afford the time and expense to resource them then they can only benefit the overall direction of travel. There are, of course others like SEUK who are a membership club for social enterprises in the UK.*

### 3.3 Benefits Corporation (B Corp)

This standard is best suited to the SME's and started in the USA where they are accepted legal entities in several US states and thus have real value there. It has almost no footprint in the UK where Community Interest Companies (CIC) have the same projections of goodness and are already legal in the UK so having an additional layer is questionable. B Corp describe their standard as '*a standard to business what Fair Trade certification is to coffee.*' B Corps are certified by the non-profit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. They do not report the number to have completed their B Lab certificates but only report the figure that has completed 75% of the very long survey you have to complete to become a member. Although B Corp claims to be growing with than 1,000 Certified B Corps from 33 countries and over 60 industries<sup>32</sup> in reality the vast majority is in USA.

The standard allows organisations to voluntarily meet higher standards of transparency, accountability, and performance by offering a positive vision of a better way to do business. CIC's do the same in the UK.

<sup>29</sup> Global Reporting Initiative (2013d) part 2 Implementation manual

<sup>30</sup>IIRC (2013a) *International <IR> Framework*

<sup>31</sup> The IIRC guide to the International framework of integrated reporting

<sup>32</sup>BCorporation (2014) Why B Corps matter

## 4 Procurement Framework and Commissioning

In developing a procurement framework to embrace social value it is important for public sector organisations to understand the definition of social value in the context of the Public Services (Social Value) Act 2012. The Act provides the following broad definition of Social Value.<sup>33</sup>

*“If a relevant authority proposes to procure or make arrangements for procuring the provision of services or the provision of services together with the purchase or hire of goods or the carrying out of works...the authority must consider how what is proposed to be procured might improve the **economic, social and environmental well-being** of the relevant area and, in conducting the process of procurement, how it might act with a view to securing that improvement.” It must also “consider whether to undertake any consultations as to matters to be considered”*

**i** The area of blended solutions, integration of social value into standard procurement frameworks is fraught with litigation, challenge and case law<sup>34</sup>. Our advice is proceed with great caution. That's not just in terms of compliance, but also in commissioning, process, measurement, reporting, monitoring .... the list seems at times endless.

In addition Social Enterprise UK defines social value as: “...looking beyond the price of each individual contract and looking at what the collective benefit to a community is when a public body chooses to... [procure].”<sup>35</sup>

Public sector organisations need to ascertain the collective benefit to the community is when choosing to award a contract. Social value asks the question: *‘If £1 is spent on the delivery of services, can that same £1 be used, to also produce a wider benefit to the community?’*

Social Value has to be relevant and proportionate yet needs to continue to ensure that Value for Money (VFM) is delivered and be Non-discriminatory. Value can be maximised by linking procurement to delivery of wider community imperatives; Social Value was previously seen as “additionality”. Once a public sector organisation has established the commissioning platform, they might consider a move to a procurement process in order to secure a delivery partner. Through those earlier stages ‘social value’ will have been a major consideration, but the procurement stage offers another opportunity to secure the outcomes, not just through the activities themselves but also through influencing the behaviour and priorities of the delivery partners and suppliers in line with the community’s priorities.

Clearly the majority of procurement exercises are in some way intended to achieve benefit for the community. The legislation defines social value as the additional benefit which could be gained by certain decisions. The legislation is therefore mainly focused on procurement as the vehicle for achieving greater social value, principally by public sector organisations seeking to influence the behaviour and decisions of their suppliers and partners – thereby widening the impact of their own social, environmental and economic aims and considerations.

A number of questions arise in developing a procurement framework:

<sup>33</sup> Great Britain. *Public Services (Social Value) Act 2012: Elizabeth II. Chapter 3. (2012)*

<sup>34</sup> Social Value and Public Procurement, Anthony Collins Solicitors (January 2014)

<sup>35</sup> Social Enterprise UK (2012) The Public Services (Social Value) Act 2012 a brief guide:

- What are the social value outcomes or outputs the organisation cares about most? These are likely to – indeed probably should- relate to their high level corporate outcomes but be expressed differently, perhaps in less abstract and more practical and measurable terms. In some cases there may be additional outcomes which the public sector organisation feels is appropriate for inclusion.
- What types of activities or changes does the public sector organisation wish to see from providers, as a means of achieving these additional social value outcomes eg. greener supply chains, or the employment of former offenders?
- How flexible and proportionate should the procurement framework be eg. how many of these outcomes should be included in each procurement exercise?
- What engagement with providers might be needed to help them understand the social value changes and the reasons behind them? What evidence of social value will providers be expected to show in order to demonstrate that they are achieving the agreed outcomes?
- What relative weighting will be given to social value, and cost and quality in assessing bids? Is there a need to measure social, economic and environmental costs when assessing bids, alongside benefits? For example, will there be a knock-on effect on the local economy of a cheaper bid that outsources labour to developing countries? Price considerations often have a direct bearing on social, economic and environmental outcomes that may not be directly connected to the particular goods or services being procured.
- Are there any guiding principles which councils wish to set out to guide procurement practice? For example, an emphasis on equalities or co-production.

#### 4.1 Social Value Commissioning

Social value commissioning is a recent development that requires a step change and systemic overhaul of service design and delivery by Local Authorities and others if taken seriously. Some organisations might only implement social commissioning in some service areas, whereas others will revise its commissioning practices as a whole. The reasons are complex: There are two parallel developments happening in the UK: The first one is that

Since January 2013 the Public Services Act, often called Social Value Act, is in force. This requires in particular Local Authorities in the UK give more contracts to social enterprises and charities; at least this was the original intention behind it by the ambassador for the Act Member of Parliament Chris White. It makes clear that social value has to be considered before a service is tendered for. However, the contract value has to be over £ 173,000 (in August 2014) for authorities to be obliged to consider social value. This has also meant that there are many contracts social enterprises and charities cannot bid for because of the contract value.

At the same time, public funding cuts are gripping all Local Authorities, while responsibilities and demands on services and their cost increase. An outlook by the Local Government Association from 2011 to 2019/20 published in 2013<sup>36</sup> shows that the funding gap widens annually by approximately £ 2.1 billion a year across England; the

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<sup>36</sup> Local Government Association (2013): Future Funding Outlook from 2010/11 to 2019/20. July 2013. London.

outlook published in July 2014 confirms this funding gap again<sup>37</sup>. Based on the projections made, it is evident that at the end of this decade services cannot be delivered in the same way as they are being delivered now. More services have to be delivered with less money to spend.

There are a number of other Acts that were developed over the last 5 years, in particular the Localism Act, that were setting the scene. What all these regulatory changes have in common is that more power should be given to local people. How to implement that is still an open question. In 2013 the Local Government Association launched a scenario with offers a vision for very different English public services: Rewiring public services: Rejuvenating democracy<sup>38</sup>. There are a number of reports modelling different ways of addressing needs of adults and children and social services in general. These visions offer some interesting ways to reconsider commissioning in general and commissioning that ensures social value is created in particular.

But what actually is social value? Similar to the meaning of “civil society” the term “social value” can be interpreted and implemented in many different ways. Commissioning for that reason becomes rather difficult, if a Local Authority does not define for itself what social value means and how it could become measurable. Before I explain that in more detail, here is my interpretation of what social impact means in that context. Social value is a policy term attempting to indicate that additional value for society is created (dimensions of this value are environmental, social, and economic); this value needs to be measured. Social impact is a way to visualise this added social value and making it measurable. This opens up the question: why do you need this additional value added on so-to-say, can you simply design services from the start in a way that provide the utmost value? Rewiring public services is suggesting that in some way.

Methods for impact assessment have been used for decades in the context of Environmental Impact assessments often in countries in development and rural areas in developed countries in the context of exploration and exploitation of resources, in particular mineral resources and oil. Social impact assessment was started on the side to demonstrate how local people were affected by these economic activities. Depending on where we look, there are a number of approaches to social impact measurement, which are not methods to carry out actual impact assessment. From Social Auditing to Social Accounting to Social Return on Investment and Social Earnings Ratio (S/E) – there are many methods to choose from, social impact analysis is a framework with a set of principles within which a number of methods can be applied.

For social commissioning it is essential to know at the outset what kind of value shall be measured eventually, when a service has been delivered. This means a decision has to be made at the time of service design before commissioning what kinds of values are a priority and shall be measured, once the service is being delivered. This is most helpful, as different methods are better for measuring some types of social impact than others. Currently, there are quite a few barriers to social commissioning:

- In practice, procurement and commissioning rarely work together in harmony. Procurement is often playing the role of a caretaker and risk manager. When selecting suppliers rules of thumb are being applied in more than one Local Authority for evaluating financial capability of suppliers: only those applicants whose turnover is more than four times the contract value will even go beyond the PQQ stage.
- If the political leadership is not fully behind the changes needed for social commissioning it is unlikely to be implemented.
- As staff change roles quickly that means relationships with local providers have to be rebuilt from both sides.
- Council staff often do not understand the way social enterprises and community groups operate; decision-making takes longer due to different governance and management structures.

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<sup>37</sup> Local Government Association (2014): Future funding outlook 2014. Funding outlook for councils to 2019/20. July 2014. London.

<sup>38</sup> Local Government Association (2013): Rewiring Public Services: Rejuvenating Democracy. June 2013. London.

- Most council staff never received adequate training in what social value is and means and are not really equipped to design services differently; and within departments insufficient numbers of staff are able to monitor delivery and reporting on social impact or how to maximize it.

Insights from councils commissioning for social value are limited as the Act has only been in force since January 2013. Similarly, it is too early to indicate what is good practice. Examples of innovative commissioning are small scale, yet in most cases lack the systematic or system change that is required to commission for value and efficiency from the start. An example from Knowsley Council illustrates a small-scale contract focused approach of successful social commissioning. The Council has a list of measures linked to priority outcomes identified<sup>39</sup>.

*Knowsley Council developed their social value policy<sup>40</sup> and strategy in collaboration with community and private sector representatives. There is a strong lead from the top, at Councillor level, to ensure the implementation of the social value strategy is taken seriously. One aim of the overall Council strategy is increasing “social growth”, which is achieved by making communities more resilient; the latter will reduce demand on public services.*

*In all service contracts affected by the Social Value Act, clear outcomes are defined for social value. With clear definitions, outcomes and measures for social value, the Council is able to reflect social value in contract specifications and tender evaluations.*

*By June 2014, sixteen contracts used social value criteria, and 10 to 20 % weighting is given in bid evaluation to social value factors. Contract areas include domiciliary care, sexual health, substance abuse and smoking cessations, with contract values between 1.6 and eight million pounds.*

Below are some insights developed while working with staff from some Local Authorities, talking to others and running webinars introducing social value and social impact measurement:

- Buy-in from councilors and senior management is important, so that the changes get into the existing procurement and commissioning processes and stay there;
- Develop a social value policy at a high strategic level in collaboration with internal and external stakeholders that defines general social value dimensions, such as “cleaner, greener, safer city” (Knowsley Council priorities);
- Develop an outcomes framework for each service area with participation of community representatives and service users
- Develop priorities of outcomes for each service with community involvement. These priorities can then be integrated into an outcomes framework.
- Develop a theory of change for each service intervention that starts with the priority outcomes and then maps how each step in the process of the service contributes to achieving that outcome; outputs are of secondary priority. Theory of Change is a simple framework that aims to map steps towards achieving longer-term outcomes, a form of change. Indicators are identified to measure the change achieved, and good service design and management can gather these data during delivery. In that way, for each step achievement of milestones can be measured.
- Community participation is an important part of being able to re-design public services so that the better meet the needs of service users. This dialogue should be ongoing to ensure Local Authorities develop deeper insights into the service user needs;
- Taking time in the process of getting closer to communities and learning to understand their views and needs is essential;

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<sup>39</sup> Knowsley Council (2013): Social value model (a list of measures for priority social outcomes).<http://www.knowsley.gov.uk/PDF/social-value-model.pdf>, accessed 05/9/2014.

<sup>40</sup> Knowsley Council (2012): Social Value Policy.

- Training for SMEs and the voluntary sector to help them navigate procurement and commissioning processes will ensure more social value can be created in a shorter period of time.
- Staff training at all levels in research and evaluations skill and impact measurement methods and frameworks
- Staff training in service design and management, and project management; a well-designed service process is able to use resources effectively from the start; when designing a service process, the steps or activities it consist of are ideally geared towards delivering on the agreed priority outcomes. Then data can be collected continuously that then can be used for impact evaluation later on.

While there are huge economic pressures, there is also a unique chance for a real step change in government – that could learn to a better distribution of resources while creating services that meet community and service user needs, while encouraging greater efficiency.

## 5 National Perspective on Social Value Act

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### 5.1 The View from Newcastle

The Social Value Act provides a welcome tool to enable Commissioners – particularly at the design, award and monitoring stage - to place emphasis on the additional value that can be gained. At the same time, it also offers contracted parties an opportunity to benefit from the social good that they deliver in order to gain an advantage in the scoring process of applicable contracts. As an example, Newcastle has been working with stakeholders over the last 6 months to consider how best to implement Social Value in the city and develop a commitment/method of implementation that partners can sign up to and that will garner true benefit to local people. Although commissioners and procurers have always been able to take social value into account in many circumstances, having a formal piece of legislation offers a more solid basis upon which to drive delivery of Social Value benefits from suppliers/ providers.

There is, however, some uncertainty about how the legislation should be applied in practice and a recognition that there is no one-size-fits-all approach; the understanding is that it should be considered on a contract by contract basis. Some providers have expressed concern that they will be expected to evidence disproportionate value within contracts, or that added value they are already delivering will not be counted – making larger organisations with bid writing capacity better placed to win contracts. There is therefore an appetite for a clear measurement framework which works for small and large businesses alike, as well as community and voluntary organisations.

If it is to work in light of these views, Social Value needs to be considered in the context of each contract and be proportionate to what is being delivered. Consequently Newcastle's intention (as is the case with many Local Authorities) is to develop a number of measurement toolkits with stakeholders to enable bidding providers to know what the Local Authority is looking for in each case, without being so prescriptive so as to prevent innovation. Implementing this will entail well trained, knowledgeable staff, as well as a large amount of engagement with stakeholders so that they are aware of how they can apply/ benefit from Social Value.

There are some examples which will be easier to measure than others e.g. number of apprenticeships created (although in many cases this needs to be carefully targeted to ensure that key community groups benefit from the additional employment opportunities). Other areas are less clear and tangible to measure such as contributions to building community capacity – government guidance or examples in these areas would be helpful.

Some areas have opted to focus their attention on the economic value gained by re-spending money locally by implement a 'buying local' strategy and adapting their procurement rules to accommodate this. This is something being consulted upon in Newcastle; however the authority would welcome national level legal guidance as to how far a buying local strategy can go before being in contravention of fair competition legislation. It is a concern that if each Authority takes a 'buying local' approach it could limit the amount of work available for businesses out of their own area. While buying local has the potential to stem economic growth within an area, localities need to ensure they remain resilient enough not to be too reliant on one small supply source should things go wrong – for instance due to climate issues.

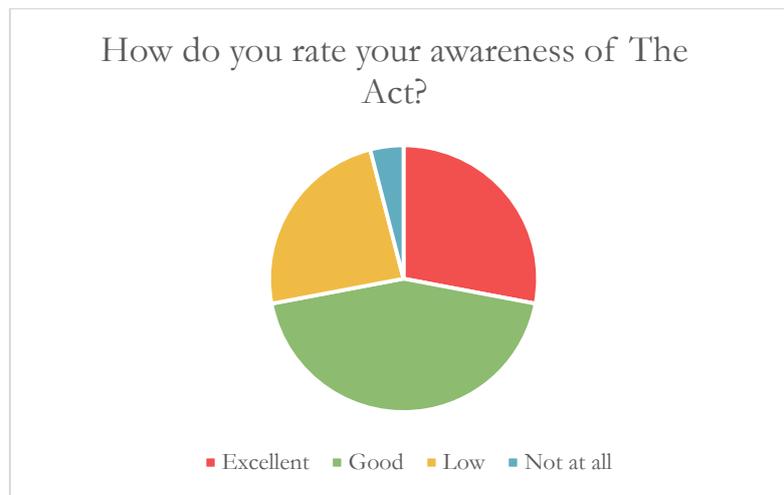
The Act will take time and resource to implement in a meaningful way; however the potential benefits are worth this investment if embedded successfully. The premise of the Act is fundamentally intertwined with the objectives of Local Government and many other organisations which makes it a powerful tool if it's potential can be harnessed correctly. Further development work now needs to be undertaken to ensure that the principles set out in the Act can be applied in a way that increases the Social Value being delivered and avoid being another add on.

## 5.2 The Social Value Portal Survey

Over the summer of 2014 The Social Value Portal (SVP) carried out a survey amongst Public Sector bodies regarding the implementation of The Social Value Act (The Act) that had some interesting and somewhat surprising results.

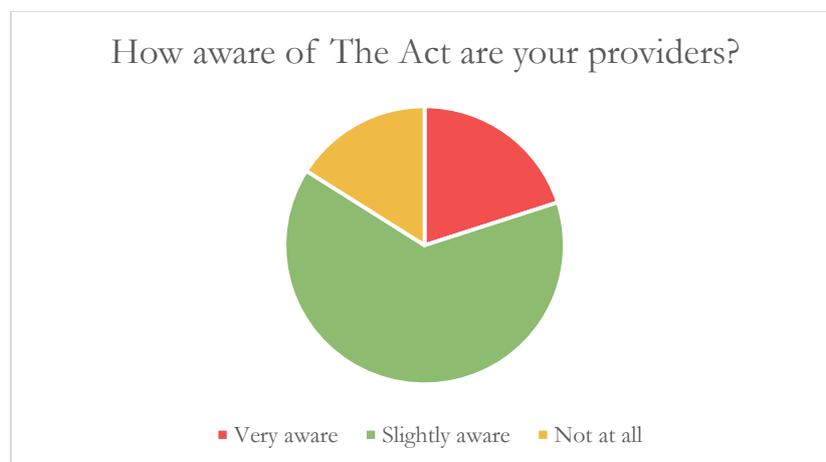
### **Finding 1 – Awareness is increasing but there is still a lot of confusion.**

Awareness is growing amongst Local Authorities and Public Sector bodies with 72% stating that they have either an Excellent or Good awareness. However, over 24% still have a low awareness of the implications of The Act.



### **Finding 2 – Public Sector organisations do not think that their providers (Business) have a good enough grasp of The Act**

Public sector organisations do not believe that their providers (Business) have a good grasp of The Act and that over 80% either have a low or very little awareness regarding the requirements of The Act.



### **Finding 3 – Most public sector organisations are still developing their Social Value Strategy**

Only 28% of public sector organisations have developed a Social Value Strategy with the vast majority (72%) either still developing or not yet developing a strategy.



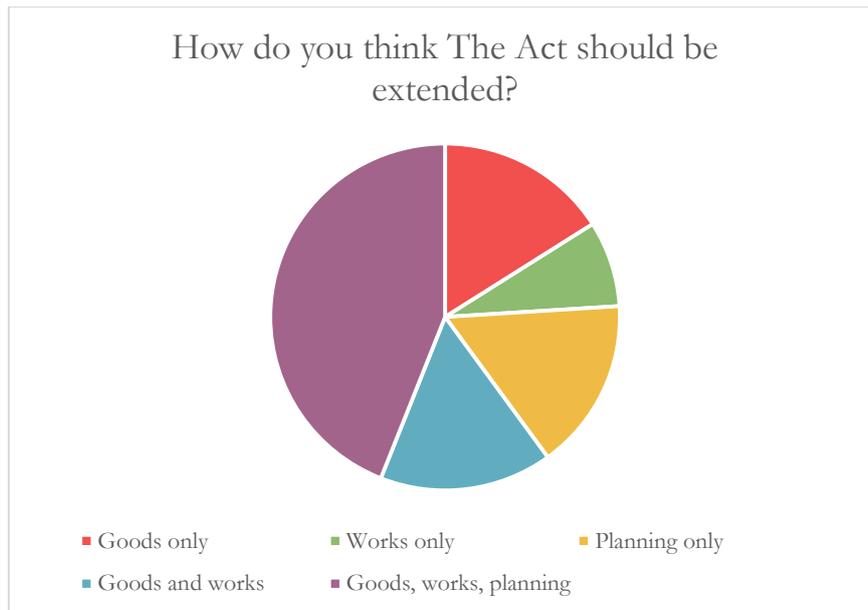
**Finding 4 – Public sector organisations need additional guidance on all aspects of The Act**

Most local authorities and other public sector organisations need additional guidance on many aspects of The Act, including legal issues (76%), measurement and metrics (84%), strategy development (60%) and tender preparation (76%).



**Finding 5 – Most public sector organisations would like the Act extended.**

All public sector organisations think that The Act should be extended with the majority (44%) saying that The Act should be extended to cover Goods, Works and Planning. It is interesting that a total of 60% think that The Act should be extended to cover Planning and new developments



### Summary

The survey clearly shows that although there is good awareness of The Act amongst most Local Authorities and other Public Sector organisations that there is still a requirement for much more guidance around some of the key implementation issues such as measurement techniques, procurement and bid guidance and legal issues.

It is somewhat surprising that despite The Act coming into force over 18 months ago, that only 28% of Local Authorities actually have developed a Social Value strategy. The reasons for this are unclear but given the fact that most Local Authorities and Public Sector organisations would like the Act extended, then this would suggest that given time, most of them will have a Social Value strategy in place. It is also interesting to note that most like the Act extended to cover not only all aspects of procurement but also Planning with many already integrating the requirements of The Act in most of their buying decisions.

Finally, the survey shows that Business still has a long way to go in developing a clear and convincing response to The Act with Local Authorities claiming that over 80% of their providers either have a low or no knowledge of The Act.



*We would recommend that public sector organisations do not attempt to do this alone. We are collectively pioneering a new way of working and there is some safety in numbers.*

## 6 Best Practice in Community Engagement

Community engagement means different things to different people, and the term is often used interchangeably with others such as ‘community involvement’ or ‘community participation’. It refers to the process through which a community builds ongoing, permanent relationships for the purpose of generating, agreeing and working towards a collective vision for the benefit of the community. It is often associated with a change management programme within a community, and may include providing access to a variety of information, support, training and advice as well as helping communities to obtain resources, support and networks.

The key principles of a community engagement strategy can be summarised as

- The community should be involved in the decisions that affect them
- Public Sector policies and strategies should reflect local priorities, requirements and aspirations

Meaningful engagement breeds enthusiasm and builds skills and capacity amongst local people, increasing their demands for more involvement. Participatory decision-making can mobilize community assets, strengths and resources which may otherwise be overlooked. Areas that show a commitment to community empowerment see a flourishing of social enterprise and community controlled organisations as well as delivery vehicles such as Community Development Trusts.



*Participatory decision-making can mobilize community assets, strengths and resources which may otherwise be overlooked*

### 6.1 Key to Establish Link to Broader Strategic Framework Early On

Under the current circumstances of transition to social value requirements, local authorities will have to lead, facilitate and support the change to a new model of blended solutions with an emphasis on capacity building and development within the third sector in terms of the proposed social value and social impact metrics frameworks under consideration. This will feed into the proposed new procurement processes that will engage the private sector. Community engagement is a key component of generating and evidencing meaningful social value.

#### 6.1.1 Roots

Community engagement can trace its roots back to the 19<sup>th</sup> century concept of *community benefit*. In modern times it has a parallel with the concept of ‘stakeholder engagement’, which is more commonly used to refer to how specific organisations, especially within the for-profit sector, manage relationships with those affected by the organisation or who have or could have an impact upon it. Stakeholder engagement is a means for businesses to align their activities with societal needs and expectations, helping to drive long term sustainability and social value as well as shareholder value. In most cases the principles of effective ‘engagement’ are common to both public sector community and private sector stakeholder contexts.

#### 6.1.2 Definitions

Community engagement is, according to the Financial Times, the process of working collaboratively with community groups to address issues that impact on the well-being of those groups. In business terms community

engagement can help secure a ‘social license’ to operate. For our purposes, the definition of the UK’s Homes and Communities Agency (HCA) is appropriate:

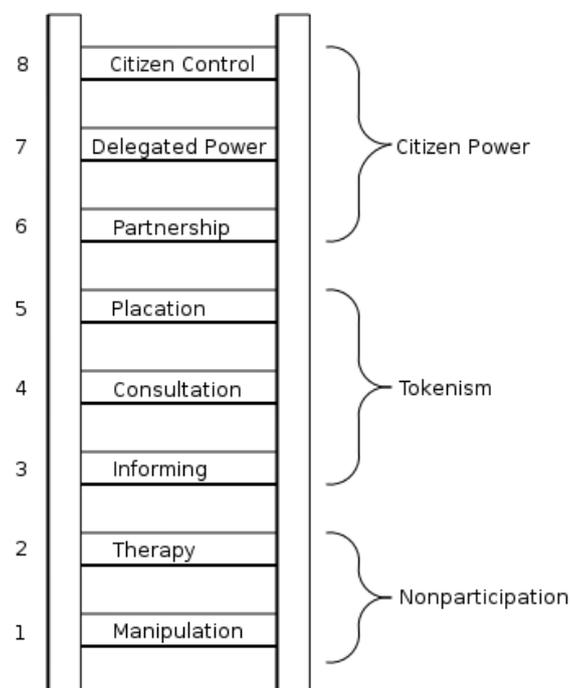
*community engagement is .... defined as involving the people that live in your area with local (re)development.*

As the Agency goes on to state, this is simple to say but difficult to do:

*“success will be achieved through a range of approaches and activities, and on a sliding scale of involvement that ranges from giving people information and asking them for their views, to giving communities a direct say in decisions and in some cases control over future development”.*

Advice and guidance from the HCA itself draws upon the work of the International Association for Public Participation<sup>41</sup>, US based international association of members who seek to promote and improve the practice of public participation in relation to individuals, governments, institutions, and other entities that affect the public interest in nations throughout the world. In thinking of community engagement as ‘participation’ the main reference is Stoker (1997) who defined participation as members of the public ‘*taking part in any of the processes of formulation, passage and implementation of public policies*’

The UK government’s Homes and Communities Agency refer to the work of CAG Consultants who undertook a literature review of participation theories, many of which refer to a ‘ladder’ of participation. This ladder or spectrum approach was first conceived by Arnstein in 1969 – see below:



<sup>41</sup> IAPP [www.iap2.org](http://www.iap2.org)

### **6.1.3 Global framework**

The idea of ‘stakeholder engagement’ came to the fore in the 1992, when countries signed up to Agenda 21, a non-binding, voluntarily implemented action plan of the United Nations with regard to sustainable development. It is a product of the UN Conference on Environment and Development (UNCED) held in Rio de Janeiro, Brazil, in 1992, and was an action agenda for the UN, other multilateral organizations, and government around the world. It has been affirmed at subsequent UN conferences.

The implementation of Agenda 21 was intended to involve action at international, national, regional and local levels, through Local Agenda 21 (LA21) initiatives. Europe turned out to be the continent where LA21 was best accepted and most implemented.<sup>161</sup> In Sweden, for example, all local governments have implemented a Local Agenda 21 initiative. The conceptual framework of Agenda 21 was one based on the ‘triple bottom line’ – taking into account not just economic but also environmental and social costs and benefits.

In recent times political and societal emphasis has clearly shifted away from ecological concerns towards social issues – less about future environmental sustainability, more about social improvement now - and the articulation of a new vocabulary around ‘social impact’ and ‘social value’ together with the means by which they can be achieved. Agenda 21 has, though, spawned a number of major international initiatives that are helping to make tangible and operational the issues involved in implementing the triple bottom line approach such as the Global Reporting Initiative (GRI).

### **6.1.4 Local context**

The context of this report is a clearly one of transition, which will involve public sector organisations in initiating, communicating, implementing and monitoring significant change, change which will have an impact upon the wider community, both individuals and organisations, third sector organisations or private sector businesses. As such the public sector has to walk a fine line between undertaking a leadership role to facilitate the necessary change as well encouraging engagement. Local authorities in particular need to ensure that:

- Local people from all backgrounds are engaged in local democracy, and have more influence on local decisions and localised services.
- Communities and individuals are able to make their contribution to the life of the city and governance is based on openness and transparency.

It should be noted that community engagement can expose tensions between ‘participative’ and ‘representative’ democracy, that is, between elected officials, with power and access to information who might feel they represent the local community, and those within the community who seek to have more influence over their own affairs. Local politicians are thus key to the success of the community engagement approach – they must ‘walk the talk’ as it were, and be prepared to change their views and adjust their aims and objectives as a result of community engagement.

An evidence-based approach, however, that arises from a focus on social value and the use of social value impact metrics should help build consensus or at least support a viable decision-making process.

**i** Community engagement can expose tensions between 'participative' and 'representative' democracy

## 6.2 Community Engagement Theory Overview

There is a wide body of work exploring the concept of community engagement drawing on both research and practical experience. Two key factors to determine are how deep and how broad an approach is desired, that is where on Arnstein's ladder community engagement should stand. Understanding these points will determine the approach to be taken.

### 6.2.1 Motivations

It is germane to consider why the community and its people participate, what are their motivations for being 'active' citizens. The main reasons are

- "A personal interest" or common interests
- An aspiration to change things
- Faith
- Exposure and access to community and voluntary sectors
- An opportunity to voice opinions

Having a 'voice' in the community creates a sense of empowerment and fosters a stronger commitment by citizens in their local area, being thus more likely to get involved in local activities. According to Understanding Participation, "*when an active interest is shown in their opinion...and feel their engagement was influential and acted upon*" a citizen will be more motivated to be involved and stay involved politically.

### 6.2.2. Barriers

A sound engagement process needs to recognise diversity and identify any potential barriers so as to minimise these where possible. These include:

- Capacity of different stakeholders to participate e.g. literacy, language issues
- Access to hard to reach groups e.g. minority groups, the socially excluded
- Divided communities
- Information gaps – but social impact metrics will help here

Furthermore, recent research by the London based participation organisation Involve suggests that

- Local participation is often dominated by a hard core of the very committed and articulate, the so called 'usual suspects'
- Typical participants are usually older (24% of 50-74 year olds compared to 12% of 16-24 years)
- Black and minority ethnic groups tend to be under-represented

The aim should be to engage the silent majority.

### 6.2.3 Good and Bad Engagement

When done badly without a clear purpose, community engagement can be a waste of time and resources for all involved, producing a negative effect on the future appetite for participation and the reputation of the main players. A lack of commitment to respond to stakeholder engagement is equally problematic. Too much engagement can be counter-productive, giving rise to ‘consultation fatigue’ especially if done just for the sake of appearances or due process.

**i** *When done badly without a clear purpose, community engagement can be a waste of time and resources for all involved, producing a negative effect on the future appetite for participation and the reputation of the main players. When done well community engagement can bring a wide range of benefits to those involved in a particular project or plan, including to local people. It can increase trust in and improve the reputation of councils, and deliver tangible improvements to services.*

Good community engagement reaches all the community, not just those who are already active in locally based bodies or decision-making frameworks. Each community is unique - ‘one size fits all’ does not apply when it comes to community engagement. When done well community engagement can bring a wide range of benefits to those involved in a particular project or plan, including to local people. It can increase trust in and improve the reputation of councils, and deliver tangible improvements to services.

There is no set template for community engagement projects. Rather there is a need to develop a range of options and a flexibility to adapt as circumstances evolve. Most times our dialogue needs only to be with certain groups, or those in certain geographic areas, other times with all stakeholders across the whole of the ‘patch’. For instance, a generic message that the public sector organisation needs to get across to all stakeholder groups is the need for measuring social value. Specific components of social value may only concern specific stakeholder groups.

Community engagement can be rewarding work but it can also be challenging and frustrating, as it can generate fiercely opposing and often irreconcilable views. If communities and stakeholders feel their views have not been heard or acted upon, high levels of mistrust will arise, creating extra challenges for community engagement and in particular for the frontline staff. Local authority staff leading on community engagement should be fully briefed, trained and supported accordingly.

### 6.3 Frameworks for Community Engagement

Involve, the participation organisation referred to above, recommend a formula for community engagement and participation which is used by HCA, in which the key factors to be considered are:

- **Purpose** – clarity about what the engagement activity seeks to achieve
- **Context** – the definition and nature of the local community and any boundaries
- **People** – who should be involved, their needs and the support needed to engage
- **Method** – design of the process
- **Outcome** – setting the goals and objectives (and the ability to measure them)

Taking the ‘Method’ element a stage further, the International Association for Public Participation has developed a framework for looking at the scale and scope of engagement, based on Arnstein’s ladder and distilled into five levels of engagement:

- Inform
- Consult
- Involve
- Collaborate
- Empower

At one end of the spectrum comes information sharing, e.g. through the provision of websites, newsletters etc. at the other end genuine community empowerment, through such mechanisms as Community Development Trusts.

This can then be linked to issues of ‘power’ and can help us in the stakeholder mapping exercise discussed below once we have understood who our stakeholders are. This enables us to systematically address the ‘how deep’ and ‘how broad’ questions posed earlier.

#### 6.4 Who are our Stakeholders?

Earlier we touched on why people might become actively engaged within the community, so it is important to identify the key stakeholder groups that the public sector wishes to engage with, as one of the first components of a viable community engagement strategy is to identify with whom to engage. Every community will consist of a range of stakeholder interests, which can broadly be split into the following categories:

- Local resident or area based groups
- Political parties
- Local and municipal authorities hierarchy down to ward level
- Communities of interest and cause related third sector bodies around disability, homelessness and social exclusion etc.
- Faith based groups
- Racial, ethnic, and cultural groups
- Gender, transgender and sexual orientation affiliations
- Health and family services groups
- NGOs and protest groups (international, national and local)
- Local community and voluntary groups, service organisations such as Rotary, Lions etc.
- Community development organisations and foundations
- Higher and further education institutions, schools and bodies serving the 16-25 year olds
- *Social enterprises*
- *Web based or virtual groups*
- *Wider society – the non-aligned or affiliated*

The last three are highlighted due to either their relatively large impact on the means of communication (the web) or for their proactive action (social enterprise), as well as those in what could be called the ‘silent majority’ who do not join in or engage in the community to any degree – but whose views and opinions can and will be forcibly expressed at times of dissatisfaction.

There are many charity and third sector bodies in any particular geography, many with overlapping constituencies or interests, often small and thus highly fragmented with a degree of duplication, hard to reach and prone to

governance structures that are not fit for purpose, often staid and highly conservative by nature. At their worst they are dominated by extreme, obsessive or manipulative characters whose motives may be mixed or indeed questionable. At best they are already balancing the needs of various stakeholders, be they service users, trustees, funders, volunteers and/or staff.

What is true of all stakeholders is that under the current proposals the public sector organisation has a need to help stakeholder groups measure and articulate their work and /or needs, generating key performance indicators (KPIs) around desired or actual social impacts using the chosen social metric tools in a common framework in a way that will support funding bids with hard evidence of impact and drive service improvement.

#### ***6.4.1 Database Key – and Businesses are also Stakeholders***

Good practice suggests that if not currently readily available a database of stakeholders be produced and sorted into a manageable number of representative categories. The database should also include a list of all actors and agents in the delivery process, be they users and beneficiaries, advisers, decision makers or deliverers, and to the extent that this whole project is based on the principle of blended solutions to bring the public, private and third sectors together to generate social value, the community database should be compatible with and linked to ones for the private sector.

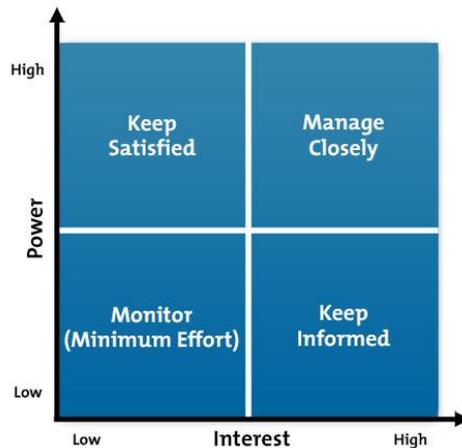
Indeed, it should be emphasised the private sector should not be excluded from the community engagement strategy – they are a key stakeholder group. Whilst larger organisations are generally well organised/represented and usually well capable of articulating their interests and case, often with a marketing and PR budget in support, the private sector is very much part of society, being made up of individuals who usually live and work within the community. Thus local business association such as the Chambers of Commerce and trade bodies must be considered as stakeholders. Furthermore, a register of social enterprises in the locality is of great interest as they have already started on the journey of blended solutions.

Many will be SMEs, an important part of the local economy that faces its own challenges, seeking to access public procurement opportunities as well as have a voice in the development of the community as it affects their business, for example in terms of infrastructure development. Local businesses will also want, and will be actively encouraged, to play their part in generating social value, thus our strategy needs to allow for stakeholder dialogue with businesses.

Thus an effective community engagement strategy needs to have both a B2B and a B2C component. Furthermore, a major part of the project objectives and recommended strategy is to facilitate engagement between the private and third/charity sectors, using social impact metrics as the common currency.

#### ***6.5 Stakeholder mapping***

Having identified our stakeholders and sorted them into a manageable number of categories grouped by similar interests or issues so as to be truly representative, some form of stakeholder mapping exercise is advisable. This is a tool used by the private sector, mapping stakeholder groups by ‘power’ and ‘interest’ factors to help with prioritisation and resource allocation.



Whilst we must be careful not to exclude or minimise the participation of any one group through this exercise, it can help to achieve effective engagement through ensuring sufficient coverage and forcing us to think of the most effective means of communication for each stakeholder group – especially in the current context of limited resources. Building on this we can flex the information by adding in elements of likely attitudes of support or resistance, and the degree to which the stakeholder will be active or passive

### 6.5.1 Single Issue Focus

Finally, we can complement this degree of analysis, which starts from the stakeholder, with an even more customised approach that is ‘outcomes’ driven, addressing the specific issues on which the public sector organisation seeks engagement, comment or opinion from the community. The growing trend towards ‘single issue’ politics, seen by many as an emerging trend that will shape the future of societies, makes this focused approach increasingly appropriate. It would enable a public sector organisation to develop a systematic approach to community engagement, and if and where appropriate channel resources to areas of priority on issues where it may wish to take a leadership or catalytic role to promote necessary change but needs community input into how.

## 6.6 Facilitating Effective Community Engagement

The first steps are to think about what could work best in the situation by considering the following:

- Why are we engaging and what outcomes are we hoping for?
- What type of engagement are we planning? Is it about consultation? Or getting new ideas for some difficult problem? Getting the community voice heard for a campaign? Making decisions about how to spend a budget? Building the capacity of communities to take action themselves?
- How much influence will the community be able to have - what can and can't change?
- Does the method engage people from the bottom up, or is it council driven?
- Is it ‘engagement friendly’? How will it appeal to those whose voices are not often heard? And how will it reach beyond the active few? Will it involve a really good representative cross-section of the community?
- Do people need some guidance or training in using the engagement tools or methods?
- What budget do we have?
- Above all, what is the ‘good result’ we are looking for, and what is the most effective way of getting there?

In any successful community engagement programme, stakeholder dialogue is key, but rather than be generic should be used selectively to targeted groups, according to the issue. At the same time, we need mechanisms for ‘bottom-up’ or ‘grassroots’ engagement, whereby the unsolicited concerns and issues of the community can be articulated and captured by the city authorities, and also mechanisms to handle complaints and hear from the aggrieved. Thus our community engagement communication strategy must be built upon real relationships and a two way dialogue, to open and sustain engagement with the stakeholders groups. The following key components must be addressed and determined on a case by case basis:

- **Message:** directive or neutral, or simply an invitation to speak as ‘we are listening’
- **Media:** face to face, print, web and an old-fashioned telephone hotline
- **Frequency:** may depend on stakeholder mapping exercise as well as budget
- **Distribution:** through partners or other intermediaries, often with a cost implication
- **Advertising & promotion:** to let people know that the tools and mechanisms exist
- **Tracking & response:** from acknowledgement, through categorisation and analysis against the social impact metrics through to follow-up and response

In essence, we are talking about a multi-media marketing/PR and communication programme, more nuanced and targeted in a segmented way, depending on the issue, rather than a generic approach, in a way that fits the strategic framework under discussion which aims to bring the public, third and private sectors together for the delivery of blended solutions.

 *A community engagement communication strategy must be built upon real relationships and a two way dialogue, to open and sustain engagement with the stakeholders groups.*

### 6.6.1 Community Engagement Methods

The classic approach to community and stakeholder engagement is born from physical or face to face contact and communication, made more effective by the commitment of the responsible public sector staff to actively engage in and with community organisations to facilitate authentic partnerships. Effective methods might include

- **Creating alliances and partnerships** with existing organisations builds trust, and a broad range of participation levels is possible along Arnstein’s ladder of progression such as informing, consultation through to decision making
- **Citizens panels and community surveys** can identify the evolving needs and views of a large number of people through surveys several times a year by post, telephone or online, where the design and administration can take into account factors such as language, culture and literacy levels
- **Town hall meetings and community forums** can be held to gather data and input on needs, assets and priorities, although consideration should be given to media coverage and the marketing challenge of drawing people to the event
- **Nominal group techniques, and workshops/focus groups** are methods for gaining high quality input from a large or small number of people respectively about current trends and future expectations and actions. A well-established example of this is the **Future Search** approach which explores the past, present and future of a community with the aim of producing a strategic plan.<sup>42</sup>
- **Asset / data mapping and geographic information systems (GIS)** show visually in detail a picture of the community geographic area. GIS maps look at key variables and can overlay key indicators on top of

<sup>42</sup> [www.futuresearch.net](http://www.futuresearch.net)

each other to identify causal relationships – in the US GIS maps have shown that the density of alcohol outlets is a predictor of higher levels of police problems

- **Capacity building** is a key element for successful engagement, as partners may need training to understand how to access, interpret and analyse data as well as generate data from their own activities that fit with the social metrics framework being developed
- **Participatory evaluation** generates the active engagement of the people most directly affected by the issue in hand in every phase and is an approach that mobilises and enhances community strengths and problem solving abilities
- **Citizens' juries** involve a representative group of citizens meeting to consider a complex issue by gathering evidence, interviewing expert witnesses with differing perspectives on a topic before reaching agreement. They are often supported by an advisory panel with key expertise.
- **Grievance management procedures** establish accessible and responsive means for stakeholders to raise unsolicited concerns and grievances

A combination of tools used will need to be determined by who it is to be engaged and what is known about them, following the stakeholder mapping exercise and in line with the preferred targeted approach.

### ***6.6.2 Fish where the Fish are – Web Based Engagement***

The great advance of social media in recent years has presented major new opportunities for community and stakeholder dialogue and engagement as well as facilitating the trend for single issue politics and action groups – ‘digital democracy’. There are a variety of standard web based engagement processes to choose from such as online discussion forums, blogs and surveys, digital voting and social networking. Web based activities enable people to choose where, when and for how long they wish to participate, often spontaneously generating virtual communities of interest, usually on single issues.

Web based engagement can be a cost-effective way of reaching large numbers of people, and is less time consuming for all parties than attending a workshop or public meeting. Some techniques may require a moderator to manage the traffic of internet comment unless it is automated using the ‘semantic’ web. This approach may, of course, exclude those without internet access and can be costly in terms of the marketing to drive people to the website, but the web is increasingly able to accommodate the many of the other community engagement methods listed above. Our recommendation would be to automate via the web as much as possible – but without forgetting that there is a time and place for a broad mix of methods, tools and media in an effective community engagement programme and segmented communication strategy, based on real relationships.

### ***6.6.3 Any Competing lobbying / PR?***

In choosing how and when to communicate on key issues with the community, including local business representatives, it will be wise to establish what companies or other more resourced organisations such as the larger NGOs are already doing and whether there is any competing PR or lobbying taking place.

As part of its environmental scanning and web strategy, organisations such as local authorities should be identifying internet traffic hotspots and activity related to its geography – software tools exist to help – and in many cases should seek to enter and engage in the dialogue. The potential for going ‘viral’ on an issue can, though, be both a positive and negative force.

**i** *Effective community engagement will initially require strong leadership, effective coordination, which to do well will be resource heavy and call for specialist skills from a coordinating body that is seen by all parties and stakeholder groups as being neutral but which can harness skills, initiatives and mechanisms to make a big impact and quickly. The coordinating body will need to be fully cognisant of and aligned with the broader strategic framework and its key elements, principally the social value and social impact metrics framework, and be prepared to undertake significant capacity building and development within the fragmented third sector*

## 6.7 Avoiding pitfalls

Community engagement takes time and resource, and requires genuine authenticity. There are plenty of pitfalls, well summarised by the Homes and Communities Agency (HCA) in its community engagement toolkit:

- Lack of clarity of purpose
- Failure to define participants
- Over-consultation and feedback
- Slowing down or stalling project plans, lack of follow through and responsiveness
- ‘Experts know best’ syndrome
- Lack of buy-in among partners and stakeholders
- The gap between the rhetoric and the practice
- Tensions between participatory and representative democracy
- Exclusion of key stakeholder groups
- Inadequate resources and budget

There is a tendency for engagement programmes to produce a heavy emphasis on problems, so it has to be carefully planned and facilitated to focus on outcomes and action planning, and thus maintain the morale of all involved. Partnering and participation requires sharing power, which means giving up a degree of control, not easy at the best of times.

## 6.8 Monitoring and Evaluating Community Engagement

To be fully effective, the monitoring and evaluating of the knowledge and information gained from community engagement is critical, not least for sustaining the stakeholders trust and involvement, as well as determining what has been achieved and how to improve future engagement activities. Learning from the process and understanding the implications for future engagement and actions are essential elements of any community engagement programme. They are also continuous or ongoing elements, requiring the documentation through good record keeping and reporting back to both the engaged stakeholders as well as third parties such as the media.

The quality, efficiency and fairness of the reporting system influence the perceived transparency of the engagement process. It can also help assess the impact and success of the engagement programme so as to gauge the costs and benefits in terms of resources utilised and gains achieved in terms of enhanced reputation as well as the meeting the objectives set. Monitoring and evaluation are very important to include at the planning stages of any engagement initiative and should involve the stakeholders in their design. Stakeholders should ideally be surveyed annually for levels of satisfaction with the process.

### **6.8.1 Monitoring**

Monitoring is achieved through statistical and measurable information. Measurement should look at whether objectives have been achieved, what impact the engagement has had on empowering the local community, and if it succeeded in engaging with the right people. To help inform future engagement assess what worked and what didn't work, whether the right objectives were put in place at the start of the activity, and what could be done differently in future.

As a first step, agree with partners the baseline measurements against which the community engagement strategy will be judged. This should help to monitor and measure progress and provide learning for future reference. Monitor performance against your objectives on an ongoing basis, as well as reviewing the performance against the objectives at the end.

### **6.8.2 Evaluation**

Evaluation is the analysis of this information. It requires a flexible and realistic timetable. In the words of the Manchester Community Engagement Toolkit, evaluation can:

- Identify the strengths and weaknesses of the engagement programme.
- Help you identify changes to your objectives or any parts of your programme that may need improving.
- Give a clearer sense of direction to the programme by providing information about what has happened and why.

The Manchester document goes on to list some key steps in the evaluation process:

- What are the goals and objectives of the engagement programme and the evaluation?
- What is the time frame and specific dates for collecting and reporting on the information?
- What kind of information should be collected?
- Who will collect and analyse the information?
- How will this information be collected? For example verbal or written records, case studies, questionnaires, interviews, focus groups.
- How will ethical issues be dealt with? For example, gaining informed consent, maintaining confidentiality.
- How will the evaluation findings be reported, and to whom?
- How will the findings be used?
- How can the community be involved in analysing information and subsequent actions?

### **6.8.3 Communicating Results**

One of the main criticisms of community engagement activity by local stakeholders is the lack of feedback after consultations or surveys take place. Whilst it may not be possible to feedback directly to all involved, there are many ways to efficiently and effectively make information available to all those who want it, such as via websites, direct mail and emails, and the use of localised media.

It is important to be clear about the purpose of feedback - does it aim to inform about the final decision or seek further reaction and discussion? Communication methods must fit the purpose, whether it be via more workshops to cover the detail of the outcome and maintain support, or mass communications aimed at the wider community. Community representatives can help spread the message to key stakeholders groups.

Feedback to the community should be quick, including a write up of the community engagement exercise, explaining who was involved, what was discussed or asked, whether partners agreed with points made, if proposals have changed and how, and if not, why not. Visual depictions such as graphs and charts help summarise

information. Where possible, stakeholders should be given the opportunity to review evaluation reports before publication.

#### **6.8.4 Standards**

There are a number of national and international social accounting and auditing standards that can be used as a reference point for monitoring and evaluation, such as the NGO AccountAbility's AA1000 Stakeholder Engagement Standard, an open-source framework for improving the design, implementation, assessment and communication of stakeholder engagement. The Scottish National Standard for Community Engagement refers to the following indicators for monitoring, evaluation and feedback:

- The engagement process and its effects are continually evaluated to measure progress, develop skills and refine practices
- Progress is evaluated against the intended results and other changes identified by the participants
- The participants agree what information needs to be collected, how, when and by whom, to understand the situation both at the start of the engagement and as it progresses
- Appropriate participants collect and record this information
- The information is presented accurately and in a way that is easy to use
- The participants agree on the lessons to be drawn from the evidence of the results and the changes that occurred
- The participants act on the lessons learned
- Progress is celebrated
- The results of the evaluation are fed back to the participants and the wider community
- Evidence of good practice is recorded and shared with other agencies and communities
- Organisers of community engagement regularly feedback, to all those affected, the options that have been considered and the decisions and actions that have been agreed. This is done within an agreed time, to an agreed format and from an identified source
- Feedback on the outcomes and impact of these decisions and actions is provided regularly to communities and organisations within an agreed time, to an agreed format and from an identified source
- Explanations about why decisions and actions have been taken are shared along with details of any future activity
- The characteristics of the audience are identified to ensure that:
  - relevant information is provided in understandable languages
  - relevant information is provided in appropriate languages
  - a suitable range of media and communication channels is used constructively
- Information includes details about opportunities for involvement in community engagement and encourages positive contributions from groups and individuals in the community
- Information promotes positive images of all population groups in the community and avoids stereotypes

#### **6.8.5 Management Tools**

Stakeholder management system tools exist to support organisations with their community and stakeholder engagement strategies, including three of the most high profile in the UK public sector:

- **Objective** - content, collaboration and process management solutions software, the UK's largest public sector engagement cloud, handling over 25,000 consultations and two million citizen comments annually, with over 200 councils using their TheySaidYouDid tool. Clients include the Welsh government.
- **VOiCE (Visioning Outcomes in Community Engagement)** - a database planning and recording tool that assists individuals, organisations and partnerships to design and deliver effective community engagement. It was commissioned and published by Scottish Government in 2008.

- **Citizenspace** – cloud based consultation software for government consultation and citizen engagement, used in nearly 4,000 consultations by over 80 authorities around the world, including Bristol City Council, Transport for London as well as many other City Councils.<sup>43</sup>

## 6.9 International Best Practice Examples

### 6.9.1 International

A search for best practice examples around the world reveals a number of useful case studies, at both international as well as national level, focused on community engagement initiatives. Many are from the US, where ease of communication and e-democracy type initiatives are evident but also with issues of difference to combat. Here we highlight a few of the more important city-based initiatives that have either:

- i) **met the core values of the International Association for Public Participation (IAPP)<sup>44</sup> namely**
  - a. Public participation is based on the belief that those who are affected by a decision have a right to be involved in the decision-making process.
  - b. Public participation includes the promise that the public's contribution will influence the decision.
  - c. Public participation promotes sustainable decisions by recognizing and communicating the needs and interests of all participants, including decision makers.
  - d. Public participation seeks out and facilitates the involvement of those potentially affected by or interested in a decision.
  - e. Public participation seeks input from participants in designing how they participate.
  - f. Public participation provides participants with the information they need to participate in a meaningful way.
  - g. Public participation communicates to participants how their input affected the decision

or

- ii) **evidenced one or more of the following criteria as used by the influential US-based National League of Cities<sup>45</sup>, with support from the Knight Foundation, in its 2013 Bright Spots in Community Engagement publication:**
  - a. The use of new tools and strategies such as technology-based tools
  - b. A broad reach that engaged diverse segments of the community
  - c. Notable successes and outcomes
  - d. Initiatives that evolved sustainably over time

### *Examples of core values*

#### **Calgary RouteAhead – a 30 year strategic plan for Calgary Transit**

Input from key stakeholders drove the development of the 30 year strategic transportation plan. In a 12 month project the city generated 4,000 face to face engagements and over 1,000 online submissions through a mix of tools and methods such as Twitter, public engagement bus, blogs, online budget allocation tool, stakeholder meeting, pop-in sessions.

The input received from stakeholders drove the development of the 30-year strategic plan for the future of transit in Calgary. The RouteAhead strategic plan is driving the future of Calgary Transit along with other projects such as transit networking decisions, urban transit corridors, customer experience programs and more.<sup>46</sup>

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<sup>43</sup> [www.citizenspace.com](http://www.citizenspace.com)

<sup>44</sup> IAP2 Federation Core Value awards 2013

<sup>45</sup> Bright Spots in Community Engagement

<sup>46</sup> [www.routeahead.ca](http://www.routeahead.ca)

## Cape Town – waste management review

Led by the City of Cape Town's Solid Waste Management Department, this 12 month project generated 15,000 direct engagements from a population of 3.5 million. A comprehensive, in depth stakeholder analysis and strategic developing of representative stakeholder clusters was followed by development of customised communication and outreach tools per stakeholder cluster. Stakeholder clusters included grassroots communities, the general public, focus groups, City staff, councillors and officials as well as organised Labour. Customised tools included ranged from the use of local Councillors with loudhailers, and community outreach capacity building sessions.

Key inputs from marginalised groups and waste related sectors of the City made a significant contribution towards the final plan, which was adopted by the City of Cape Town Council as a blue-print for the restructuring of future Waste Management functions. Many of these recommendations were direct inputs from marginalised communities, alienated sectors and hostile civic groups, whose opinions were seldom sought in large scale change orientated processes. The process also brought many entrepreneurial opportunities and enterprise development related linkages, such as community based Waste Cooperatives, into the public arena, and turned a once hostile civic group into one of the biggest supporters.

The communication tools and techniques developed for this project ranged from walking the streets of Cape Town to sophisticated websites and e-based input. The range of techniques ensured buy-in, the sharing of information and feedback from all stakeholders groups likely to be affected by any potential change in operations.

### *Examples of bright spots*

The US National League of Cities reported on four major US cities which were bright spots in community engagement: Detroit, Philadelphia, Chicago and Austin.

#### **Detroit – civic entrepreneurs kick start the process**

A loosely connected set of high-energy efforts helped start the transformation of Detroit from a depressed and declining community. Civic entrepreneurs were leading efforts to seed and fund new initiatives, through crowd-sourced or traditional micro-finance mechanism, community development initiatives and small business development. There were also individual and neighbourhood level efforts to involve the community in shaping Detroit's future as well as social and community-building initiatives.

Challenges faced related to fostering more stable connections between specific initiatives, replicating successes, initiating partnerships with public institutions alongside issues of race and difference and engaging hard-to-reach communities – the challenge of sustaining micro-level energy and scaling it into macro-level. Progress in Detroit was led by civic entrepreneurs, as the public institutions did not have much presence in the networks that were forming, suggesting that any manpower and money available for public-problem solving was not being directed in ways that reflected the wishes of Detroiters.

The Detroit Works Project was introduced in 2010 as a process to create a shared, achievable vision for the future of Detroit that could serve as a guide for improving the physical, social and economic landscape of our city. In January 2013, after three years of solid work, drawing on the best local and national talent as well as the insights of tens of thousands of Detroiters, the Detroit Future City Strategic Framework was released. The DFC Strategic Framework is a highly detailed long term guide for decision-making by all of the stakeholders in the City.<sup>47</sup>

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<sup>47</sup> [www.detroitfuturecity.com](http://www.detroitfuturecity.com)

### Philadelphia – high tech ‘civic fusion’

The term ‘civic fusion’ has been used within Philadelphia to describe public-private efforts to address pressing civic needs. Partnerships between the public and private sectors, local foundations and universities work towards a better Philadelphia through open data and technology. In contrast to Detroit, the local government has become an active participant, convening key stakeholders, providing access to data systems and using the leader’s PR power to bring attention and credibility to the initiatives.

Key to success is not what the local government did to organise the movement but that it took advantage of the civic energy to learn from and partner with local civic entrepreneurs. Members of the civic community were invited to be part of an ‘Open Access Philadelphia’ group. Local foundations provided seed funding where necessary, and as the project gathered momentum and requests for information were being generated the city agreed to release data through a city-run portal. Thus the major success has been to expand access to public data. The next challenge is to connect data access with other broader efforts to engage people in public decision making and problem solving, such as priority setting for the city’s budget.<sup>48</sup>

### Chicago – participatory budgeting strategy borne out of tight funding environment and falling voter support

Since 2010 one particular civic leader who was losing voter support, Alderman Joe Moore, initiated and sustained a participatory budgeting strategy that engaged residents in prioritising and spending the budget for local infrastructure. This was conducted through a range of community meetings firstly educational meetings by ward followed by the formation of sub-committees to handle specific issues such as parks, streets etc. The sub-committees put forward their proposals which were voted on and signed of in order until the budget was exhausted.

The process has engaged a much broader and more diverse community than ever before, and has been expanded throughout the city. It involved inviting nearly 50 civic, religious and community organisations to appoint one or two representatives to serve on a steering committee for the process. Online elements are now being introduced to enrich the process. In many cities facing funding challenges, participatory budgeting is being used to make budget cuts with less controversy or show residents that raising revenue is necessary.

The experience of participatory budgeting in Chicago as well as in other cities in North and South America is that the engagement grows and deepens over time, increasing the number and diversity of people engaged in civic life. In Chicago it also seems to have spurred people to be more active problem-solvers too. And Alderman Joe Moore’s popularity has grown – in 2011 he was re-elected with 72% of the vote, which he commented on as ‘a sign that people ... want to be active participants in governing rather than being passive observers of government.’

The next steps were using online tools to strengthen the process through online voting and comments, GIS mapping tools to identify and visualise potential projects, budget simulators for people to allocate funding, online management tools and a portal to gather and analyse key data.<sup>49</sup>

### Austin – comprehensive planning through community engagement

In 2009 the City of Austin undertook a new initiative to create a comprehensive plan for the next thirty years, focusing on growth, spending and resources. It was designed and driven by a community engagement process that employed a diverse set of face to face and web tools and strategies. The resulting three-year multi-phase process engaged more than 25,000 residents in the development of the final plan, *Imagine Austin*, that was adopted in June 2012.

Austin used an aggressive engagement strategy, establishing ‘community engagement’ as one of three overarching goals of the process for completing the plan (the other two being sustainability and implementation). The development of the plan was led by a task force of 38 stakeholders from key constituencies and sectors in the city. The city’s efforts include multi-lingual and online tools, special events top attract youth and younger families, working with local schools etc. Emphasis was put on the right tools for the phase of the project, which had both

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<sup>48</sup> [www.opendataphilly.org](http://www.opendataphilly.org)

<sup>49</sup> [www.pbchicago.org](http://www.pbchicago.org) and [www.participatorybudgeting.org](http://www.participatorybudgeting.org)

educational and engagement elements. Online and social media tools worked best for public education purposes and to keep the the project front of mind-, and the face to face elements were better for the quality of engagement.

The challenge facing Austin now is moving from a temporary, large scale planning process to a more sustainable system of engagement. The latest strap line adopted by the city is ‘Speak Up Austin’.<sup>50</sup>

### ***6.9.2 Other international examples of interest***

Other interesting examples well-known for their civic engagement and worthy of enquiry and mention are the Nordic countries in general, where a healthy civil society sector (ie voluntary or third sector) has developed, and Barcelona, which as the second city in Spain has over the last 30 years undertaken an urban rebranding exercise, reinventing itself from a run-down industrial city into a lively tourist destination with thriving new commercial sectors – a modern, forward looking regional capital with high levels of civic pride.

#### ***Nordic countries***

SGI, the Sustainable Governance Indicators organisation, ranks the Nordic countries (Norway, Sweden, Denmark and Finland) at the top of its rankings, traditionally enjoying high employment rates, low levels of poverty and inequality, and high living standards within some of the world’s most advanced liberal democracies. A combination of factors helps explain this healthy situation, including a high degree of social trust, peaceful industrial relations and skilled and trustworthy state and local government. Democratic institutions are also supported by democratic *societies* with extensive civic involvement – a large proportion of the population is member of at least one third sector organisation. These societies are typically characterised by

- A broad membership base
- Voluntary work linked to individual membership
- A rule based and democratic organisational structure

A comparison with other advanced democracies suggests an emphasis on ‘expressive’ functions such as arts and culture rather than social service provision common in continental and Anglo-Saxon countries, where individuals are often associated with non-profit organisations as donors or volunteers rather than members.

Civil societies are deeply embedded having originated in the early 1800s and have in reality functioned as ‘schools of democracy’ for their members. The combination of membership and voluntary work is instrumental for participants’ democratic rights and fosters a sense of collective ownership.

Things, however, are changing. More people now volunteer without taking out membership, weakening the collective identity within the organisations as volunteering relates more to self-realisation and personal development. Commitment to a general cause is falling, and new societies are narrower in focus, whereas in the past societies mobilised across social classes, thus promoting social inclusion. Today, those facing social challenges, such as ethnic minorities or the disabled, risk exclusion from civil societies. Conversely, while membership is falling, there has been a marked increase in donations to the third sector, suggesting a move towards the Anglo-Saxon charity and philanthropic tradition, whereas in the UK we are looking to stimulate a more Nordic approach that is inclusive, transparent and which educates the grass-roots in democratic practices and values!

#### ***Barcelona***

International events are often used by urban areas to create a new image and sense of place which can act as a catalyst for redevelopment and change. Barcelona has a history of reinventing itself using events dating back to the World Expo in 1888. The 1992 Olympic Games changed the whole concept of a formerly industrial city which

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<sup>50</sup> [www.speakupaustin.org](http://www.speakupaustin.org)

previously lived with its back to the sea and its legacy has been a successful and enduring Barcelona Olympic City brand.

Rebranding, carefully planned, can help engender civic pride, and Barcelona certainly scored highly on this front, using the Games to generate city-wide development through a ‘one city’ exercise that offered something for everyone. It was an effective means of uniting the city, generating a high level of volunteering. Decisions relating to Olympic development were taken at all levels, creating a sense of local ownership which re-asserted Catalan regional (if not national) pride and identity following the death of Spain’s dictator Franco in 1975. Key was the involvement of one of Spain’s most creative marketing brains – Luis Bassat, of Ogilvy, Mather and Bassat, who helped create some of the enduring images of Barcelona during the Olympics.

The historical context is important. In 1982, at a time of deep social crisis, in the midst of a global economic recession and the tense transition period following the death of Franco, Pasqual Maragall became the Leader of the Barcelona City Council (Ajuntament), a position he held until 1997. Descended from a well-known Catalan family associated with culture and regional politics, it was Maragall’s vision and drive that underpinned the mobilisation and transformation of Barcelona, tapping into ‘spaces of engagement’ that resonated with the local population:

- The city as a centre of practical citizenship, expressed in public space, education, festival and mutual rights
- The city as an actor on a bigger, supra-city level in diplomatic terms
- The city as an economic community where a mutuality of interests is expressed rather than rhetoric of class or social antagonism
- The city as a multi-lingual and multi-ethnic community that embraced Catalans, Spaniards, Europeans and was cosmopolitan in outlook

With a good nose for PR, Maragall was often seen enjoying the city by cycling to work or involved in photo opportunities around such issues as sleeping in with poor families or swimming in the sea at the opening of the new cleansed, post-industrial beaches. Winning the Olympics gave Maragall an excellent platform driving his vision, enabling him to use the city’s changing backdrop as visible evidence of his tangible achievements in office. The Olympics galvanised the city, with simple, clear and consistent messages repeated everywhere from lamp-posts to advertising bill boards, throughout the press and via leafleting, calling upon Barceloneans to respond. They did, in record breaking numbers of volunteers for the Games. Barcelona is an excellent example of a city with a clear vision, consistent message and an integrated and professional communication strategy.

 *Barcelona is an excellent example of a city with a clear vision, consistent message and an integrated and professional communication strategy.*

## 6.10 National Benchmark

In the UK, best practice or benchmark examples can be seen in major cities or urban areas. Our focus here is more on specific initiatives, components or tools of a locality’s community engagement strategy:

- **Community Engagement Framework**

In 2009, Brighton and Hove, worked with key stakeholders to establish a Community Engagement Framework, similar in concept to the one we have seen in Detroit.<sup>51</sup>

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<sup>51</sup> [www.cvsectorforum.org.uk](http://www.cvsectorforum.org.uk)

- **Community Engagement Strategy**

In 2005, Manchester City Council and the Manchester Partnership (a Local Strategic Partnership that brings together public, private and third sector organisations) launched the Manchester Community Strategy. This has since been updated, refreshed and added to with a series of exemplar approaches in terms of monitoring, tracking and reporting, some of which are mentioned below.

- **Community Engagement Toolkit**

As part of their community strategy, the Manchester Partnership produced a comprehensive community engagement toolkit for use by community stakeholders, thus responding to a need for help and support for stakeholders, a first step in ‘capacity building’.

- **Community Engagement Capacity Building**

The Scottish Community Development Centre (SCDC) was launched in 2009. Previously a partnership between the Community Development Foundation (CDF) and the University of Glasgow, SCDC is now a charity in its own right. Recognised by the Scottish Government as the national lead body for community development and with a track record of eighteen years of activity, SCDC is set to further establish itself as a centre of excellence for community development and engagement, with a range of capacity building tools and support services, including the VOICE database planning and recording tool that assists individuals, organisations and partnerships to design and deliver effective community engagement.<sup>52</sup>

- **Community Engagement – Stakeholder Identity and Reporting**

As part of its community engagement strategy, Manchester reports regularly on progress through such documents as the ‘State of the City Reports’, including one that goes into depths about ‘communities of interest’, ie the key community stakeholder groups, which it categorises by

- ‘Communities of Place’ where people identify with a defined geographical area
- ‘Communities of Identity’ in which people share particular characteristics such as young people, older people, disabled people, ethnic groups, or lesbian, gay and bisexual people.
- ‘Communities of Interest’ where people share a particular experience or interest, which might include tenants and resident groups or people involved in environmental projects.

They have also produced a Community Strategy Performance Dashboard which reports on key macro-economic and social factors on quarterly.

- **Community Engagement Standard**

The Scottish government’s ‘Communities Scotland’ produced its own guidance and standards for community engagement, **National Standards for Community Engagement**, against which its local authorities could plan and assess their programmes.

## 6.11 Other UK based Tools and Support

### 6.11.1 Social Media Platforms

In the UK here are a number of social media platforms that offer ad hoc channels for citizens to find their voice. These are often by their very nature not necessarily limited to geographical boundaries, and may represent special interest groups. They do offer a grass-roots ‘bottom-up’ approach to community engagement but may not always be effective unless their target audience or those who can do anything about the issue are listening or reading. Tracking comment on such media can be an expensive and time-consuming exercise, but it would be advisable for local

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<sup>52</sup> [www.scdc.org.uk](http://www.scdc.org.uk)

authorities to monitor such channels for issues that generate a lot of support and try to harness them for local purposes. Some examples of these platforms are:

- **Living Streets** is an 85 years old UK national charity that stands up for pedestrians, working to create safe, attractive, enjoyable streets where it's great to walk.<sup>53</sup>
- **People's Voice Media** is a charity and social enterprise based in Salford, Greater Manchester that works across the UK, Europe, North America and Africa. PVM was founded in 1995 and specialises in gathering the voices and stories of people in order to influence and inform people and organisations. In 2013 it was recognised as being one of the top 50 digital leaders in the UK.<sup>54</sup>
- **UK Youth Parliament** run by young people, the UK Youth Parliament provides opportunities for 11-18 year olds to use their voice in creative ways to bring about social change.

Other more official or mainstream tools available on the web are providers of services to facilitate community engagement, delivered by either for-profit or third sector organisations, usually for a fee but sometimes on a pro bono basis

The web platforms referred to above are examples of an emerging 'digital democracy' which allows communities and individuals an online voice and which in theory will eventually enable citizen comment and indeed voting on any issue at any time, any place and anywhere, transforming national as well as local politics.

### *Help and support*

A variety of organisations offer help and support for communities and stakeholder groups to become more engaged in local affairs. Local authorities have guidance from bodies such as the Local Government Association, but of interest are those assisting community groups in developing their capacity for effective civic engagement, such as:

- **Community Places** provides advice on planning issues and supporting community planning, consultation, research and building projects.<sup>55</sup>
- **Locality** is a national network supporting over 700 community-led organisations promoting best practice in community enterprise and social action.<sup>56</sup>
- **Involve** is a think tank and charity specialising in public participation, with a mission to inspire, innovate and embed effective citizen engagement, so that members of the public are able to take and influence the decisions that affect their lives. It works with both local authorities and community organisations.<sup>57</sup>
- **Community Development Foundation (CDF)** is a national organisation in community development and engagement.<sup>58</sup>
- **UK Community Foundations (UKCF)** is the umbrella organisation for the UK's local community foundations (of which there are 48 in total) providing advice and support to member foundations with one simple objective: to help build thriving communities.<sup>59</sup>
- **!Change It** – a new web platform created by a social company based in Durham, Democratise Ltd, who actively seek to re-engage people with politics, developing platforms to revolutionise the way citizens interact with the democratic process. It has established a digital democracy platform.<sup>60</sup>

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<sup>53</sup> [www.livingstreets.org.uk](http://www.livingstreets.org.uk)

<sup>54</sup> [www.peoplesvoicemedia.co.uk](http://www.peoplesvoicemedia.co.uk)

<sup>55</sup> [www.communityplaces.ino](http://www.communityplaces.ino)

<sup>56</sup> [www.locality.org.uk](http://www.locality.org.uk)

<sup>57</sup> [www.involve.org.uk](http://www.involve.org.uk)

<sup>58</sup> [www.cdf.org.uk](http://www.cdf.org.uk)

<sup>59</sup> [www.ukcommunityfoundations.org](http://www.ukcommunityfoundations.org)

<sup>60</sup> [www.digitaldemocracy.org.uk](http://www.digitaldemocracy.org.uk)

Referral to such bodies can help share the burden of capacity building amongst those community and stakeholder groups who most need it, especially in times of budget cuts that limit a local authority's ability to undertake capacity building in-house.

**i** *Community engagement, to be effective, must be based on*

- *A strategic framework and a clear strategy*
- *Adequate toolkits and capacity building initiatives*
- *Stakeholder identification and mapping*
- *Genuine relationship building and two-way dialogue*
- *An integrated stakeholder communications approach*
- *Timely and comprehensive community feedback*

## 7 Governance Perspective of Social Value

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*“No economy can grow by excluding any part of its people, and an economy that is not growing cannot integrate all of its citizens in a meaningful way”*

It's 2014 and we hear economists and politicians saying we need growth and to continue our emergence from the recession caused by the so called “credit crunch” of 2008. They talk about “escape velocity” and “bounce back” to describe the emergence of an economy from recession. Six years on, we can't help wondering if we really are out of the woods. More to the point, do recessions have an exit point (other than the obvious economic indicators) at which we can say we are back to “normal”, or do they change so much about our values and culture that we move on with fundamentally revised expectations, goals and norms?

We would argue that if we don't make significant revisions we will not have learnt the lessons of the past and the risk of a repeat looms large. This is no different to, say, learning from (untoward) clinical incidents in a hospital. If a root cause analysis is not conducted, and practices are left unchanged, or behaviours do not flex, the incident will happen again. This is one of the simplest principles of good governance and human evolution: learning from mistakes.

Was the credit crunch the result of an error, a failure to follow procedure, to uphold recognised standards and operate within regulations; or was it the result of a flawed system? A recent announcement by the BBC<sup>61</sup> that the Bank of America is to settle \$16.7 billion to US authorities (that sum exceeds Bank of America's entire profits for FY 2013/2014) for misleading investors about the quality of loans it sold... at the height of the financial crisis, goes some way to influencing our own opinion. We'll let you reach your own, but do ask: was this course of events a result of flawed governance, did those entrusted with the stewardship of the bank turn a blind eye? Did they actively encourage it? Was it “systemic”? Tony West, the associate attorney general, seems to believe one explanation, he said: “It's kind of like going to your neighbourhood grocery store to buy milk advertised as fresh, only to discover that store employees knew the milk you were buying had been left out on the loading dock, unrefrigerated, the entire day before, yet they never told you.” We really like his analogy because it's personal. Consuming sour milk will give anybody the same uncomfortable symptoms; we are all equal in that respect.

That leads us to ask whether we think practices like these have been eradicated from the global banking system (based on what we have learnt from the credit crunch). Have global corporate governance practices changed? Well, you be the judge, after considering the following 2014 examples:

- “Barclays has said it wants legal action alleging fraud in its US “dark pool” trading operations to be thrown out of court... “We do not believe that this suit is justified.” New York prosecutors alleged that Barclays misled investors using its alternative trading platform. “Dark pool” trading operations allow investors to trade large blocks of shares but keep the price private.”<sup>62</sup>
- “GlaxoSmithKline (GSK) affirms policy of anti-corruption amid 14% profits fall. (GSK) sees profits drop to £1.3bn overall, with £129m fall in China, site of bribery claims against GSK... In China, where GSK has been rocked by serious bribery allegations since last summer, sales continued to fall, dropping 25% to £129m in the

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<sup>61</sup> [www.bbc.co.uk/news/28889637](http://www.bbc.co.uk/news/28889637)

<sup>62</sup> [www.bbc.co.uk/news/business-28465825](http://www.bbc.co.uk/news/business-28465825)

second quarter. Chinese authorities are investigating claims that GSK's sales reps paid doctors and health officials up to 3bn Yuan (£284m) to push the company's drugs."<sup>63</sup>

These stories are about corporate governance, but more importantly, they are about people and the effects of business practices on daily life. Just as government policy affects our personal rights, freedoms, living standards, opportunities, and every other aspect of our lives, businesses can and do reach into our homes and even the most private parts of our psyches. They can sell us dodgy mortgages or sour milk. They may be able to influence our GP to prescribe generic Fluoxetine Hydrochloride over a branded original medication. They can influence us to believe we want to buy products we don't really need, and most recently, they can look into our personal values and interests using the Internet from the other side of the globe. They will have a sophisticated view of us based on the 'quantified self' which means that some of these businesses will know us better than we know ourselves.

So how has the recession changed our personal and societal norms as citizens, what do we view as "acceptable business practice", what is important to us, and how do we define value? One indicator that can be seen very clearly is the ongoing and fierce debate about executive pay, the remuneration of directors on boards, often referred to as shareholders' "say-on-pay". Increasingly, shareholders (and more widely defined stakeholders) are vociferously threatening to reject massive pay hikes, golden handshakes, and parachute payments to directors. These are seen as disproportionate, exploitative of the company's revenues, and in many cases, are considered to be rewards for failure. Citing RBS might be exoteric, but I'll do it anyway. There was such heavy criticism of RBS in April 2014 over the size of its bonus pool, after it made a pre-tax loss for 2013 of £8.2bn, the highest since the financial crisis that UKFI, the body that manages the Treasury's 81% stake in the bank told RBS it would "veto plans... at the next shareholder meeting"<sup>64</sup>. The bonus scheme was adjusted down 50% by RBS. We have learnt that stakeholders don't like gratuitous payments to the directors and employees of banks. We've also noticed that either the structure or culture to do anything about it seems to be lacking.

This point around which corporate and political governance pivots, hinges and levers, has previously been poorly understood by the private sector. We don't mean this in a hierarchical sense where boards of directors find themselves escalated to appear in front of a Parliamentary Committee to explain the errors of their ways. We mean the one thing both national and corporate governance have in common, engaging the stakeholders. If we accept that large companies and governments have to engage with a broad cross-section of the populace, is it reasonable to extrapolate that they must have similar approaches to stakeholder engagement? We would say probably not, stakeholders' interests are different and the nature of the relationship is different. The relationship between the executive or a political party that may control it isn't the same as the relationship between a company and its customers. For example, the NHS can't ignore us, the patients like a private company could, but it can kind of ignore us if it knew that we had no choice where we get my healthcare.

Large online retailers can base themselves in Luxembourg to pay less tax no matter how much it annoys us, but unlike the NHS if we want next day delivery we expect to get it and we accept no excuses. So, if our expectations are so different, can the approach to stakeholder engagement be similar? One set of key stakeholders, the workforce, is still highly unionised in the public sector, it is largely post-union elsewhere. How does this affect their engagement?

Prior to the recession, corporate boards probably saw shareholders from a distance, and maybe as little as once a year, and then only a few of them. Corporate Social Responsibility ("CSR") was an add-on pursuit, separate from core business, a form of corporate philanthropy in which firms make a ton of money, by whatever means, and then

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<sup>63</sup> [www.theguardian.com/business/2014/jul/23/glaxosmithkline-andrew-witty-anti-corruption-profits-fall](http://www.theguardian.com/business/2014/jul/23/glaxosmithkline-andrew-witty-anti-corruption-profits-fall)

<sup>64</sup> [www.bbc.co.uk/news/business-27154184](http://www.bbc.co.uk/news/business-27154184)

give a healthy cheque to a high profile charity. That took care of their reputation for philanthropy and kept media attention away from core business practices, particularly if it was a popular charity and tugged a little on the heart-strings.

However, according to Professor Olinga Ta'eed in his speech titled Poverty and the Common Good: 'Putting the Preferential Option for the Poor' at the Service of Human Dignity which he delivered at the Third International Conference on Human Dignity 2014 in the Vatican, CSR is "so last Thursday and philanthropy is dead". We agree, the day of the corporate handout is over, it benefits nobody, and has no lasting legacy, and it is wide open to exploitation and corruption. Neither corporate philanthropy nor CSR take account of another of the most basic principles of good governance—to constantly engage and work with your stakeholders to reach mutually acceptable, preferably mutually beneficial outcomes. Today, Boards ignore their stakeholders at their peril.

Interestingly, we have witnessed public sector boards, particularly in the NHS, that are far better at stakeholder engagement and reaching a balance of interests than many of their private sector counterparts. This is because the NHS is intrinsically embedded in a long and wide supply chain (more of a net than a chain) with a wide variety of stakeholders, from patients, doctors, nurses, allied healthcare professionals, trades unions, commissioners, myriad suppliers and logistic service providers, the public, government, regulators, banks, local authorities, the media, politicians, construction companies, universities and other higher education institutions, the Chancellor of the Exchequer, undertakers and even taxi drivers and traffic wardens. The stakeholder fabric of the NHS is both tightly and loosely woven together.

**i** *There is a great deal of similarity between SVA2012 and Black Economic Empowerment (BEE), which is a programme launched by the South African government to redress the inequalities of Apartheid by giving certain previously disadvantaged groups of South African citizens economic privileges previously not available to them. It includes measures such as Employment Preference, skills development, ownership, management, socioeconomic development, and preferential procurement. Evidently Social Value has historical precedents which we should learn from.*

And that leads us back to the lead quote of this section: "No economy can grow by [while] excluding any part of its people, and an economy that is not growing cannot integrate all of its citizens in a meaningful way". This is a quote from post-Apartheid South Africa's black economic empowerment (BEE) strategy document. According to SouthAfrica.info<sup>65</sup>, "South Africa's policy of black economic empowerment is not simply a moral initiative to redress the wrongs of the past. It is a pragmatic growth strategy that aims to realise the country's full economic potential while helping to bring the black majority into the economic mainstream. In the decades before South Africa achieved democracy in 1994, the Apartheid government systematically excluded African, Indian and coloured (sic) people from meaningful participation in the country's economy." In post-Apartheid South Africa, legislative frameworks adjust the balance in the other direction, with concepts such as "affirmative action" and "black empowerment" intended to tilt advantage towards the previously disadvantaged.

Post-credit-crunch, we know that real corporate responsibility lies in social value creation, and this means adding value that is not defined solely in monetary terms (although these are good terms to use when describing the value of social innovation to corporates, or as Olinga puts it, to "rich men, as this is the language they understand").

Alice Korngold builds a thesis that companies and their executives can "profit by developing solutions to the world's most daunting challenges – those that governments cannot and have not addressed" in her book titled *A Better World, Inc.* In the words of her publisher, Palgrave Macmillan "In declaring that 'only global corporations

<sup>65</sup> [www.southafrica.info/business/trends/empowerment/bee.htm](http://www.southafrica.info/business/trends/empowerment/bee.htm)

have the resources, global reach, and self-interest to build a better world,' Korngold shows how to ensure that this is a mutually beneficial and equitable relationship for business and society.” We found Alice’s arguments and case studies compelling reading. However, Joel Bakan’s *The Corporation: The Pathological Pursuit of Profit and Power*, 2005, puts forward an argument that companies have to “chase the money”, with the result that, say, they spend billions developing essentially toxic treatments for late-stage cancer, because this is of concern to people with economic power and/or their governments, and very little on, say measles in the developing world?

Joel Bakan argues that companies are by design socio- if not psychopathic, and it seems to us that if good comes out of them it is because they are embedded in a wider external system of regulation that mediates their psychopathy. Left to their own devices they will maximise profit and load cost onto society, as we saw with the credit crunch. There is also the issue of profit arising in the short term and the externalities arising in the longer term (see most industrial pollution) and how we ensure companies have to account for the longer term.

Korngold’s enthusiasm for companies to further intensify their innovations in solving global challenges by engaging fully with consumers, employees, and investors is balanced by her caution that effective corporate governance was crucial to the successful implementation of this strategic approach. Damaging elements such as scarcity of skills, inexperienced management, weak internal control, and outright corruption lie in wait for every growth strategy.

Unsurprisingly, given the legacy, each of these elements can be demonstrated in the turbulent flight path of the South African economy since 1994. In fact many of these outcomes were predicted in a fascinating series of ‘think tanks’ held in 1991 and 1992 in South Africa. These ‘Mont Fleur Scenarios’ were described as innovative and important because, in the midst of a deep conflict, the exercise brought people together from across organizations to think creatively about the future of their country.

The Mont Fleur Scenario Exercise was an experiment in “future-forging”. It brought together 25 South Africans of diverse backgrounds over four intense weekends at the Mont Fleur Conference Centre near Cape Town. The delegates talked through what was happening in South Africa, what might happen, and in the light of these possible futures, what influence could be brought to bear on the future.

We understand that all were committed in their own ways to building a better future for their country. From starkly different perspectives, they built a shared map of South African future reality. Their report, published in July 1992, summarised these discussions in the form of four stories. Each scenario imagined how events might unfold over the coming decade from 1992 to 2002.

“Ostrich told the story of a non-representative white government, sticking its head in the sand to try (ultimately in vain) to avoid a negotiated settlement with the black majority. *Lame Duck* anticipated a prolonged transition under a weak government which, because it purports to respond to all, satisfies none.

“In *Icarus*, a constitutionally unconstrained black government comes to power on a wave of popular support and noble intentions and embarks on a huge and unsustainable public spending programme, which crashes the economy. In *Flight of the Flamingoes* (sic), the transition is successful, with everyone in the society rising slowly and together.

However, the group proposed that the more significant lesson was not in the scenario stories themselves. The process itself was typical of one of the most important innovations of South Africa’s transition: the multi-stakeholder dialogue forum. From 1990 onwards, South Africans, in parallel with the formal negotiating structures, created hundreds of such informal forums. These dealt with a variety of challenges – local development, health, education, security and constitutional reform. Some adopted the scenarios method. More importantly, all created a

safe and open space in which the primary political, business and civil society actors could come together to chart a way forward.

“The key concept here is ‘we’, an assumption of shared interest and identity which, at first, was often denied. The forums encouraged South Africans sense of being engaged in a shared national project. The old was not yet dead and the new had not yet been born, and in this interregnum the forums provided a space for the people with a stake in the future to create it together. The sense of ‘we’ – of incremental trust – was a foundation for the larger political settlement in 1994 and the transformation which followed. Trevor Manuel recalled later that there was a high degree of flux at that time, it was a real strength, there was no paradigm, and there was no precedent, there was nothing. We had to carve it, he said, and so perhaps we were more willing to listen<sup>66</sup>

Sadly, the Mont Fleur Scenarios did not foresee the wrecking effect of crime in South Africa. If one accepts the hypothesis that violent crime rates are a reasonable proxy for the general wellbeing of a population, the Economist’s report “A Summary of the Liveability Ranking and Overview - August 2014” makes interesting reading. The report suggests that “It may be argued that violent crime is on an upward trend in the top tier of cities, but these observations are not always correct.

Vancouver saw a record low number of murders in 2013, after a decade-long decline that pushed homicide rates down to 1.5 per 100,000 of population in 2012. Although crime rates are perceived as rising in Australia... Victoria, where Melbourne is located, had a murder rate of just 3.1 per 100,000 population in 2012/13.

In Austria the murder rate was just 0.9 per 100,000 of population in 2012, with only 24 murders recorded in Vienna, a city of 1.7m people, a murder rate of 1.4 per 100,000.

These figures compare with a global average of 6.2 homicides per 100,000 people (2012) and a US average of 4.8 per 100,000 (2012). New York City reported a rate of 4.0 in 2013.

Detroit has a rampant rate of homicides at 47.5 per 100,000. It is also quoted in the World Economic Forum report as “negative examples of poor leadership, for example Detroit, USA, show what to avoid.”

In South Africa, the published homicide rate was 31.3 in 2012/13.

Today, the UK economy is looking towards growth to restore its fortunes after the upheaval brought by the credit crunch. But if we accept the baseline assumption that growth will equate to social value creation, we need to look closely at measures of social value impact and the potential scenarios they might lead to. There are approximately 1,000 measures or indicators of social value and social impact, but how can we get to the point where they are meaningful and drive the creation of social value? Just who will benefit, and does growth itself lead to a fair and equitable society? After all, fairness and equality are the values Britain espouses and champions internationally.

Professor Ta’eed argues that government has two tools to drive social value creation, legislation and procurement. On the legislative side of this equation, the Public Services (Social Value) Act 2012 became law on the 8<sup>th</sup> March 2012 and has been ‘live’ since 31<sup>st</sup> January 2013. The Act requires public authorities to have regard to economic, social and environmental well-being in connection with public services contracts; and for connected purposes. This means that on the procurement end, suppliers will be required to demonstrate measurable social value creation in each of their tenders and contracts. They will be expected to factor this into their projects as an intrinsic part of their core mode of operation. They will not be able to offer a lump of ‘CSR money’ in return for the reward of a juicy contract.

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<sup>66</sup> “Between an ostrich and a flamingo” - and featured on Mail & Guardian online 2 August 2007

This has far reaching implications, and provides suppliers and local authorities the ability to engage the whole range of stakeholders in the design of social value creation. It will involve the third sector and undoubtedly NGOs in the creation of ‘blended business models’ which although Professor Ta’eed describes as the most difficult models to achieve, have the ability to deliver lasting change and benefit for local communities. It’s a massive step-change, and we think it closes the loop between corporate and national governance very neatly. With this approach, we should be able to hold every leader to account using the same principles: “does your work create social value, does it have beneficial social impact? If not, why are you pursuing it?”

Indeed, Noreena Hertz, eminent, iconoclastic professor of economics and thought-leader for change comments in her article “How Capitalism Can Thrive in a Transparent World” for the Wall Street Journal that: “For capitalism, in its current form, this [ubiquitous transparency] will pose a serious challenge. Because the more there is nowhere to hide and the more all-seeing consumers and citizens are, the more apparent it will be just how far capitalism has moved away from the ideals of Adam Smith, who saw the market and morality as inexorably linked. Increasingly laid bare too will be just how great the chasm is becoming between those at the top and those at the bottom—a gap which already today is redolent of the 1920s...

In order to head off an escalation of anti-capitalist sentiment and a state of perpetual protest, governments and corporations will need to commit to making capitalism a more inclusive system, which means addressing its current short-termist ethos and also its redistributive failings.”

Thinking about the status of global business in the years leading up to the 2008 credit crunch hindsight reveals that they were indelibly stamped with the telling hallmarks of an ending era. Boards of directors would (or should) have been thinking:

1. The status quo is not sustainable or tolerable and appears to benefit a small minority
2. Global opinion is against our practices, our reputation is irretrievable
3. Our policies do not reflect the wishes, interests or needs of our shareholders and stakeholders
4. We are steadily going backwards, descending into an economic and social hell of debt and indebtedness
5. Our employees and partners are dissatisfied with their conditions and are agitating for reform
6. Is there any way out of this, or is it the handcart for us?

In fact, we know boards of directors were thinking these very thoughts at the time. In 2008, Tim Wheeler, Chief Executive Officer of stricken property developer Brixton, revealed his despair in the company’s half-year report. He accused the industry of “underestimating the impact of the credit crunch” after sustaining massive losses associated with empty buildings taxes. He took the unprecedented step of quoting Bob Dylan’s lyrics and cynical references to how business people were unable to judge the value of their assets. Brixton had suffered a pre-tax loss of £236.7m, against a previous £192m profit with net assets down 26% to £1.16bn.

In 1990, President F.W. De Klerk of South Africa experienced the reality of an economy close to collapse from the massive cost of the armed struggle within South Africa and in neighbouring countries including Angola, Zimbabwe and Mozambique. In his own words he had “long come to the realisation that we were involved in a downward spiral of increasing violence and we could not hang on indefinitely. We were involved in an armed struggle where

there would be no winners. The key decision I had to take now, for myself, was whether to make a paradigm shift.” He made the shift and the rest, as they say, is history.

In a speech lasting just one hour, De Klerk de Klerk had announced commitment to a full democracy, with majority rule in a unitary state which would include the homelands, an independent judiciary, and a commitment to equal justice for all under a human rights manifesto, no discrimination, and a free economy. “The entire edifice of Apartheid, so hated around the world, had been dismantled in a single speech”<sup>67</sup>.

As Nelson Mandela later recorded, “It was a breathtaking moment, for in one sweeping action he had virtually normalised the situation in South Africa. Our world had changed overnight.”

The work of Judge Professor Mervyn E. King, Chairman of the Integrated Reporting Council<sup>68</sup> is very telling. In particular, his work on integrated reporting for corporations takes the view that simple financial reporting simply doesn’t help anybody (perhaps other than accountants) to take the temperature of a business. He asserts that the custodians of a business should take care of it as if it were a child, perhaps a child with significant dependencies. King asks “would you raid their bank account to pay yourself a bonus?”

So what then for the future of corporate governance? We found this quote from Professor Michael Posner, NYU Stern School of Business, Chair Global Agenda Council on Human Rights, 2104 extraordinarily exciting:

“In the 21<sup>st</sup> century, business sustainability needs to be understood in terms of the environment, economic development, human rights, women’s empowerment, and rule of law. Smart businesses are incorporating these broader principles of sustainability into their business decisions, and developing practical standards and metrics to help apply these principles in practice.”

The World Economic Forum argues in two 2014 reports<sup>69 70</sup> that “cities have been the engines of productivity and growth throughout history, and will be essential to the future growth and competitiveness of nations and regions. This is especially true at a time of massive and rapid urbanization in emerging markets; hence, the focus on the competitiveness of cities... six global “megatrends” especially relevant to cities are identified: (1) urbanization, demographics and the emerging middle class; (2) rising inequality; (3) sustainability; (4) technological change; (5) industrial clusters and global value chains; and (6) governance. Led by urbanization, they condition the greater operating environment for cities [as well as corporations and other structured institutions] around the world.

It is up to cities to take advantage of these megatrends, as well as to mitigate negative forces such as rising inequality, pressure on natural resources and the environment, and a diminution of trust in public authorities.

The report suggests that “...some megatrends, notably urbanization and its clustering effects, are centripetal, or concentrating, in nature. Others may be more centrifugal or dispersing, such as recent technological advances and trends in governance.”

It begs the questions of how cities can take advantage of these megatrends? How can they best balance centripetal and centrifugal forces? How can they mitigate negative forces such as rising inequality, pressure on natural resources and the environment, and a diminution of trust in public authorities? What are the choice sets for different cities, in different countries and regions?

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<sup>67</sup> [www.independent.co.uk/news/world/africa/fw-de-klerk-the-day-i-ended-apartheid-1886128.html](http://www.independent.co.uk/news/world/africa/fw-de-klerk-the-day-i-ended-apartheid-1886128.html)

<sup>68</sup> [www.theirc.org/2012/03/08/professor-mervyn-e-king](http://www.theirc.org/2012/03/08/professor-mervyn-e-king)

<sup>69</sup> White Paper on Business Sustainability: What it is and why it matters

<sup>70</sup> The Competitiveness of Cities

These questions lead to the competitiveness agenda for cities. City ‘competitiveness’ is defined as the set of factors – policies, institutions, strategies and processes – that determines the level of a city’s sustainable productivity. “Sustainability encompasses economic, environmental and social issues. Productivity is about the efficient use of available resources that drives economic growth. But productivity has to be sustainable – maintained beyond the short term, and in a way that reconciles economic, environmental and social goals.”

We ask whether the operating landscape is any different for companies, corporations and other structured institutions. Do the same sets of principles apply to determining their strategic direction, tactical operations, performance indicators and perceptions of stakeholder value? We believe they do. Corporations too must learn a new competitiveness, one where success is assessed by social value generation—this is not simplistic redistribution of wealth, but the creation of a lasting legacy of social impact through invested social capital.

The first paper on city competitiveness corroborates this view where it speaks about how to reform the governance [and] or decision-making frameworks. This requires “leadership and vision – a clear, far-sighted view of where cities should head, and a single-minded, practical will to ensure they get there are key – showing the power of mayors as “chief executive officers” (Singapore; Dubai, United Arab Emirates; Bilbao, Spain; Medellin, Colombia; and Surat, India are stellar examples). But negative examples of poor leadership, for example Detroit, USA, show what to avoid.”

The paper draws direct correlations between mayors of major cities and CEOs of corporations, directing both to review their governance and decision-making frameworks, and to adopt long-term contextually valid strategies for their competitiveness.

This may well be a paradigm shift from placing importance on creating value measured solely in monetary terms, to making long-term valuable investments in social impact. It requires a fundamental change in focus from the pervasive obsession with one-dimensional short-term gain to a four dimensional perception of value in both historical, contemporaneous and future context. It requires ‘contextual intelligence’. We’ve had IQ, EQ and Mindfulness; now make way for contextual intelligence and social impact [CISI].

According to the report, markets are globalizing, and societies are being transformed as a result. “Technological advances can spur concentration of economic activity, but they also impel decentralization of choices and decision-making. The internet, mobile communications and social media have empowered vast numbers of individuals across the globe to work, play, think and pray as they see fit. At the same time, a handful of large companies sit at the apex of new technology markets.

“In stark contrast to these dynamic economic, social and technological forces, the world of politics and governance seems much more static. The Westphalian system of nation states still predominates almost four centuries after it began; above it are intergovernmental organizations and assorted mechanisms of international cooperation. However, global governance remains weak, as does supranational regional governance, with the possible exception of the EU.

“Decentralizing forces – economic, social and technological – play in favour of subnational governance. The availability of much more information, and rising expectations on transparency, accountability and good governance, are making people more distrustful of national governments and national political elites. Intergovernmental organizations and supranational regional institutions – not least the EU – seem remote and bureaucratic. This creates a window of opportunity for provincial and city governments to reactivate themselves. Decentralized political systems, such as that of the United States, may be best positioned to take advantage of the situation. In sum, very strong reasons exist to radically decentralize authority and decision-making down to the cities.

According to the Global Council on Anti-Corruption & Transparency, business has a fundamental role to play in sustainable development, but corruption threatens the sustainability of business itself. “A strong corporate culture is a prerequisite to the establishment and sustainability of trust in the business. And trust is a fundamental business asset; it is the source of reputational capital. Reputational capital provides brand strength that is as essential as financial capital to long-term business health and prosperity.”

The same report sees corruption as “a pernicious disease affecting civil society and the global economy. It is bad for business and very bad for sustainable development and the advancement of the human condition. Corruption in business transactions distorts competition, deters investment and increases the cost of goods and services – often to those who can least afford it. The impact of corruption on doing business globally is huge: estimates show that the cost of corruption equals more than 5% of global GDP.”

“Businesses are increasingly helping themselves in the fight against corruption through collective action and are committing to themselves and to each other to design and implement policies and systems to prevent and address corruption. In the long haul, progress in tackling corruption will deliver substantial benefits to the cause of sustainability.”

For us, the lessons of the past, and these two reports, give us a clear set of principles for boards of directors to apply to the socially responsible governance of a company, in addition of course, to regulatory and legal compliance:

- Agree and set very clear strategic direction in collaboration with your stakeholders (co-creation)
- Whenever possible, devolve problem-solving to the collective minds of your stakeholders
- Crowdfund your conscience and the maintenance of your reputation
- Challenge the status quo, do not accept “that’s just how we do things here”
- Root out corruption, do not wait for the authorities to do it for you
- Recognise and embrace difference and engage diversely
- Learn from mistakes, and then learn again – repeat
- Abolish redundant systems that prop up outmoded benefits—they will bankrupt you
- Choose freedom to act over constraint within the bounds of your jurisdiction (everyone should be able to “stop the production line”)
- Address inadequacies and inequalities right across your stakeholder community
- Act in the interests of the company AND the public (legislation required)
- Leverage your purchasing power to drive value back up your supply chains
- Talk to ‘millennials’ who have no responsibility for what went before, but know what they want next (change is a tangent, not a circle)
- Be the change you want to see
- Remember, no economy can grow whilst excluding any part of its people, and an economy that is not growing cannot integrate all of its citizens in a meaningful way

## 8 Curating CSR through Capacity Development

In 1955 Peter Drucker wrote at the end of his book "The Practice of Management:

*"250 years ago an English pamphleteer, de Mandeville, summed up the spirit of the new commercial age in the famous epigram: 'private vices become public benefit'-selfishness unwittingly and automatically turns into the common good. He may have been right; economists since Adam Smith have been arguing the point without reaching agreement.*

*But whether he was right or wrong is relevant; no society can lastingly be built on such belief. For in a good, moral, lasting society the public good must always rest on private virtue. No leading group can be accepted on de Mandeville's foundation. Every leading group must, on the contrary, be able to claim that the public good determines its own interest. This assertion is the only legitimate basis of the leadership; to make it reality is the first duty of the leaders.*

*That 'capitalism', as the 19th century understood the term (and as Europe still too prevalently understands it), was based on de Mandeville's principle may explain its material success.. It certainly explains the revulsion against capitalism that has swept the Western world during the last hundred years. The economic doctrines of the enemies of capitalism had been undeniable and often childish. Their political doctrines have carried the threat of tyranny. These answers and not been sufficient by the critics of capitalism. Indeed they have usually appeared quite irrelevant to the critics, as well as to the people at large.*

*For the hostility to capitalism and capitalists is moral and ethical. Capitalism is being attacked not because it is inefficient or misgoverned, but because it is cynical. And indeed a society based on the assertion that private vices become public benefits cannot endure, no matter how impeccable its logic, no matter how great its benefits."*

Over the last 50 years we have seen the increasing denigration of management as Drucker described it. It has become fashionable to replace it with the term leadership and we have seen tranches of competences, behaviours, frameworks, principles and the like put forward as the basis for optimum use of resources and sustainability. However most recent scandals have in fact not been due to lack of leadership. The leaders have been able to cajole and persuade others to do their bidding regardless of whether it was right or not. The failure has in fact been lack of management-failure to do the right thing in the right way at the right time.

There has been a consistent and prolonged failure to teach all with management as part of their role, what they must do to be effective. The day a person becomes a manager in any part of their role is the day they begin to cease doing part or all of their front-line contribution. From that day forward they can only contribute if they can find a way to help those at the sharp end to their job better in some way. This means that a great deal of benefit for employees, their team, their organisation, their community and society as a whole is not realised. This means that a great deal of capacity that actually could exist is never actually realised and remains dormant to the detriment of all. Drucker finishes his book with these words:

*"most important the ultimate responsibility of management: to itself, to the enterprise, to our heritage, to our society and to our way of life."*

So what do we mean by improved capacity? There is no absolute definition of capacity development but what we do know is that components that encourage it are:

- Education
- Training
- Continuous Professional Development (CPD)
- Metrics to benchmark against to improve
- Reward on success

Social impact analysis covers the latter 2, but the first 3 are equally important ingredients that need to be delivered as part of the market goals. In our journey to here, these first three items have largely become separated off as though they were separate components largely disconnected from the corporate and social jigsaw. As a result public, social and private enterprises often regard these items as low value and high cost necessities. Though education and training remain a important priority in government policy clearly intended to connect to economic and social success that is sustainable, the links are poorly if at all understood as a community and social level.

One of the absolute keys therefore is can reconnect these first three items not only to the central delivery agenda of enterprises but also to the social agenda through making sure that those in leadership and management roles at all levels but particularly in the body of the organisation in first and second line management posts properly understand and can discharge their roles. This will require a complete rethinking of what has become present normality - the traditional development agenda. We know that what has become traditional learning and development agenda does not work in a sustainable way. This is because it lacks the sequence of events to ensure that it is installed correctly and then followed up in the correct way to keep it in place.

### ***Disturbing Normality***

In Chapter 11 of Kogan Page's book Leadership Assessment for Talent Development, Philip Sweet lays out the following challenge:

*"One of the greatest observations of nature and our world is that it is normal. If you get together a collection of anything: people, animals, rocks, plants, planets and measure them in pretty much any way you like you will find they conform to what we have come to know in statistics as the bell curve or normal distribution. This not only applies to physical attributes but to behaviour as well including performance and development.*

*In terms of learning and development, the likelihood of an individual applying what they have learned to create tangible beneficial results for themselves and their organisation can be predicted with some simple statistics:*

*An undisturbed group of 20 people, left to their own devices, will perform in accordance with the probabilities described by 3 standard deviations either side of the norm. This means that you would expect to see the following:*

- 2%, or less than 1 person, will definitely apply their learning and deliver some kind of result.*
- 14%, or up to 2-3 people, will probably apply their learning and deliver some kind of result.*
- 34%, or up to 6-7 people, will possibly apply their learning and deliver some kind of result.*
- 34%, or up to 6-7 people, will possibly not apply their learning nor deliver any kind of result.*
- 14%, or up to 2-3 people, will probably not apply their learning nor deliver any kind of result.*
- 2%, or less than 1 person, will definitely not apply their learning nor deliver any kind of result.*

*Recent research by the Knowledge Advisors and Robert Brinkerhoff backs this up by showing that up to 80% of all learning is wasted. Shocking though this is, these figures are pretty much what you would expect from an UNDISTURBED natural distribution. It also presents a massive opportunity because there is clearly a potential to improve this statistic. If we can systematically disturb or skew this*

*natural distribution in favour of better levels of performance in the same way that occurs in the rapid development phase of a country or organisation, clearly we can create much better and sustainable returns on investment.*

### ***Beyond Belief***

*The fundamental purpose of learning and development is to improve the functioning and performance of an organisation. Otherwise why invest in it? All the more surprising then is a widespread belief that one can't definitely attribute and measure the results directly arising from learning and development. This the biggest reason organisations don't measure to see that the intended improved functioning or performance is delivered.*

*To be fair there might be some basis for this belief:*

- *When work was primarily physical in agriculture and direct production of goods, it was probably easier to see the connection between learning a thing and knowing whether it was worthwhile, because it would quite quickly turn up in the corner of a field or a workshop. It was pretty easy to see the physical results of more or better produce ready to go out to consumers.*
- *As organisations have grown, become more complex and differentiated their roles, it has indeed become more difficult to see this relationship."*

## **8.1 Attitudes of Employers and Employees**

Old school social impact talks about 'Triple Bottom Line'. In *The Zeronauts: Breaking the Sustainability Barrier* (Routledge, 2012) veteran businessman, author and environmental activist John Elkington describes the Triple Bottom Line (TBL) as: "a spectrum of values and criteria to measure organizational (and societal) success" (250). His argument was that companies should be preparing three different (and quite separate) bottom lines. One is the traditional measure of corporate profit—the "bottom line" of the profit and loss account. The second is the bottom line of a company's "people account"—a measure in some shape or form of how socially responsible an organisation has been throughout its operations. The third is the bottom line of the company's "planet" account — a measure of how environmentally responsible it has been. The TBL thus consists of three P's: Profit, People and Planet. It aims to measure the financial, social and environmental performance of the corporation over a period of time. Only a company that produces a TBL is taking account of the full cost involved in doing business. Although the concept is now very dated, the principle of course still maintains. One would thus expect reasonable recognition of the values, however was this the case in a recent survey by University of Northampton?<sup>71</sup>

The question being asked was to what extent employers seek sustainable business ethics as an employability attribute in graduates. Just over half of the respondents (56.8%) were from organizations with greater than 250 employees. Respondents hailed from a broad range of industries other than those specified in the survey ("Manufacturing, Administration, Banking, Fashion"), and a diversity of organizational cultures such as MNE, SME and Third Sector. Sustainability looks at "meeting the needs of the present generation without compromising the ability of future generations to meet their own needs". As Stated by Blowfield (2013), The Dow Jones sustainability indices define corporate sustainability as a 'business approach that creates long term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments'. Accenture calls it 'the way an organisation increases its positive – and reduces its negative – effects on society, the environment and the economy'. These are varied dependent on the organisation and their nature of work. Recycling is high on the agenda, alongside reducing the company's carbon footprint.

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<sup>71</sup> P2P Sustainability Survey Report, Rani Kaur and Diepiriye Kuku-Siemons, University of Northampton (2014)

- 56.1% agree that the Triple Bottom Line is integrated “informally as part of the workplace culture”.
- 92% of respondents agree that their organization considers its “environmental impact”
- 78% of respondents “agree” that “everyday environmental topics such as recycling, re-usage, and reducing waste” fit into their workplace cultures

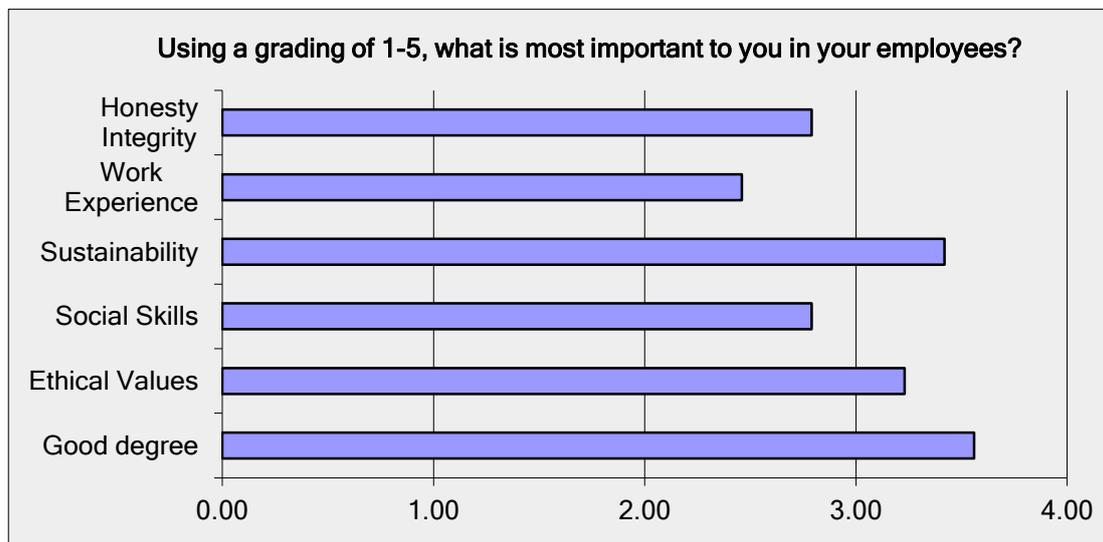
This following open-ended responses typifies employees knowledge of current practices that support sustainability:

- “Sponsor individuals for charity runs”
- “Green Impact, recycling, bike racks and cycle to work scheme, season ticket loan scheme”
- “Turn off lights”

While sustainability is integrated, its meaning is only realized in terms of personal responsibility as just over a third “receive any training” aimed at “supporting the triple bottom line”. Employers felt that their organization consider that “sustainability is a bonus”, but not a necessity for employees, despite its strong resonance within workplace culture. Some of the responses offered comprehensive leadership and operational training to all the colleagues, including graduates and people on placements. For the larger organisations this was carried out at orientation and updated periodically.

Taking this into consideration, there are many testaments to the power of individuals as agents of change in the sustainability context. Blowfield (2013) suggests that leaders such as social entrepreneurs stand out because of their ‘self-assurance, their emotion and their insane ambition’. A leader of an organisation is the catalyst that can shape the future. Typically we can see in large organisations at least, it is not the leader’s vision of sustainability that matters, but what its stakeholders expect. Sustainability leadership is often depicted as needing practices that are rooted in a sense of purpose and values. Lewin (1963).

### ***Employee Values***



Considering what employers are seeking as important traits from all their employees, the requirements vary slightly to what employers look for in Graduates. When recruiting, respondents rated “Social Skills,” and “Honesty Integrity” fully 90% and 92% respectively, well above any other quality of those sought to fill graduate positions, e.g. a “good degree”. On the same question, respondents rated “sustainability” as the least important “quality/value” sought in potential new employees. Nonetheless, when asked to rank values in their workplace culture “Sustainability” and

“Ethical Values” were strongly ahead. This suggests that employees seek to invest in employers with a great deal of social responsibility, to informally/socially infuse the workplace with ‘integrity’.

So do employees care about CSR? Rodrigo & Arenas (2007) states that the new social role of an organisation perceived by the employees not only affects employee identification with the organisation, but at the same time it leads to the generation of attitudes towards society. The results demonstrate that there are indeed workers with a positive attitude following CSR program implementation and others who have an indifferent or contrary attitude. The results do highlight that employees care about CSR, some of this has to do with attitudes within society and not just towards the companies researched. This shows that employee’s views and social conditions play an important role.

There is a gap between what employees seek and what they value. To fill this apparent gap, graduates must be able to articulate for potential employees how sustainability training and/or certification links to existing workplace values.

### Graduates' Qualities



### Gap in Values of Employees vs. Job-seekers

The main traits employers consider are	Values for potential new employees
1. A good degree	1. Social skills
2. Knowledge about sustainability	2. Honesty and Integrity
3. Ethical values	3. Work experience

Again, this seems inconsistent with the stated value respondents gave to Sustainability. This further suggests that one challenge for both current and future employees is articulating how to align knowledge, with attitudes and behaviours towards sustainability.

The strong emphasis in the responses on “social skills” both as desirable, and as an existing quality of employees supports the existing efforts towards incorporating employability skills such as communication and critical thinking into every discipline. Moreover, this further suggests that universities shift greater efforts towards providing greater opportunities for students to document their learning and experience of the soft skills that traditionally sit outside of academic assessments. Not only do these soft skills enhance student satisfaction, but also employability.

## 8.2 Current Solutions through Education

Education in its widest sense – training, professional development and teaching have been found to be a key driver to creating social value. The community and governance pieces (above) have highlighted that success is dependent on leadership across all sectors and levels including from statutory bodies eg Local Authorities, Education and the NHS. The Social Value Act is not just about procurement – it’s about culture change. Public bodies are requiring certain standards and deliverables from their suppliers. It stands to reason that those standards need to be applied internally within the public sector organisation, the private sector corporates serving them, and the third sector organisations facing the community. The shift to measuring the impact of public service in terms of social value is massive. And it is not just the Social Value Act that is pulling the levers - emerging this year is EEC legislation that will require all organisations - public and private - to measure the impact of their business in terms of social and environmental impact. Education is key to this.

We have looked at best practice internationally and find these as follows:

### a) Social Value Cultural Survey

Organisations will be offered the option of undertaking a cultural survey to determine the extent of awareness with regard to social impact and a readiness score to assess organisations ability to adopt or shift culture of social innovation.

### b) Social Value Delivery Workshop

Offer a framework delivery plan for implementing social value through consultancy support tailored to meet individual organisational requirements.

### c) Board Development

Board Development workshops open to all participating organisations. Board Development workshops focus on

- Outcome of the diagnostic survey
- What to do if not compliant
- Impact of big data and social media
- Review of Culture shift
- Self-assessment of individual leadership skills
- Exploration of individual and Board skill development
- Social impact governance and Board reporting processes

### d) Executive Education

Social value leadership as a module on MBA and other Executive Education courses. Some universities are exploring a new Masters in Social Value Leadership.

### e) On line Training for Procurement

Through a MOOC (Massive Open Online Education Course) an on line training package will be available for administrators and procurement staff. A formal Certificate of Completion in Social Value is being offered.<sup>72</sup>

### f) Schools Outreach

It is clear that social values are not taught formally at school level. Outreach programmes are being devised to teach the principles at an early formative stage.

### g) Tertiary Student Certificates

As public sector organisations wish to increase its support of knowledge and skills around sustainable business through university graduates, one means is to devise a sustainability training-certification program for students, under the rubric of employability skill-building.

These in the end are still the traditional tools development. It is important that we understand that doing what is already being done is unlikely to create different results.

## 8.3 What is Required for Real Capacity Development

In the end we have to come back to the real job of management. That is to make the absolute best most ethical, socially responsible use of the resources at our disposal. This means we need a radical rethink to find ways to get people at all levels in all professions with management as part of their role to do the right things at the right time in the right way.

Recent research by Prof Jim Collins in the US and published in his books 'Built To Last' and 'Good To Great' and work in the UK on 'Engaging Leadership' by Prof Beverly Alimo Metcalfe shows us that charismatic leadership on its own is not enough. We are entering or perhaps more acknowledging the re-entering the era of the quiet leader. The leader who says when the organisation does really well "it was our people" when things go wrong "it's my responsibility"

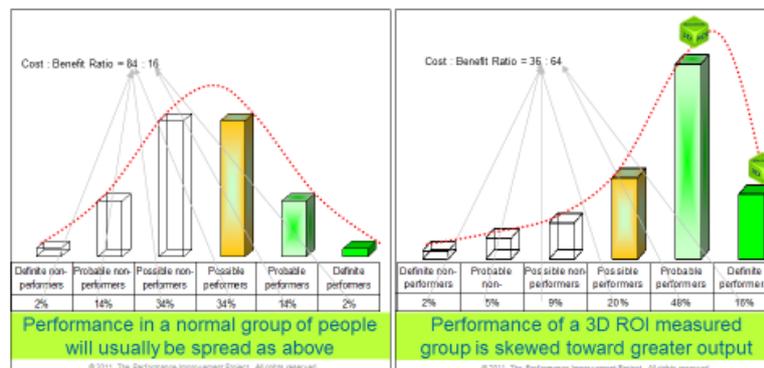
It is this shift in management responsibility at all levels in organisation that is the key to real sustainability. To do this we must alter the development agenda from making simple unanchored development interventions which have no lasting effect a thing of the past and move to a progressive development agenda that ensures a multilevel return on investment:



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<sup>72</sup> cceg.edcastcloud.com by University of Northampton

To do this we must find a way to achieve a shift in what is possible in the daily life organisations. The normal distribution is what exists when management is not even effective.



Once you help managers to see what to do and exactly how to do what makes the most difference, the world they and their employees inhabit becomes a very different place.

- Employee self-esteem rises.
- The opportunity for continuous improvement and through that CPD becomes endemic
- Contribution to the enterprise rises enormously.
- Contribution to society becomes a real possibility
- Contribution to sustainability becomes a necessity as all reason by lack of opportunity of sufficient resource fall away

All this because at the heart of it good management at the heart of it builds great capacity by making best use of available resources in the most thinking way possible.

### Contribution Is The Key

Going back to Drucker again in his book 'The Effective Executive' it is made clear that the key issue is contribution. The larger the organisation and the more virtual or abstract the product greater the danger that those with management responsibility and their staff will lose their connection to their customers, the outside world and what really matters and hence lose connection to themselves.

The book makes clear the importance of bringing this back to personal and organisational consciousness through becoming much more aware of how time and resources are used. As soon as this is done the vast waste of human, organisational and social potential is obvious. Once it is noticed, there is then the opportunity to address these pressing and key issues of our time where correct management action is the only way. It also makes absolute commercial sense too.

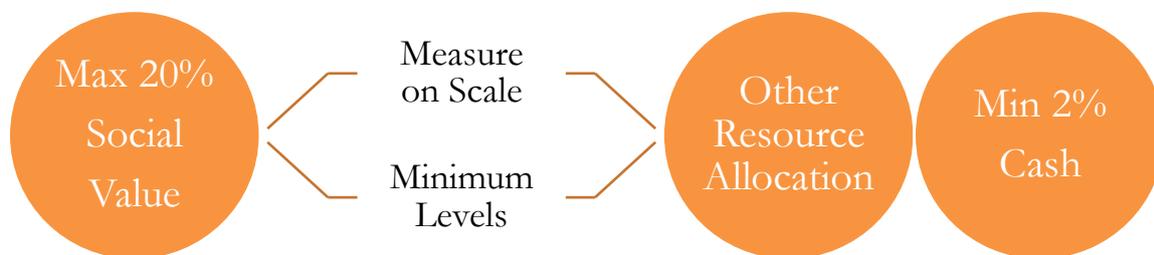
## 9 Leading Edge in Social Value

Like all industries, social value has some leading exemplars in the world that provide thought leadership to the sector. Here we look at three large but still embryonic movements that seem to have gathered significant momentum.

### 9.1 The 2% Levy

The three questions most often asked of experts in social innovation with regards to social value are:

- How do you measure social impact?
- What level of social impact should we target?
- How much of this should be in cash?



In later chapters we provide metrics that are fit for purpose – so the industry has started to answer the first question. The current approaches either use a go/no-go approach to the creation of social value procurement decisions, or a scale against which bidders can be benchmarked.

With regards to how much social impact we should target – to some extent this is mostly a cosmetic exercise often driven by politics. It is only a desirable goal and not one that can be used in decision making. Although PQQ allows for yes/no answers, the point of an ITT is that it's a measurable scoring system so bidders are judged on where they are on a scale. The nature of competition means some will do better than others in particular features such as social value and thus they should be rewarded. There is no artificial go/stop marker at 10% or 20% and it cannot be used either as an arbitrary threshold or as a hurdle. Doing so will open the public sector organisation to challenge and request to justify why 11% is acceptable but 9% is not on a social value scale that by its very nature is not wholly precise. It's like using a speed gun to fine drivers when the accuracy of the gun itself is yet to be agreed. Social value is thus best looked at as a benchmark gradient to compare bidders. The figure most often mentioned is 20% which represents the UK government's 'acceptable perceived level' of cutbacks, so to plug the gap through social value of 20% brings a symmetry useful to politicians. EU has helped in this respect with demanding 20% ring fenced for social inclusion in some of their main funding programmes.

The last question, however, is a lot more material as we talking about real money leaving real accounts with real subsequent impacts on the organisation giving and the organisation receiving. Understandably then, there has been a lot more research and definitions in this respect.

- As of 1<sup>st</sup> April 2014 implementation of Companies Bill 2013, Indian company boards have the responsibility of ensuring that the company spends “at least 2% of the average net profits of the company made during

the three immediately preceding financial years” on “CSR” activities – they must also be able to justify such decision making, be able to report and monitor these activities and produce documented evidence by law. The law applies to medium and large sized companies only - those with net worth of approximately \$80 million, turnover of \$160 million, or net profits that exceeds \$830,000. This is set to generate c. US\$ 2 billion a year in social giving for communities in India.

- In Indonesia the BUMN law (Badan Usaha Milik Negara ie applying to state owned enterprises) determines that 2% is charged on profit after tax to be donated to CSR.
- Islamic countries adhere to the concept of Sadaqah (voluntary charitable donation) and Zakah (compulsory charitable donations which is one of the 5 pillars of Islam), the latter usually being paid at Ramadan. The Quran does not provide specific guidelines on which types of wealth are taxable under the *zakah*, nor does it specify percentages to be given. Through a complex set of calculations this is often interpreted at 2-2.5%. This is a very real ‘levy’ with most banks in UAE for example donating 2% of their profits to charities.
- Other religions, like the Mormon Church, make it compulsory to donate 10% of income in the form of a tithe, and The Baha’i Faith make Huqúqu’lláh compulsory at 19%.
- Americans have consistently given 2% of GDP to charity (US\$316.2 bin 2013) for the past half a dozen years and despite various attempts to move this upwards this figure of 2% appears intransigent.

**i** *If we target the EU recommendation of ring fencing 20% of social value creation then charging a tenth of that, 2%, to achieve a 10 fold Rol to reach the 20% target seems very reasonable.*

*In the end, perhaps it's as simple as 1% appearing too small, and 3% excessive but 2% appears reasonable to companies.*

## 9.2 Integrated Health and Social Care

Integrated health and social care are targets for many countries, and at the forefront of change within the NHS in the UK<sup>73</sup>. Our health and wellbeing outcomes are determined by clinical, public health, and wider socio economic and environmental considerations. If we are to be serious about improving outcomes for the communities we serve, we require a more joined up deliver approach. There is as yet no consistent approach internationally, nationally, nor regionally.

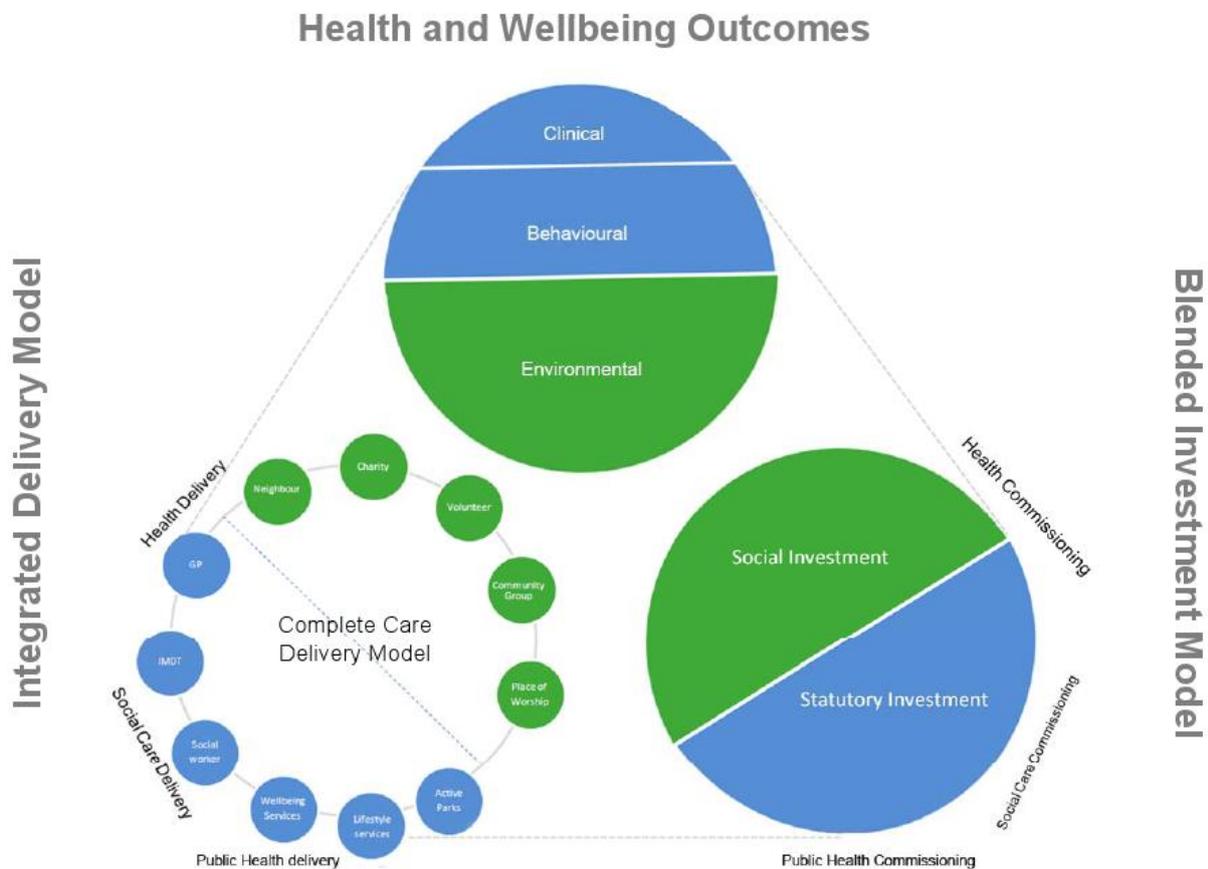
Germane to this report are our experience of pilots in the West Midlands Region. Through sponsorship by the Healthy Villages Programme Board and through mobilisation by Birmingham Community Healthcare NHS Trust, effort is being made to develop a more joined up delivery model to address in a proactive manner the care and wellbeing needs of the regions older adult population. Currently being piloted in three areas of the city; Shard End, Castle Vale and Balsall Heath, the model aims to better integrate statutory services whilst also reaching out to wider community resources to create what is termed “rings of confidence” in communities; evaluation from the pilot areas is expected in December 2014.

Given the strategic imperative around funding of statutory services, the questions that arise surround the need to focus on outcomes, the emergence of potentially ground breaking integrated delivery models, and will they be

<sup>73</sup> [www.hscic.gov.uk](http://www.hscic.gov.uk)

supported through blended investments? As an example in the West Midlands there is significant pressure on older adults statutory funding, and therefore what role has social investment in supporting the wellbeing of communities through investment in new models of care as part of blended commissioning investment strategies led through the City's commissioning authorities such as the Local Authorities and Clinical Commissioning Groups?

This is still work in progress which has not yet arrived at a conclusion. This diagram below, where statutory elements are conveyed in blue, and social elements in green, highlights the complexity of the challenge to be overcome.



Models like Complete Care have the ability to leverage great social value out of much smaller investments. They represent the direction of the future but due to the complexity of their outcomes need metrics to demonstrate their efficient delivery.

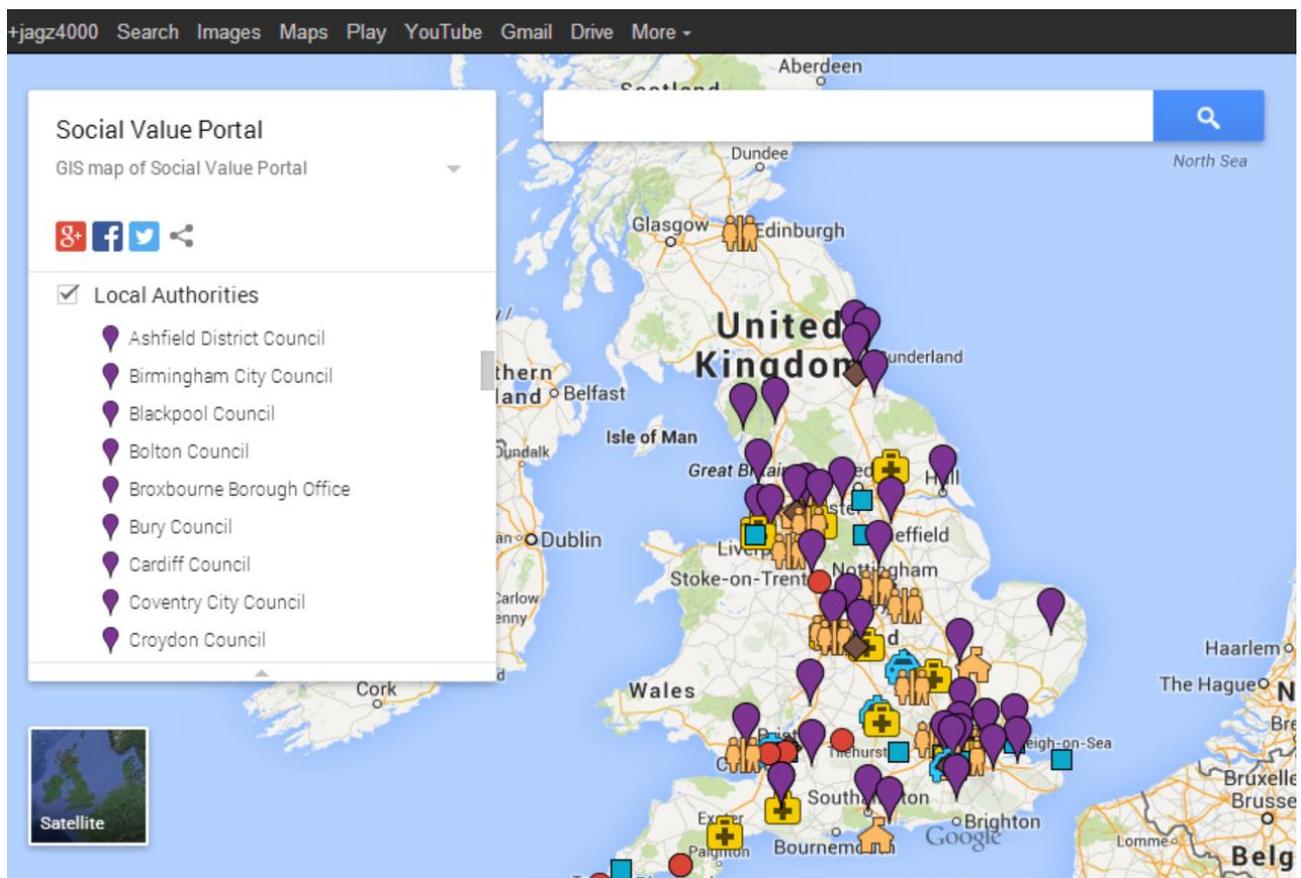
### 9.3 Social Value Portal

Over recent months has been the sudden release into the market of numerous so called social value hubs, centres, and so on, aimed firmly at what is considered to be a new and burgeoning market. In general they are marketing and

awareness portals that are good for profile raising of the issue, making people aware of the attending regulations, encouraging dialogue and showcasing studies. What they are not, is a data drive solutions island except for the *The Social Value Portal* ([www.socialvalueportal.com](http://www.socialvalueportal.com)), the UK's first on-line geospatial meeting place for Business, the Public Sector, Charities, Social Enterprises and Communities. It brings together the different elements of the procurement process, and provides ready access to tools to empower management rather than provide volumes of information to sift through. It allows:

- **public bodies** to lay out expectations and social value objectives to ensure business can add value where it is needed to the communities represented
- **business and social enterprises** access to information, insight and tools to map the needs of the public sector and different communities, and provide support in measuring Social Value
- **communities and charities** to layout specific community needs and requirements and meet the businesses that may be able to support them

The Social Value Portal has been designed to bridge the gap in collective knowledge, to become 'the place' where Business comes to learn about social value; understand public sector targets; listen to communities and meet third sector providers in order to promote better business and community wellbeing. The Portal is free to use for the Public Sector, Communities, Social Enterprises and Charities and will allow them to highlight their needs, expectations and services on a geospatial map. Businesses will be able to access the portal to help them measure their social impact and provide a single point of access to public sector targets, Local Authority and Community needs.



## 10 Social Impact Analysis Market

The measurement of Social Value has driven a new market in social impact analysis. There are over 1,150 social impact analysis metrics globally, everything from a happy index to those related to particular ethnicity working in specific industries. The reality is that all social impact analysis tools, however niche, have been developed for a specific purpose and fulfils a need. There are no bad metrics, just unsuitable ones.



*Like the financial world, in the social innovation world "if you can't measure it, you can't bill it". Social Impact is to Social Value, as the \$ is to Financial Value.*

*Total Value of an Organisation = Financial Value + Social Value*

Suitability for the purpose of the Blended Model and public sector use has to take into account a broad range of critical issues to consider:

- ✓ How expensive is an analysis of an organisation? – this could create funding issues
- ✓ How long does it take to undertake an analysis? - this will limit throughput
- ✓ Is it simple to complete? – this is important for accessibility for SME/micro organisations
- ✓ Is it equally pertinent across private, public, third and community sectors? – this way you only need one metric
- ✓ Can it deal with all kinds of user input? – it has to deal with empirical data that is covered in 1150+ metrics
- ✓ Is it easy to articulate the results? – complex multi-component metrics are not as easy to understand as simple one number metrics
- ✓ Can it translate from other metrics? – it's difficult to deal with many metrics at the same time
- ✓ Can it benchmark in ranking order? – useful for marketing and promotional purposes
- ✓ Can it be used for procurement decisions? – it is insufficient to use a metric as a PQQ yes/no barrier for IIT which conversely needs scoring
- ✓ Does it take resources to monitor over contract term? – this is a significant part of the costs
- ✓ Is it relevant irrespective of the size of the organisation? – there can be no bias within it
- ✓ Is it totally objective? – the same answers must be able to be produced by 3 different people with no subjective components.
- ✓ Does it capture all the KPI's of your organisation? – can you measure against your desired outcomes?
- ✓ Is it compliant with UK and EU legislation? – if it makes your methodology illegal, this is a show stopper
- ✓ Is it compliant with industry frameworks? – if it operates outside industry standards, then it will legally challenged
- ✓ Is it fit for purpose to be used in PQQ/IIT processes?
- ✓ Can it be automated? – this will increase efficiency significantly
- ✓ Can it be further adapted and developed? - Living metrics that are growing are future proof
- ✓ Is there existing support to assist your organisation? – esoteric metrics often have few consultants available
- ✓ Does it accommodate local, national and international performance? – Hyperlocality is key to modern impact metrics, a metric has to accommodate not only local performance but CSR activity outside your region
- ✓ Does it have a robust, defendable tried and tested methodology? – useful for challenges in court
- ✓ Is it independent to your organisation? – important to demonstrate impartiality
- ✓ Has it been widely adopted? – mainstream metrics have more momentum and resources

## THE LEADING 50 SOCIAL IMPACT METRICS & ORGANISATIONS USED FOR PROCUREMENT DECISIONS USING SOCIAL VALUE

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100 Low Carbon Pioneers	Chicago Climate Exchange Members
2020 Women on Boards	Civil Society
AA1000 Assurance Standard	Clean Clothes Accord
AccountAbility	Climate Counts
AEI IranTracker	Climate Registry
Alex's Guide to Compassionate Shopping	Coal Mining Engineer's List
Alliance for Board Diversity	Community Benefits tool
American Anti-Vivisection Society	Computer World 100 Best Places to Work in IT
American Coal Council Member Companies	Conference Board CEO Succession Cases Report
Anglo American – Socio-Economic Assessment Toolbox	Conference Board Director Compensation-Board Practices
Aquaculture Stewardship Council (ACS) Suppliers	Conference Board Proxy Analytics
Asset4	Conference Board Sustainability Practices
B impact assessment	Conference Board Top Executive Pay Report
Baltic Institute of Corporate Governance	Connect Innovate
BarraOne	Copenhagen Communique
<b>Benefit Corporation index</b>	Corporate Knights Canada - 50 Best Corporate Citizens
Best Workplace for Commuters	Corporate Knights Canada
Better World Companies	Corporate Knights Global 100
Black Collegian (Universum)	Corporate Responsibility Index
BlackEngineer Most Admired Companies	CorporateRegister.com
Bloomberg Coal	Covalence Ethical Quotient
Bloomberg Markets' world's greenest banks ranking	CPD Water Data
Bloomberg New Energy Finance Index (CREX)	CR's 100 Best Corporate Citizens
Boston College Center for Corporate Citizenship (BCCCC)	CR's Black List
Boycott List	CSP Water Data
Brand Finance	<b>CSR Hub</b>
Brand Finance Brand Value Report	CSR Wire
BSR Member	Darfur Involved by Investors Against Genocide
<b>Business in the Community (BITC) Corporate Responsibility</b>	Div50 2013
California Iran Contracting Act	Diversity MBA Magazine Top 50
CalPERS Proxy Voting	Diversity, Inc. Top 50
Calvert Social Index	DOD List of Top 100 Contractors
Canadian Business for Social Responsibility	Dow Jones Sustainability Index
Carbon Disclosure Project	EDF Climate Corps
Carbon Market Data	EDF Climate Corps Past Participants
Carbonfund Partners	EIA Nuclear List
Caring Consumer	EIRIS
CECP (Committee Encouraging Corporate Philanthropy)	Ekobai B2B Directory
CEMEFI (Centro Mexicano para la Filantropia) ITSC Index	Electronic Industry Citizenship Coalition
Ceres	Employers Forum on Disability
Ceres Climate & Energy Resolutions	Engaged Investment
	Environmental Investment Organisation
	EPA Climate Leaders
	EPA e-GGRT
	EPEAT
	Equal Opportunity

Equator Principles	International Integrated Reporting Council (IIRC)
Ethical Corporation	IRIS
Ethisphere	iShares MSCI KLD 400 Social Index Fund
Fair Labor Association	ISOS Group Sustainability Reporting Assessments
Fat Profits - EIRIS Obesity Report	IW Financial
FCPA Corporate Investigations	Joburg Stock Exchange Socially Responsible Investment Index
Female FTSE100 Index (Cranfield University)	Karmayog
Forest Stewardship Council	Latina Style 50
Forestdisclosure	LBG Model
Fortune 100 Best Companies	LM3: Local Multiplier 3
Fortune 1000 list of top companies	Marcellus Money
Fortune 500 list of top companies	Marcellus Shale
FracFocus	Marine Stewardship Council Suppliers
FracFocus.ca	MaRS
FracTracker	Media Tenor
Framework Conference	Mike Benard
FTSE list of 250 top UK companies	MSCI ESG Intangible Value Assessment
FTSE4Good Index	MSCI Impact Monitor
GIIN	MSCI Index
Glassdoor	NAFE Top 50
Glassdoor 50 Highest Rated CEOs	NASDAQ OMX CRD Global Sustainability Index
Glassdoor.com Top 50 Best Places to Work	National Hispanic Corporate Council
Glassdoor's Top 25 Companies for Work-Life Balance	National Rifle Association
Global 100 List	Newsweek Top 100 Global Green Companies
Global Business Coalition	Newsweek Top 500 Green Companies
Global G.A.P. Member	Oceana's Red and Green List
Global Reporting Initiative	Oekom research
Global RepTrak 2012 Reputation Institute	Ohio Government Department of Natural Resources (ODNR)
Global Sullivan Principals	OMX GES Index
Global Transparency Index (Israel)	Opportunity Now diversity benchmark
Global Union Burma List	Pakistan Institute of Corporate Governance
Global Value Exchange	Pennsylvania DOEP
GMI Executive Pay Scorecard	PERI
Good Company Index	Power Shares Global Coal ETF
GoodCorporation	Primer
Goodness 500	PRNews CSR Awards
Governance Metrics International	Protecting Florida's Investments Act (PFIA)
Government of New Brunswick	Raporty Spoleczne
Great Place to work Inst. 100 Best Large Workplaces in Europe	ReportWatch
Great Places to Work Latin America	RepRisk ESG Business Intelligence
Greenpeace Seafood Sustainability Scorecard	Responsible 100
HACT	Ripl
Hispanic Magazine 100 list	RiskMetrics
Hispanic Trends	SA 8000
Human Rights Campaign List	SASB Industry Group Members
Inspiring Impact	SEC Options Backdating list

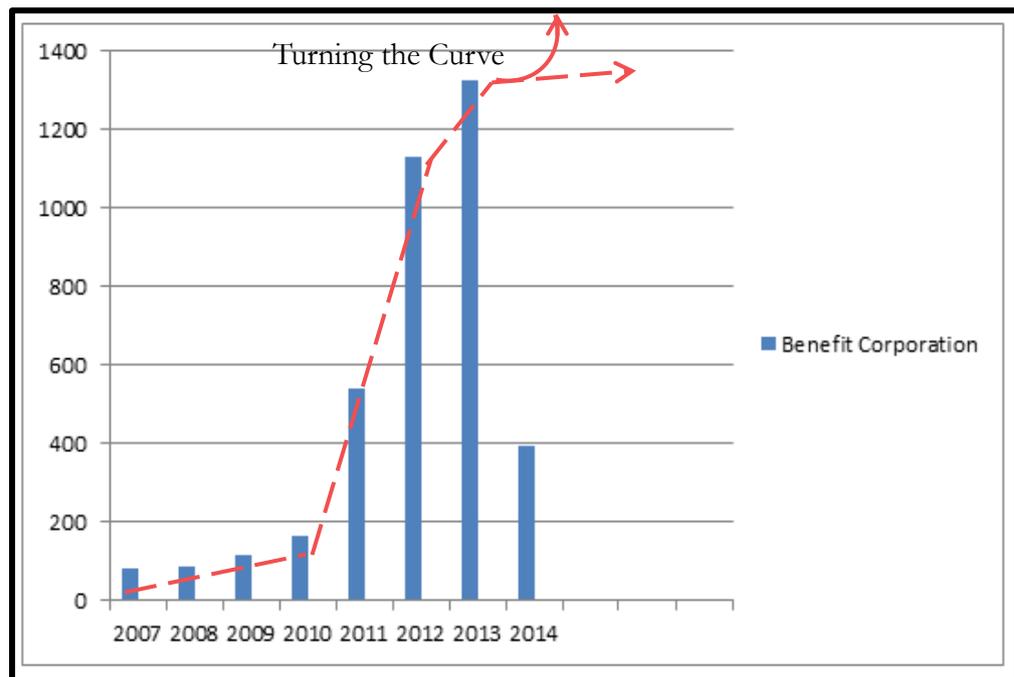
Sinzer	Top 100 Military Friendly Employers
SIPRI - Stockholm International Peace Research Institute	Top 50 Socially Responsible
Social Audit network	Top Diversity Employers for Hispanics
<b>Social Earnings Ratio (S/E)</b>	Trading for good
Social Evaluator	Training Magazine Top 125 for Employee Development
Social Impact Tracker	Transparency International
Social Impact Value Calculator	Trucost
<b>Social Return on Investment (SROI)</b>	U.S. Energy Information Administration Coal Producers
Social Stock Exchange	UN Global Compact
Social Stockticker	UN Office on Drugs and Crime Anti-Corruption Measures
Source Watch CARBON	Understanding Animal Research
Sudan Involved - Jewish World Watch	United Against Nuclear Iran
Sustainalytics	United States Climate Action Partnership
SustainabilityServices	Van Eck Global Coal
Sustainable Packaging Coalition	Vigeo
Target Rock Advisors	Vigeo Thematic Reports
Target Rock Advisors Company REPORT	WeGreen
Tea Party Patriots	Western Australia Hydraulic Fracture Stimulation
The Center for Political Accountability	WikiPositive.org Companies
The CSRI 50	Working Mother List
The Sustainability Consortium member	Working Multicultural Women
Thomas Reuters Corporate Responsibility Indices	World Business Council for Sustainable Development
Thomson ESG Index International (ESGIN)	World Coal Association Members
Thomson ESG Index UK (ESGUS)	World Economic Forum Members
Top 100 Diversity Supplier Programs for Hispanics	Yahoo Coal

Of the 1150+ metrics we have chosen the top 50 internationally referenced in making decisions related to procurement, CSR, Sustainability, Citizenship and Social Value; these are shown above. From these 50 we have highlighted the identified 5 metrics that have broader generic use for the public sector implementation within a Social Value Act context and have widest adoption fulfilling at least 5 of the 23 pertinent criteria outlined above. .

- Benefit Corporation
- Business in the Community (BITC) Corporate Responsibility
- CSR Hub
- Social Earnings Ratio (S/E)
- Social Return on Investment (SROI)

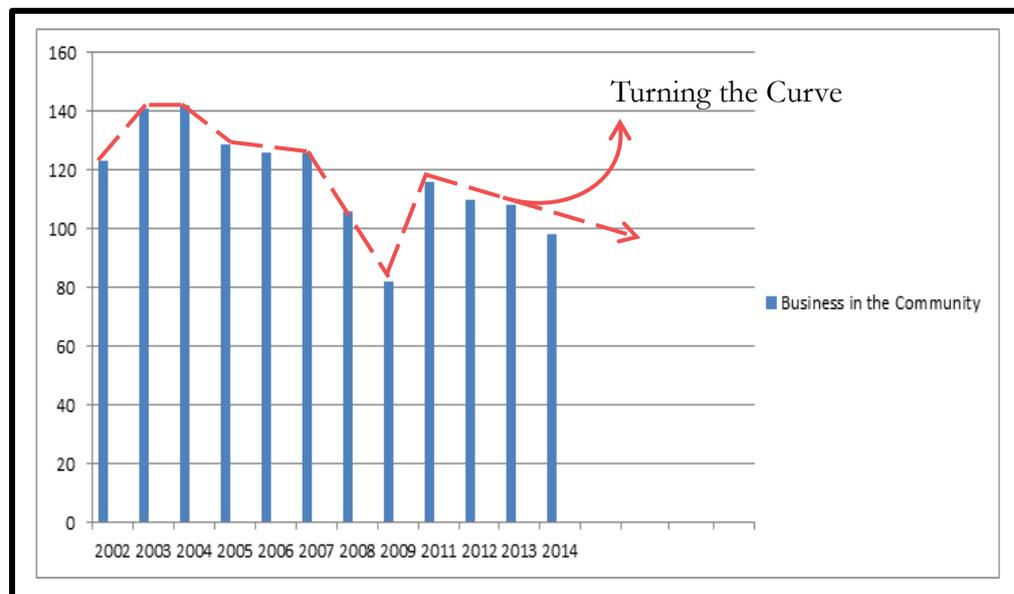
We have analysed the suitability of the 5 methodologies using Results Based Accountability (RBA) which is widely used in the public sector globally to assess progress and suitability of strategies. What may come as a surprise to those who are unfamiliar with this space is how few organisations have actually been measured using some of these methodologies. Often the PR far outweighs the actual value of the impact they have had and the progress they have made in terms of the number of organisations they have consistently measured. Against the backdrop of c. 1 billion organisations in the world that need social impact analysis (35m companies in USA, 165m in Europe, 40m in China, etc), having only measured a few hundred over 10 years shows the ineffectiveness of traditional methods. RBA *Turning the Curve* analysis is shown below.

**BENEFIT CORPORATION *TURNING THE CURVE* GRAPH**



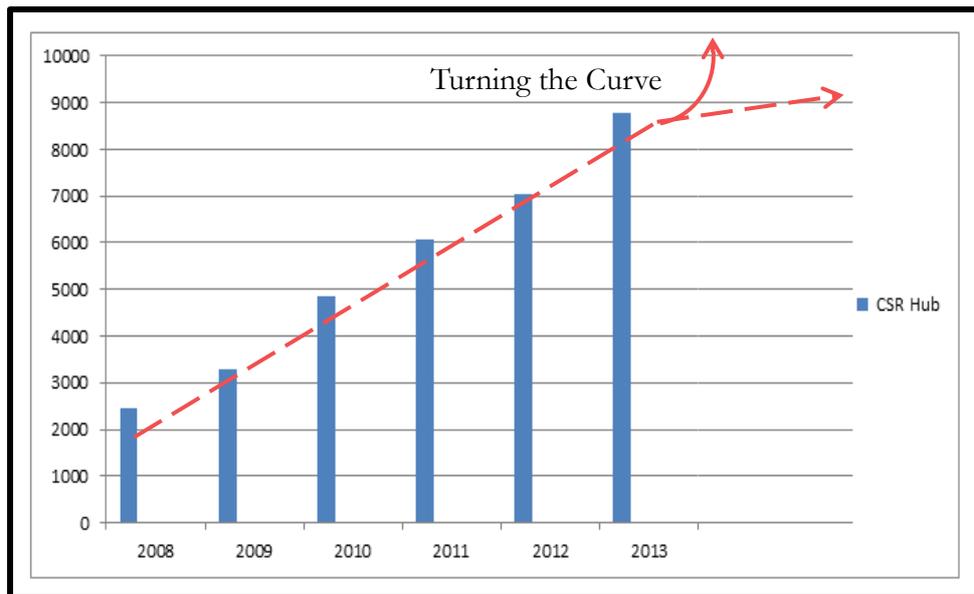
Benefit Corporation is ostensibly a US creation, a little similar to Community Interest Companies (CIC) in the UK, as it has legal state recognition in many parts of the USA. By becoming a B Corp the company has agreed to a certain set of values. The organisation has its own metric but at 2013 only 1325 worldwide had completed 75% of the questionnaire to be measured. Although it is comprehensive, it is nevertheless very lengthy and time consuming.

**BUSINESS IN THE COMMUNITY *TURNING THE CURVE* GRAPH**



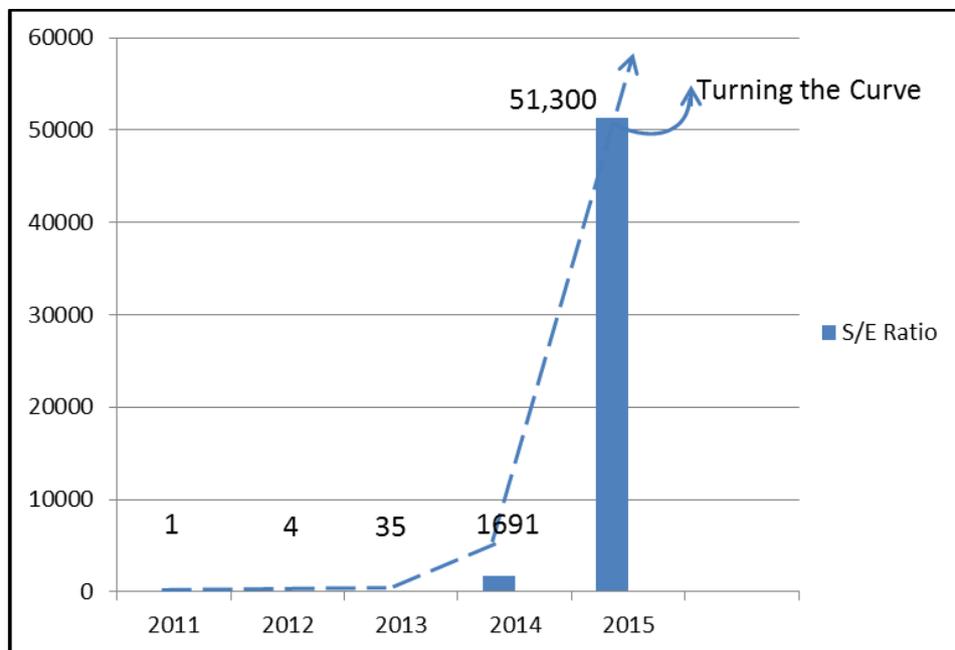
Business in the Community (BITC) was an early sponsored government organisation to encourage CSR in the UK. It awards bronze/silver/gold standards. Despite very significant funding their metric is on the decline with only 108 organisations being measured in 2013. The metric has never broken the 150 organisation mark annually.

**CSR HUB *TURNING THE CURVE* GRAPH**



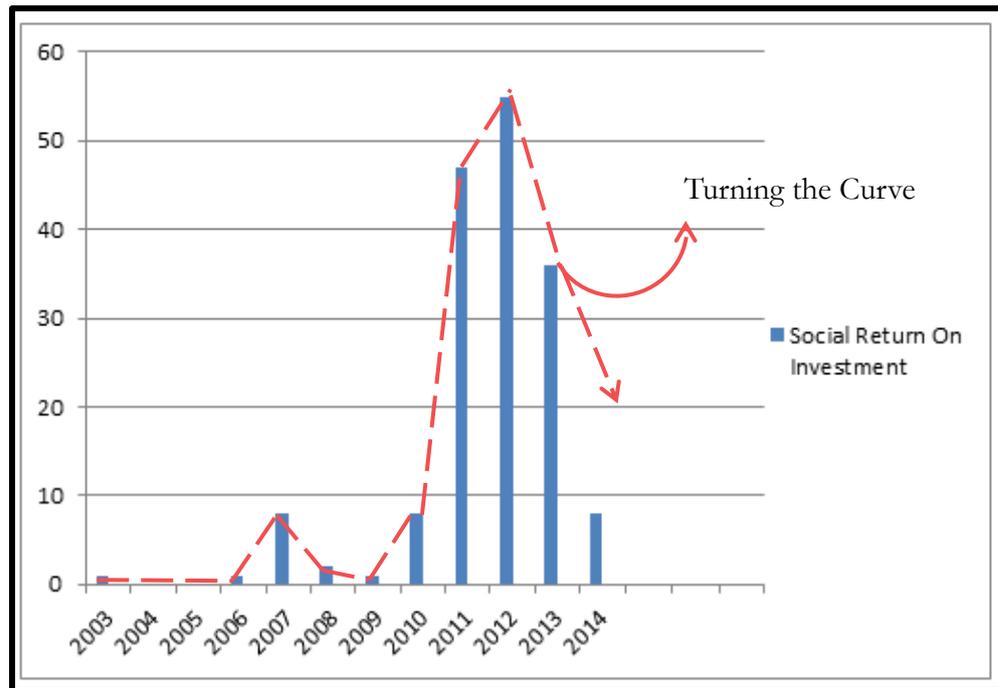
CSR Hub is not an empirical metric but attempts to be a benchmark of metrics covering an impressive c. 9000 global organisations through c. 320 metrics. From the metrics that agree to engage with them (eg. BITC, SROI, S/E are not included) they normalise the metric, take an average ... of a 4 category average ... to finally arrive at a % figure. If the organisation has not already been measured by one of their contributing metrics they cannot score them. A useful comparator for large companies only, but of less value for SMEs/micro businesses and of little value for procurement decisions due to the lack of empirical data; it is a statistical approach to compare data.

**SOCIAL EARNINGS RATIO (S/E) *TURNING THE CURVE* GRAPH**



The Social Earnings Ratio (S/E) is the corollary to the Price Earnings Ratio (P/E) used universally to measure financial value. The metric was commissioned in 2011 by senior UK government strategic advisors to develop a single number metric. It is based on a robust academic multi-stakeholder citizenship map of engagement.

**SOCIAL RETURN ON INVESTMENT (SROI) *TURNING THE CURVE* GRAPH**



Probably the father of social impact metrics, SROI was launched in 2002 and in the absence of rival metrics initially did well but in 2013 only 36 organisations were recorded by SROI Network as there is no single repository of SROI data nor of quality checks on implementation. It is an open source network so many variations exist. Much lauded as being the first social impact metric, it is now considered somewhat dated in approach<sup>74</sup>.

To summarise, there are basically 3 approaches to social impact metrics:

- Financial proxies attributing values to outcomes – eg. SROI (2003)
- Bespoke indices with no theoretical framework – eg. BITC (2002), B Corp (2007)
- Big Data and sentiment analysis – eg. CSRHub (2008), S/E (2011)

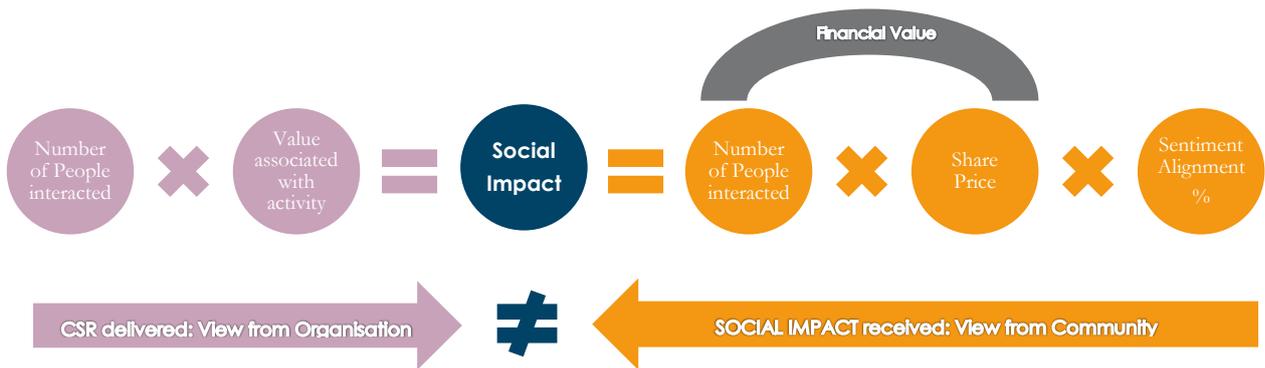
SROI which originally led the market, suffered from being open source; as there are now a huge variety of permutations of SROI in the world with no agreement between them, no agreed financial proxies, no central quality control. The bespoke solutions of BITC and B Corp have no rigorous academic framework and thus can only be used within their organisations as they are effectively ‘made-up’ and only of relevance between members; the problem being that very few have opted in to their use.

The burgeoning of big data and social media markets have opened up new volume methodologies which were not available previously. CSRHub uses a statistical approach of averaging what metrics feed into them – approximately a third of the metrics market; naturally if an organisation has not already been measured by a supplying metric it cannot form a view and thus the metric has a ‘ceiling’ of c. 12000 organisations compared to 1 billion in the world. S/E takes a very much an impact perspective – the independent view from the stakeholders receiving resources rather than the view of the organisation giving the resource who attribute their own values to their contribution. Essentially it represents the movement from CSR (output driven) to Social Value (impact driven).

<sup>74</sup> Dee Noonan and Brett Crabtree, Social Value Round-Table Discussion, Trafford, CIPFA (2014)

# 11 New Generation Impact Tools

To assist the difference in approach between old and new it's best to look at a specific example. The most recent interpretation of SROI, one of many, has been the Wellbeing Valuation Approach using the Social Impact Value Calculator<sup>75</sup>. Compare the outline definition of social value from SROI which is an original CSR tool from 2002, and the same using a new generation impact tool such as Social Earnings Ratio (S/E) which is a new social impact tool from 2011. The two are not the same. The first does not involve what the community think, and since there are no agreements on outcome values - the results cannot be compared. The latter is based on community impact (sentiment analysis, surveys, voting, digital democracy, social media, etc.) and thus not only conveys the view of the community but also is objective as it's based on usual financial metrics which are audited to international standards.



Of course both methodologies have greater sophistication than conveyed but the underlying assumptions are as displayed. Just as financial value relies on financial sentiment, social value relies on social sentiment.

New generation social impact metrics are able to forecast future social impact to allow decisions to be made on blended models of intervention between the private, public and third sector organisations. They provide the business case for corporate intervention both for the corporate and the third sector.

### Corporate direct intervention



### Corporate intervention via third sector



<sup>75</sup> Measuring the Social Impact of Community Investment: A Guide to using the Well Being Valuation Approach, HACT, 2014

Examining categories of data input for new generation social impact metric tools fall into several broad categories. In compliance with EU GESEC social impact standard, all submissions from any metric must be accepted and thus data capture cannot be exclusively prescriptive. With over 1000 social impact metric systems available the question arises as to what broad ‘buckets’ of information gathering can be adopted to provide complete flexibility for contributions? Most of the categories are well established but the 2 latest, Hyperlocality and Sentiment, are relatively new categories in social impact.



*New generation social impact metrics are service user perspective driven, basically saying "I don't care what you think you are doing FOR me with your contrived attributed values to those outputs, I'm going to measure you by the actual social impact I have RECEIVED and what I think of it".*

**i** *Essentially the movement is from a historical, perhaps 'patronising', top down view of philanthropy from giver outputs measured by themselves, to a more democratic citizenship service user perspective of what and how It's been received in terms of community sentiment. This is a disruption to the social innovation market only made possible by Big Data and Social Media.*

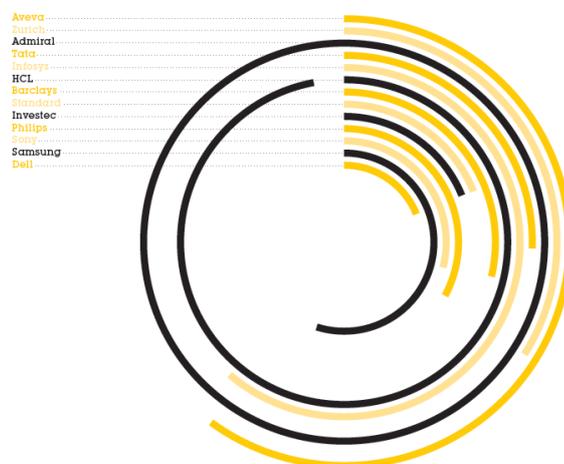
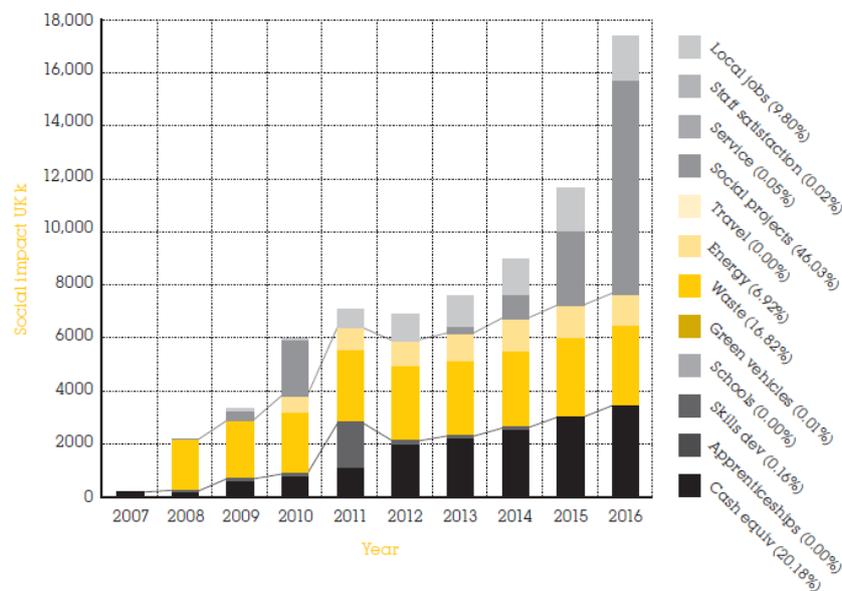
Essentially, Social Value Act is about social impact, not CSR output – the two are not the same. CSR is output driven from the organisation providing the resource – impact ignores the output but examines the outcome of it on the target community. To do this effectively, a feedback data loop is critical in measuring community sentiment from the target regions and communities. In today's context this is most efficiently done through a digital democracy setting - via social media, mobile apps with GIS information, online and physical surveys, QR codes, sentiment analysis, and electronic booth polling. Locality is of course important to attribute social value to specific target regions where the community is based, not necessarily only the other side of the world.



New generation social impact metrics take into account hyperlocality. Clearly social value contribution in specific regions has more value to the target community than their contribution (if any) on the other side of the world. Equally, consistency and embedded values in an organisation should result in little disparity between how it behaves within the region (cynically in order to win a contract) and externally in all its activities.

The Centre for Citizenship, Enterprise and Governance is the home of a next generation social impact metric. The Social Earnings Ratio (S/E) has been designed to fulfil The Social Value Act 2012 and represents a new generation of impact metrics that have only become possible due to leaps in Big Data and Social Media. It is available free of charge under Creative Commons 4.0 license for non-commercial use. Support comes either free of charge through an international Wiki-University approach (currently c. 30 in the UK), or through a rapidly growing set of commercial licensees<sup>76</sup>; online education is available for training purposes, offering Certificates of Completion<sup>77</sup>.

In February 2013 S/E was used to evaluate the first contract regulated by Social Value Act 2012, a contract worth UK£ 385m. It was the first recorded case study in the UK. Subsequently it has been used widely internationally.



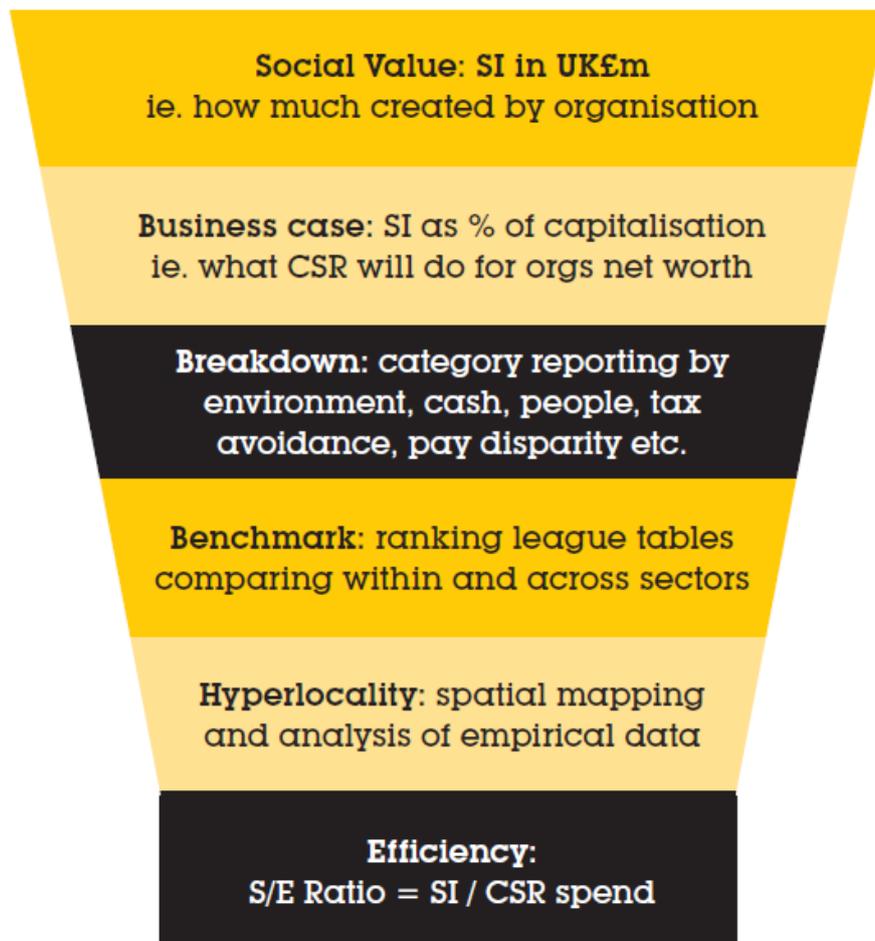
<sup>76</sup>brandanomics.com, www.bigredsquare.com, www.cultiv8solutions.com, www www.sii2000.org, etc

<sup>77</sup> Massive Open Online Course (MOOC) for S/E available at cceg.edcastcloud.com

In July 2014 the Social Earnings Ratio (S/E) was described by The Vatican press as “The World’s Most Rapidly Adopted Social Metric”<sup>78</sup>. It is the only universal empirical metric that fulfils all 23 specification parameters needed to effectively measure Social Value in blended solutions across public, private, third and community sectors; automation provides social impact analysis within 10 seconds so it is highly efficient in both measuring and for continuously monitoring organisations.

S/E is one of two metrics supported by the Social Value Portal; and one of only 2 translator metrics in the world that can read data from other metrics to ensure compliance with EU GECES Directive (June 2014).

This report is not going to explain the academic framework behind S/E, nor detailed use. As we have already explained, all social impact metrics have value. For the purpose of the remainder of the report, we will assume the use of Social Earnings Ratio (S/E) in providing a solution as we know it best. If other metrics are fit for purpose then the user is free to utilise the best solution for the job.



<sup>78</sup> Deborah Lubov interview, “On Link Between Profit Motive and Reduction of Poverty, Zenit.org (1<sup>st</sup> July 2014)

## 12 What you need to Measure



The latest paradigms in social innovation use the citizenship framework and thus accordingly the metrics must have the ability to reflect measurement from each stakeholder on the above map. Notwithstanding the complexity of the issues at play here, of paramount importance is that process of measuring social value is inherently simple both in terms input data, and the articulation of the results back to the organisations. The difficulty, of course, is public sector organisations all have their own KPIs<sup>79</sup>, as indeed do private sector organisations, which may be different to third sector needs, or community imperatives. There are no industry standards or sector standards, so what we look for are broad buckets of data capture.

INPUT	Organisation	Finance	Life	Sustainability	Hyperlocality	Impact	Other
<b>MEASURING units</b>	Basic info (audited)	Cash UK£	People/Animals #	Environment tCO2e	Local impact miles	Feedback voting	Misc. various

We suggest organisations stick to industry accepted standards rather than attempt to create their own, which may be challenged. For example, there is as yet no global agreement on land fill or water usage values, but there is on carbon reduction and carbon offset. As standards are agreed then they can be added. It is important to also note the need for community feedback which can be in terms of sentiment analysis, online surveys, mobile voting apps, and a variety of digital democracy aids. The degree of importance attributed to each component will depend on the KPIs of the particular public sector organisation (eg. does helping animals matter?) and a mechanism to emphasise one or another criteria is dealt with below. Although not necessarily measured, the organisation must feel free to include data that as yet there is no measurement for eg. videos, pdf, excel spreadsheets, testimonials, etc. Finally, hyperlocality information is critical to direct resources to the regions within the territory of greatest need.

<sup>79</sup> Key Performance Indicators



Remember that social IMPACT requires a feedback loop of what is the actual impact received by the community, and is thus different to CSR or Sustainability agendas which merely measure an organisation's output with no regard to how successful the initiative was. It must also be agnostic to size of organisation so the organisation with the biggest cheque book doesn't necessarily win every contract which tends to be the case in PQQ/ITT processes. In a nutshell ...

$$\text{Social Earnings Ratio} \quad S/E = \frac{\text{Social Impact}}{\text{CSR Spend}}$$

For easy to use outputs we have used S/E Ratio as the exemplar but the decision is entirely the prerogative of the organisation with due compliance to legal, industry and procurement frameworks. Similarly, whilst S/E has been devised for efficient automated implementation, the operational imperatives are not part of SVA2012 as long as the public sector organisation can afford it. The recommended buckets of outputs (below) are fairly easy to understand with *Size* referring to the social value created as a percentage of the financial value of the organisation ie. the business case for CSR and what it contributes to the bottom line (capitalisation) of the organisation. It also puts SME's and microbusinesses on a more even comparison to larger organisations. Perhaps less obvious is the need to benchmark not only local (competing) organisations but also nationally and internationally. Say a bid comes through from an organisation with fantastic CSR credentials in your region, but awful reputation in another part of the UK or abroad. Or vice versa, an organisation has done well in protecting trees in the Amazon but has never traded locally or in the region you want to focus on. The metric must be able to cope with discrepancy if required.

OUTPUT I	Index	Value	Size	Benchmark	GIS
<b>REPORTING ANALYSIS</b>	S/E	Total Social Impact	Social Impact proportional to org net worth	local/ national / international	
<b>unit</b>	ratio	UK£	%	#	
<b>Measuring</b>	efficiency	contribution	capacity	ranking	spatial mapping

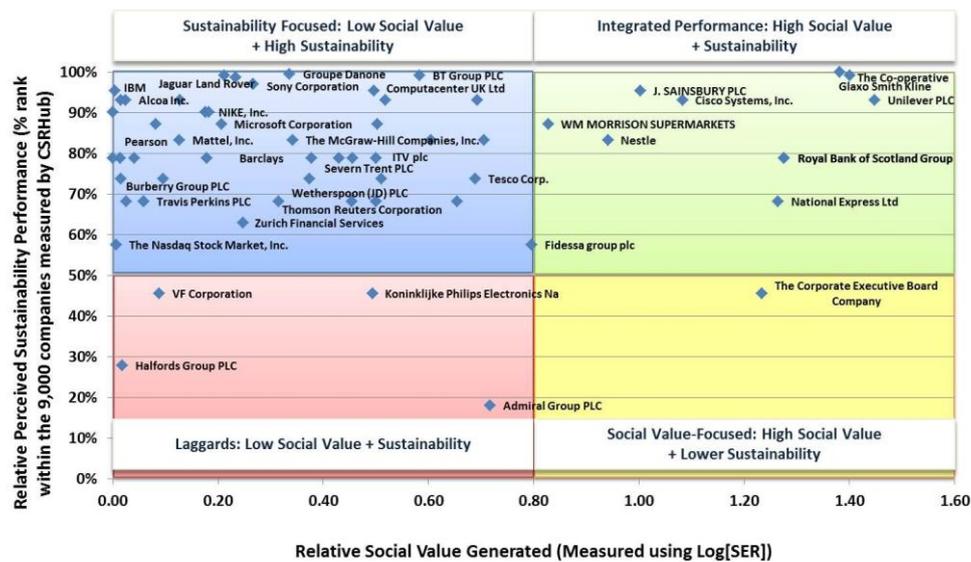
OUTPUT II	Value	Finance	Life	Sustainability	Hyper-Localty	Pay Disparity	Tax Avoidance
<b>REPORTING SEGMENT</b>	Total Impact	component	component	component	component	component	component
<b>unit</b>	UK£	UK£	UK£	UK£	UK£	UK£	UK£
<b>alternative</b>	100%	%	%	%	%	%	%

To account for benchmarking against international performance S/E offers an integration path to CSR Hub<sup>80</sup> which provides access to corporate social responsibility and sustainability ratings and information on 9,100+ companies from 135 industries in 104 countries. CSRHub rates 12 indicators of employee, environment, community and governance performance and flags many special issues, but it is not a social value metric of its own being a statistical tool rather than processing empirical data. Although of little use for SME's and micro businesses, nevertheless for many of the larger international organisations its integration into S/E allows for an international benchmark to

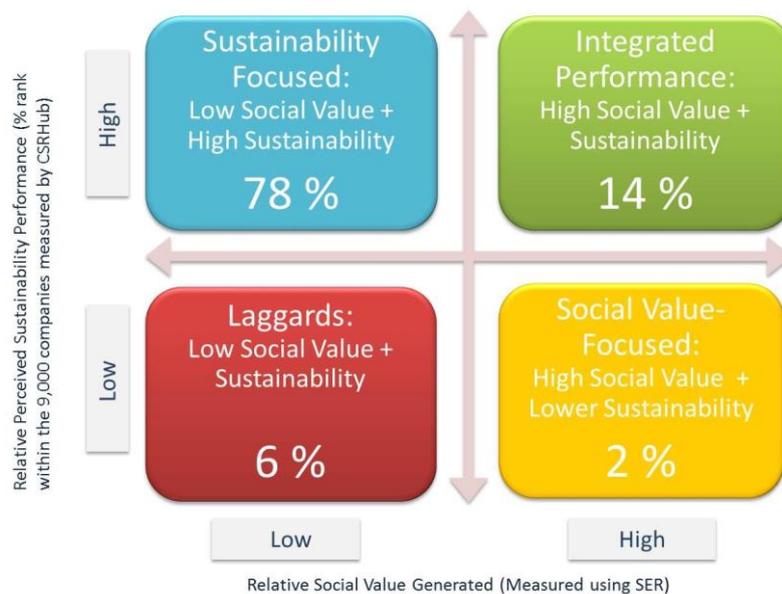
<sup>80</sup> CCEG and CSRHub have an MoU in place since May 2014

influence the social value inside through referencing organisation’s behavior outside the region. Not every public sector organisation may need this, but it is there within S/E if required.

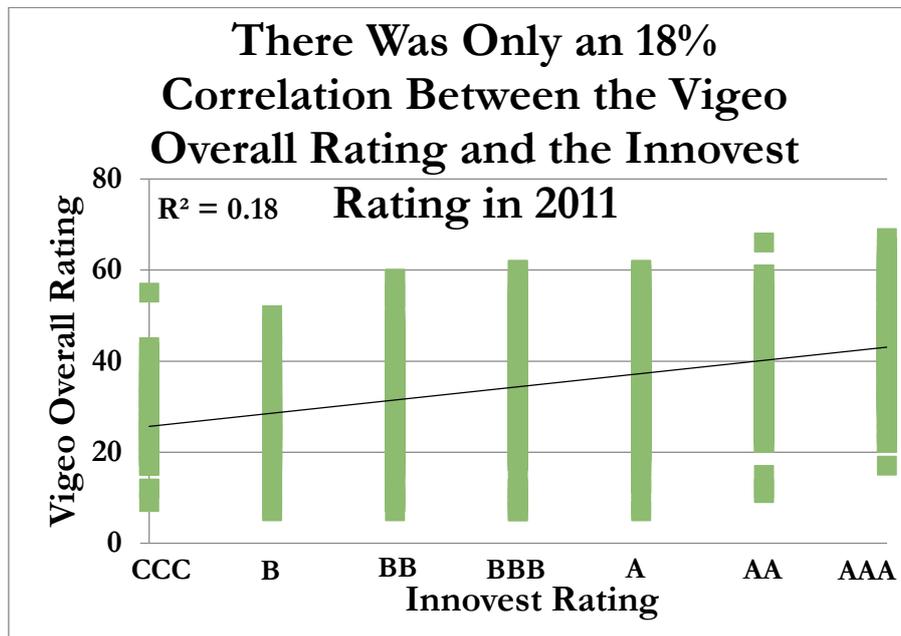
**i** S/E can be combined with other measures of social performance, to give a complete picture of an organisation’s sustainability. For instance, combining the log of S/E’s empirical metric of **actual** impact with CSRHub’s statistical measure of **perceived** sustainability performance shows that very few companies understand how to both generate social value and communicate their sustainability performance. Organisations can use metrics to refine their business strategies.



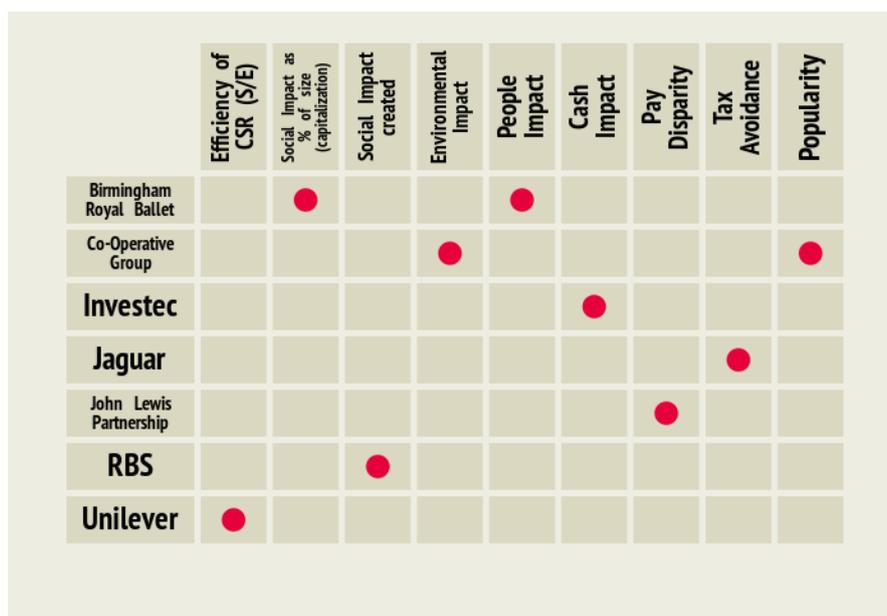
For example, companies in the bottom left corner (below) need the most work and should focus on social value creation. Companies at the bottom right give good social value but don’t get credit for it. This reinforces the need for a marketing and educational program for across all organizational sectors as part of the offering.



One of the interesting things that CSRHub has discovered is that the correlation in ratings between even expert data sources is low. For instance, there is only an 18% correlation between the overall ratings of two major sources—Vigeo and MSCI’s Intangible Asset Valuation.



Naturally, if an organisation has used one particular methodology that can be challenged in court a being inconsistent or irrelevant, then this jeopardizes the whole initiative. So it’s important to constantly verify the validity of your data source. With S/E this is undertaken automatically both through crowd company data (such as the wiki-university approach) and through big data automatic comparators. For example, in August 2014 *The Economist* reported that Unilever “is generally reckoned to have the most comprehensive strategy of enlightened capitalism of any global firm”<sup>81</sup>. This correlates directly with the S/E Pilot in the February 2014 by Aston University and BCU<sup>82</sup> that identified Unilever as the leading S/E score in the region at that time.



<sup>81</sup> In search of the good business, *The Economist*, 9<sup>th</sup> August 2014

<sup>82</sup> Available at [www.cultiv8solutions.com](http://www.cultiv8solutions.com)

## 13 Building your Social Impact Metric Solution

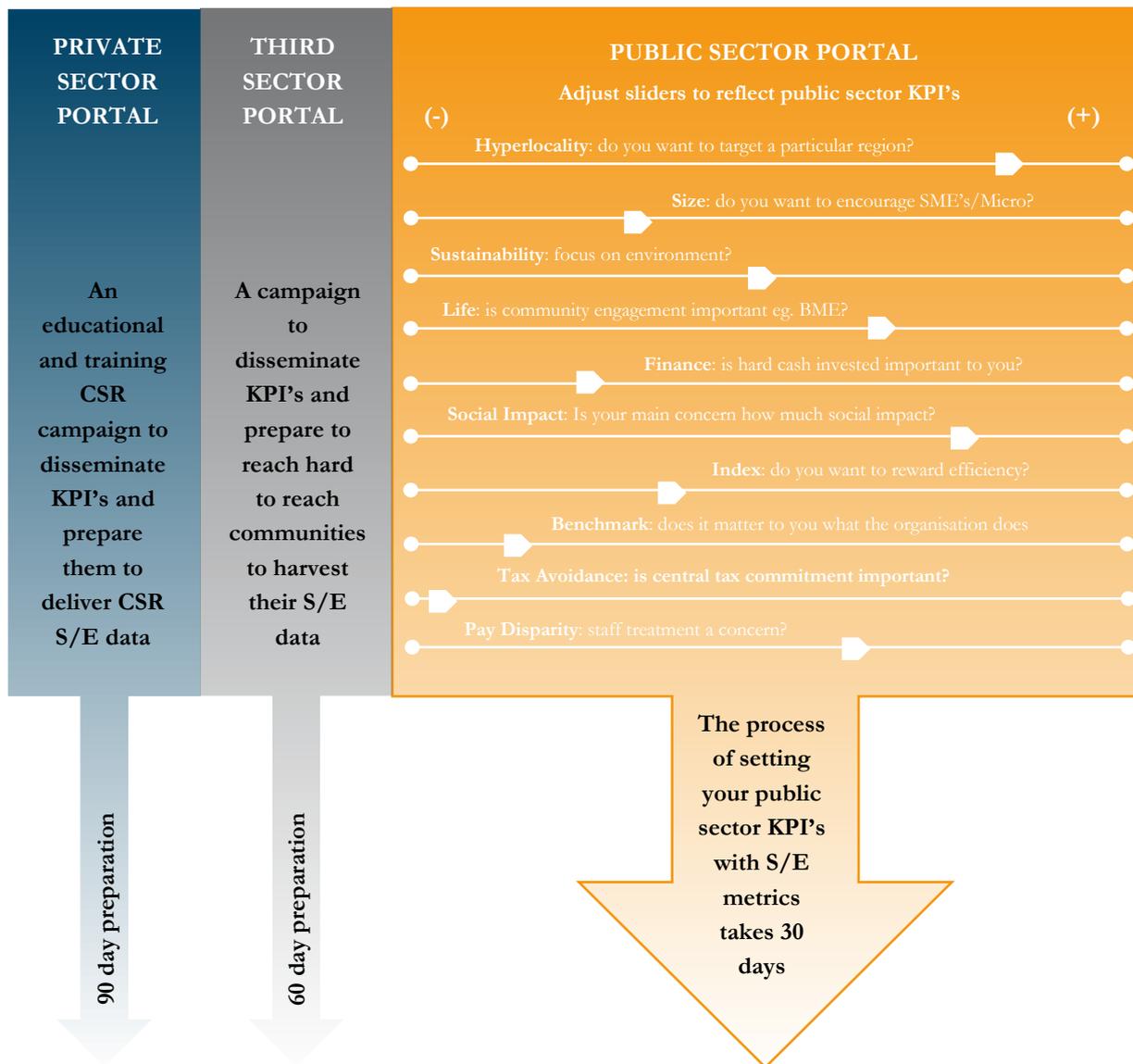
It is easy to become overwhelmed at the myriad of parameters to consider in building your own social impact metric, even if adapted from an industry standard metric.

reliable  
micro organisations  
arm's length  
no financial proxies  
independent  
easy to articulate  
public  
private  
sme  
third  
cheap  
simple  
scalable  
listed corporates  
repeatable  
robust  
community  
verifiable  
size agnostic

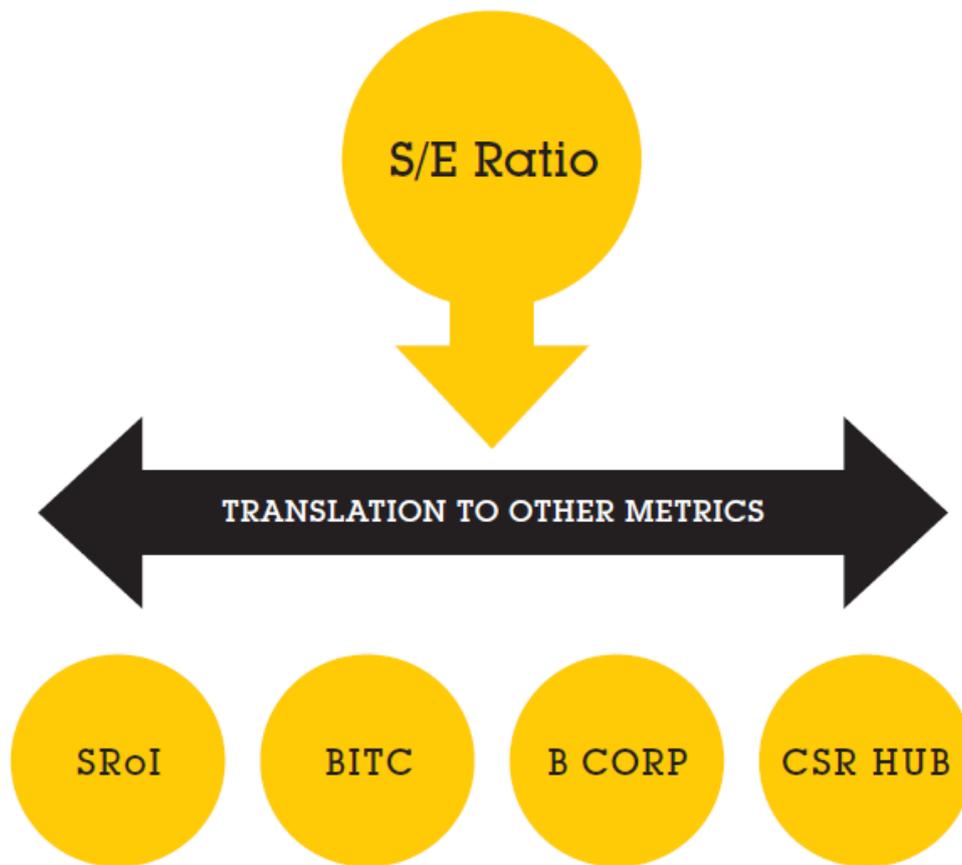
You are not alone and there are now on-line materials such the Social Value Portal there to assist on national recommendations, which include S/E. Unlike much guidance in this sector which attempts to take the fear out of the task by suggesting it's easy – we do not agree. If it was, public sector organisations wouldn't still be looking for an answer 20 months after the Act became law. What this report intends to do is to demonstrate that a SAAS<sup>83</sup> model together with independent neutral guidance can provide solutions in the region UK£ 15-50k with recurring revenues into the public sector organisation to cover the costs of implementation of The Act. This sector is set to grow so it's important that scalable and sustainable compliant solutions are devised.

<sup>83</sup> Software as a Solution

Besides social impact, the process of measuring social value against legislative, industry and procurement frameworks must also be essentially simple no matter which sector path is taken. In particular although the inputs and outputs have to be clearly articulated and transparent, the user should be saved from the burden of a complex calculation, often a barrier for cash strapped SME's, through an opaque automated platform. Similarly, this platform should lend itself to a changing KPI suite of public sector parameters which will vary over time.



The system designed must be able to receive and process not only empirical data but also to translate existing and historic social impact analysis reports from a diverse range of techniques. We are aware of only 2 metrics that have the ability to act as translator metrics – S/E and CSRHub. Of these, only one is an empirical metric in its own right and thus capable of bypassing an unnecessary second stage if the organisation has not been measured before – S/E.



Operationally, and a point often ignored by those consulting on social impact metrics, is the resources and time required to conduct the work and whether it can be automated to speed up the process as the additional cost of monitoring social value is usually debilitating. Data entry must be capable through independent analysts, the organisation itself, and even with no interaction whatsoever for listed companies who deliver their financial value every few seconds and thus need to capture their social impact data equally efficiently without their intervention. Below are the statistics for S/E.

	Analyst Entry	Org Entry	No Entry	Time
Manual	Y			2 hours
Online		Y		15 mins
Cloud			Y	10 secs

## 14 Recommended Social Value Specification

Collating the information above allows us to arrive at a simple set of specifications with mandatory, discretionary and recommended components. This area used to be an art, but now has become a science; methodologies have similarly changed since 2002 (eg. SROI) and 2014 (eg. S/E). The path public sector organisations have to tread is not easy.

AGENDA	MANDATORY	DISCRETIONARY	RECOMMENDED
Size of contract	Social Value Act >UK£ 173k	Best Value Act <UK£ 173k	Extend to all purchases outside Procurement dept
Hyperlocality	Cannot specify “local” suppliers preferred	Specify “Social Impact” required in specific regions	Distinguish through wards
Community Sentiment	Measure their feedback on every intervention	Digital democracy interaction	Real time through LA mobile application
Enrol public sector org into social framework			Consider GRI-4, IIRC or Benefits Corp, etc
Social Value Target	A system of evaluation/measurement	Not pass/fail	5-20% of contract value
Capacity Development of region to deliver		Access to CPD, leadership training, MOOC,	Make it available to all with certification
Social Impact Reports	Must accept all forms (1150+ varieties)	State preferred system for empirical data	Offer translation service to your preferred system
Measurement Categories		Cash, People, Locality, Environment	Attach to your KPI’s
Size of target organisation		Corporate/SME/micro	Differentiate by social impact, provenance, etc
Strategic objectives	Set key strategies and goals	Award kite mark	Expand offering outside procurement
Speed of measurement		Automate process	IT platform to dove-tail to eTender platform
Matching private and third sector		Create marketplace for ‘dating site’	Automate process
Test system		Pilots, Pathfinder, Demos, Trailblazers	Mainstream the offering to minimise legal challenges
Benchmark		Impact locally, regionally, nationally, internationally	Index link to big data metrics
Organisation type	Cannot discriminate – 3 <sup>rd</sup> , public, private, community	Interface into Localism Act eg. Right to Request	Ensure metric can measure across all sectors
Fair & Equitable Systems	Enshrined in all EU law		Have neutral arbitration and moderator body
Continuous monitoring	Obligatory to ensure compliance		Automate process
Launch date for compliance	31 January 2013	No later than 5 April 2015	

## 15 Scenario Overview

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In this section of the report we will be trying to bring to life the strength, depth and richness that an innovative solution to the implementation of the Social Value Act 2012 may bring. We will use many different examples of local authorities and financial data of an “Case Study City Council” to demonstrate how this may work in a real life example (any large public authority in the UK on a purely hypothetical basis with a predicted budget for modelling purposes).

**Note: where we refer to particular councils these should be read as hypothetical examples and do not necessarily represent the views of the local authority.**

### 15.1 Current status in Local Authorities

We believe that many Local Authorities are interested in using social value policy to outline a set of guiding principles and to which they can invite its contracted suppliers, the wider business community, other public sector bodies (including schools) and third sector organisations (including grant recipients) to adopt. There is a clear need by all local authorities to fully synthesise and embed these principles and measurable impacts into their equivalent Procurement Strategy.

The challenge now for many large public sector organisations (with commissioning or purchasing obligations) is to organise themselves in order to meet the measurable indicators of the social value. The procurement framework must be to reach out to all the current suppliers (which in most cities the reach can be the thousands) and make it a condition that every supplier regardless of size signs up to the charter and is aware of the social value procurement framework and their responsibilities to create social value. The present situation of having award ceremonies for charter signatories makes good PR but is not practical or cost effective to mass engagement.

To date many public sector institutions have looked at a wide range of services focussed on local neighbourhoods and working directly with local communities. Of the reviews we have analysed we concluded that although such reports tend to congratulate communities, often celebrating their strengths and resilience to austerity measures – but fail to mention that many people are not able to participate in a way that embeds community engagement in a sustainable way. The subsequent White Papers often are often published talk about several new ‘big ideas’ which often include:

Working with others by...

- using different service providers and sources of funding, including voluntary and community organisations and social enterprises as well as the private sector
- forming new partnerships with other organisations, pooling money and making decisions together

What appears to be lacking in many Local Authorities is a genuine campaign to generate unity and a sense of purpose amongst the public, private and third sectors in the face of the budget cuts. These budget cuts have, of course, been well documented and often translate into significant reductions in staffing numbers, hence further reducing the available capacity to ensure communities are well engaged. Against this backdrop many other Local

Authorities want to expand the resources within its CSR agenda – something that can only cost money if a conventional approach is taken. It's worth looking backwards before we move forwards.

### **15.1.1 History**

Many types of Council have gone to great lengths to produce their first engagement and consultation strategy following the SVA 2012. It is a clear statement of intent from Procurement Directorates and a matter of policy across the UK. However in most instances, is no evidence to suggest that this was accompanied by a community engagement framework bringing key community and stakeholder groups together to facilitate the aspirations of neither the strategy, nor any toolkit or tools to help the community and third sector develop the capacity to actively participate and engage?

Over time various platforms for community engagement or interface were established, often with the related Local / Unitary Authority support, such as -

**Engagement or Consultation Tools** – often digital (digital democracy) consultation platforms and database managed by third parties or related communications /digital agencies.

**E-Tendering Platforms**- an online business community set up by the public sector body or a collective of councils who aim to boost the regional economy by offering a portal for local businesses to promote themselves and to promote the use of local contracts to local businesses.

**Purchasing / Spending / Localism Behaviour Campaigns** – These are often Social Enterprises or a Community Interest Company, awarding locality based contracts and frameworks, (purchasing agreements), for use by the public, third sector and private sector organisations. In addition these enterprises tend to provide support to supply organisations in the form of training, consultancy and tender validation services. This often involves in some capacity a local Chamber of Commerce or innovation hubs.

**A Local Commitment or Charter for Social responsibility** –the number of such incentivisation or published commitments has increased tremendously since 2014. The local business reform programmes or commitment for Social Responsibility is a set of guiding principles to which the Local Authority will adhere to and to which it invites its contracted suppliers, the wider business community, other public sector bodies (including schools) and third sector organisations (including grant recipients) to adopt.

Whilst there have been some valuable initiatives set up in some regional authorities or city councils, there appear to be gaps in the community engagement approach, in terms of an operating framework and support for local communities. There also seems to be a lack of focus and limited marketing, promotion and communications thrust for the community engagement strategy, no doubt due to limited funding, and the material that has been issued often has an inward looking feel rather than a market orientation to attract the target community stakeholders.

Ironically these do not appear to itself adhere to any existing industry social value framework (GRI, IIRC, etc) and thus has no specific handle on its critical impacts – be they positive or negative – on the environment, society and the economy. Other organisations in the region, such as local universities, have adopted the GRI framework for its sustainability reporting as it describes sustainability performance and addresses Corporate Social Responsibility. They highlight key achievements, setting out progress and goals, summarising performance and providing detailed

evidence and data, with reference to published documentation where appropriate.<sup>84</sup> On the other hand, emphasis seems to have been placed on facilitating a 'buy local / source local campaign for the local business community. Here though there is scope for improved and integrated marketing strategy to bring in other key stakeholder groups.

### ***15.1.2 Key partners and intermediaries***

Many Local Authorities can boast a variety of bodies that are involved in the third sector. The sensation in many of the examples we have explored clearly show that they are not being effectively harnessed nor coordinated, as a result of a lack of an overarching community engagement framework and effective communications campaign. The following organisations are actual or potential key partners and intermediaries who could play their part in a refreshed and enhanced community engagement strategy – often commonplace in the local landscape of many regions in the UK:

- Regional Voluntary Service Councils
- A Social Economy Consortium
- Community Foundation Groups
- Links to corporate and HNW philanthropy to Third Sector
- Local or Regional Chambers of Commerce
- Local Enterprise Partnerships (LEPs)

## ***15.2 Moving Forward***

We consider the following parameters to be barriers to success but within which we must find a solution, we believe these are applicable to most Local Authorities and large public Bodies in the UK:

- **Education of the market poor**
- **Consultation techniques inefficient**
  - **Confused articulation**
- **Challenges**
  - **Marketing and PR – very limited funding**
  - **Budget for development and ongoing maintenance– limited**
- **Risks**
  - **Unwieldy approach will mean goals not met**
  - **Vested interests from corporates or third sector threaten progress**
  - **Current implementation open to challenge (e.g. local .v. EU directive 2004/18/EC)**
- **Lack of future proofing**
  - **Currently no web presence**
  - **No automation**

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<sup>84</sup>University of Birmingham (ND), Sustainability Report Vision and Strategy [pdf] Available at: <http://www.birmingham.ac.uk/Documents/university/environment/report.pdf>

### 15.2.1 Outline of a Solution

The parameters involved in providing a scalable and sustainable solution will involve:

- Neutral facilitation and coordinating function outside the LA
- Use of social impact metrics allied to local KPIs
- Capacity building in the region
- Generating recurring revenues to cover costs

CCEG has been commissioned to develop a social impact metric solution and examine the business case for a portal to assess and measure social value. In the process we have had access to the following documents:

- Application of the SVA to a local commitment base / charter
- Social Responsibility Principles for both Council and Third Sector Combined
- Service Delivery Options
- Measuring Social Value Meetings
- Charter Process Map
- Evidencing Social Value – Elephant in the Room (public)
- Final National GO Awards 2014 (public)
- Primary Goals and Outcomes
- Social Value Assessment Questionnaire
- Social Value Cabinet Report (public)
- Social Value Equality Analysis (public)
- Social Value Policy
- Supplier Spend Profile

**i** *Whilst being focused the issues of particular councils, CCEG have taken into account a broader remit to create something that can bring public sector organisations into compliance as well as align it with best practice. The choice of metric and business case cannot be viewed in isolation to the organisational structure and modus operandi of the campaign going forward.*

The documents have been used to provide the organisation structure, a local and national metric and process below. For reasons of confidentiality we do not make any direct references or quote from them.

## 16 Regional Integration – Third Sector

The purpose of this briefing document is to map out the regional community needs in the UK by identifying key gatekeepers and highlighting the needs and partners to work with across the cities and regions who could benefit greatly from such insights. We conducted an example analysis upon the West Midlands region, focussing purely for explanatory purposes upon the 3000+ local organisations in the region. We have filtered into four zones (each of which represents several wards and councils) with input from local development workers covering the area. This will form an indicative picture of the needs, key partners and organisations with which to work and create a portal for supporting the Social Value Act's aims and objectives.

Desktop researchers have worked with the Local Enterprise Partnership in this locality, which is taking over European funding responsibility. BSSEC (Birmingham and Solihull Social Economy Consortium) provided a list of organisations to contact, and there were questionnaires by development support organisations based upon who the local organisations are, what they do, and their links with the LEP. Roughly 70% of the social enterprise organisations and charities are based in the central region or city centre.

### 16.1 Wards and Zones

Within the case study area described above, there are 4 zones; Central, North, South East and South West. Within each of these zones are several wards, each of which contains multiple high influence bodies and individuals, as well as delivery organisations with grassroots links.

Mapping the needs of regional communities in this region, the data informs the approach taken to meet the needs of these organisations. There are roughly 250 social enterprises in central localities alone. One form of the consultation methods used was a questionnaire with the LEP sent out to roughly 120 organisations, and then using contacts the needs of another 1500 organisations were analysed. Direct support was then offered by development agencies in order to help meet the needs of these organisations.

This report intends to pick out key players in each zone with which to forge partnerships. The zones (N, C, SW, SE) are based upon areas which naturally work as areas within themselves, and some of which were primary care trust areas in the past.



Image from <http://www.chamberlainforum.org>

## 16.2 Primary Partnership Targets

(Examples right)

These are bodies and individuals who are designated as such because of their significant influence over a specific zone or ward. They will provide the main points of contact for formation of partnerships due to their level of influence. There are also a number of citywide targets which do not lend themselves to any specific area, instead holding a lot of influence across area. Some prime examples of this include BVSC and the Citizen's Advice Bureau.

These target partners will prove useful in finding links and forging partnerships with grassroots delivery organisations in each of the key areas. They also include a number of councillors across the city, chosen through consultation on the basis of their influence in that area, and more specifically with the third sector.

## 16.3 Key Deliverers

On the whole the delivery organisations are much larger and have a wider range of contact with people at grassroots level. They also attract large levels of influence due to the number of people who interact with them, and can form partnerships (usually strategic) to find out about the local area for feedback purposes. There are three tiers of these third sector organisations:

**Tier 3 – Quasi-governmental bodies such as BVSC.**

**Tier 2 – Development and consultation organisations (Digbeth Trust and I-SE).**

**Tier 1 – Grassroots organisations who deliver on the ground.**

### CITYWIDE

BVSC, BEST Third Sector Network, Birmingham Settlement, Digbeth Trust, Disability Resource Centre, Initiative for Social Entrepreneurs (i-SE), Midland Heart, Citizen's Advice Bureau, Gateway Family Services, Trident Housing Association, Thrive Together.

### 1 – Central

Balsall Heath Forum, The Muath Trust, East Birmingham Community Forum, St. Basil's, Bordesley Green Forum, Nishkam Civic Association, Moseley Community Development Trust, Turning Point, BID Services (Deaf Cultural Centre), RNIB, Sparkbrook Neighbourhood Forum

### 2 – North

Witton Lodge Community Association, Castle Vale Tenants & Residents Alliance, Nehemiah Housing

### 3 – South East

Acocks Green Neighbourhood Forum, Stechford Neighbourhood Forum, Ashram Housing Association, Small Heath Neighbourhood Forum

### 4 – South West

South West Birmingham Community Association, Shencare, Bournville Village Trust, Quinborne Community Association

\*Please note there are many others who are not mentioned

## 16.4 Needs

The needs section of the report links back to the introduction, providing the service of meeting the needs of third sector companies. The needs defined in the project come from surveys and discussions with development workers. Usually funding is the primary concern of organisations, either through gaining direct funds or making partnership and contractual agreements. Some organisations are too busy delivering and as such are unable to find time to source funding, in which case they approach tier 2 organisations for help.

The needs are broken down on a priority basis:

A class needs are absolutely necessary needs for the continuation of the organisation.

B class needs are necessary, but are not as urgent. Labelled as 'required'.

C class needs are things which organisations want to implement eventually but place no immediate emphasis upon.

Furthermore these consultations and discussions revealed that organisations overwhelmingly prefer to have consultation and support on a one-to-one basis and face to face, rather than through mentoring and group sessions, and are less willing for it to happen over the phone.

## 16.5 Social Responsibility

Within both the private sector and in local authorities there is now a requirement to demonstrate the social impact and responsibility of the business. There must be certain procedures and methods in place to allow this social interaction, as well as system in place to make the third sector organisations contract-ready and able to form partnerships immediately. The deliverers have partnerships with key contract holders in their area, which means that they are more influential and able to provide a better service. This benefits the private sector companies too, who then fulfil their social responsibility clause and are able to make more links within their community through partnership. This leads in turn to the blending of the two sectors and a greater understanding on both sides of the needs of the community.

## 16.6 Third Sector Designation

In the central region of our case study area the third sector focuses on the creation of jobs for NEET<sup>85</sup> individuals. Some key organisations are Jericho, St Chad's Sanctuary, St Paul's and Ashiana, which deal with NEET and complex needs individuals (alcohol and drug rehabilitation).

In the North there is greater focus on regeneration projects and supporting people to gain new jobs and skills. This falls under part of BEST (a local Employment and Skills Training) network, on which Digbeth Trust sits on the grants panel.

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<sup>85</sup> Not in Education, Employment or Training

In the South the focus lies in development agencies such as ISC. This also includes support organisations within community regeneration, employment and skills, health and social care, complex needs programmes, housing associations, community forums, age related organisations, community transport and refugee and asylum seekers.

There are a number of city-wide development agencies, such as the Digbeth Trust, however, who regularly deal with members of each of these sectors in order to provide the best level of support possible.

### 16.7 Recommendations

The key issue to be considered with regards to recommendations is the formation of an agreed system of measurement for social value and for the third sector to evidence it. There are concerns that the social enterprises ‘don’t know what to measure, what data or information to collect, which method will provide the most meaningful information for commissioners, the costs of adoption and implementation, nor what tool is most suited’. In short there is a lack of clarity with regards to how social enterprises should approach their measurements of social value and there needs to be consideration given to the tools required and costs of these methods.

There also needs to be a greater collaborative effort alongside the private and third sectors to gather evidence more efficiently for the purpose of assigning contracts and partnerships. There could be a facilitator to broker those relationships and deliver what is needed to make the partnerships work. This could be in the form of a private sector mentor whose role it is to fund some of the training that the third sector needs to engage with them. Also there needs to be consideration for the building of third sector organisations’ capacities for private sector collaboration.

**i** *The most prominent movement on Social Value is often not, in fact, the Local Authority but rather a social enterprise or consortium. As an example in our case study this is - BSSEC (Birmingham & Solihull Economy Consortium) who have been commissioned to write the recent “Embedding Social Value Report” representing many of the third sector stakeholders in region.* <sup>86</sup>

One of the issues this has highlighted is that locality for any given Council involves a number of target wards, not a single one. At present S/E deals with only one locality at a time but in the past month a multiple locality academic framework and attending algorithm has been developed .but not yet tested; this will have to be done before launch.

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<sup>86</sup> Embedding Social Value, BSSEC (August 2014)

## 17 Regional Integration – Private Sector

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### 17.1 Social Value Considerations

The aim of this section is to articulate the importance of the Private Sector, as a key component of ensuring the strategic integration of social value within the case study locality described above.

We will highlight the key challenges for consideration and present a number of key recommendations that would help to ensure the commercial development of businesses and the creation of measurable social impact in unison.

The following information also presents a series of thought leadership practices based on the private sector environment, that may be useful for modelling within business sectors found in other regions of the UK, and which feed into a more global perspective.

#### **17.1.1 Business context of the Case Study Region**

The locality we analysed and its surrounding areas is home to an estimated 75,000 companies<sup>87</sup>, with those classed as economically active at 420,700 between March 2012-2014.<sup>88</sup> In 2013, the estimated GVA to the region from the business community was a staggering £43 billion pounds. According to a UKTI Local Investment report<sup>89</sup>, the professional services sector in the area also contributed an estimated £7 billion or 16% of the total GVA for the region.

Within this area what is apparent is that despite having the second-largest city economy in the UK, the economy of the region grew relatively slowly between 2002 and 2012, where growth was 31% vs national growth of 44%<sup>90</sup>. Although the UK economy shows increasing signs of recovery post the global downturn experienced in 2008-10, the region selected for our case study has under-performed relative to other Core Cities where change in business stock was 1.6% compared to 3.6% for the Core Cities average.

However, the underlying data is highlighting that this locality is fostering a high entrepreneurial culture, with a record number of business start-ups over the past two years. According to Companies House records in Jan - Dec 2013 tracked by leading enterprise campaign Start Up Britain<sup>91</sup>, this region led the way outside of London with 16,281 new companies registered in 2013 - this is compared to Manchester, who in second place, saw 11,765 start ups and Glasgow who saw 8,085 new companies registered for the same period.

The latest Cities Outlook report from Centre for Cities appears to back these findings by showing a marked increase in private sector job creation since 2010, with 15,400 jobs created in the region between 2010 – 2012.

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<sup>87</sup> Business Birmingham, [www.businessbirmingham.com](http://www.businessbirmingham.com)

<sup>88</sup> ONS (Nomis Official Labour Market Statistics)

<sup>89</sup> UKTI Local Investment Showcase Report, [www.localinvestuk.com/enterprise-zone/birmingham-city-centre-enterprise-zone](http://www.localinvestuk.com/enterprise-zone/birmingham-city-centre-enterprise-zone)

<sup>90</sup> ONS, Business Demography Analysis 2012, released November 2013

<sup>91</sup> Start Up Britain Report 2014

### **17.1.2 The Business Reality**

Whilst this sense of business progression is positive for our case study, this must be offset against by a relatively high number of business deaths - within the downturn period 2008 to 2010, the region experienced a business death change of 9.3% with 5 year survival rates of 39.8% vs the West Midlands average of 7.7% and 40.7% respectively.

Many of the higher skilled jobs generated have gone to commuters from the surrounding areas of this city, and our case study has the two parliamentary constituencies with the highest unemployment rates in the UK.

### **17.1.3 Impact of Youth Unemployment**

From an analytical perspective our case study reveals some interesting demographics; it is the youngest city in Europe with over 40% of the population under the age of 25, large college and university student populations and has an estimated 15,000 unemployed young people aged between 16-24 years of age.

The Birmingham Commission on Youth Unemployment Report 2013<sup>92</sup> provided a stark and clear forecast into future challenges for the city posed by high youth unemployment, stating - *'If left unchecked, youth unemployment could cost the city well over £1 billion in the coming decade, weakening the local economy, adding to the burden on local taxpayers, reducing the city's attractiveness to investors, and adding to the social problems we face.'*

#### **Impact on Skills and Knowledge transfer**

High youth unemployment will also continue to have an impact on the skills and knowledge base of the city's private sector, in particularly the Business & Professional Services (BPS) sector.

Research undertaken by the European Cities Monitor 2010<sup>93</sup> found that a) opportunities from emerging markets for products and services and b) concerns regarding demographic and workforce change, were the most important factors driving businesses for BPS firms with leading European cities.

Matched with the importance of practitioner based knowledge and the increase in migrant diversity into the city, it is clear that any investment into the future workforce of the city must integrate measurable social impact – this would help those businesses in our case study research area to commercially articulate the advantage of harnessing its diversity and to evidence their own level of cohesive inclusivity, in order to remain competitive within local, national and global markets.

Attracting quality employees was also one of four essential factors for external firms considering locating their business within the city – a factor that resonates with the cities own challenges to attract and retain more talent within the city. On 16 May 2012, a commission was launched, to explore and understand the drivers and factors influencing young professionals' decisions of where to live and work.

Another clear forecast of the importance of job creation was highlighted within the report which stated: *'the major challenge facing the economy is widening local access to well-paid high skilled jobs in the city's knowledge and corporate sector. **The city needs to create around 127, 000 jobs by 2025 to ensure that region is no worse off than the national average.***

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<sup>92</sup> Birmingham Commission for Youth Unemployment Report 2013

<sup>93</sup> European Cities Monitor [www.europeancitiesmonitor.eu](http://www.europeancitiesmonitor.eu)

### ***17.1.3 Colmore Business District***

The Colmore Business District (CBD) is the Business Improvement District (BID) established to project manage improvements and services to the key business quarter of the region we have analysed and holds the premier concentration of professional and business service companies – an estimated 500 companies are located in the District employing up to 35,000 people and occupying approximately 5.6 million square feet of office space.

As the lead platform for helping the BPS business community provide quality services and expertise to regional, national and international clients, the CBD is positioned well to help the C-Suite within BID companies to individually understand and develop a more measurable and strategic investment approach towards social impact.

Gaining support to achieve this could also lead into articulating the overall case for more inward investment into the city, sector by sector - such an approach and willing investment of time by companies would feed into the Section 1 - Business Matters and Section 6 - Community Building objectives of the CBD Business Plan 2014-2019.<sup>94</sup>

### ***17.1.4 Public & Private Sector collaborative ethos***

The region in totality therefore faces a momentous challenge and need to make savings through a combination of cuts in grants and increased spending pressures in areas like social care.

However, the corporate business community has a crucial role to play in the support of the public sector. Without the acceptance, long-term investment and measurement of social value within every boardroom in the city, hence the region analysed in our case study runs the risk of failing to ensure the transference of knowledge, skills and experience, the inclusion of wider groups and leveraging the sustainable benefits of revering social value as a strategic driver for long-term commercial growth.

### ***17.1.5 Key business networks***

There are a number of key business networks that we would deem as influential across this urban region – in this context, influential is defined as those whom have considerable membership sizes in relation to their area of focus and historical evidence of effective cross sector working, at both a regional and national level.

These networks provide access to the type of businesses, memberships and key decision-makers who could help to foster a more socially-focused approach of cohesion and impact<sup>95</sup>.

- **Corporate Networks** – *defined as those who are born out of or represent a specific body of businesses or membership.*

Chamber of Commerce, BPS / Future initiative, Institute of Asian Businesses (IAB), Institute of Directors (IOD), Centre of Enterprise, Colmore Business District, Thrive, JCI.

- **Social Enterprise Networks** – *defined as those who represent business models, formats and ideas that have a specific social need and focus of impact.*

ISE, Social Enterprise West Midlands, Enterprise Foundation, BSSEC, UnLtd etc.

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<sup>94</sup> Colmore Business District (CBD)

<sup>95</sup> Please note: we aware that there are a number of business networks within Birmingham that may not be mentioned here.

- **Micro Enterprise Networks** – *defined as networks supporting mainly individual owned businesses and / or including definitive third sector and / or local community links.*

4N Networking, BoB Clubs, Colmore Business Network, Business Breakfast Club, St Pauls Club, The Hot500 Club, BNI.

### ***17.1.6 Voluntary Business-led Initiatives***

There are a number of business initiatives that strive to harness the collective power within these business networks, and direct that power to meet social needs.

Examples of these voluntary business-led initiatives include:

**ANNUAL CSR SUMMIT** – founded in 2011 by Joel Blake, CEO of Cultiv8 Solutions and run in partnership with Aston Business School and the cities Thrive Network.

Launched in 2012, The CSR Summit is an annual think-tank conference that brings together the region's leading cross-sector CSR professionals, and Chief Executives to explore, create and implement sustainable social impact solutions for the benefit of local businesses and communities they serve.

**CSR CITY** – founded by Greg Lowson, Partner of city firm Pinsent Masons and a host of prominent and senior business leaders.

Launched in June 2014, CSR City is a city wide programme created to help map the supply and demand of social need primarily within Education, and related to future recruitment and retention needs.

**THRIVE NETWORK** – co-chaired by Nick Venning, Marketing Director Global Industries, at PWC.

Founded in 2006 Thrive is an informal collective of like-minded businesses and voluntary sector organisations with approaching 300 active participants, providing seminars, events, network lobbying and social media discussion on key CSR issues that affect the city.

#### **Special Mention:**

Whilst not a wholly business-led initiative, for the purposes of this case study analysis we wish to also highlight the Birmingham Civic Society as a strong example of how cross sector individuals can come together to meet social needs.

**The Civic Society celebrates the city's heritage, promotes citizenship, recognises the people and places that have and do contribute to life in the city, encourages the highest standards of planning and architecture, helps create a better environment and runs an active programme of engaging events.**

**You can learn more about their work and activity, by visiting [www.birminghamcivicsociety.org.uk](http://www.birminghamcivicsociety.org.uk)**

### 17.1.7 Moving forward

The aftermath of the recent recession has created a shift in the way that a business is being perceived by all its stakeholders. The integration of social impact is travelling vertically up the boardroom agenda, creating more diverse conversations on the importance of social value as a driver for long-term business sustainability.

Such conversations have challenged the thinking of senior business leaders who, traditionally, may have reverted to a more Corporate Philanthropy approach to CSR (this is explored in further detail within this section).

It is clear that the most forward-thinking businesses and those that will benefit the most from social impact are those who regard social value as a strategic investment with a measurable ROI process, rather than the more simplistic provision of a charitable budget, that can be utilised to ‘do good in and for the community’.

In order for senior decision makers to overcome the fear and confusion of changing their perception and approach to integrating social value, many would benefit from understanding the evolution stages of Business Responsibility

 *Dr Wayne Visser, Founder of CSR International describes this evolution in his acclaimed article ‘The Stages of CSR’<sup>96</sup> which offers a definitive scale of organisational culture and approaches to CSR based upon 5 overlapping themes – Greed, Philanthropy, Misrepresentation, Management & Responsibility. Major cities in the UK containing all 5 attributes which will struggle the most.*

## 17.2 Key Challenges for Professional Services Sector

### **Accepted culture of Corporate Philanthropy, as being real Corporate Social Responsibility activity**

The pursuit of profit is the aim of any normal business, whatever the reason for its creation.

But capitalism, as being the backbone of business is also being scrutinised within customer markets, through the reformed ideologies of future workforces and in supply chains.

Modern day ‘good business’ is about demonstrating your social values, company ethics and inclusive work practices within an ever-changing business economy. The idea of charitable-giving is still being culturally accepted as strategic Corporate Social Responsibility, which undermines what real CSR and creating social impact truly means.

### ***So, what are the fundamental differences between Corporate Philanthropy and Corporate Social Responsibility?***

#### **Corporate Philanthropy has a very narrow focus.**

This typically relates to when a company undertakes community-focused activities (normally through staff-led initiatives) that result in giving away money, time and/or resources to support a social or charitable need – charity bike rides, improving local parks, reading clubs for primary schools, pro-bono staff volunteer days etc. fall into this category.

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<sup>96</sup> Dr Wayne Visser – ‘The Stages of CSR’ Article [www.csrinternational.org/about/stages](http://www.csrinternational.org/about/stages)



Such activities are relevant, admirable and have value. But they do not tend to be integrated with sustainable impacts measurements, but rather a focus on anecdotal stories, a series of 'feel good' shared experiences creating better employee engagement, a temporary level of empowerment for the community and for some, a route of better tax management.

These results are often fed into the mouth of social media to increase PR & brand awareness for the company, and are positioned eloquently within End of Year CSR / Citizenship Reports.

**Corporate Social Responsibility activity has a much wider and strategic focus.**

This targets more strategic issues that affect the environment, consumers, human rights, supply chain, sustainability and transparency for the greater good of the world at large.

Corporates that integrate social responsibility into the heart of their company vision and core activities, acknowledge that their business processes have an impact beyond the company - in this way, the business can receive all the philanthropic benefits above, but social impact also underpins the strategic focus for the future growth of the business and all the stakeholders that they are beholden to.

Social Impact becomes a strategic investment for the company, that meets both commercial and social needs, not just a 'nice to do or to have' expense. This misunderstanding of this simple notion, has created the cultural norm within the business community of 'patting each other on the back for a job well done', whilst harbouring a disconnect between the return on investment into social impact and the positive long term impact, felt by the target beneficiaries of such activity.

There are a number of senior business leaders, who are trying to change this culture within their corporate boardrooms and who do genuinely aim to understand the long-term strategic investment point of view. But for many, the 'outside world' of social impact is misinterpreted as being just about social enterprises or charity work.

In their defence, many business leaders find it difficult to face inadequacies in their own knowledge and understanding of social impact, utilising authority and power to delegate such responsibility. Many see social impact as an alien concept and simply don't know how to shift from the historical way they have run their businesses to date.

Initiatives such as the 2% CSR rule in India & the EU CSR directive of companies with over 500 employees are just two evidence pieces, which are causing companies to think differently about their business.

Whether business leaders choose to accept it or not, future growth lies in the ability to embrace a new paradigm of leadership - Executive Social Leadership (ESL), a term coined by Joel Blake, CEO of Cultiv8 Solutions, enables business leaders to integrate this positive disruption into the practical application of business strategy, in order to compete in a rapidly changing global ecosystem.

This can be achieved by key decision makers being able to articulate their own financial ROI on their own social impact investments, in relation to the bottom-line of their own business, alongside developing a more entrepreneurial staff culture focused on social impact.

This will result in them gaining the confidence to articulate the business case for MORE investment into society, with their boards, shareholders, staff, suppliers, communities, funders and other stakeholders connected to their business.

## Inequality of employment opportunities

- **Hierarchical business structures do not understand the social needs of communities**

Medium to large sized corporate firms have the capacity and resources to reduce economic inequalities more quickly and more efficiently.

However, the opportunity to do so is restricted by the levels of structure, which force the need to consult layers of management and extend the level of bureaucracy that is so often felt within traditional organisations. In such organisations, the key decision maker of the business is not usually the person who is in direct control of answering, responding and supporting the identified needs on the ground.

- **Need for more technology systemisation to integrate citizenship needs**

The rapidly changing ecosystem of business means that those who wish to compete on a global scale can do so with relative ease. There are countless stories of people creating multi-million and in some cases, multi-billion dollars business out of their bedroom – Facebook is a classic example of how one idea can manifest itself into an industry all of its own!

However, corporates must understand the need for building their business based upon the right systems and should seek to mirror the basics of systemisation, found within more nimble, agile and innovative organisations.

The influence of technology and in particular social media can also help firms to promote their niche products and services, to respond more quickly to the needs of local communities – these needs must be woven into the DNA of those systems in order to maximise efficiency and impact.

Efficiency with scarce resources is fundamental to survival for many businesses and it is important that the systems within the business, allow key decision makers to work on the business not in it, proactively. The more costs are reduced in the business through formal systemisation, the greater the opportunity to be more innovative, in order to provide the right level of support for local communities.

- **More investment needed for Staff Intrapreneurship programmes to integrate social innovation learning.**

Reducing economic inequalities in the city are often in need of ‘outside the box’ thinking, and such answers can be found by tapping into the latent talent within the organisation – your staff. The more businesses encourage their staff to have an input into the strategic development of their business, the more opportunity for increased loyalty, increased productivity and better employee engagement.

Creativity and innovation are essential ingredients to foster a more social impact driven work culture and a happy and engaged workforce can also help to reduce recruitment costs and enhance brand reputation. If social impact activity is linked to staff CPD activity, then the staff member will become motivated to do more, regardless of the size of the business – the level of enthusiasm generated and the motivation to help to breed more creative ways to add value to the local community.

Furthermore, you build a staff culture of giving and personal leadership, which can be seen in different ways i.e. an increase in the level of positive feedback on customer service provided. The organisation would have to choose a project that can provide employment opportunities, whether short term or long term, but the ‘buy-in’ from staff is crucial to this process.

It is important not to forget the entrepreneurial power of young people either – providing entrepreneurial based internship / placements that allow the young people to showcase their value, can be advantageous. With over 15,000 young people unemployed within the region, there is an opportunity for businesses to create a natural culture of work opportunities that are linked into social impact needs, to save business costs and provide tangible up skilling of the future workforce of the city.

- **Need to increase in cross collaboration between private, public and third sector needed in the creation of job opportunities and fund distribution**

The notion of Corporate Venturing can help to reduce the level of bureaucracy in providing the right opportunities to the right people at the right time.

Larger businesses have the knowledge, experience and understanding of essential business functions to help capacity build smaller businesses. Smaller businesses have the local links, more direct access routes to community leaders and key grass root influencers and closer relationships with potential beneficiaries of support.

Corporate Venturing is a blended solution model that will enable businesses and organisations of different types and sizes, to merge their strengths and fill in the appropriate gaps to ensure social needs are met consistently – An example of this in practice is the Enterprise Diversity Alliance run by CRÈME<sup>97</sup> (Centre for Research in Ethnic Minority Entrepreneurship) at the University of Birmingham.

This approach will need to be supported by sustainable measurement tools that provide both financial ROI and impact measurements, that clearly evidence a reduction of inequality and positive impact.

### 17.3 Key Challenges for SME and Micro Business Sector

- **Investment needed to stimulate support for start-ups and growth businesses**

Funding for stimulating high growth aspiration programmes is an important factor in helping SME's to become sustainable enough, to have a strong input into enhancing social mobility.

Public cuts in such programmes have resulted in the disabling and disappearance of such initiatives in the city - a historic example of such a programme was the Enterprise High Growth City programme. The programme provided free coaching and mentoring to a wide range of businesses, including businesses run by under-represented groups such as women and young people.

It gave those businesses based in our case study area, which had been trading for six months or more and have the potential for long term growth, the opportunity to receive dedicated coaching and was cited as the precursor to the current Growth Accelerator Programme.

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<sup>97</sup> CRÈME - EDA (Enterprise and Diversity Alliance)

<http://www.birmingham.ac.uk/research/activity/business/creme/enterprise-diversity-alliance/index.aspx>

An example of the impact of this programme was a company that supplied SME IT systems, on-site computer repair and networking support, websites and web blogging. They joined the Enterprise City High Growth programme in September 2010 and received 12 months coaching and support on finding other sources of workforce labour and grant funding. In less than 12 months of completing the programme, the company moved from being home based into its own offices, increased turnover by over 25%, hired a full-time member of staff and under the young apprenticeship scheme, helped someone who worked two days a week to gain skills in an office environment.

- **Lack of measureable Peer to Peer Learning networks between key decision makers**

There has been a growing need for the owners of smaller businesses, to learn from other small business owners and leaders within larger organisations, via direct knowledge transfer.

An example of this type of support was The DEN (Diverse Entrepreneur Network). The DEN was a members-only peer to peer learning club for small business owners. They met every month in a non-selling, confidential and positive environment, in order to share experience, exchange practical business solutions and to help each other side-step the mistakes made by other business owners.

An example of its impact was a company that provided flood protection doors and windows for both residential and commercial clients. Within six months of joining the DEN and by being held accountable on their actions by their peer learning group, the company identify a new funding source that resulted in them winning a business grant of £136,000. They also moving moved to a larger facility and changed the focus of their business, to become a leading expert in the design of sustainable flood protection homes for people living in both flood-risk and disadvantaged communities.

- **More local initiatives needed to stimulate local SME economy**

The challenge for many SMEs is that the ability to create a global impact may not be a core priority.

It may happen inadvertently, but many SME business owners start a business that provides them with a more comfortable lifestyle, rather than direct plan to become a global company. For centuries, local businesses have helped local people, but the businesses themselves have remained local.

There are only a handful of businesses that have broken the mould and have developed both a national and international reputation for helping others - for example East End Foods based in the relatively deprived area of Newtown, have developed a credible and secure local reputation for engaging in local activities, but have an international presence and a turnover of over £80 million pounds a year.

These mould breaker tend, in the main, to be product based businesses, rather than service-based built upon a systemised approach for high volume selling and growth.

But their values are often founded and have stayed rooted in supporting local people.

The advantage for both service and product based businesses, is that both are in the great position to use technology to increase efficiency and therefore increase their chance for sustainability – however the deciding factor on how long they can continue to increase social mobility, is based on how much they contribute to the local economy, both financially and socially.

- **Lack of fair encouragement and access to procurement information for all**

There is a need for the region we have analysed in this report to have a truly fairness culture for SME's, that allows open fair competition and ability to generate sustainable growth. This would not only have a positive impact on the local economy, but it would also motivate and empower many within local communities, to strive to add more value to the lives of others.

Many small businesses miss out on opportunities and access to information for a host of reasons. But the result is that the region we have observed is becoming a state where the divide between business success and failure, is based upon where you live, the type of business that you run and the networks that you are associated with.

Factors that would help to develop a fairness culture include:

- Fair access to information for business situated within harder to reach communities.
- Formal support on the completion and transparency of funding applications.
- Reduction in the process/bureaucracy for contract tendering.
- Emphasis on current key skills, evidence of networks and effective impact measurement.

Community needs must be embedded into policy planning - the needs of the community must become the foundation of business strategy and business development planning; the community benefits from better aligned product and service delivery.

SME's would benefit from feeling that they are part of a system that promotes collaboration, equal opportunity and support of their key strengths.

## **Social & Community Cohesion**

- **Uneven distribution of wealth in the city**

The way in which a specific culture has developed, is often derived by the values that have been passed on through generations, centuries and the ages. What is never clear is whether or not the current values of today have been shaped, tainted, tweaked or adopted over time.

It is often easier to act on what you perceive, whether good or bad, but within an inclusive environment that allows positive dialogue to take place.

Within local communities, the division of wealth is connected to the how these values were allowed to grow or restricted through the ages, for example: Historically, many people from a predominately Asian and African background were merchants and middlemen in business. They were able to connect goods and services with buyers of those goods and services, building a strong reputation of creating value and thus increasing their wealth in that way. This wealth was often distributed back into the local community, ensuring that everyone was able to benefit from the work that was undertaken and the business that was done.

Over time, the value of community wealth distribution became lost, within specific communities as financial literacy is not a mainstay subject taught within the education system.

For example, we are all aware of the impact of slavery within African and Caribbean communities and it is an important subject, but one that will continue to be debated. What is not debated enough is the way in which

Social Conditioning that slavery created in the lives of people from African and Caribbean communities, still manifests itself to this day.

This very ethos is apparent in all cultures too; both in good and in bad ways, but further intelligent dialogue and debate must take place, between communities and cultures to create a true and empowered level of understanding and acceptance.

- **Need for more responsibility and access for the community to become ‘educators’**

The meaning of Social impact is often shaped by the perception of the leaders or key decision makers in any process. There must be a common purpose that creates ownership within the process, for all stakeholders matched with transparent filters – collective VISION, LEADERSHIP and PURPOSE is essential for empowering others.

Businesses can become educated by the very people they wish to help if they develop effective engagement practices, which are integrated with participation in local community development, and by having tangible opportunities for positive impact woven into the programme, as opposed to possible outcomes once the activity is complete. These opportunities must also be monitored and measured as they will evidence real impact as part of the specific activity and add long-term value, both as a research piece but as a practical benchmark for future social impact activity.

In addition, a simplification of social impact activity focused on refinement towards long-term sustainability is needed, supported by a sense of horizontal commonality. Partnerships between all stakeholders must be mutual and equal – a ‘them’ and ‘us’ approach creates tension, because there is always a leverage of power that tips the balance, in terms of who controls what. By finding what you all share in common, in a more cooperative model, social impact activity will become based on transparency, trust, integrity and harmony.

- **Faith and religious communication routes, venues, networks are not being utilised enough to integrate communities**

Recent global issues and incidents have enhanced the perception that both Faith and Religion can become tools for creating separation and divisions, that erode the work of those who seek to bring peace and harmony across communities – furthermore, it is generational with many modern day issues being reincarnation of older issues.

However, faith has the opportunity to increase social cohesion, because of the draw that it creates through its power. Churches, Mosques, Synagogues, Gurdwaras and all other religious establishments consist of communities of ordinary people, who are exposed to a myriad of issues, which both connect them to and hold them to their communities.

These issues are often solved through the ‘healing’ factor of faith and the belief that ‘all will be well’ once our time here on earth is complete. This is an important point to consider because the psychological power of that fact can be responsible for the choices that people make and the results that they achieve, particularly in regards to business creation and how business is delivered to meet social needs.

It may be useful for religious establishments to support and advice SME’s on sharing best community practice and even act as a conduit in some circumstances, to help create better social cohesion.

## Public Sector Innovation

- **More gender led programme needed that meet the current rise on female entrepreneurship within communities**

There is an argument that gender-led programmes, help to segregate and widen the divide between men and women. This is because the increased level of support needed for women, should be based on inclusion and therefore provide access to the same cultural norms, service provision and support as men.

The other side of the coin also states that both men and women have different needs in business up to a point – the societal responsibilities of family care, challenging stereotypes, lack of respect in the board room etc. are just small examples of such debated factors.

What it abundantly clear is that the level of support available must be based upon services and practical support, which help to ensure that female business owners are given fair opportunity to compete commercially and have fair opportunity to develop the skills they need, to be involved in public processes i.e. tendering, procurement and governmental strategies.

To achieve this, more encouragement may be needed to aid the development of:

- **Confidence** – being able to see and feel that there is the freedom to maximise one's own potential
- **Capabilities** – providing fair access to inclusive-based training and programmes that develop business skills, commercial awareness and political awareness.
- **Competencies** – wider promotion of effective benchmarking processes that can help to complete the tasks, needed for sustainable growth and success
- **Capacity** – opening up of the supply chain supported by mentoring and other forms of development programmes, which are focused on creating and building efficient business systems that help to build capacity.

- **Need to leverage technology more to increase interaction, debate and positive promotion**

There are many approaches that can be taken to help the private and public sector, to become more collaborative and more effective on the issue of social impact - the public sector would benefit from thinking more commercially and creating services, that help businesses and communities to evolve positively, by developing processes, policies and procedures that meet a wide range of needs.

The advantage of technology is that these processes and opportunities can be created more easily, quickly and more importantly, measured. The increasing evolution of smartphones and handheld tablets make the unification of resources from the private business, awareness of public sector challenges and the direct interaction of views from people within communities, even more possible.

The more people are brought together in business in a more inclusive and positive environment based on common values, the greater the opportunity to create more innovative ways to increase productivity and make a more substantial impact on the local economy.

## Suggested CSR Framework for any given type of Council

### Factors to consider (not an exhaustive list)

- One Standardised Benchmark of measuring financial return on social impact investment – Private, Public and voluntary spend Full Mapping of Community Networks
- Measurement of Physical, Social and Sustainable Impact Mapping of needs of the local communities across key factors i.e. Education gap, Housing shortage etc.
- Monitoring process of CSR activity including Benchmarking Milestones, Best Practice and Testimonial Feedback
- Communication process of monitoring results
- Develop a Job to Impact Ratio Score / Benchmark
- Comparison of activity against competitors in the market
- Skills Assessment of CSR Leads within Corporates
- Measuring the Mental Wellbeing of the SME business owner
- Strategic Integration of CSR Activity into key city investment policies

### Social Impact Measurement

Key messages to promote to leading business communities and networks, third sector networks and local communities:

- Measurement leads to efficiency
- Financial articulation opens up inward investment opportunities
- Need for increased dialogue on key areas including:
  - Commercial and Strategic returns for Board Level Directors.
  - Social Impact and returns for local communities.
  - Capacity building opportunities for voluntary sector organisations.
  - Public Services Strategy research for local authorities.

### 17.4 Key Recommendations for City / Urban Councils

- Develop a city-wide social impact focused business network for senior business leaders, with has tangible actions and outcomes attached. **(we suggest using an university led programme)**
- Develop a Social Impact kite mark that can be used across sector to measure the impact of CSR activity **(we suggest this be the SER Ratio metric & associated kite mark to evidence process completion)**
- Create an independent cross sector consultative network of selected leaders, with the freedom to advise decision-makers on business, public service and local community activity that that affect the city. **(we suggest this be CCEG)**
- Provide a programme that fosters creativity and innovation between different sector partners on ways in which communities can help themselves to overcome challenges, develop cohesively and grow **(we suggest DEN peer learning Format)**
- Create an online and visual resource that offers a friendly introduction into the importance of political awareness.
- Intrapreneur Programme for Young People i.e. £ month project where a young person is recruited, for the sole purpose of finding a solution to a direct business issue within an organisation
- Create a regular regional event for all business associations and their members, to attend and network with each other (we suggest more events under the local CSR Summit banner)



- Create more social-media based ways of gaining transparent, honest and direct regional opinion on issues that affect the community.
- Consult with leading female entrepreneurs and senior female executives on the development of a framework, for developing female owned businesses, that begins with working with young girls within local communities and local schools

## 18 Developing the Business Case

So far we have outlined the procurement, social value, and local contexts. We will now examine the business case for a solution that will meet the aspirations of a public sector body, to make the best use of social value in procurement. We assume that this early adopter is very supportive of the concept of businesses adding social value in its local area as the serving public sector organisation. We also assume it has pioneered a Procurement Strategy and a commitment to /for Social Responsibility. Finally we assume that any solution must be no negative financial or staffing implications.

By adding a metric for social value to procurement tenders (as provided for under the Social Value Act 2012) any public sector body can use its enormous buying power to encourage businesses to act in a socially responsible manner. This will not merely be ‘warm words’ for companies to add to tender documents.



*Assuming that most competitive tenders will be won by a margin of less than 10-20%, then how much social value the company can add will be the deciding factor in awarding tenders. Companies will respond to this spur and begin to compete to add social value.*

To make the most of the opportunities and meet the adopting public sector organisations social value objectives we are proposing a new organisation, which can operate at no cost and risk to public sector users. We have assumed that any participating public sector body will have the following goals

- Maximise the Social Value for the locality in which the public body operates
- Make that locality an exemplar city for CSR and Social Value
- Generate income for the chosen public body or for the non-statutory services it may no longer be able to fund fully
- Deliver Social Value Act support services, including measurement and monitoring at pre and post contract.
- Deliver CSR education, training and cultivate the sector in the city, and complement rather than compete with other CSR activity
- Avoid the risk of legal challenges to any process assessing social value as part of a procurement process
- Covers the costs of private and third sector portals, management staff, marketing campaigns
- Raise monies to develop a social value agenda
- Opportunity to transfer staff to an external support business which delivers the above commensurate with staff reduction plans
- Have minimal, preferably no, revenue or capital cost repercussions on at any point

In addition to these goals the system would need to be compliant with UK and international best practice. It must be scalable and sustainable. Due to resource constraints it would need to minimise any up-front or running costs or management time. It would need to integrate with current procurement processes and would be able to weight social outcomes, perhaps on a tender by tender basis.

Based on the requirements above the simplest solution technically would be a standalone web-based secure portal which automatically calculates a social value rating for given inputs. The public sector organisation would input its required social metrics and any weighting of those metrics into this portal – for example number of local employees. This could be generic or varied by tender. Companies wishing to be rated could submit the required information. Companies submitting for specific tenders would be given a unique login.

This portal would generate a score for the social value part of a tender process. This score would be used by the public sector tendering organisation in whatever way it chooses - for example a full 10% to the highest social value score and the rest pro rata. This system would provide the required flexibility for a tendering organisation to weight its criteria. By giving companies access it would reduce manually intensive inputting by any given public authority.

This section will focus on the strategic options open to any public sector body to implement the chosen metric, whatever that may be. It is assumed for this section that the technical solution will be similar to the portal outlined above.

A standalone portal would avoid the need for potentially expensive integration with a public sector organisation's internal IT procurement systems, while still being integrated into the procurement process by providing an independently assessed rating for Social Value which would be added into the rating process for a bid.

A 'Business Case' in the context of the social value within public sector is often quite different to the same in the private sector. We need to articulate an integrated approach. In this report we assume that the case study is a public sector organisation that has not provided a 'target' for their work in social value; we have thus assumed the EU standard of 20%, so for every £100m contracted, suppliers to the public body can expect to deliver £20m of social value. There are two approaches used to evaluate what that would look like.

### 18.1 Financial-Proxy Methodology

This approach, albeit rather dated, is well understood and tried. Most of the older social impact metrics came from this approach. In essence they would utilise 'financial proxies' to various deliverables eg. apprenticeships, jobs, etc. The Social Value Portal<sup>98</sup> is a good place to start if you wish to take this approach. There are many techniques that in the past have used this methodology.

The problem is that there is absolutely no agreement, commonality or consensus as to what these values should be. If you want the figures to say £5000 is equivalent to 5 apprenticeships, you could make a case for it. If you wanted to half that figure, or double it, you could do that too. The figure will say whatever you want it to say. In which case, you could just ignore the metric and state what you want the yearly outcomes to be, give it an arbitrary value, create your own index, and articulate that. It will be 'your' metric, but no one else would believe it, you couldn't benchmark it, and you would be totally open to legal challenge in terms of creating social value.

A further problem is one of automation needed for a large database of suppliers. In essence, all you can offer is an excel spreadsheet that does the most simple of calculations. A company that creates 5 apprenticeships (the company's figure) at £1000 (your public sector figure) will create £5000 of social impact. But then you have to be able to compare apples and oranges eg. apprenticeships versus clearing out a canal. Since there is not even consensus on creating apprenticeships, nor one on cleaning out canals, your calculation goes off the rails quickly and will be challenged at regular intervals.

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<sup>98</sup> [www.socialvalueportal.com](http://www.socialvalueportal.com)

We conclude, that financial proxy metrics are great for consultancy reports where you want to indicate direction and feasibility, but they are not appropriate for a large scale automated platform to deliver social value. They do have a place, but not in the parameters of this report.

### 18.2 Non-Financial Proxy Methodology

We have already explained that these will fall in two categories:

- (i) Statistical approaches which use no absolute values so excellent for comparative work but not procurement
- (ii) Empirical approaches which are based on a robust financial model of multi-stakeholder engagement.

Above we have explained how the two can be used in tandem to given a 360 approach. To achieve £100m of social impact using S/E as the measure:

$$\text{Social Earnings Ratio} \quad S/E = \frac{\text{Social Impact}}{\text{CSR Spend}}$$

... would translate to high S/E value performance expectations by companies given cash CSR spend is challenging in these times. In this way S/E ratings of the companies can be used to provide a pass/fail at PQQ level, and go on to set a benchmarking exercise within the ITT process. To go further if we say that a winning bid has to pay no more than 2% in terms of cash as part of its CSR agenda (part of which could be used to provide the measurement), then we are looking for ...

$$\text{Social Earnings Ratio} \quad \frac{S}{E} \text{ of } 10 = \frac{\text{UK£ } 100\text{m}}{\text{UK£ } 10\text{m}}$$

In our experience of calculating S/E globally, only c. 20% of organisations would achieve this level of CSR performance. The “Top 100” measured Unilever, a celebrated achiever in CSR, with an S/E of 28.05 (June 2014) and this remains around 27.7 after taking into account tax avoidance and pay disparity. Out of the 130 on the top 100 database so far, about 22 have an S/E higher than 10 (i.e. 17%).

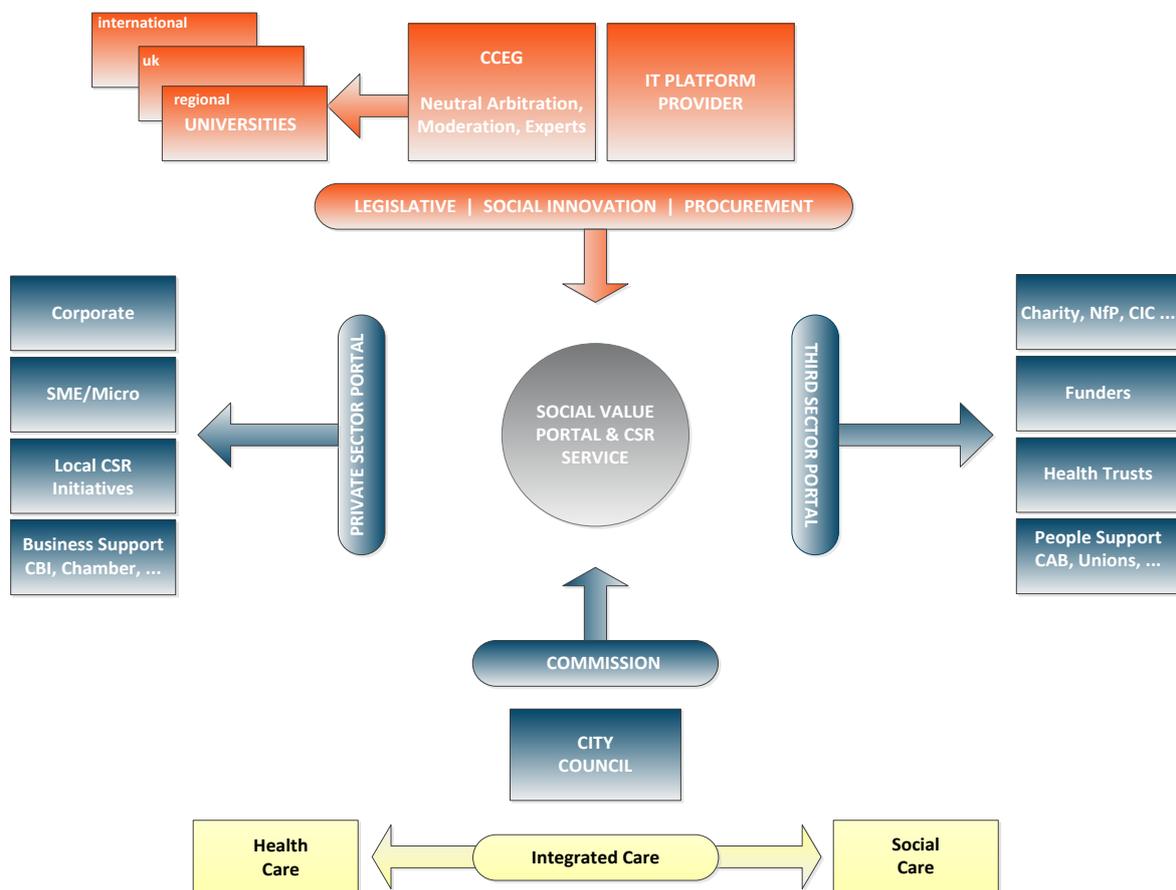
Faced with this some public sector organisations may lower their initial targets to achieve just, say, 10% social value. As an alternative we prefer to focus our minds on capacity development in this area and to increase levels of awareness and participation by potential suppliers. A more inclusive approach to participation would, in turn, require an automated platform of social impact measurement based on many more taking part. This is the line we have developed further in this report.

## 19 Operational Structure

Organisational inclusivity is important but must not to be confused with operational delivery within the context of social value. With careful demarcation of responsibilities and channels it is possible to construct an efficient organisational structure as shown below.



*Neutrality is key to assessment of social value and its implementation. Whilst all organisations must be encouraged to take part, educated, measured, rewarded – that does not mean they must be allowed to control the agenda as this would open up challenges to the integrity, both ethically in terms of governance and legal issues. Not only does the commission have to be neutral including the separation of the public sector contract awarding body to the service deliverer, but that agent must have access to non-partisan measurers of social value such as universities.*



The options behind the organisation charged with providing and supporting the solution are explored later in this document. The delivery is, however, represents jointly the orange structures in the diagram above shown at the top of the figures (IT platform provider, universities, management and delivery team) which will operate as one entity.

For speed of delivery it is recommended to utilise existing commissioned organisations to deliver the agenda for the public sector organisation. The commissioned organisation however can draw on existing or new gatekeepers to ensure the private, public, third and community sectors are approached through strong campaigning. As modern metrics such as S/E are completely objective the measurement can be part of a platform delivery through an IT provider allied to an expert team from universities providing neutral arbitration, moderation and development of the methodology as requirements change. This highlights the key issues surrounding governance. For example, companies who represent clients in litigation or creating financial value are often conflicted and must have only an arm's length relationship with creating social value.



*Traditionally, anything with the word 'social' became the bastion of the Third Sector who has dominated its delivery. This is not the case for blended solutions and so cannot be allowed to happen. Equally the Private Sector usually responds by attempting to dominate and control the CSR agenda, resisting all attempts to be measured as unnecessary and against free market economies. This is both against the spirit, but importantly, the letter of the law. It is highly unlikely corporates will experience an epiphany during their road to Damascus when one day they are fighting for some of the worst CSR transgressions either on their own behalf or on behalf of their clients. Corporates do have, however, a key role to play as partners in this refreshingly new agenda.*

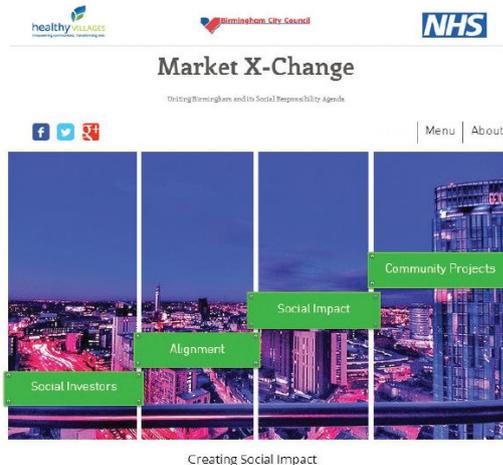
This then brings up the challenge of how to measure corporations that do not wish to be measured? This is where the choice of a wholly objective, no-financial proxy, metric pays dividends to change behaviour.



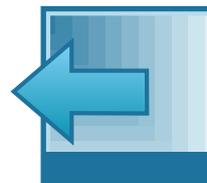
*Social Earnings Ratio, S/E, uses a multi-stakeholder citizenship map, with the ability to calculate social impact within 10 seconds with no interaction with the organisation. It uses only audited financial accounts, sentiment analysis and organisation's CSR/Sustainability report. This means the target corporate does not have to co-operate to be measured giving S/E a significant USP.*

## 20 A Universal Social Metric

In Birmingham a pilot called Market X-Change was conducted by CCEG in February 2014 commissioned by NHS Healthy Villages<sup>99</sup>. It covered all sectors and was focussed on Shard End, Castle Vale, and Balsall Heath.



### Social Charter



- > # jobs and apprenticeships created
- > # annual spend with accredited companies
- > # annual spend with all suppliers by location
- > annual spend with all SMEs and 3<sup>rd</sup> sector orgs
- > additionality of contracted people being paid the Living Wage

It established the principle of the use of the S/E metric in the region and led to the top 100 benchmark initiative through a collaboration of 3 of the universities in the city – soon to be 4. It demonstrated that it can be used across all sectors in the region using both manual and automated systems.

What is very clearly from the pilot and our analysis of many Local Authorities in the UK is that when attempting to embed social value into procurement, these organisations simply do not have the necessary manpower, resources, muscle or processing power to deliver it. Even when such public sector organisations do have documents detailing the ideals of social value in procurement, the methodology for evaluation is highly subjective and open to challenge. Within our case study region a there are a targeted 34,000 organisations to sign, it is evident that the showcasing and award winning ceremonies, even measuring social value using existing methods are good but simply not scalable solutions. We recommend an online certification system allied to the issue of authenticated certificates and a capacity development component for those who wish to further their understanding before/after the award or to improve their processes. These kinds of courses have already been developed under as a MOOC.

We now need to apply the learning from our case study analysis to a wider picture – namely applying it to public sector procurement arrangements. The remaining question then is regarding the principle of obtaining recurring revenue for pay for delivery of a service. We are confident that a charge can be levied on bidders for the provision of social impact measurement service, the profits from which will be used to cover:

- Running of S/E IT platform
- Funding a Social Enterprise to measure and ongoing monitoring
- Funding of private sector marketing campaigns and training support
- Funding of third sector marketing campaigns and training support
- Recovery of costs of the Local Authority or Council's Social Value development

<sup>99</sup> [www.healthyvillages.org.uk](http://www.healthyvillages.org.uk)

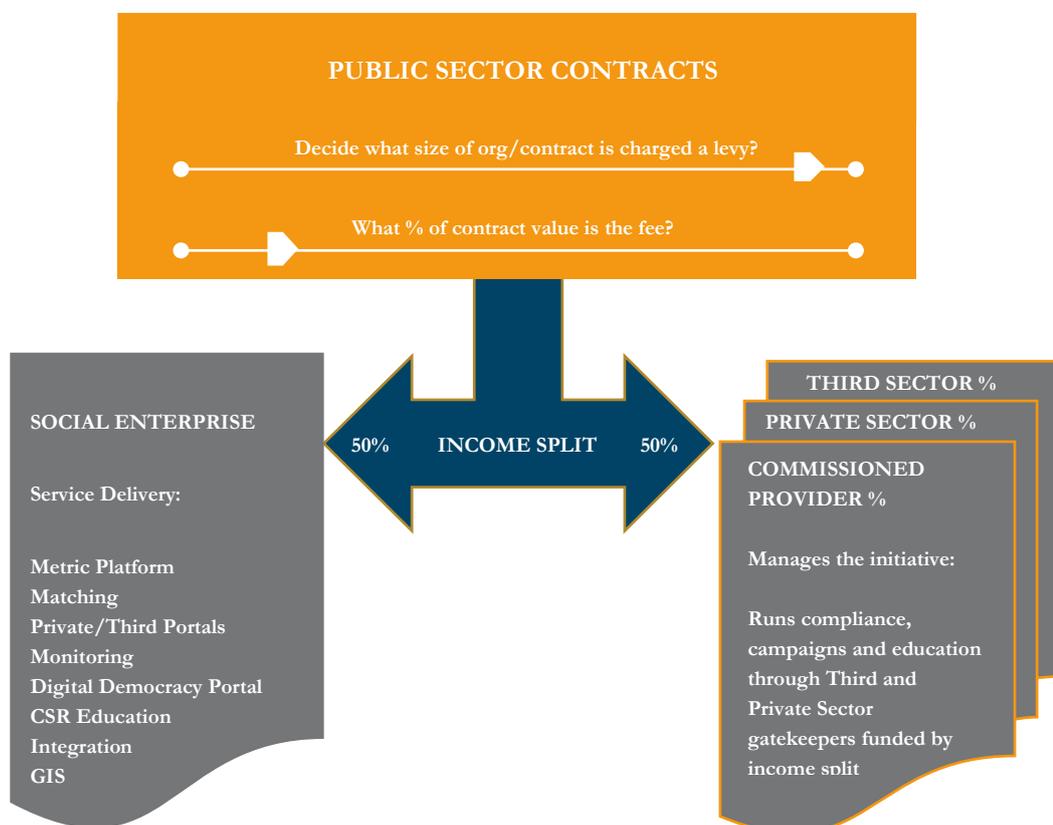
Generally speaking public sector bodies are not meant to make a profit but simply recover their costs, including a contribution for overheads. This is not rare or unusual. The government, for example, runs a deposit service for landlords who have to use a private provider (MyDeposits) to register the deposit – there is a fee for this.

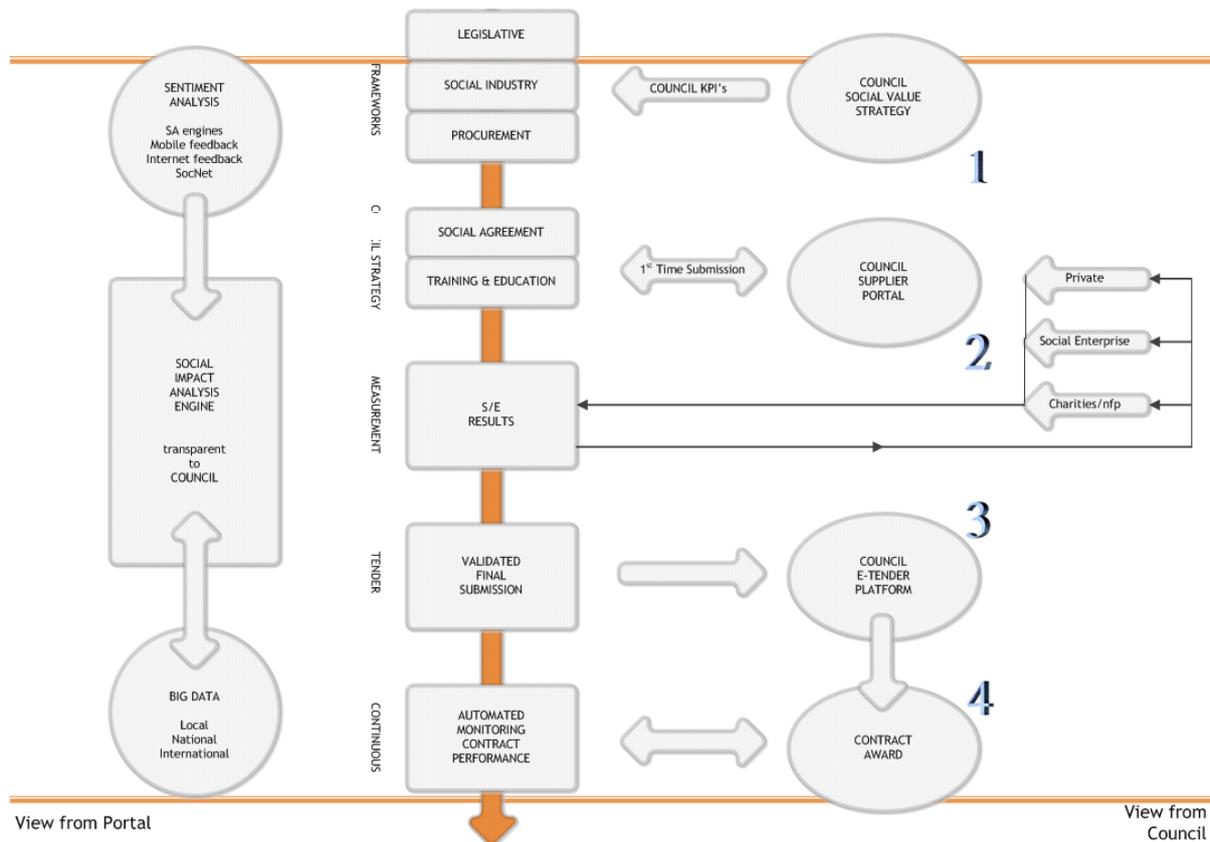
With respect to the concept of charging a small 1-2% on contracts awards, this is permissible as long as no group of bidders is disadvantaged. Bidders will pay this as measurement of their social value is integral to the Social Value Act. Plenty of similar regulations, for example in Health & Safety, demand compliance from the bidder. We believe this will generate substantial revenues to cover the cost of delivering the service.

**i** 2% is not a 'tithe' levy, it is a legal charge for providing an outsourced service to ensure compliance with Social Value Act and Best Value mandates; that is allowed in UK and EU law

Our recommendation, as stated in early sections, is to charge 2% on successful contracts, as well as a modest fee of £5 per impact analysis for those preparing a quote to simplify the process. Although below we show slider options for charging a sub-section of tender bidders only (eg. large corporates, or by value, etc), EU case law demonstrates most challenges have been in the area of non-homogenous treatment of the market so we would recommend 2% on all bids; this is not a significant figure for small contracts for SME/micro businesses whose social provenance are generally greater giving them a significant advantage under this legislation.

Further still, the use of Best Value Act for all contracts below OJEU or on contracts where Social Value Act does not apply, means that all purchasing within the public organisation can be targeted to generate social value. An equitable 50/50 split between the stakeholders delivering this responsibility gives a balance between service delivery of the social agenda and delivery social enterprise agent.





The process starts with the public sector organisation submitting their KPI's through a legislative, social industry and procurement filter to ensure compliance. This report has highlighted some issues surrounding “locality” of procurement, and use of SVA2012 in areas where it has no jurisdiction. Locality is interpreted through local social impact rather than giving preferences to local companies (against EU legislation), and Best Value covers remits outside SVA2012 where the council can apply the same rules.

Organisations registered on the procurement platform (many types of council have their own platform or have a shared platform which many surrounding public authorities use jointly) will be signposted to the new portal to register for the process, with education/training background if required. Organisations will then be encouraged to measure their own social impact online, as many times as they wish to as they develop and capture more appropriate data thereby iteratively improving their score. Finally, if they decide to bid on a contract a validated system allows them to submit their results into the e-Tender portal (a methodology adopted by many public sector organisations – often jointly). On award, those measures (and forecast delivery) will be monitored throughout the contract life through the automated system. Thus the council or local authority will have full view and transparency of measurement, allowed to interrogate the system, but for the most part will interface with it through a simple API's<sup>100</sup>. Local Authorities will also be allowed to interrogate and benchmark across the UK and international big data held by the system both through the use of S/E nationally and internationally, as well as through partner organisations such as CSRHub.

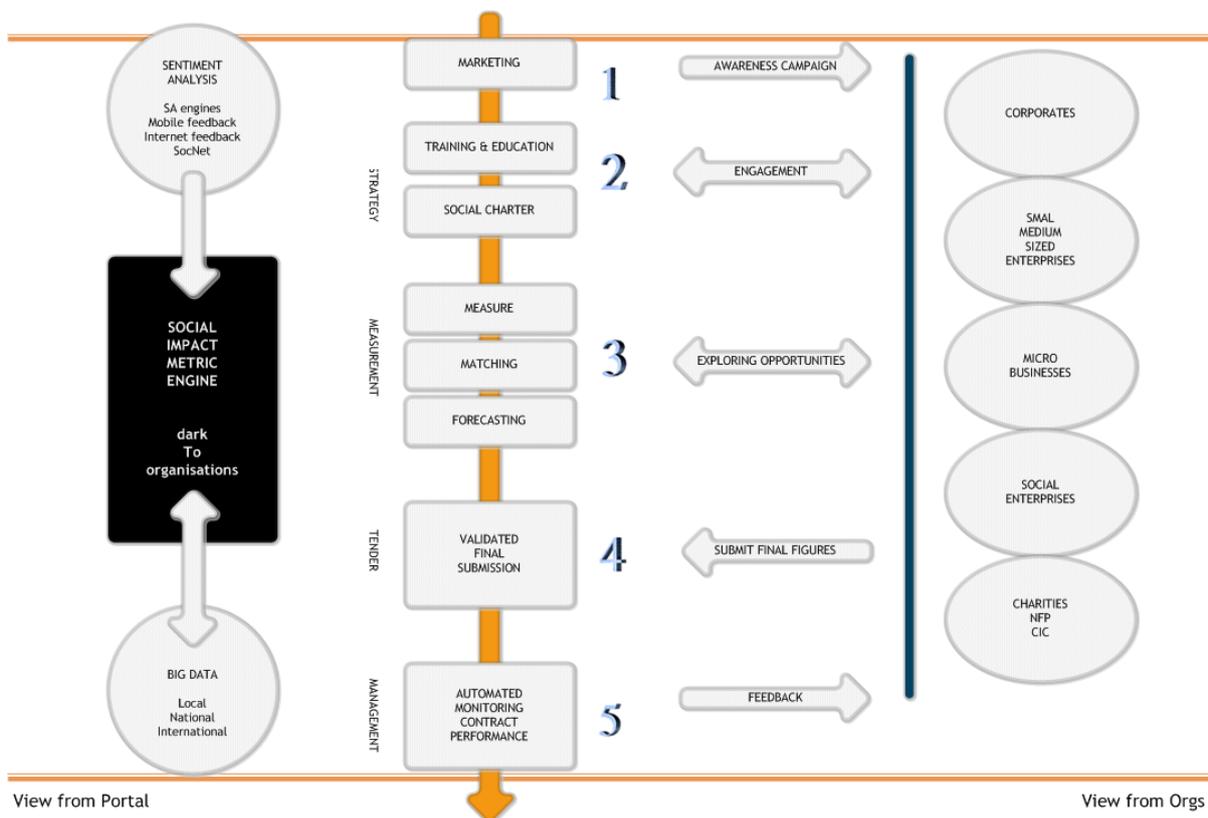
By using this platform subjectivity has been stripped out of it (eg. “Social Value Assessment Questionnaire”), and automation has replaced a labour intensive process.

<sup>100</sup> Application Programming Interface

We envisage that the scheme will fund and co-ordinate education campaigns on social value and bidding; not only online but face to face through the private and third sector portals run by the commissioning agent to reach the hard to reach communities (eg. BME, religious) and companies (eg. SME/micro). These organisations do not have the bandwidth of complex calculations and so the input data for S/E is, explained above, is very simple to measure and articulate. The metric engine is dark to the service user for the sake of simplicity, and to ensure results cannot be influenced.

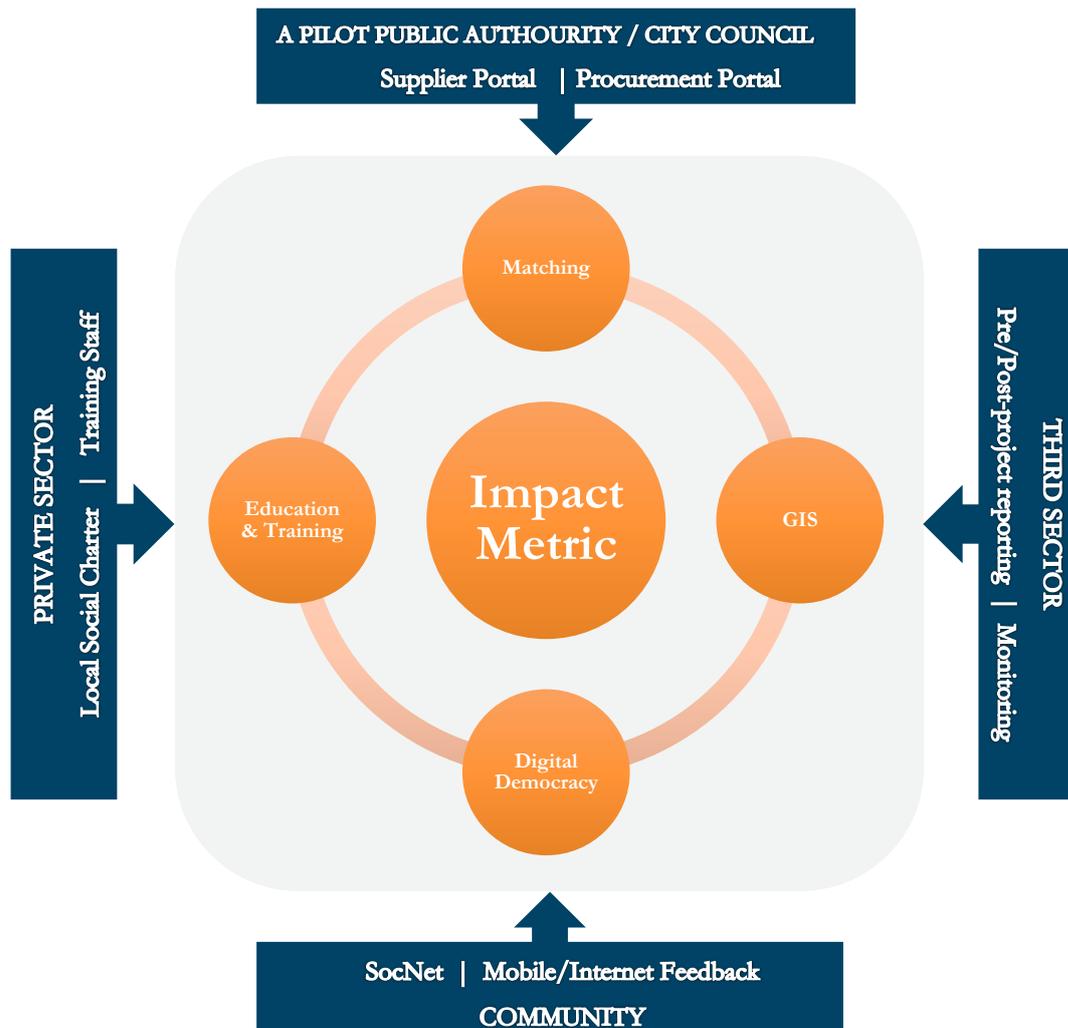


*It is important to note that SME and micro businesses, much courted in many local authorities current documentation of commissioning, now have a much better chance to win contracts by leveraging their social value and local impact. With 10 marks being awarded for social impact, it could easily make the difference between winning and losing against a much larger provider.*



## 21 System Design

The system function consists of the metric engine, matching software, GIS articulation, capacity development and the essential feedback loop from the community, staff, etc that allows us to measure sentiment analysis required by EU GECES. API's will be developed for each interface portal.



This is a scalable enterprise quality platform for eventual international rollout so resilience is required. A more detailed breakdown is shown below. System Design will be required which will compose of:

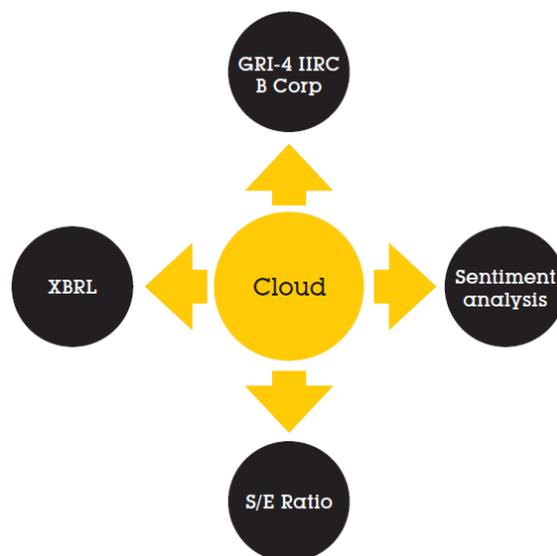
- Consultation with service users (The Public Authority, Corporates, Third Sector)
- Streams mapping
- Decision Trees
- Interface designs
- Integration specs

- Helpdesk system
- System Architecture
- Mock up
- Implementation plan

At this stage, however, we have gone out requesting preliminary quotes from friendly partners who believe in what we are trying to achieve. In any case the system has to be scalable:

SPECIFICATION	LAUNCH	SCALE	MAXIMUM
Concurrent Supplier S/E Measurement	30	300	5000
Concurrent Mobile Feedback	1000	10,000	1,000,000
Suppliers Registered on CRM	20000	250000	5,000,000
Concurrent Matching enquiries	100	1000	10,000
Redundancy	0	1	5 international
Compliance	-	G-Cloud	GSi
PCN (Network)	No	Yes	Yes
Big Data discrete values (annual)	250,000	3,000,000	100,000,000
Cloud	Yes	Yes	Yes
Online Billing	Yes UK£	UK£ / Euro	UK£ / Euro / US\$
API's to e-Tender platforms	1	100	1000
Full transaction audits	100%	100%	100%
Concurrent iXBRL API	5	50	1000
Sentiment Analysis API's	1	3	10
Edx MOOC	10,000	100,000	5,000,000
GIS points	5000	50,000	1,000,000
Concurrent report generation	3	20	200
Concurrent CSRHub API requests	1	5	25

S/E itself will require API's into sentiment iXBRL<sup>101</sup> and sentiment analysis engines eg. SocialMention<sup>102</sup>.



<sup>101</sup> eXtensible Business Reporting Language available from Companies House

<sup>102</sup> [www.socialmention.com](http://www.socialmention.com)

**SOCIAL IMPACT AND VALUE MAPPING platform**

**Deliverables**

**Stage 1:** Alpha delivered end Nov 2014, Beta delivered end Dec 2014

**Stage 2:** Alpha delivered end Jan 2015, Beta delivered end Feb 2015

**Stage 3:** Alpha delivered end March 2015, Beta delivered end April 2015

**Stage 4:** Alpha delivered end June 2015, Beta delivered end July 2015

**STAGE 1**  
Public Sector  
Data Harvesting

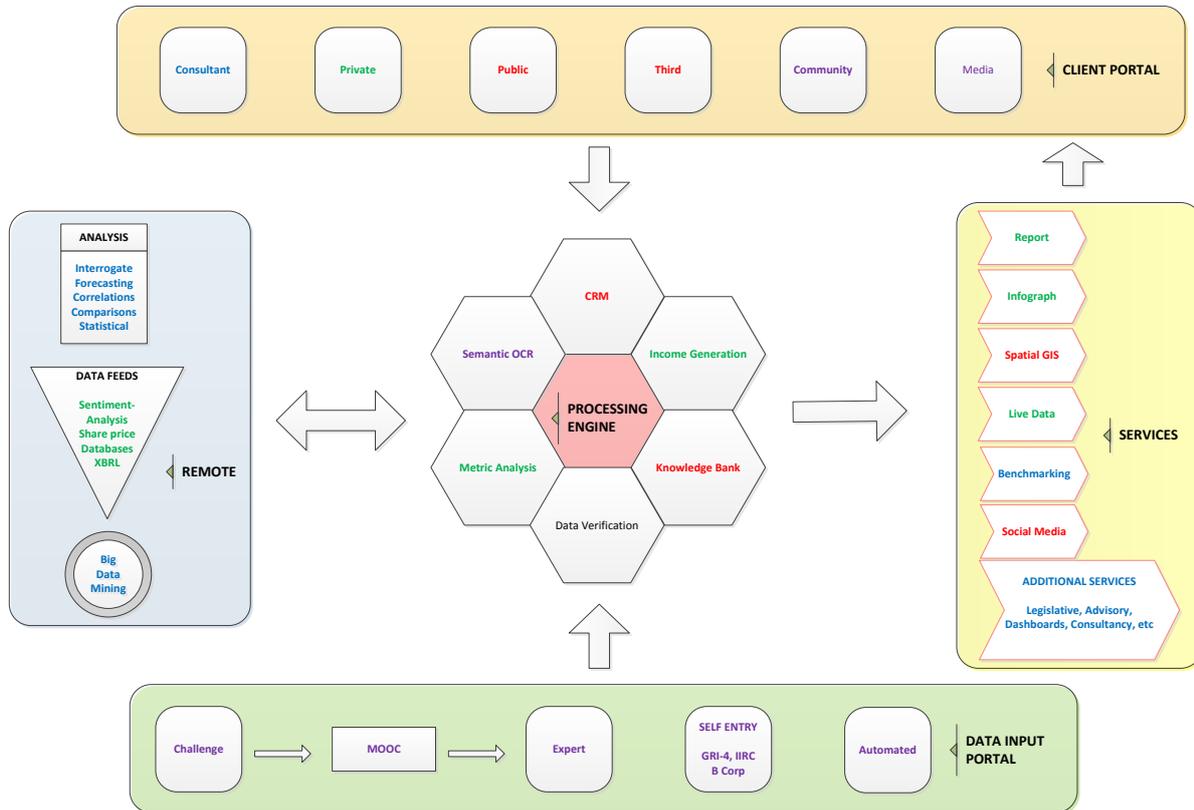
**STAGE 2**  
Corporate  
Engagement

**STAGE 3**  
NGO Input

**STAGE 4**  
Big Data

**CEG Logo**

Queries: Professor Olinga Ta'eed  
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A more detailed breakdown of the system is shown above with a schedule of deployment. Four phases allow for break clauses in delivery ready for April 2015.

## 22 Financial Modelling

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### 22.1 Indicative Platform Pricing

When it comes to platform development, offering, roll out, running and support there are a bewildering number of approaches to working with the public sector which have taken traction with different success rates. In general they look to develop approaches for platform development that can be adopted and enacted upon by other public sector organisations throughout the UK and, as the UK is looked upon as a leader in private-public sector innovation, potentially into Europe and internationally. Examples include.

- Comensura – operate a gainshare model in supply management
- Tell Us Once – a pathfinder originally now adopted for government
- Coactiva – performance improvement
- Capita – seen in many local authorities with varying results
- People’s Network – public libraries

There is not much commonality between the platforms, the financing models, or the outcomes: - “if it fits”, public sector organisations are readily using it.

We have requested indicative quotations from 5 different sized companies with varying experience of delivering services to the public sector. These were:

- Aress Software: Middle sized Indian outsourcing company delivering software and support services
- Atos: French international IT Services solution provider
- Boilerhouse: A SME management and communications company based in the Case Study region
- IBM: American based technology and consulting company
- Smart Web Systems: UK based system architecture consultancy

One was uncompetitive, another felt they had insufficient time to quote, and one – to our surprise – declined to quote as they felt S/E had the capability to embarrass their global customers. We have chosen the work of two credible teams to present. Too late for this report were feedback from Computacenter, Avnet, and Logicalis which will be sought as a follow up.

#### **21.1.1 Atos<sup>103</sup>**

Atos is a French IT solutions provider of global proportions. They are in the top league of providers to governments all round the world. They have provided a scalable architecture (appended) for consideration but of relevance is that they do not consider this to be rocket science but indeed plausible for release in April 2015, with further releases during the subsequent months.

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<sup>103</sup> [www.atos.net](http://www.atos.net)

Despite their considerable size, they were not the most expensive quote we received. Nevertheless, as part of their contribution to the creation of social value, Atos are willing to consider a revenue model to offset development costs; estimate below.

Cost Area	Estimate	Comments
SVP Development Cost	SVP Development £550 - £650k SVP Enhance/Roll Out £180 - £240k	Initial project to deliver core enterprise platform, followed by 6 month enhance & client take on as required.
SVP Production Operation Cost	Assume £100k pa from Production Launch	Assumption based on core platform operational cost for an enterprise service at this sort of scale
SVP Service Management Cost	Assume £100k pa from Ongoing Service	Assumption based on basic service & application management regime for this sort of platform.

### 21.1.2 Boilerhouse<sup>104</sup>

Boilerhouse is a local provider but operating nationally serving primarily the public sector. They also own several online portals that serve communities nationwide and local authorities.

They have provided an indicative quotation below (not including communications strategy which has also been provided, appended):

- Development Cost UK£ 600,000
- Annual Maintenance UK£ 250,000

Their requirement is of 60% of the development and build cost upfront during the build period with stage payments to be negotiated. Timing on the remainder and associated interest charges negotiable. Maintenance would be invoiced monthly in advance and payable on normal 30 day terms. These are wholly compatible with a smaller provider.

## 22.2 Financial KPI's

We have financially modelled in detail the proposition of a new organisation (Newco) based on the assumptions evidenced in this report. We have focussed on whether the proposition works for all stakeholders concerned in an equitable and sustainable manner. The main model assumptions are:

<sup>104</sup> [www.boilerhouse.co.uk](http://www.boilerhouse.co.uk)

- The local authority has a maximum one-off cost no greater than UK£ 50,000 to cover integration with existing supplier and procurement platforms
- Newco to raise UK £5m from private or public markets to develop the platform and the solution team, thus avoiding any significant cost to local authority or council who adopt the solution
- All losses to be absorbed by Newco – complete risk mitigation for public sector
- Newco to cover costs of
  - Commissioned agent
  - Assessment of social impact sections of tender bids and implementation of commitments
  - Campaigns into private sector and third sector
  - Moderation by universities of social impact measurement challenges
- Aim to deliver and educate 100% of organisations on procurement platform of the Local Social Value Charter or High Level Strategic Aims of the public body involved
- 50% of all remaining net cash to go to the public body to develop and enhance social agenda and CSR services for the locality – be it a city or entire county
- Recurring revenues must cover cost of delivery
- To license the solution to other public sector organisations to assist in their delivery
- Stress test the model under all market conditions including diminishing public sector budgets

To meet these the CCEG have formulated a methodology which would see a social impact levy of 2% of contracts, paid by contractors, to ensure contractors are not only compliant with legislation but also committed to the principles as outlined in the Local Public Bodies Business Charter for Social Responsibility. Half of this levy would be put into a fund for social value projects – which must return social value to the area.

The levy is designed to firstly allow the CCEG to measure the contractors social impact using a variety of metrics, advise the local authority how to ensure they are compliant with national and regional legislation, without any up-front cost to the council. Secondly it generates revenue for the adopting public sector organisation to deliver components of the social impact ascribed to each contract and wider social value causes. Finally it also enable fund capacity-building by enabling the Social Value Hub and arms-length organisations support for the City and the commissioned firms to localise their CSR efforts and ensure they perform upon the expectations contractually from a social impact perspective. It could also provide training for bidders including smaller local Social Enterprises, to help them prepare for bids.

The creation of a social impact levy ('Commitment to your Community' agreement) – or a defined percentage payment against each contract was seen as the only viable option that would balance the need for the Council or Public Body to hold the commissioned provider to account regarding social impact in a tangible way whilst also ensuring it was fair and equitable upon all contracts and giving them a bespoke service in return for the levy payment which would help facilitate them in the demonstration of this social impact.



*Our financial analysis demonstrates that all the goals set out within the commissioning of this report by the average Public Sector Body can be achieved in a viable, risk free, scalable and sustainable way, also generating circa UK£ 1+m a year for the authority.*

We have modelled the impact of the levy, based on the proposed social impact methodology as prescribed by the CCEG. The modelling attempts to simulate all outcomes in the context of the relationships between a typical Local Authorities or Councils procurement and the contract winning suppliers as well as the revenue streams and their

effective share between the party responsible for the implementation of the aforementioned methods and the Council themselves. This section aims to give the reader some insight into the financial modelling methods employed so they can be replicated by other public sector organisations who wish to invent it themselves. For further, more detailed business analysis regarding the financial observations, together with the exploration of the context through which the numbers are derived please refer back to the CCEG.

To give the reader some context of how the methods have been constructed we first need to consider the strategic outline with regards to a typical public sector organisation’s Corporate Procurement department and their relative spend using existing IT platforms. We based our assumption upon a hypothetical £1-1.5 billion budget in non-statutory services to third part contractors (as this simulates the scenario seen in the largest Local Authorities in the UK), of which approximately a third was assumed to be procured via the existing tendering platform (an online procurement portal system or a collective platform shared with other public sector organisations). This particular scenario highlights this as an example of delivering policy through commissioning and procurement, highlighting that the initial aims of the above mentioned IT platform were to act as a free of charge database service for all SMEs in the region to access council and private sector initiated business opportunities, also allowing the Public Sector Procurement team to identify supply chain opportunities, increasing their transparency and hopefully creating social impact in the form of training and job opportunities that support local enterprises. As with most public bodies we have assumed that the public institution’s Standing Orders relating to contracts state that all quotations and tenders are to be advertised on the online platform.

This approach has had limited success from a social impact point of view as it placed no specific financial or resource onus upon contractors to demonstrate social impact or have regard to demonstrating how their proposition would enhance the social infrastructure of the pilot site at large. The platform was also created before the advent of the Social Value Act 2012, after which point it was no longer in line with current legislation and was not updated to reflect these changes.

We have based our assumptions on the sizes of contracts upon which the levy would be raised on EU procurement thresholds:

SUPPLIES	SERVICES	WORKS
Entities listed in Schedule	£111,676 €134,000	£111,676 €134,000
Other public sector contracting authorities	£172,514 €207,000	£172,514 €207,000
Prior Information Notices	£625,050 €750,000	£625,050 €750,000
Small Lots	£66,672 €80,000	£66,672 €80,000

Thus any contract above this threshold value of £66,672 could be subject to the proposed levy, as this by default analysis of the current procurement statistics provided by the City Council suggests that around 80% of the spend goes to the top 200 suppliers, most of which are high value contracts far exceeding the £66,672 threshold. From our analysis this trend is frequently seen in other Public Bodies, based on the publically available data upon their spending. For the purposes of modelling however we have assumed that not the all of the non-statutory budget is included and subjected to the CSR levy, as EU legislation states that no one firm can be disadvantaged in any way or no levy should be subjected to one party without fairly and equitably being applied to all others, regardless of whether that be a large conglomerate or a two-man micro business. Hence the entire non-statutory budget for the pilot City Council has been subjected to the CSR levy.

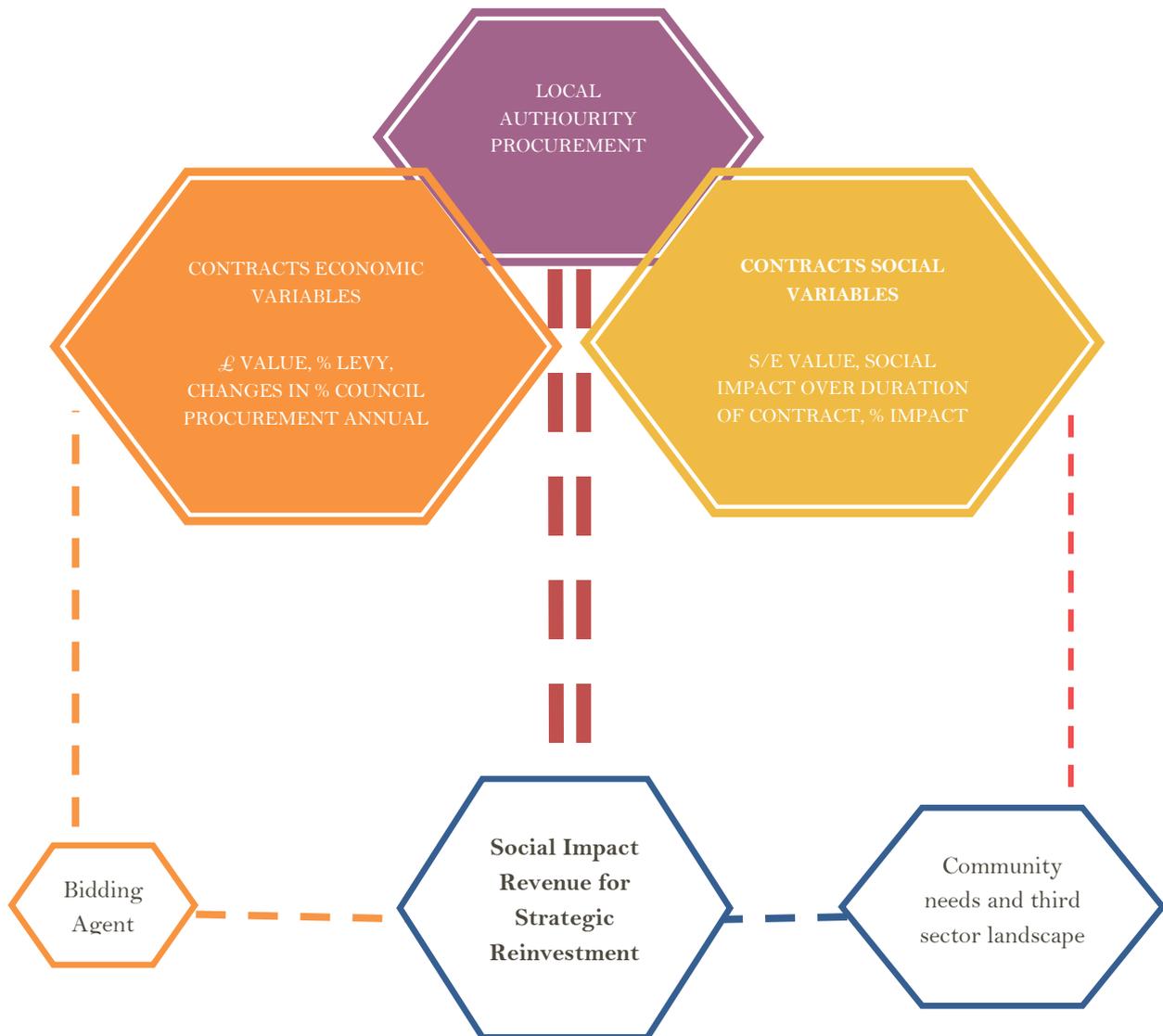
The CCEG thus proposes that the first criteria or variable that can be adjusted by the commissioner is the targeting of size of contracts they wish to be subject to the levy. In other words, at what point in the context of contract size does the public service decided to start charging a levy against social value per contract. This decision analysis has been described previously– whereby a commissioner can filter the outcomes based upon contract strength and the percentage they wish to claw back from each contract and assign to social value as a levy:

The approach allows commissioners to select a variety of different criteria with regards to the nature and size of the organisation being obliged to give the levy as a direct consequence of receiving the contract or being successful in the procurement process. The first criterion is the deciding upon the size of the organisation or the relative strength (financial amount) of the contract in relation to the overall budgets procured. After analysing the least time consuming methodology that would be both finically fair and equitable (by conducting critical pathway analysis) we concluded that the only viable methodology was to create primary filter based on contract value (pounds sterling UK) and a secondary filter based upon what percentage of the contract would be assigned for social value in the form of a social value levy or partnership agreement between the Council and the third party (the commitment to your community levy).

There are also elements of economic forecasting within the assumptions. Based on recent events following the recession we have seen a downward turn in the available budgets for non-statutory services within all councils, so we have attempted to factor this in an iterative way as no one council is affected in the same way. Hence for the case study model we have used real data from the spending patterns of local authorities and factored in declines in budget, assuming year on year declines for the duration of a five year contract. The cumulative or representative decrease in budget assigned to each year on year decline can be seen below. The rationale behind this was based on taking averages of speculated cuts by the City Council’s current budget deficient (based on media reports and published data) and the trailing five year budget decline (cumulatively around 28%). As the reader can appreciate below our model assumptions factor in a maximum decline of 8% year on year giving a 34% decline over the 5 year contract period as a worst case scenario and 2% declines year on year being the benchmark standard.

Alterations in Pilot Councils Procurement Budget (£UK spent through portal)	
% Decrease in Budget per Annum	% Decrease over 5 years (representative %)
2.00%	9.61%
3.00%	14.13%
4.00%	18.46%
5.00%	22.62%
6.00%	26.61%
7.00%	30.43%
8.00%	34.10%

Below is a diagram showing some of the factors taken into account by the Social Value Act 2012, many of which are yet to be integrated into the decision making of local authorities. It is important to respect the fact that this is purely a case study analysis based on many complex variables.



We have also used the 2% levy as a benchmark as the financial analysis shows values below this would not cover the operational cost of implementation to a satisfactory level to enable funds to be reinvested in the City in a meaningful way. Based upon data provided by the Corporate Procurement Services department in this case study we assume that approximately £500,000,000 is transacted through the current IT platform used to advertise tenders to the private sector. This amount is not reflective of the entire spend of the “Case Study City” Council on non-statutory contracts (as is the case in most local authorities – we wanted to add this into our case study analysis to make it as realistic as possible) – rather what had been transacted or processed within 12 accounting periods from 2013-2014. Hence in the financial analysis we have used £500,000,000 as a datum and also performed different sets of analysis going up to £800,000,000 in an attempt to encapsulate a realistic case study of all scenarios that all public sector organisations can appreciate purely as a hypothetical spend. We appreciate that without accurate or up to date data the figures may not fall within the total procurement budget or spend but for this empirical analysis the case study analysis still demonstrates how local authorities should carefully consider how the above variables can have profound effects on the financial and social value of impact in the context of the Social Value Act 2012.

## 22.3 Summary Tables – Likely Cases

We also needed to factor in – using real life data – the possible adverse ramifications associated with circumstances outside of conventional economic or financial modelling. This includes the aggressive austerity measures made during the previous recession. For the benchmark worst case scenario - the criteria is simply a £500 million pound sterling spend by the “Case Study City” Council’s procurement of non-statutory services, with a declining budget of 8% year on year and a fixed CSR levy of 2% on all contracts regardless of size; the most likely scenario is UK£ 800m but still assuming an 8% annual budget deficit. This is also based upon the assumption that all bidders will have to be charged a measurement fee when formulating bids, again this is based on the assumed statistics for the modelled City Council’s which we attempted to base on averages of data available on large Local Authorities (often published on their own websites). This again makes the modelling much more realistic but also anonymous and reacted for sensitivity purposes. This shows they have on average 15-20,000 creditors, for the purposes of this simulation we have fixed this number to 18,000 across all five years (assuming that there are no influential changes in the number of bidders, compounding for seasonality and general economic conditions). **We make a highly conservative assumption of 6 months with no income to build the worst case scenario.**

We have carried out extensive sensitivity analysis and considered scaling to other public sector organisations.



*The analysis demonstrates that even after significant sensitive permutations and taking worst case scenarios, the local authority will not only receive a fully funded Social Value Strategy roll out, complete compliance with Social Value Act 2012, but also receive return in excess of UK£ 1m a year to invest in developments in social value for the city. Not only does this accelerate the City into a lead position in social value anywhere in Europe, but provides opportunities for other public sector organisations not only in the UK but Europe to adopt this pathfinder project for themselves.*

We have modelled the following scenarios:

- Decline in the “Example City” Council’s budget 2, 4, 6, 8% year on year – we use the worst case scenario at 8%
- Levy at 1%, 2% and 3% - we use 2% as the minimum we have come across globally
- The “Example City” Council procurement has a spend of UK£ 500m, 600m, 700m and 800m – we used UK£ 500m as the worst case and UK£ 800m as the likely case
- Capped levy application at 75%, 80% 85%, 95% and 100% of available contracts - we used 100% to avoid legal challenges so all suppliers are subjected to the same standards

It does not include contracts placed in previous years that run into following years. It only represents spending through that portal, not spend by related partners such as the NHS trusts or other public service providers. This could include those that do not go through the local procurement department or are commissioned in a different way. This represents 240 permutations. The following tables represent figures pre 50/50 split with the supplier.

8% budget decline YoY	Cumulative Cash Position for Social Impact Reinvestment (£UK thousands)					UK£ 800m
CSR claw back levy (% of awarded contract amount)	year 1	year 2	year 3	year 4	year 5	Contract Total
1.00%	-£1,383.14	-£699.14	-£330.51	-£270.57	-£514.31	-£514.31
1.25%	-£717.64	£620.48	£1,590.91	£2,204.49	£2,470.11	£2,470.11
1.50%	-£52.14	£1,940.10	£3,512.32	£4,679.54	£5,454.52	£5,454.52
1.75%	£613.36	£3,259.72	£5,433.73	£7,154.60	£8,438.93	£8,438.93
2.00%	£1,278.86	£4,579.34	£7,355.14	£9,629.66	£11,423.35	£11,423.35
2.25%	£1,944.36	£5,898.96	£9,276.55	£12,104.72	£14,407.76	£14,407.76
2.50%	£2,609.86	£7,218.58	£11,197.96	£14,579.77	£17,392.17	£17,392.17
2.75%	£3,275.36	£8,538.20	£13,119.37	£17,054.83	£20,376.58	£20,376.58
3.00%	£3,940.86	£9,857.82	£15,040.78	£19,529.89	£23,361.00	£23,361.00

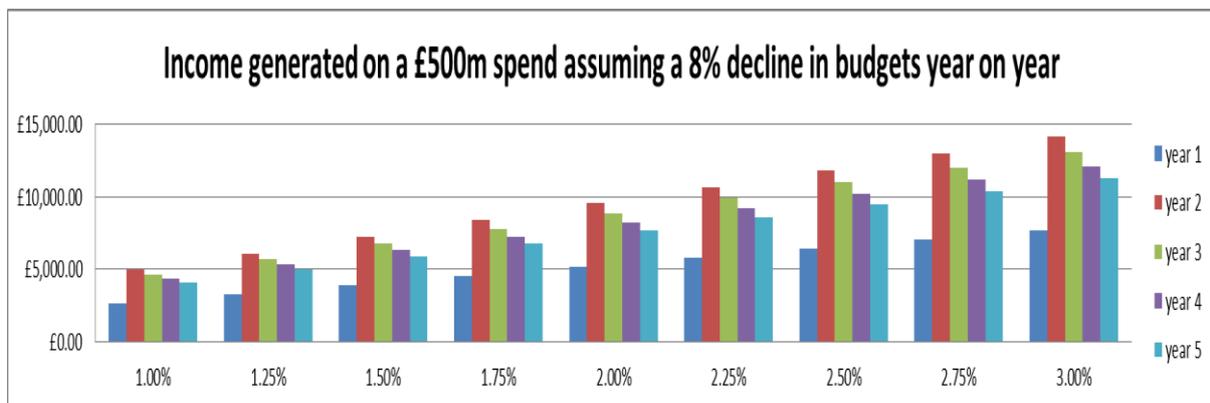
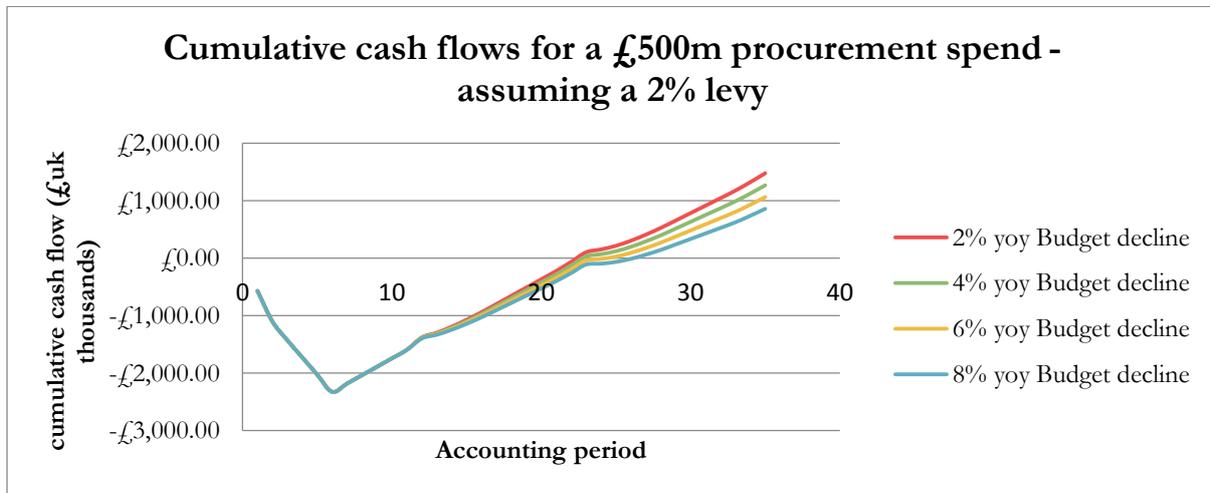
8% budget decline YoY	Cumulative Cash Position for Social Impact Reinvestment (£UK thousands)					UK£ 700m
CSR claw back levy (% of awarded contract amount)	year 1	year 2	year 3	year 4	year 5	Contract Total
1.00%	-£1,715.89	-£1,358.95	-£1,291.21	-£1,508.10	-£2,006.51	-£2,006.51
1.25%	-£1,133.58	-£204.28	£390.02	£657.57	£604.85	£604.85
1.50%	-£551.27	£950.39	£2,071.26	£2,823.25	£3,216.21	£3,216.21
1.75%	£31.05	£2,105.06	£3,752.49	£4,988.93	£5,827.57	£5,827.57
2.00%	£613.36	£3,259.72	£5,433.73	£7,154.60	£8,438.93	£8,438.93
2.25%	£1,195.67	£4,414.39	£7,114.96	£9,320.28	£11,050.29	£11,050.29
2.50%	£1,777.98	£5,569.06	£8,796.19	£11,485.95	£13,661.66	£13,661.66
2.75%	£2,360.30	£6,723.73	£10,477.43	£13,651.63	£16,273.02	£16,273.02
3.00%	£2,942.61	£7,878.39	£12,158.66	£15,817.30	£18,884.38	£18,884.38

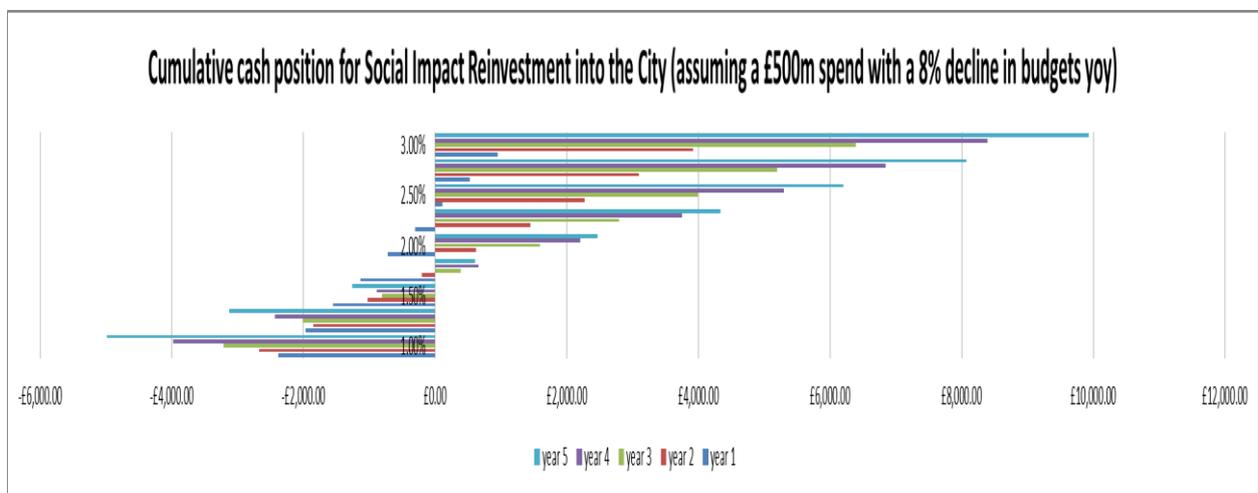
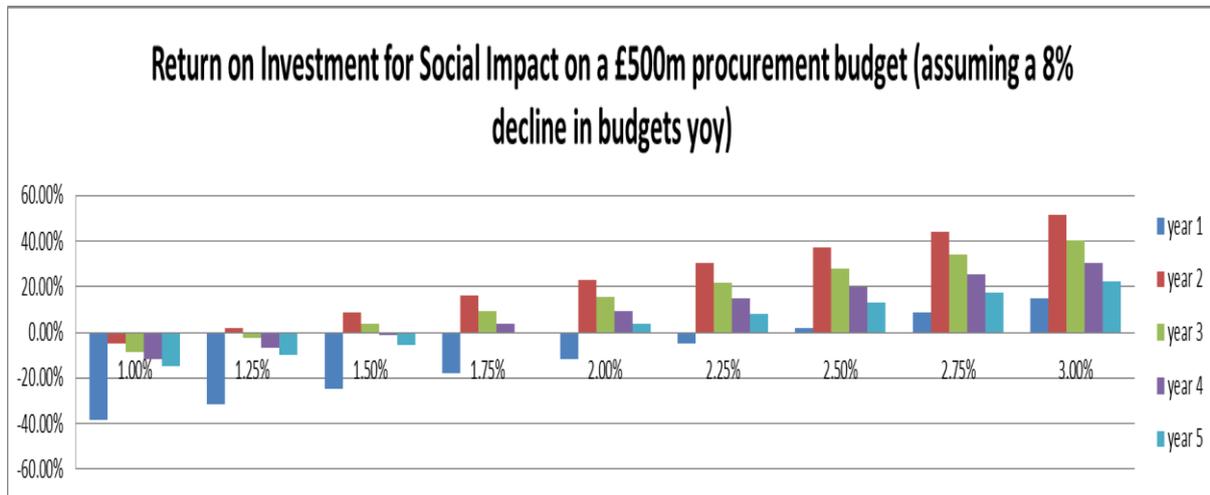
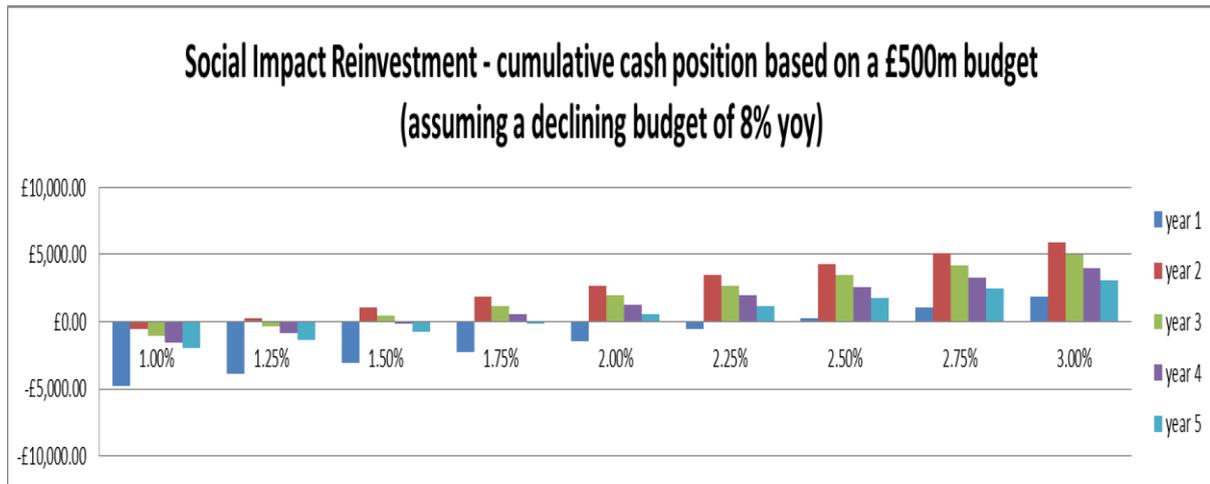
8% budget decline YoY	Cumulative Cash Position for Social Impact Reinvestment (£UK thousands)					UK£ 600m
CSR claw back levy (% of awarded contract amount)	year 1	year 2	year 3	year 4	year 5	Contract Total
1.00%	-£2,048.64	-£2,018.76	-£2,251.92	-£2,745.63	-£3,498.72	-£3,498.72
1.25%	-£1,549.52	-£1,029.04	-£810.86	-£889.34	-£1,260.41	-£1,260.41
1.50%	-£1,050.39	-£39.33	£630.20	£966.96	£977.90	£977.90
1.75%	-£551.27	£950.39	£2,071.26	£2,823.25	£3,216.21	£3,216.21
2.00%	-£52.14	£1,940.10	£3,512.32	£4,679.54	£5,454.52	£5,454.52
2.25%	£446.98	£2,929.82	£4,953.37	£6,535.84	£7,692.83	£7,692.83
2.50%	£946.11	£3,919.53	£6,394.43	£8,392.13	£9,931.14	£9,931.14
2.75%	£1,445.23	£4,909.25	£7,835.49	£10,248.42	£12,169.45	£12,169.45
3.00%	£1,944.36	£5,898.96	£9,276.55	£12,104.72	£14,407.76	£14,407.76

8% budget decline YoY	Cumulative Cash Position for Social Impact Reinvestment (£UK thousands)					UK£ 500m
CSR claw back levy (% of awarded contract amount)	year 1	year 2	year 3	year 4	year 5	Contract Total
1.00%	-£2,381.39	-£2,678.57	-£3,212.62	-£3,983.16	-£4,990.93	-£4,990.93
1.25%	-£1,965.45	-£1,853.80	-£2,011.74	-£2,436.25	-£3,125.67	-£3,125.67
1.50%	-£1,549.52	-£1,029.04	-£810.86	-£889.34	-£1,260.41	-£1,260.41
1.75%	-£1,133.58	-£204.28	£390.02	£657.57	£604.85	£604.85
2.00%	-£717.64	£620.48	£1,590.91	£2,204.49	£2,470.11	£2,470.11
2.25%	-£301.70	£1,445.25	£2,791.79	£3,751.40	£4,335.36	£4,335.36
2.50%	£114.23	£2,270.01	£3,992.67	£5,298.31	£6,200.62	£6,200.62
2.75%	£530.17	£3,094.77	£5,193.55	£6,845.22	£8,065.88	£8,065.88
3.00%	£946.11	£3,919.53	£6,394.43	£8,392.13	£9,931.14	£9,931.14

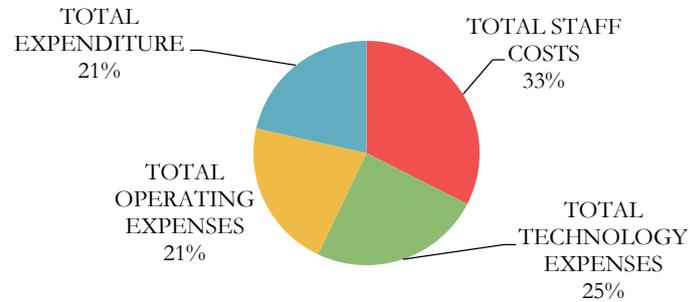
### 22.4 Summary Graphs – Worst Case

Naturally with 6 months entry with no money and assuming a full team (which is an unlikely scenario) there are no returns to the case study / pilot site. All losses, however, will be absorbed by newco with no impingement on pilot Council. The following years of 1, 2, 3 show a steady decline of income related to the declining public sector budget; figures are for UK£ 500m.

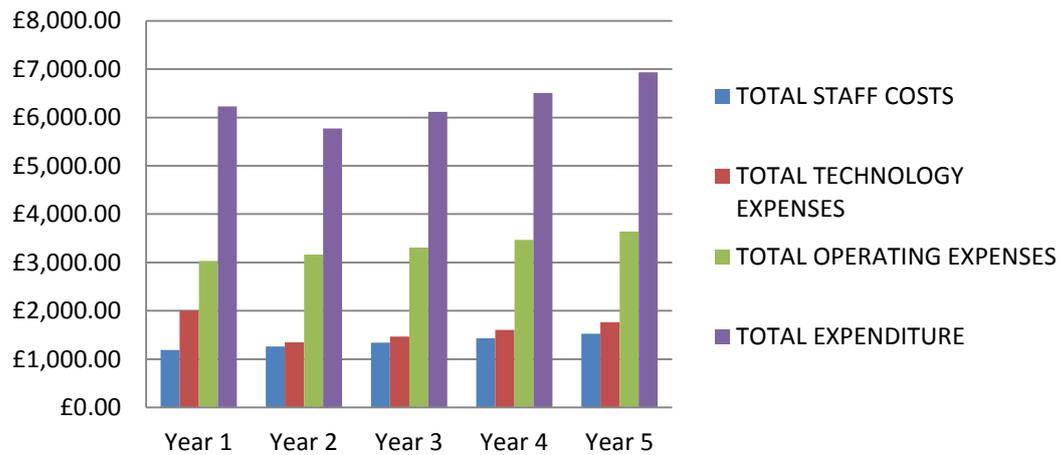




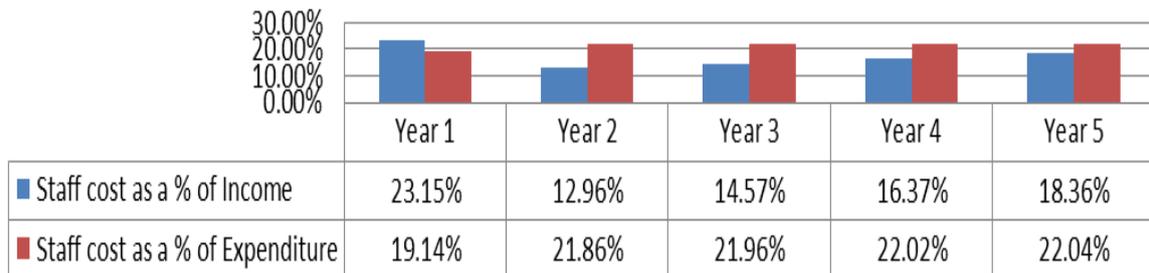
## Expenditure break down for the 5 year contract



## Expenditure break down for years 1-5



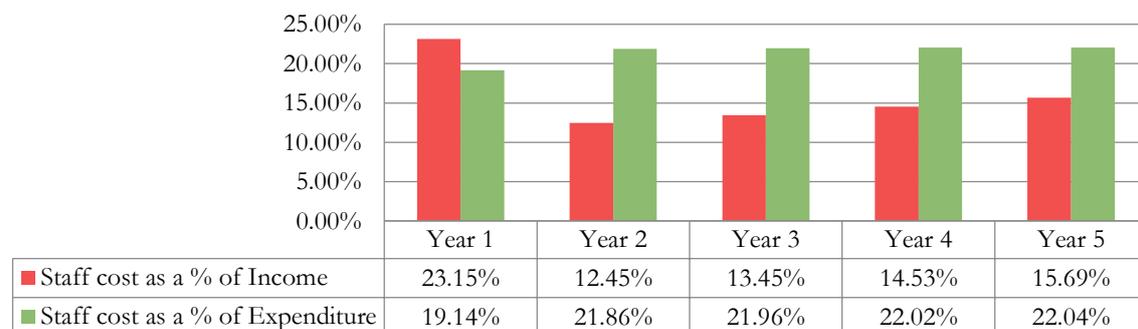
## Human resource cost analysis vs income and expenditure (assuming £500m spend, 2% levy and...



## Human resource cost analysis vs income and expenditure (assuming £500m spend, 2% levy and 4% budget decline yoy)



## Human resource cost analysis vs income and expenditure (assuming £500m spend, 2% levy and 2% budget decline yoy)

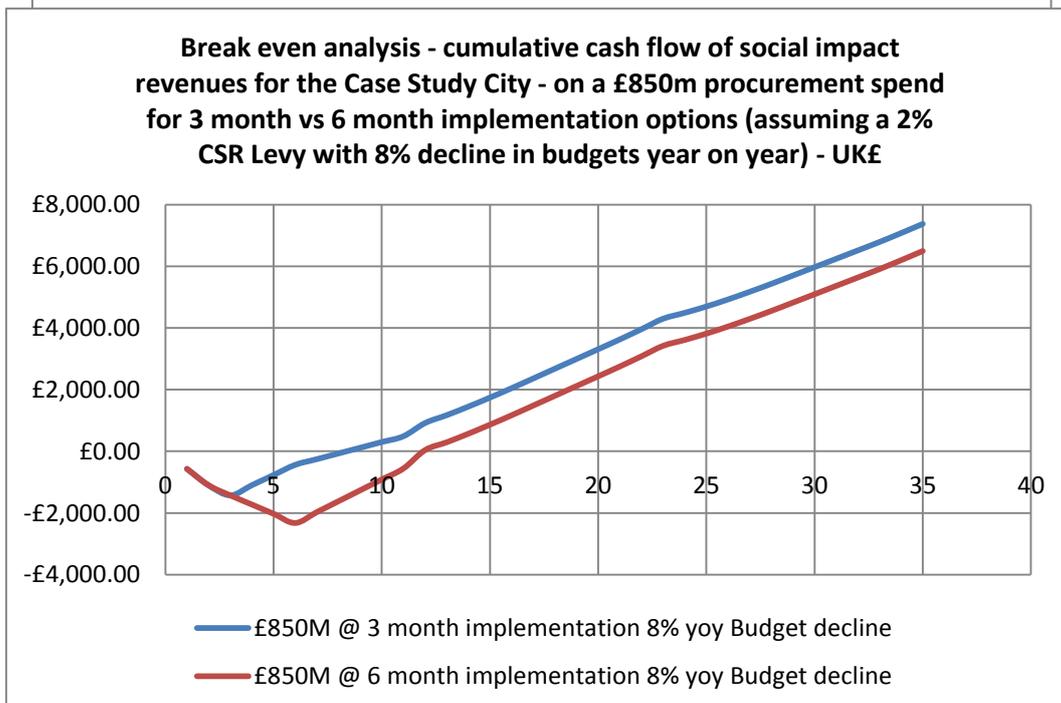
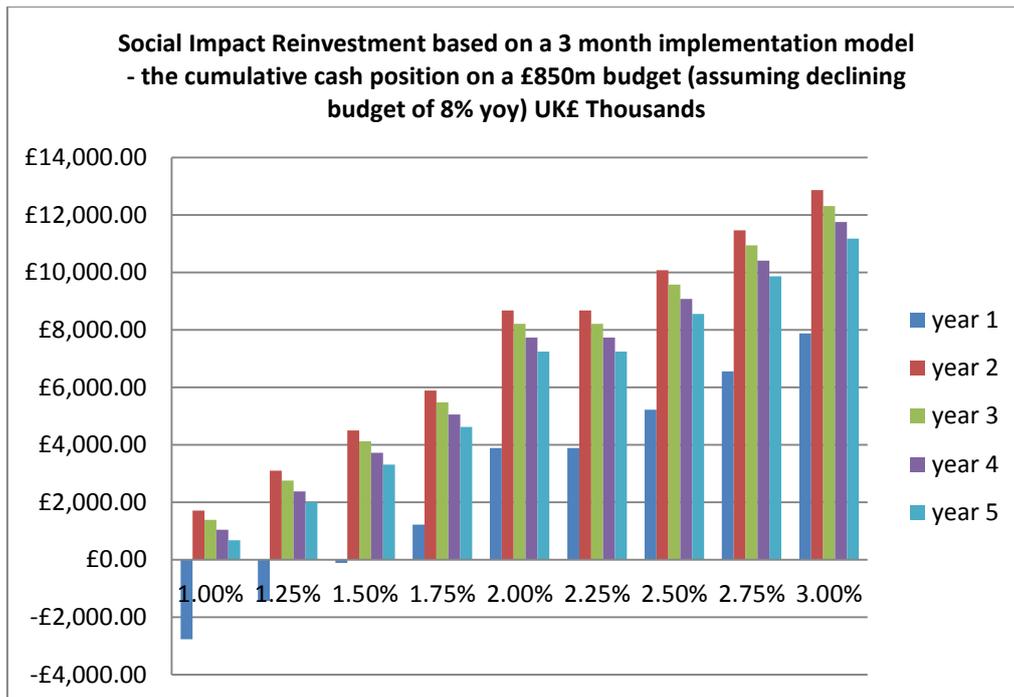


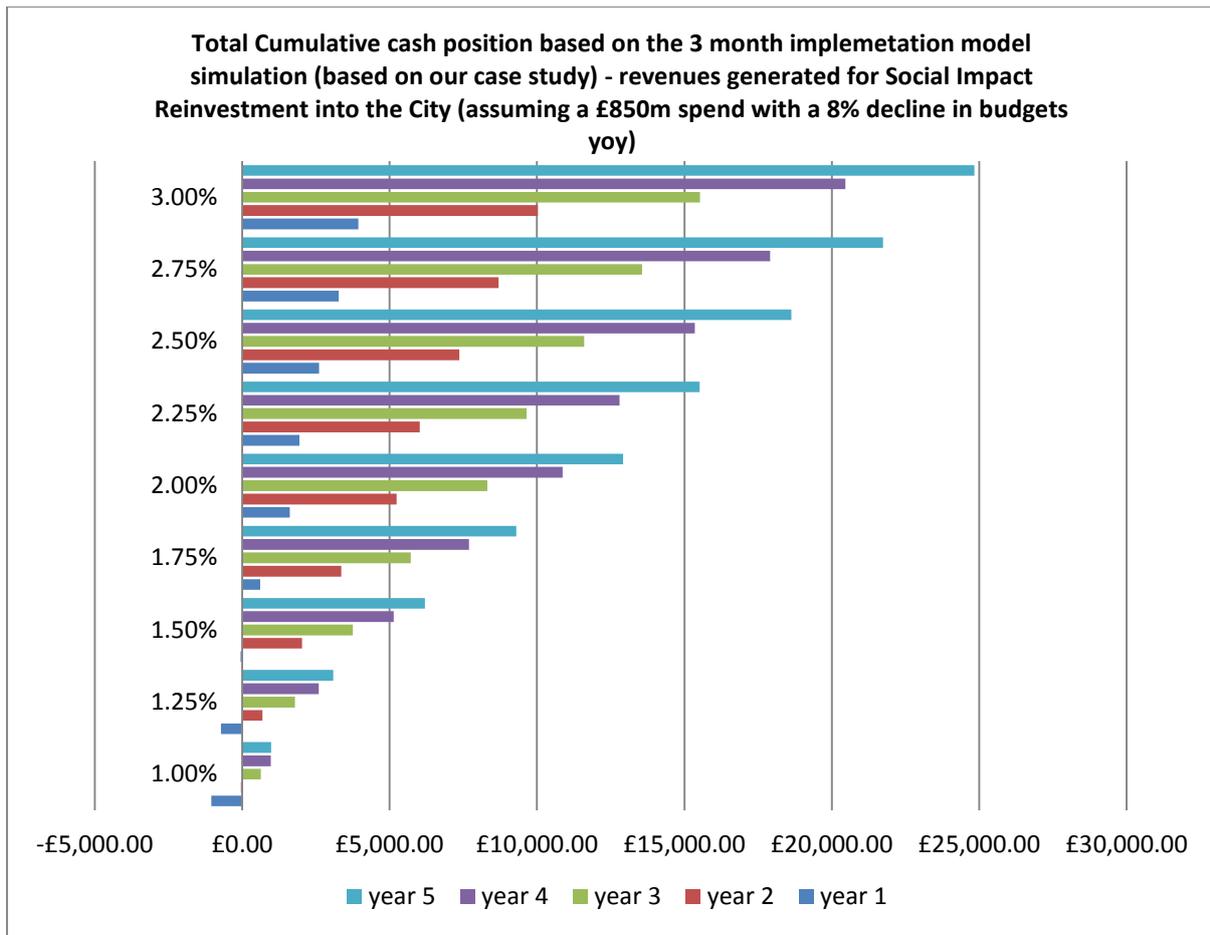
## 22.5 Stress Testing Analysis

We won't labour the point, but we have stressed tested the variables extensively. Here are some of our key findings.

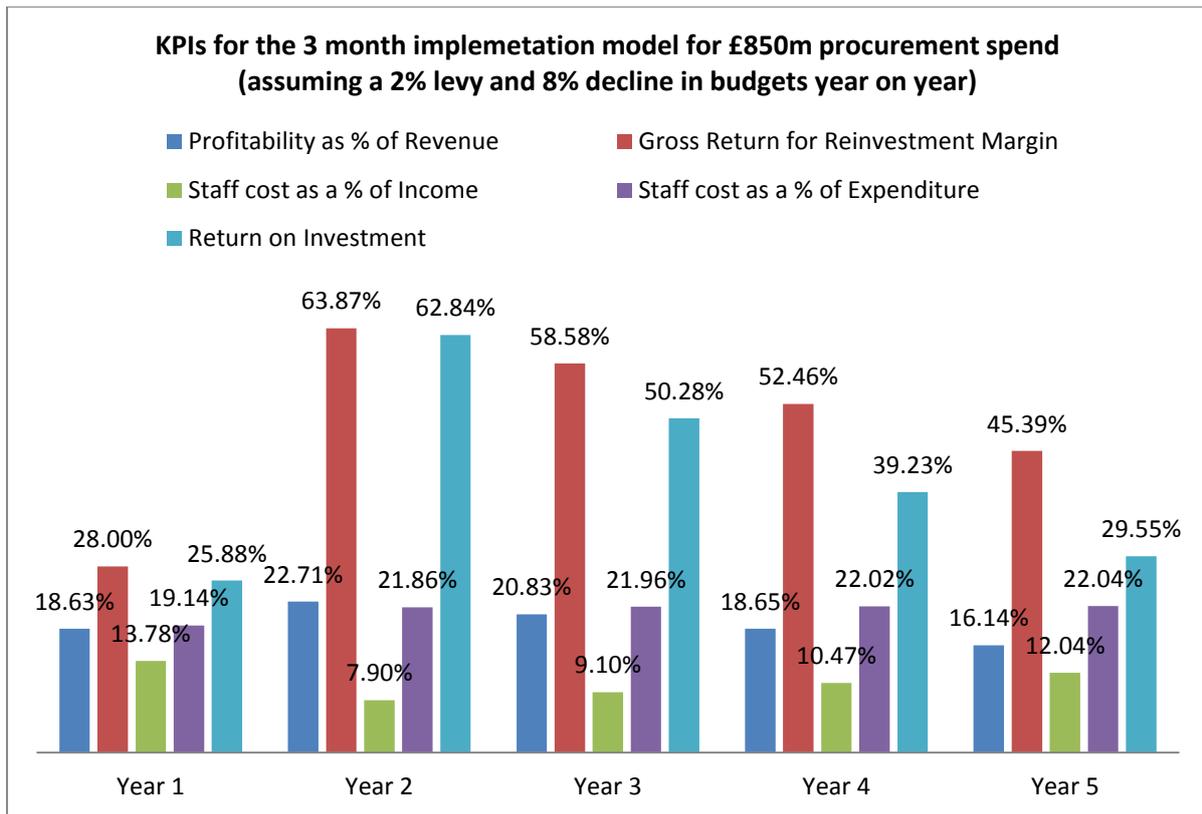
Alterations in Procurement Budget (£UK spent through portal)	
% Decrease in Budget per Annum	% Decrease over 5 years (representative %)
2.00%	9.61%
3.00%	14.13%
4.00%	18.46%
5.00%	22.62%
6.00%	26.61%
7.00%	30.43%
<b>8.00%</b>	<b>34.10%</b>

Procurement Spend simulated (UK£ millions)	Approximately what the simulated spend amount represents of total hypothetical procurement spend (2013/14) as a % of total spend	Test Criteria 1: In a 3 month implementation model, in which month did the cumulative cash flow show a break-even (accounting period)	Test Criteria 2: In a 6 month implementation model, in which month did the cumulative cash flow show a break-even (accounting period)
£750m	58%	11	15
£800m	62%	10	14
£850m	65%	9	13
£900m	69%	8	13
£950m	73%	7	12





3 month Implementation with a 8% budget decline year on year	Cumulative Cash Position for Social Impact Reinvestment to Public Body (£UK thousands)					
CSR claw back levy (% of awarded contract amount)	year 1	year 2	year 3	year 4	year 5	Total
1.00%	-£1,050	-£39.33	£630.20	£966.96	£977.90	£977
1.25%	-£717.6	£691.58	£1,794.25	£2,592.32	£3,086.73	£3,086
1.50%	-£52.14	£2,025.42	£3,756.33	£5,144.95	£6,194.47	£6,194
1.75%	£613.36	£3,359.26	£5,718.41	£7,697.57	£9,302.20	£9,302
2.00%	£1,611	£5,239.15	£8,315.84	£10,867.1	£12,915.5	£12,915
2.25%	£1,944	£6,026.94	£9,642.57	£12,802.82	£15,517.68	£15,517
2.50%	£2,609	£7,360.78	£11,604.65	£15,355.45	£18,625.42	£18,625
2.75%	£3,275	£8,694.62	£13,566.73	£17,908.07	£21,733.15	£21,733
3.00%	£3,940	£10,028.	£15,528.	£20,460.	£24,840.	£24,840



Key performance Indicators for £850m spend on a 3 month implementation plan - with 2% CSR Levy for Reinvestment and 8% decline in budgets year on year						Overall contract values
Basic KPIs	Year 1	Year 2	Year 3	Year 4	Year 5	End of contract
Profitability as % of Revenue	18.63%	22.71%	20.83%	18.65%	16.14%	19.64%
Gross Return for Reinvestment Margin	28.00%	63.87%	58.58%	52.46%	45.39%	52.03%
Staff cost as a % of Income	13.78%	7.90%	9.10%	10.47%	12.04%	10.27%
Staff cost as a % of Expenditure	19.14%	21.86%	21.96%	22.02%	22.04%	21.41%
Return on Investment	25.88%	62.84%	50.28%	39.23%	29.55%	40.93%
Static Current Ratio	2.85	5.05	4.46	3.95	3.49	3.96

## 22.6 Other Public Sector Organisations

To make the proposition truly sustainable it must be strategically and efficiently rolled out to other local authorities. The Social Value Act 2012 is not however limited to simply local authorities or city / borough councils. It is indeed applicable to any public sector service which is involved in both procurement and purchasing obligations, such as National Health Service Trusts, Fire Services, Police Commissioners and Ambulance Trusts. In order to replicate a possible strategic 2 year roll out we have modelled the implementation and associated financial modelling for four strategic cities, namely, Leicester City Council, Manchester City Council, the City of Bristol UA and Glasgow City Council. Following the implementation of many regions differing Social Value agendas it can be appreciated from the financial modelling that significant operational, human resource and technology based costs can be made once the main accompaniment of systems have been fully developed. Being a cloud based technology application with easily refined components; the system can be scaled very efficiently and universally with mild operational alterations to suit the locality in which it will be given.

To keep the financial modelling very simple for the purposes of this case we have ensured that the “Case Study City” Council model anticipates that for 2015-16, 100% of the procurement budget is utilised and spent, with all of it being subject to a CSR levy claw back rate of 2.00% (on each contract regardless of value). It is important that we based the financial modelling on real data and the actual spending patterns of a city council, the identity of which has been redacted for sensitivity reasons and to keep the report anonymous. We have also assumed that this data reflects actual procurement budgets which are broadly similar in size and budget as our case study region, albeit different demographics, and have the same number of bidders or creditors – circa 18,000-20,000. These entities will, as stated in the case study analysis above, have to pay a compulsory measurement fee of £5.00 in the bids process. The budget has been assumed to decline in line with normal post-recession budget agendas of circa 2% year on year giving a five year budget reduction of 9.61% in all non-statutory budgets.

To ensure the programme remains as scalable and sustainable as possible, rigorous feasibility study was conducted using a 5-year rolling analysis. This was designed to factor in the additional growth as more councils adopt the SVA 2012 delivery mechanism. The assumptions for this analysis can be seen at in the appendices. In effect, during the modelling we conducted a basic search of the procurement activities and expenditure of other City and County Councils. These were randomly selected from a list of all councils in Great Britain. Their associated spend per annum (latest publically published data that is available) was used – please see table below.

This case study analysis was then conducted based on an average council spend (for the cohort selected this was UK £220 million per annum per council) and starting with the model we have developed above – taking its implementation programme as a datum for year 1 – we conducted a 5 year growth analysis based on the assumption and growth factors in the table below. Additional councils were added in a linear growth pattern year on year and additional human resource, technology and operational expenses were increased per additional council – as described in the assumptions table (appendix).

In addition to this, we conditioned this financial analysis of our case study to detailed stress testing analysis and used the worst case scenario economic conditions as we did previously for the financial modelling of the programme. These included a £200-£500 million spend by a typical medium to large public sector organisations (within the UK top 50 councils - we assume that this total spend equates to an equivalent of 39% of the absolute total non-statutory spend), with a CSR Levy imposed to implement the SVA 2012 on all commercial contracts at 2% assuming that centralised procurement budgets will decline 8% year on year (31% over 5 years).

The results conclude that with a 3 month implementation plan the programme becomes sustainable and fully scalable for additional councils in year 2 of the modelling – which is the equivalent of 2-3 additional councils with a spend of circa UK £220 million adopting the programme and implementing it within their respective procurement structures. In context the point of inflection is equivalent to a group of 5-6 councils utilising the platform for 65% of their own entire procurement budget for non-statutory services (UK£ 850 million of approximately £UK 1.3 billion total spend).



*For the sake of simplicity, the entire programme becomes self-sustaining over a 5 year period, with a breakeven point within one financial year, if we factor a growth (adoption rate) which is the equivalent of an early adopter Local Authority (based on a UK£4-500 million spend, with a 2% CSR levy and budgets declining at the rate of 8% year on year) + two smaller (who have a combined procurement spend of £350 million with same conditions) implementing the programme*

We can conclude therefore that given the results of extensive stress testing and sensitivity analysis that show that the programme is fully sustainable, and scalable on a national basis, with a point of inflection within one financial year

given the conditions simulated in our analysis. CCEG have extensive relationships with over 150 other public authorities and we will be locating two strategic partners for what we term as the “Early Adopter” City Councils from the results of our modelling experiment - to help with the implementation of this programme to ensure its long-term sustainability.

Local or City Authority	Approximate (for the purposes of modelling) Non-Statutory Procurement Spend (£ millions)	Potential Annual Social Impact Reinvestment Income at 2.0% CSR Levy share - assuming 100% of procurement budget used (£UK million)
Manchester City Council	£600.00	£12.00
Liverpool City Council	£400.00	£8.00
Glasgow City Council	£622.00	£12.44
City of Bristol UA	£502.00	£10.04
Doncaster Metropolitan Borough Council	£301.00	£6.02
Nottingham City Council	£212.00	£4.24
Southwark (London)	£450.00	£9.00
Leicester City Council	£300.00	£6.00
Coventry City Council	£126.00	£2.52
Solihull Metropolitan Borough Council	£119.00	£2.38
Warwickshire County Council	£134.00	£2.68
South Gloucestershire Council	£170.00	£3.40
East Cheshire Council	£140.00	£2.80
North Yorkshire County Council	£330.00	£6.60
Devon County Council	£430.00	£8.60
Worcestershire County Council	£270.00	£5.40
Surrey County Council	£680.00	£13.60
Royal Borough of Kingston Council	£100.00	£2.00
Scottish Borders Council	£104.00	£2.08
Rhondda Cynon Taff Council	£175.00	£3.50
Neath Port Talbot County Borough Council	£180.00	£3.60
Derbyshire County Council	£300.00	£6.00
Sunderland City Council	£161.00	£3.22
City of Westminster Council	£158.00	£3.16
Lincolnshire County Council (partnership of 7 LAs)	£590.00	£11.80
Durham County Council	£195.00	£3.90
Hampshire County Council	£600.00	£12.00
North Lanarkshire Council	£428.00	£8.56

Case Study Year	Year 1	Year 2	Year 3	Year 4	Year 5
Additional Councils signed up (other than the Council in experiment)	0	3	5	8	12
Total cumulative contracts in projected forecast	1	4	9	17	29
Cumulative sum in £UK (millions) of national procurement spend being implemented into social impact analysis	500	1160	2260	4020	6670
Cumulative Increase on non-procurement related income generated as a factor of the equivalent year 1 figures (% expressed compared to year 1 of the Council's contract)	0%	243%	552%	909%	1528%
Additional cost factor for HR as a cumulative incremental factor compared to year 1 (of the Council's figures)	1	1.45	1.825	2.325	3.10
Additional cost factor for Technology and Operational expenses as a cumulative incremental factor compared to year 1 (of the Council's figures) – expressed in cumulative real terms as a growth factor	1.30	1.30	1.76	2.80	3.96

Table showing the approximate conditions and numerical effects of the case study for feasibility testing (sustainability and self-sufficiency for break-even analysis)

Case Study Year	Year 1	Year 2	Year 3	Year 4	Year 5
Additional Councils signed up (other than the early adopter city council)	0	3	5	8	12
Total cumulative contracts in projected forecast	1	4	9	17	29
Cumulative sum in £UK (millions) of national procurement spend being implemented into social impact analysis	500	1160	2260	4020	6670
Cumulative Increase on non-procurement related income generated as a factor of the equivalent year 1 figures (% expressed compared to year 1)	0%	243%	552%	909%	1528%
Additional cost factor for HR as a cumulative incremental factor compared to year 1	1	1.45	1.825	2.325	3.10
Additional cost factor for Technology and Operational expenses as a cumulative incremental factor compared to year 1 – expressed in cumulative real terms as a growth factor	1.30	1.30	1.76	2.80	3.96

## 22.7 The Broader Marketplace

The translation of social value is much beyond the narrow confines of Social Value Act, legislation and procurement. It has uses in a variety of consumer industries and both horizontal and vertical channels. Whilst this is not the focus of this report, we have an eye on the future of one number metrics such as S/E which in the fullness of time will dominate and influence our lives as much as financial value.



## 23 Financing Options

To establish a fully functional and self-sustaining methodology of implementing the key principles of both the Social Value Act 2012 and local procurement strategy, the development of a social enterprise or social impact delivery entity must be funded appropriately. The issue of funding in reality is one of the least troublesome factors in the implementation of SVA 2012. What must be considered are the effects such funding could have upon the sustainability and transparency of the social impact innovation or delivery mechanism itself. Those parties involved must consider the source and associated characteristics of the funding instrument carefully.



*Funding of this initiative is actually the easiest aspect of the planning. Whilst public sector funding will prove difficult, there are numerous private funding instruments which are 100% compatible with the development of a necessarily independent ethical service that has to generate recurring revenues to grow and sustain – a social enterprise to be proud of.*

Unfortunately, although blended solutions would suggest that other sector funding should be easily transferable, in reality, restrictions apply that usually negates this approach. For example, the Better Care Fund (health and social services) has specific attributes within the Care Act 2014 which prohibit its use under the Social Value Act 2012. Issues around independent measuring and monitoring of organisations suggest that internal funding of this operation is not only unlikely due to resource restrictions, which such a service is trying to resolve, but the intrinsic control of the operation via financial ties is questionable. With 20 months having passed since SVA2012 being applicable, no public sector organisation can afford a further 6-12 months to search for elusive public funds.

Funding of this initiative is actually the easiest aspect of the planning, as many similar high tech, social innovation projects have been lavishly funded with little to no speculation involved. Indeed entire industries have been created out of the start-ups that have been funded such as social media, cross-platform instant messaging subscription services, open source data platforms, crowd sourcing and indeed crowd funding itself.

Whilst public sector funding will prove difficult, there are numerous private funding instruments that are 100% compatible with the development of a necessarily independent ethical service that has to generate recurring revenues to grow and sustain. Only then will such an entity be a social enterprise to be proud of and one that practices what it preaches. The past decade has been witness to new methodologies of funding, other than traditional bank loans, venture capital or private equity. The era of the social philanthropist investing heavily in high technology solutions to some of the world's most challenging and wicked issues, the advent of crowd funding and ethical investment has also allowed investment to come from a variety of ethical and transparent sources. This section will give a brief insight into the funding options available to this pathfinder project, with an aim of funding raised and phase one of development implemented within two to three months of an agreement between all parties being established.

It is also important for the reader to appreciate that the source of funding may not originate from one source but may be syndicated from many sources, as is often the case with high technology start ups.

**Standard Business Start Up Loan** – many of the leading national banks such as HSBC, Lloyds and Barclays have a variety of business loans, which can be secured against assets or a contract value, especially given the AAA nature of this as a government backed contract. These typically offer small amounts, Repayment terms between 12 months and 10 years, with the interest rate and repayments being fixed for the life of the loan. These rates can range greatly and the upper borrowing limit is normally a maximum of £1 million. Given the scale of this pathfinder project, we

would seriously doubt such loans would be enough to cover all the funding requirements needed to create a sustainable five-year plan.

**Bridging Loans** – many of the world’s leading social financiers have established specific funds, which operate to identify social innovations and ensure that they are appropriately funded. There are a variety of these lenders who often offer more competitive repayment conditions (interest rates and durations) than most high street financial institutions or banks. They also offer support for the enterprise and the affiliated parties as they typically are backed by philanthropists and experienced business practitioners who can offer advice. The social innovation space has a variety of such funds such as BC Partners (a private equity firm specialising in buyouts and acquisitions financing in Europe and the United States) and Next Generation Investment Group in Switzerland. Given the nature of this AAA public sector enterprise, these funds typically offer £1-5 million and offer blended solutions between equity and a bridging loan.

**Venture Capital and Private Equity** – Venture capital is often the most sought after mechanism in funding a high technology enterprise. In effect it is the financing provided to early-stage companies and the venture capital organisation funds the enterprise. The venture capital firm will aim to recuperate the initial investment plus earning a return by owning a stake or equity in the company.<sup>105</sup> To satisfy the venture capital funds criteria for investment the enterprise, as the one discussed in this document, usually has a novel technology or business model in high technology industry which is protected by intellectual property law and has a proven and scalable model of implementation. The typical venture capital investment can range from £100,000 to £1m in the initial funding stages but this can be significantly higher depending upon the proposition.

Equity investments into social enterprises usually occur via a SPV – special purpose vehicle, a financial instrument designed to allow an independent entity to spin out of any given UK local authority and act as an independent authority. This is an ideal mechanism to mitigate risks away from that local authority and ensure no public sector funds are used, but the choice of venture capital fund must be aligned to the aspirations of the public sector body – for example, international funds which focus on citizenship (Al Gore’s Generation Investment Management). This option would give access to £1-5 million to enable the development of this pathfinder project but the funder would own a percentage share (hence they would have a degree of control over it) and necessary due diligence work would need to be conducted to satisfy the requirements of the fund.

**Invoice Discounting** – Although not a conventional form of funding in the public sector, invoice discounting is defined as the short-term borrowing that many private sector sales-driven entities use to improve their working capital and cash flow position. This is achieved by allowing an enterprise to draw money against its sales invoices – in this case the guaranteed income from a triple A rated government contract. This is commonly used for industries where the gap between making a sale and being paid is too long to sustain the business; hence, invoice discounting allows the entity to borrow short-term amounts before the customer has actually paid. To do this, the business borrows a percentage of the value of its sales ledger from a finance company (examples include Royal Bank of Scotland, Metro Bank and HSBC to name but a few), this can range from 1-80% typically. The loaner will effectively use the unpaid sales invoices as collateral for the borrowing. The disadvantage of this form of funding is that it could reduce the amount of cash the social enterprise generates for Social Impact Reinvestment for the City, the loan would only cover the short term and not make the social enterprise fully sustainable and such mechanisms are hard to arrange in the public sector.

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<sup>105</sup> [www.privco.com/knowledge-bank/private-equity-and-venture-capital](http://www.privco.com/knowledge-bank/private-equity-and-venture-capital)

**Regional Funds and Public Sector Grants** – A variety of public sector funds are in operation, which specifically aim to provide base funding for the benefit of its citizens. Others include Unity Trust Bank, as mentioned above the Better Care Fund and Local Enterprise Partnerships (regional funds). Although ideally suited to the public sector nature of this pathfinder project, they ideally aim to help micro and SME businesses become established in the region rather than an operational unit of a local authority and more often than not have access to funding which would not satisfy the pace and scale of the proposed enterprise.

**Business Angels and High Net Worth Individuals** – An emerging trend has seen private investors become investors, with less emphasis upon financial aspirations but more upon the moral outcomes of their investments. In effect, an angel investor (also known as a business angel or informal investor) is a very affluent individual who provides the start up capital needed for a business to begin its development phase. Instead of the usual interest repayments or contractual obligations, which allows borrowing against a fixed asset, angel investors usually provide funding in exchange for convertible debt or ownership equity – that is to say a percentage stake in the company formed. A significantly increasing number of angel investors form themselves into angel groups or networks (examples include Tech Coast Angels, Investor’s Circle and which allows them to share investments, research and pool their capital into funds. As with traditional venture capital organisations these larger groups allows them to support start ups by providing management support, mentorship and advice to their portfolio of investments.

Although definitions vary in general high net worth individuals (HNWI) are those investors who have investable finance (such as financial assets or cash, excluding physical or primary residence) in excess of US\$1 million and for ultra high net worth individuals (UHNWI) are those with US\$30 million in liquid financial assets. These individuals often bridge the divide of what is considered to be an angel investor and a UHNWI. Examples include Jeff Bazos (founder of Amazon), Aydin Senkut (Felicis Ventures), Elon Musk (SpaceX, Paypal and Tesla Motors) and Dave McClure (500 start-ups) to name but a few. Investments can vary depending upon the investor, often from £10,000-£5m.

**Seed Enterprise Investment Scheme (SEIS)** – There are a variety of investment schemes specifically designed to enable social innovations such as the one proposed in this document to be developed. These typically do not cover financial services but instead would be used in this pathfinder as a means of establishing a self-sustaining platform. The SEIS mechanism would give an organisation access to £150,000 with a 50% tax relief in stage one. This would cover the upfront costs of the building of the social value portal or platform, to enable this to become operational a second stage (termed the EIS) application would need to be drafted to give access to £1-5m with a 30% tax relief.

**Crowd funding** – An increasingly popular way of bypassing the need to go through traditional financial institutions such as the ones described above, is to allow the project to be crowd funded by a variety of individuals. Akin to donations for a charity, the practice of crowd funding allows the founders of a venture to raise monetary contributions from a large number of people, typically via an open platform and advertising the venture on the Internet.<sup>106</sup> Investors in crowd funding have very different motivations to that of traditional financial institutions in that they might invest for a common purpose or cause as opposed to financial gain or indeed they feel they should contribute as they would want to be an end user of the service, project, product, investment, cause, or experience<sup>107</sup>. Well established examples include Kickstarter ([www.kickstarter.com](http://www.kickstarter.com)) and those platforms based more upon social impact and citizenship such as GoFundMe ([www.gofundme.com](http://www.gofundme.com)).

In 2013, the crowdfunding industry grew to be over \$5.1 billion worldwide and these tend to be based on credit, equity or reward. (3) The pace and scale (in terms of finance generated) tends to be minuscule compared to traditional venture capitals and exposes the intellectual property to the public, which may be prohibited by the

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<sup>106</sup> [www.crowdsourcing.org](http://www.crowdsourcing.org)

<sup>107</sup> [www.forbes.com/sites/hsbc/2014/08/05/crowdfundings-untapped-potential-in-emerging-markets/](http://www.forbes.com/sites/hsbc/2014/08/05/crowdfundings-untapped-potential-in-emerging-markets/)

owners, whilst also not being applicable to public sector services as investors can request being made anonymous which would not satisfy the stringent auditing and transparency standards.

**Philanthropy** – Possibly the oldest form of funding in the world, there are numerous UHNWI, national and international foundations, and in the region we studied for our case study this certainly includes Cadbury and Rowntree who readily come to mind. There are many high profile philanthropists such as Bill and Melinda Gates Foundation, Warren Buffet, Rockefeller, etc but many more less well known ones eg. Atlantic Philanthropies. Many Family Offices have allied philanthropy funds.

## 24 Roll Out Strategic Options

There are a number of clear broad choices of how to create the ‘portal’ proposed in this paper, which are examined here, together with their pros and cons. There are a large number of further sub-options or refinements which could be examined in more detail if required.

### 24.1 Strategic Structural Options and Principles

Unless an early adopter local authority, public body or indeed City Councils chooses to manage the process internally (which has a number of serious drawbacks outlined below in this paper) it will be partnering with a 3<sup>rd</sup> party organisation to deliver the social value monitoring and assessment element of its procurement. Indeed, with very substantial cut backs programmed and the move from ‘doing to’ ... to ‘doing with’ partners we cannot see any other way to deliver this. The question arises what kind of organisation can deliver this service outlined in this report?

To have credibility with the respective procurement departments, social enterprise bidders and the wider 3<sup>rd</sup> sector community that this process will support, ‘newco’ will need to understand the issues of social value and giving back to the community. We do not think it could effectively be carried out by, for example, a straightforward IT contractor or large corporate services provider. You cannot have a standard commercial organisation responsible for delivering social value measurements into the public sector; history has shown us that ethics and neutrality are key to governance. Regardless of the precise commercial arrangements between the 3<sup>rd</sup> party and any given LA we feel that this 3<sup>rd</sup> party will need to “walk the walk” of social value and social enterprise by itself being either a:

- a) Charity/Not for profit
- b) Social enterprise for-profit commercial organisation that invests profits to develop the CSR sector

Being a charity or not-for-profit would bring with it significant issues in trading freedoms which impact on sustainability. It is also not a charitable cause as such, nor would it fund itself through grants and donations. In fact the essence of the Social Value Act is to embed good social action in everyday procurement and to move away from philanthropy.



*In any JV with a public sector organisation an agreement to divert 50% of revenues (sales) from a social enterprise to be distributed into the community through third sector development, private sector education and public sector support is equivalent to a not for profit company but without the restrictions of operation and investment required*

The 3<sup>rd</sup> party would most likely be a social enterprise either in the narrow sense (for example a Cooperative or Community Interest Company) or in the wider sense of a commercial organisation run for a social purpose that reinvests its profits. Mutuals and CICs have already become somewhat dated concepts with deliverables which can be matched by a properly constituted for profit commercial social enterprise that agrees to donate its profits to good causes, possibly be a Special Purpose Vehicle set up solely for this purpose. In any option we believe the 3<sup>rd</sup> party would have to deliver local good through sharing a significant portion of its revenues or profits.

*The city Social Value Portal will have several distinct benefits to the Local Authority:*



- *Deliver social value in non-statutory services that most Local Authorities can no longer afford to support*
- *Help to fund and support the broader social strategic agenda for that Local Authorities' Social Charter*

There is the option to transfer some internal team members, if required, to the newco to take out capital costs. Since the team is small normal problems of TUPE<sup>108</sup> are not considered to be a significant issue. What is absolutely clear, however, is that most local authorities cannot deliver the agenda of the Social Charter within the current structure and methodology. It hasn't got the scale, funding, manpower nor expertise to do this alone. Options for the LA are set out below.

#### *24.2 Option 1 - Internally Created System*

The Local Authority (LA) could create its own methodology to quantify social value. Hence the public body would build or commission a system (assumed to be the portal above) to collect and assess social value submissions, either with internal resources or with contractors e.g. IT contractors. The local authority would assess the social value claims of bids and compliance

##### ***Advantages***

- LA would retain complete control of the system
- The system would be tailored exactly to the needs of LA
- LA would own the intellectual property

##### ***Disadvantages***

- LAs lack of experience in global standard social value methodology
- High risk of falling foul of procurement law
- IT development risks
- Up front IT cost or use of internal IT resources
- Possible delays as LA learns by experience and iteration
- LA management time on assessment and compliance
- A tailored solution means no cost savings from scale – i.e. from any other councils

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<sup>108</sup> Transfer of Undertakings

### 24.3 Option 2 - External Contractor – Payment

Here the Local Authority would contract 3rd parties to do some or all of following: create globally standard social value assessment methodology OR buy licence for such methodology; build and manage the portal; assess SV aspect of bids and compliance.

#### ***Advantages***

- The local authority would retain complete control of the system
- The system would be tailored exactly to the needs of public body
- The local authority would own the intellectual property (subject to a suitable contract)

#### ***Disadvantages***

- Potentially high up front cost
- Very limited number of bidders who could provide the entire solution, therefore it may require issuing tenders for each part of the process, with integration risks
- Reduced risks of procurement law errors but LA still need to be an “informed customer” as ultimately the public body would remain responsible
- LA management time on assessment and compliance
- A tailored solution means no cost savings from scale – i.e. from any other councils

### 24.4 Option 3 - Third Party - Commission

A 3rd party creates the methodology, builds and manages the portal, assesses the Social Value aspect of bids and compliance. In return the Local Authority pays a flat fee or % commission on each tender assessed. This commission should in theory be absorbed by the bidders out of their profits. The level would be subject to negotiation but would probably need to be less than 3% or less to avoid increasing procurement costs significantly. In addition either the 3<sup>rd</sup> party or a department internal to the public sector body could take a further % commission to support a fund for non-statutory services in the locality. The 3<sup>rd</sup> party would own the intellectual property and would be free to offer the portal to other public bodies, which would help spread the costs of creating the portal.

#### ***Advantages***

- Simple
- No up-front cost for LA
- No on-going cost to LA
- Risks of cost overruns lie with the 3<sup>rd</sup> party
- No LA management time on assessment and compliance

- Reduced procurement risks, in particular if the portal became a widely used standard

### *Disadvantages*

No up-front cost to the local public sector organisation, except the potential £50k integration fee, but would likely cost more in commission as risk and reward need to be aligned for the 3<sup>rd</sup> party

## 24.5 Option 4 - Gain share

In this scenario the public sector organisation works with a 3<sup>rd</sup> party to develop the methodology, portal, assessment services, which could be sold on a commission/payment model to other councils. Hence the public authority or council would have no IP or equity but take a share of the 3<sup>rd</sup> party profits from sales to other partners.

### *Advantages*

- Reduced procurement risk to the public sector body
- No up-front cost to the adopting institution
- Possible upside for Local Authority if goes nationwide

### *Disadvantages*

- No up-front cost but commission to 3<sup>rd</sup> party would have to be significantly larger to compensate the 3<sup>rd</sup> party for the loss on the gain share
- Profits from the portal sales to other councils are as yet unproven and uncertain. In a worst case scenario the public sector organisation could end up paying more commission for no actual benefit.
- LA / public body management time spent on development
- Potential reputational risk from perceived conflict of interest

## 24.6 Option 5 - Special Purpose Vehicle/Joint Venture with 3rd Party

In this scenario the public sector organisation could work in a Joint Venture with a 3<sup>rd</sup> party to develop the methodology, portal, assessment services which can be sold on a commission/payment model to other councils. The local authority and the 3<sup>rd</sup> party would set up a Special Purpose Vehicle (a standalone company) which would hold the intellectual property for the portal. The equity split between responsible public sector commissioner and the 3<sup>rd</sup> Party would need to be agreed but as the 3<sup>rd</sup> party would likely to be doing most of the work they might be expected to claim a majority stake. The Local Authority might be expected to jointly fund the project, unless it could independently raise funding.

### *Advantages*

Possibly reduced procurement risk by sharing development with experienced 3<sup>rd</sup> party however the public sector organisation is closely involved in the portal so would not be able to argue the portal is an independent arms-length organisation

Possible financial gain back to the public body - if portal was taken up by other councils or public institutions

### *Disadvantages*

- There may be an upfront cost to the public body in joint funding the SPV
- Time taken to set up and fund the SPV
- Reputational risk to public sector organisation who adopt this process if portal is unsuccessful
- Profits from the portal sales to other councils are as yet unproven and uncertain. In a worst case the public organisation could end up receiving no benefit in return for its investment of money and management time.
- Significant management time spent on development and managing the joint venture

## 24.7 Strategic Options – Conclusion

Each of the options above has advantages and disadvantages. If implemented correctly all options have the potential to maximise the social value for any given example of a local Authority; work with that LAs other CSR initiatives; and enable it to put their social value and social responsibility strategy, as an objective measure in it procurement process.

The following matrix rates the options against what has been assessed as the key requirements for the Local Authority.

	Internal	Contractor - paid	3 <sup>rd</sup> Party – commission	Gain share	Joint venture
Minimise the risk of legal challenges	No	Maybe	Yes	Yes	Maybe
System compliant with SV best practice	No	Maybe	Yes	Yes	Yes
Scalable and sustainable	No	No	Yes	Yes	Yes
Minimal up front and running costs	No	No	Yes	Maybe	No
Minimal management time	No	Maybe	Yes	Yes	No
Generate income for non-statutory services	No	Maybe	Yes	Maybe	Maybe

As can be seen an internally generated solution would not meet any of the requirements for the commissioning public sector institution. It has the maximum risk and by creating a bespoke service gives the least opportunity of spreading the cost with other similar organisations.

Bringing in paid contractors may meet some objectives but this would depend on the Local Authority being a knowledgeable customer in the area of social value legislation and everything working on time and to budget. It therefore still carries significant risks. The costs of building and managing the system might outweigh the possible benefits.

Using a 3<sup>rd</sup> party on commission to build and manage the portal described above is the solution most likely to meet the objectives as it passes all costs, risks and management time to the 3<sup>rd</sup> party. An early adopter local authority would pay a commission but this is likely to be less than the cost of building and manning its own bespoke portal because the 3<sup>rd</sup> Party's costs could, potentially, be spread over several customers.

A formal gain share agreement is also attractive. It has most of the benefits of the 3<sup>rd</sup> Party commission model but with some potential upside for the adopting local authority. The terms would be for the two parties to agree but it is a truism that risk and reward tend to go together, therefore it is likely that the public body would be expected to contribute management time, larger commissions and potentially money for the creation of the portal. This might outweigh the extra revenue for the non-statutory services. An alternative form of gain-share agreement might simply see the fees reduced for the local authority as and when other public bodies signed up to use the portal.

A joint venture is the most involved version of gain-share with the local authority, providing significant upfront costs and management time, albeit for a larger potential upside. By involving itself directly in the portal, the public sector institution or commissioner could reintroduce some element of legal risk –as it would no longer be an arms-length service provided by an independent expert.

Unfortunately many local authorities have experience of all kind of roll out options and current financial predicaments have pointed to solutions that may be less favourable. In the areas we have conducted our case study analysis media reports have shown that examples of such relationships often culminate in differing outcomes – as can be seen with The Capital<sup>109</sup> and Matrix<sup>110</sup> suppliers are opposite ends of the spectrum but have drawn attention.

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<sup>109</sup> Birmingham Council could tear up Capital £345,000-a-day IT deal with just 12 weeks notice, Birmingham Mail (3<sup>rd</sup> March 2014)

<sup>110</sup> Councils tendering care contracts case by case in online 'auctions', The Guardian (27<sup>th</sup> August 2014)

## 25 Risk Assessment

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Recommendations have been made to any public sector organisation who hopes to adopt these solutions. This is relevant for a range of strategic options in relation to the identification and measurement of social value as part of the commissioning and procurement of public services. Whilst a robust business case has been proposed, consideration of the conceptualisation, strategic implementation and operation of the digital platform/portal draws attention towards a range of risks. These risks require detailed consideration and management. The following are the key risks which emerge from this report which have been independently reviewed. Suggested interventions which might ameliorate these risks are included. It is noted that in order to align with the spirit of the social value agenda, both the risk assessment and management options will require consultation, input and buy-in from key stakeholders.

<< Responses in red >>

### 25.1 Conceptual Risks

#### **25.1.1 Sustaining an approach which goes beyond the stipulations of the Public Services (Social Value) Act 2012;**

The Platform and Social Value Portal need to demonstrate their capacity to be sustainable, but also flexible to changes in the landscape surrounding CSR and legislation. Market testing has taken place to ensure that the platform is appropriate for the current market, but future proofing and sustainability need to be demonstrated.

<< Agreed: a separate business plan will need to be drawn for the funding which will demonstrate this >>

#### **25.1.2 Identification and engagement of Stakeholders, with open, meaningful and purposeful relationship-building;**

This report has observed that, whilst several established corporate and social enterprise networks exist in addition to business initiatives that directly attempt to harness networks for social gain, there could be a need to enhance this further. On a related point, are the capacities of third sector organisations built for such collaboration?

<< Agreed: a large part of offering includes capacity development for third, private and public sector organisation; we consider this to be key to the success >>

Whilst the Social Value Portal (launched/launching 1/10/14) exists to bridge this gap and become a hub of social value and creating a virtual meeting place, work will still need to be done to raise awareness of its existence (and value). A PR/Promotion strategy is suggested to accompany the launch of the proposed platform, which will serve to educate and raise awareness of the value of creating cross sectorial partnerships and networks. Challenges exist with these promotional aspects however, due to limited funding and perhaps making use of cost efficient social media campaigns would be worth considering, or even commissioning a ‘student’ project within one/all of the local universities.

<< Agreed. We have now appended details of such a campaign and incorporated funding for it >>

### **25.1.3 Ensuring clarity of communication with agreed parameters for definitions and terminology;**

The language of CSR/Responsible Business/Ethical Business/Social Value/Social Impact is complex and often terms are used interchangeably which serves to confuse/bewilder and also belittle the area. A clear and consistent language needs to be established within the project which is transferrable between all stakeholders and allows for the agreement of definitions to ensure that ambiguity is significantly reduced.

<< Agreed: we anticipate the use of a single metric between all parties will help to articulate a common language >>

### **25.1.4 Building a reputation for CSR in the City and by its Council**

Whilst some Local Authorities already go beyond the detail of the Act, it doesn't yet evidence compliance with any of the existing frameworks, e.g GRI-4, but is expecting others within the city to do so. Without at first seeking guidance and support from experienced professionals to support a cultural and systemic change, the Council may be leaving itself open to scrutiny if it chooses to award 10% or 20% of the scoring for a tender on the basis of a company's commitment to social value, as suggested within this document. Assuming that most competitive tenders will be won by a margin of less than 10-20%, this means that social value could be the deciding factor in awarding tenders, so the Council need to reflect this importance through their own existing business practices.

To underpin the implementation of this platform and in aiming for the case study to be 'a destination for CSR', the Council must become a role model within the city, emulating best practice in all operational aspects, or risk undermining their aspirations. This change could present an excellent opportunity for public sector improvement and the Council could support other regional authorities through cultural transitions of a similar nature on successful evolution.

<< Agreed: we have now added leadership development, public sector capacity development courses and MOOC certificates. >>

### **25.1.5 Resistance: Whilst the City councils in question are committed to socially responsible and ethical practice, the private sector may need convincing that capitalism is not the backbone of business which could undermine the localities ability in becoming a destination for CSR**

Despite the growing evidence that forward-thinking businesses may benefit from social impact the private sector may still need convincing that social value is a strategic investment with a measurable ROI. To go beyond the philanthropic approach still adopted by many organisations, private sector organisations in the city may require tangible evidence that (their) customers and supply chains are demanding more responsible practices in order to facilitate a cultural change away from 'profit is king' mentalities.

The fact that many types of City Council have already begun to make some headway to address this risk through the Procurement Strategy or its Business Charter for Social Responsibility, sends a clear message that responsible business is the way that particular locality operates. This can be enhanced by partnerships with Universities to make use of education to develop an understanding of the evolution stages of Business Responsibility and how adopting a social responsible business strategy may be good business sense. Indeed a proposal within this document suggests "adoption of an online certification system allied to the issue of authenticated certificates and a capacity development component for those who wish to further their understanding before/after the award or to improve their processes. These kinds of courses have already been developed under the generic MOOC title".

However, a clearly articulated, consistent approach is required to build impetus towards a culture which values social outcomes in addition to financial. As such stage 2 ‘corporate engagement’ of the proposed implementation becomes critical and it will be vital to ensure consultation takes place with representatives (from all sectors and business structures) of the private sector within the city.

<< Agreed: we have substantially strengthened the private sector offering including working with private sector groups (for example CSR agencies like CSR City, Thrive, etc) >>

## 25.2 Strategic Risks

### 25.2.1 Establishment of committed buy-in from all stakeholders at all levels:

- **At the level of the Board and SMT Including CEOs, COOs, CFOs, Directors, NEDs, Investors etc., to identify, engage with and commit towards the strategic collaborative advantage of embedding social value and creating/maintaining/developing social impact;**
- **At the organisational level, where front-line staff, managers, clients, beneficiaries interface.**

This will require a sensitive approach to encouraging change within organisations, convincing these organisations through publicity and network events and education that CSR should be part of their strategic agenda and reflected throughout organisational structures. This presents particular challenges as many organisations may also need the cultural shift that many types of Council also need and such transitions take time, perhaps longer than is given within the implementation plan.

<< Agreed: we accept behavioural change is a marathon and not a sprint. The Social Value Act, however, has now been law nearly 20 months and the Council’s Procurement Strategy / Social Charter over 17 months. In addition the funding gap for the Council is an imperative making ‘doing things slowly’ not an option >>

### 25.2.2 Aligning social priorities to meet the differing foci of the wards within a council structure

Failure to meet the many and varied social needs within the city could undermine local authority’s social agenda and the investment in the 2014 Pathfinder Project. As identified in this document an issue highlighted is that locality for many city councils this involve a number of target wards, not a single one. There are conflicting foci in these wards (as highlighted on page 89). At present S/E deals with only one locality at a time, which could cause unrest and dissatisfaction amongst communities and questions of equity of social impact. Therefore KPI’s will need to be carefully constructed and their impact accurately measured. It is understood that ‘a multiple locality academic framework and attending algorithm has been developed’, but this needs to be tested before launch. This is a recommended action.

<< Agreed: Council’s require this and this needs development and testing over the next 6 months >>

## 25.3 Operational/Technical Risks

### 25.3.1 Opportunity to transfer staff to an external support business which delivers the above commensurate with staff reduction plans may be unpopular with staff

There is a risk, if not carefully handled by HR department that, staff may be coerced or forced to transfer to newco, which undermines the principles of responsible business.

<< Agreed: in addition there are TUPE considerations however the staff number within the CSR team is less than half a dozen and this can be managed sensitively and on an individual basis >>

### 25.3.2 Legal Robustness of the outlines proposals

With the growing legal minefield and conflicts between EU/Local legislation, will the platform be robust enough to protect the Council? The platform proposed has been market tested and the design team included several lawyers who have advised that there is significant robustness in the platform to reduce potential discrimination and other legal pitfalls. In light of potential changes in Government and emerging legislation that this area will continue to evolve it is suggested that legal consult remains part of the project and implementation team as well as part of the on-going impartial advisory board.

<< Agreed: we have tripled the legal budget to accommodate this >>

### 25.3.3 Ensuring that the Platform Developer is selected on an appropriate basis to maintain integrity of the project

Quotes for the platform are included in the appendices and it is suggested that the 4 organisations ensure that they are selected on the basis of the principles of this project, in terms of their own social value.

<< Agreed: but as with the proposed methodology for bidders forecasting social value across the contract cycle is key to monitor contribution against agreed delivery. What we don't want is for 'good' companies to become more saintly and 'bad' companies not to be rewarded in changing their ways. This is a tool for transformational change.

### 25.3.4 Technical Alignment with existing systems and transitioning to new platform

Compatibility should be taken in to account as is ease of transition between systems and this should be part of the design and implementation of the project.

<< Agreed: the new platform has to be a scalable and sustainable enhancement of the existing methodology, complimenting it, not replacing it >>

### 25.3.5 Safety of Data/Back up Data/System Downtime and outage

With any dependency on technology there exist risks with regard to impromptu system outage, so a regular back up of data is suggested to mitigate losses. Further key risks relate to the wealth of data stored within the system and a robust strategy for data protection and management must be implemented as part of the project. It is suggested a policy document on data management/storage is agreed between parties.

<< Agreed: this will be incorporated in the business plan >>

## 25.4 Financial Risks

### 25.4.1 Financial Alignment: There may be potential resistance to the levy which could be considered as 'profit' to the chosen public sector organisation

With a limited budget (only c. UK£ 50k) there is a need to obtain a recurring revenue to maintain the delivery of the service, as such it is suggested that a levy of 2% on successful contracts, as well as a modest fee of UK£ 5 per impact analysis for those preparing a quote to simplify the process is charged. 'The 'profits' from which will be used to cover:

- Running of S/E IT platform
  
- Funding Social Business Hub+ or satellite agent to measure and on-going monitoring
  - Funding of private sector marketing campaigns and training support
  - Funding of third sector marketing campaigns and training support
  - Funding of the public sector marketing campaigns and training support
  - Funding of Council's commissioned agent
  - Recovery of costs of local Social Value development'

However, there may be resistance from the business community to this additional charge, which could impact of the projected 'profit' the chosen Council is likely to receive. Also, resistance from those organisations considering a tender, or in a clear position to tender, that can already evidence social value creation etc. e.g. Third Sector organisations and social enterprises etc. and may feel a payment to assess this or for this to be evidenced to the Council or Public Body despite it being indicative their practices – this may prove unpopular.

A further risk relates to that of alienating potential suppliers from these sectors, certainly the latter of which are more likely to be MSMEs and therefore 'cost sensitive' as well as 'reputation sensitive' and simply cannot/will not pay additional charges. As such the proposed Council could lose tenders from those who are most likely to make the greatest social impact. A clear communication strategy will be needed to ensure that the transparent redistribution of these 'profits' is understood by businesses within the city in order to temper any potential resistance/negativity. Likewise, there may be an artificial increasing of tenders to offset the levy, which is perceived as likely. However, this is generally mitigated by the 5-10% of contract value adding social value to that area.

<< Agreed: first, although businesses are reluctant to pay for intangible benefits such as Health & Safety, Investors in People, CSR reports etc inevitably they do as the profit motive drives them to adhere to better practices. Secondly, the 2% levy will be included in their CSR contribution 'cash' bucket so it is not wasted money. Thirdly, it is correct that even the worst case scenario where a 2% increase in the bids could result in a 20% social impact so removing the cash burden on all public sector bodies or local authorities to deliver the same into the community. We have provided mechanisms or smaller value tenders or SME fees get subsidised by the larger corporation. Finally, the third sector has operated in the environment of impact measurement for at least the past 6 years when grant funding is highly competitive and they have been forced to demonstrate their value to social investors >>

### 25.4.2 Capital Funding

The detail of the Report indicates that the fee (revenue raising) structure entails any Third Party Newco, raising £5m to cover the project costs. This funding may be identified and accessed through conventional financial markets or may draw upon the emerging social investment opportunities available in the UK and Europe. However, in order to access social investment, Newco. would itself be required to evidence social value creation, and may need to be formally constituted as a social business e.g. social enterprise as a CIC or other legal form.

<< Agreed: part of the business plan considerations that needs to follow. Indeed, in constructing this report we are grateful to the input of several CIPFA members in the financial modelling and reference compliance with the third edition of their “The CIPFA FM Model: Assessment of Financial Management in Public Service Organisations – Statements of Good Practice” >>

## 26 Recommendations

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We wish to resist a prescriptive list of recommendations although there is much that has become evident to us during this investigation. These are pertinent to any public sector organisation which has no formal system in place regarding implementation of the SVA 2012. Indeed there is no publically available data of any such public sector organisation having a system similar to the ones outlined in this report to date. We would prefer to suggest some direction as to the best way forward based on our research and experience in Social Value.

**(i) Do nothing – carry on as before**

We cannot see how this is a viable option. First, the existing manual systems in place in many Local Authorities, Councils or other public sector organisations cannot be scaled and is not successfully penetrating the extensive supplier lists that are in place at such institutions. It may be considered good in its limited way, but not fit for purpose. Neither does it answer the growing community funding deficit in many types of Council as a result of central government cut backs.

**(ii) Incremental enhancement of the current offering**

This is very attractive conceptually, and one that many types of Council may consider through the commissioning of this report. What we have discovered, however, is that all parts of the system are linked and it's not possible to tinker with one component of the existing solution without having to pay attention to the whole – for example introducing social value criteria in tenders cannot be done without a robust assessment system.

**(iii) Abandon local solutions and helicopter a solution from somewhere else**

Not only does it ignore local development and provenance built over a number of years, but there is no mainstream approach elsewhere we can recommend; this is a completely new industry with little history. The idea with Social Value is to have it embedded in communities to serve their needs, not the needs of the private sector by yet another private sector provider.

**(iv) Blend existing with the new**

This is our recommendation, to adapt existing values with new scalable solutions in CSR and become a pathfinder not only in the UK but internationally. This report has highlighted our recommended path to satisfy all the criteria given to us.

### Timescales

Given a target of the new financial year starting April 2015 for launch of any new solution, and that any substantial solution will take 6 months to implement, our recommendation here is as follows:

- Immediately signal to the adopting public sector organisations Cabinet that a preliminary briefing document will be submitted.
- Meet the CCEG team - November-December 2014.
- Following Cabinet - convey a preliminary feedback to CCEG in order to revise the proposal detailing the direction the public sector organisation wishes to go.

- Invite detailed newco business plan for November-December 2014 for consideration.
- The Public Sector Organisation who wish to progress - will sign off implementation by or within December 2014 with an existing commissioned agent of the Council / Public institution who will be



*Given that the commissioned agent will be responsible for social value measurement and creation, it is not feasible for the commissioned agent to be a traditional private sector provider who itself will be the subject of the Social Value Act.*

## 27 Authors and Advisors

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The Centre for Citizenship, Enterprise and Governance is grateful to the support and contributions from the following people.<sup>111</sup>

<b>ACADEMIC</b>	<b>PUBLIC</b>	<b>THIRD</b>	<b>PRIVATE</b>
Sajin Abdu	Prof Christine Bamford	Guy Battle	Joel Blake
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Sarah Digby	Amardeep Singh	Bahar Gidwani	Vicky Sargent
Dr Inge Hill	Dr [REDACTED] <sup>112</sup>		Philip Sweet
Rani Kaur			Kirk Williams
Abhijith Nair			
Adrian Pryce			
Priyanka Rajdev			
Prof Olinga Ta'eed			

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<sup>111</sup> Some of the views expressed in this report are personal contributions and may not necessarily convey the organisations they represent. As a report – those City Councils, Public Body, Public Sector Organisation or Local Authority members have no obligation to accept or adhere to any of the advice given.

<sup>112</sup> Redacted for sensitivity

## 28 Access to More Information

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### 28.1 Case Study

- Infogram of report <http://ow.ly/Bsr9Y>
- Intro video (part 1) <http://ow.ly/BALSM>
- Intro video (part 2) <http://ow.ly/BqrbK>
- Implementation <http://ow.ly/Bgx2d>
- Case Study pilot <http://ow.ly/BgxpJ>
- An exemplar support agent [www.cultiv8solutions.com](http://www.cultiv8solutions.com)

### 28.2 Social Earnings Ratio

- Prezi introduction <http://ow.ly/BgvR9>
- Timeglider history <http://ow.ly/Bgw1S>
- Online course <http://cceg.edcastcloud.com>
- Jorum <http://ow.ly/BgzZU>
- Application 2% Law India <http://ow.ly/BgAOc>

### 28.3 Further Support

- Consumer brands [www.brandanomics.com](http://www.brandanomics.com)
- Public sector [www.bigredsquare.com](http://www.bigredsquare.com)
- Listed companies [www.sii2000.org](http://www.sii2000.org)
- Social Value Portal [www.socialvalueportal.com](http://www.socialvalueportal.com)

### 28.4 Related Media

- Vatican Video <http://ow.ly/BgAwB>
- Vatican Interview <http://ow.ly/BgACg>
- Vatican coverage <http://ow.ly/BgB1J>
- House of Lords <http://ow.ly/BgBqT>
- Institute of Financial Services <http://ow.ly/BgBI6>
- London Guildhall <http://ow.ly/BgBQK>
- The Dorchester <http://ow.ly/BgCmD>



## 29 Contact

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	<a href="http://www.cceg.org.uk">www.cceg.org.uk</a>
Twitter	<a href="https://twitter.com/theCCEG">@theCCEG</a>
Facebook	<a href="https://facebook.com/TheCCEG">facebook.com/TheCCEG</a>
YouTube	<a href="https://youtube.com/TheCCEG">youtube.com/TheCCEG</a>
LinkedIn	<a href="https://linkedin.com/company/centre-for-citizenship-enterprise-and-governance">linkedin.com/company/centre-for-citizenship-enterprise-and-governance</a>
Google+	<a href="https://plus.google.com/+CcegOrgUk">plus.google.com/+CcegOrgUk</a>
Blogspot	<a href="https://thecccg.blogspot.co.uk">thecccg.blogspot.co.uk</a>

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Programme Board, Healthy Villages, Birmingham Community Healthcare Trust  
Non-Executive Steering Committee and Chair of Advisory Board, Social Value Portal

## 30 Financials

### 30.1 Assumptions Tables

The generic list of overarching assumptions in the financial modelling of can be seen below. The model allows for each factor to be adjusted year on year in the context of expenditures and potential revenue.

INCOME COMPONENT	ASSUMPTIONS with respect to changes year on year
2.00% CSR agreement	linear with reduction in budget yoy
Compulsory Charges on Bid Measurements	Constant
Corporate CSR Improvement services	15% growth yoy
Licenses / Joint ventures	30% growth yoy
Compliance/ verification	30% growth yoy
Dashboards, KPI services	15% growth yoy
Kite marks and other related metrics	30% growth yoy
Audit and compliance service	25% growth yoy
Data mining service	15% growth yoy
Benchmarking and matching services	20% growth yoy
CSR education and Training services	20% growth yoy
Metrics / KPI consulting services	20% growth yoy
Newsletters	10% growth yoy
Periodicals	10% growth yoy
Consulting for compulsory services	15% growth yoy
Consulting for supplementary service	15% growth yoy
Social media and public sector applications	10% growth yoy
Social Impact levy per head	A one off payment for public sector per head, based on total population

Reinvestment Earnings before finance cost	EBITDA based on 3rd party commission share model
CSR Reinvestment Earnings less tax	Corporate tax - at 21% linear charge
CSR Reinvestment Earnings less depreciation and amortisation	Assuming a linear decline of 10% yoy
Net Cash Position for CSR Social Impact Reinvestment	

HUMAN RESOURCE COST	year 1 (£UK thousands)	ASSUMPTIONS
Chairman	95.00	5% increase year on year
CEO	78.00	5% increase year on year
COO	65.00	5% increase year on year
CFO	65.00	5% increase year on year
CTO	60.00	5% increase year on year
Director of Education	55.00	5% increase year on year
Director of Analytics /Informatics	50.00	5% increase year on year
IT Technology manager	40.00	5% increase year on year
IT Administrators x2	66.00	3 administrators - 22K each 5% increase year on year
Finance team members	40.00	5% increase year on year
Business Development Director	45.00	15% increase if on target
Business Development Executive	25.00	25k base - 15% increase if on target
3rd Sector Relationship Director	50.00	5% increase
Corporate Engagement Director	50.00	5% increase
Marketing Communications Director	50.00	5% increase per year
Marketing Communications Manager	35.00	5% increase
Web Technician x2	50.00	25K each at 5% increase per year
Personal Assistant	19.00	5% increase per year
Secretary	26.00	5% increase per year
National Insurance at 7.5%	72.30	5% increase per year
HR growth - 15% contingency		assuming one additional recruit at 15% of total spend

TECHNOLOGY EXPENSES	ASSUMPTIONS with respect to changes year on year
Hosting Server/ Software / Cloud infrastructure	linear cost growth - 10%
R&D / Software development and maintenance	Initial software development, maintenance 40% initial cost with - growth 5% yoy
Mapping / GIS / Algorithmic programme	linear thereafter
API and 3rd party feeds	linear growth cost 15%
SV Platform and procurement platform Integration	linear decreasing at 20% yoy
Third sector web portal	linear growth cost 15% after initial development cost (50% of upfront cost thereafter)
Digital Democracy portal	linear growth cost 15% after initial development cost (50% of upfront cost thereafter)
Private Sector web portal	linear growth cost 15% after initial development cost (50% of upfront cost thereafter)
Public Sector web portal	linear growth cost 15% after initial development cost (50% of upfront cost thereafter)
Online technical support	linear growth cost 10%
Web presence and content management / email marketing	linear cost growth 10%
Related IT hardware	linear cost growth 10%
Related IT maintenance costs	linear cost growth 15%
IT security	linear cost growth 15%
Factor 10% contingency	To cover increased hardware / software costs or project management risks in development phase

OPERATIONAL EXPENSES	ASSUMPTIONS with respect to changes year on year
Office and premises costs	increasing at 5%
Service delivery - CSR discharge	increasing at 10%
Education / training execution	increasing 5%
Travel and hotels	increasing at 15% - includes company cars, travel and stay
Marketing and Brand management	increasing at 10% year on year - includes marketing, sales and engagement using all channels
Consultancy / Academic partnership fees	increasing at 10 % per year
Telecoms mob / ipads	increasing at 10%
Subsistence	increasing at 5%
Sundries	5% growth year on year
Insurance	increasing at 5%
Transaction / bank charges	assuming 2% growth yoy
Legal costs	increasing at 7.5%
Account audits	increasing at 5%
Repayment on 5 year Loan with interest	Repayment on £UK5m VC loan over 5 years with 10% interest rate 10%
Other intangible costs	increasing at 10%
Factor 10% contingency	To cover unforeseen costs, man power, exceeding budgets or deadlines, adverse events or project management risks

Financial costs and Business Modelling components	ASSUMPTIONS with respect to changes year on year or numerical effect on amount
Reinvestment Earnings before finance cost	EBITDA based on 3rd party commission share model
CSR Reinvestment Earnings less tax	Corporate tax - at 21% linear charge
CSR Reinvestment Earnings less depreciation and amortisation	Assuming a linear decline of 10% yoy
External contractor option (25%)	Ratio as discussed in business models – Provider: Council share of 75%:25%
Licence agreement option (20%)	Ratio as discussed in business models - Provider: Council share of 80%:20%
Commission 3rd Party	Ratio as discussed in business models - Provider: Council share of 50%:50%
SPV under 3rd Party (40% return to LA)	Ratio as discussed in business models - Provider: Council share of 60%:40%
Gain Share 1% SPV: 0.5% LA	Ratio as discussed in business models - Provider: Council share of 66%:33%
Council : Social Value Party agreement (50:50) - less Expenses and capital costs	Ratio as discussed in business models - Provider: Council share of 50%:50%

### 30.2 The Numbers – Worst Case

100% of contracts @ 800M						
2% budget decline YoY	Income (£UK thousands)					Contract Total
CSR claw back levy (% of awarded contract amount)	year 1	year 2	year 3	year 4	year 5	
1.00%	£2,649.00	£5,236.65	£5,186.51	£5,148.94	£5,126.60	£23,347.71
1.25%	£3,274.00	£6,461.65	£6,387.01	£6,325.43	£6,279.56	£28,727.66
1.50%	£3,899.00	£7,686.65	£7,587.51	£7,501.92	£7,432.52	£34,107.61
1.75%	£4,524.00	£8,911.65	£8,788.01	£8,678.41	£8,585.49	£39,487.56
2.00%	£5,149.00	£10,136.65	£9,988.51	£9,854.90	£9,738.45	£44,867.51
2.25%	£5,774.00	£11,361.65	£11,189.01	£11,031.39	£10,891.41	£50,247.46
2.50%	£6,399.00	£12,586.65	£12,389.51	£12,207.88	£12,044.37	£55,627.41
2.75%	£7,024.00	£13,811.65	£13,590.01	£13,384.37	£13,197.33	£61,007.36
3.00%	£7,649.00	£15,036.65	£14,790.51	£14,560.86	£14,350.29	£66,387.31

4% budget decline YoY						
CSR claw back levy (% of awarded contract amount)	Income (£UK thousands)					Contract Total
	year 1	year 2	year 3	year 4	year 5	
1.00%	£2,649.00	£5,136.65	£4,992.51	£4,866.66	£4,761.50	£22,406.32
1.25%	£3,274.00	£6,336.65	£6,144.51	£5,972.58	£5,823.18	£27,550.92
1.50%	£3,899.00	£7,536.65	£7,296.51	£7,078.50	£6,884.86	£32,695.53
1.75%	£4,524.00	£8,736.65	£8,448.51	£8,184.42	£7,946.55	£37,840.13
2.00%	£5,149.00	£9,936.65	£9,600.51	£9,290.34	£9,008.23	£42,984.73
2.25%	£5,774.00	£11,136.65	£10,752.51	£10,396.26	£10,069.91	£48,129.34
2.50%	£6,399.00	£12,336.65	£11,904.51	£11,502.18	£11,131.60	£53,273.94
2.75%	£7,024.00	£13,536.65	£13,056.51	£12,608.10	£12,193.28	£58,418.54
3.00%	£7,649.00	£14,736.65	£14,208.51	£13,714.02	£13,254.96	£63,563.15

6% budget decline YoY						
CSR claw back levy (% of awarded contract amount)	Income (£UK thousands)					Contract Total
	year 1	year 2	year 3	year 4	year 5	
1.00%	£2,649.00	£5,036.65	£4,802.51	£4,595.90	£4,418.51	£21,502.57
1.25%	£3,274.00	£6,211.65	£5,907.01	£5,634.13	£5,394.44	£26,421.24
1.50%	£3,899.00	£7,386.65	£7,011.51	£6,672.36	£6,370.38	£31,339.91
1.75%	£4,524.00	£8,561.65	£8,116.01	£7,710.59	£7,346.32	£36,258.57
2.00%	£5,149.00	£9,736.65	£9,220.51	£8,748.82	£8,322.25	£41,177.24
2.25%	£5,774.00	£10,911.65	£10,325.01	£9,787.05	£9,298.19	£46,095.90
2.50%	£6,399.00	£12,086.65	£11,429.51	£10,825.28	£10,274.13	£51,014.57
2.75%	£7,024.00	£13,261.65	£12,534.01	£11,863.51	£11,250.06	£55,933.24
3.00%	£7,649.00	£14,436.65	£13,638.51	£12,901.74	£12,226.00	£60,851.90

8% budget decline YoY		Income (£UK thousands)					Contract Total
CSR claw back levy (% of awarded contract amount)	year 1	year 2	year 3	year 4	year 5		
1.00%	£2,649.00	£4,936.65	£4,616.51	£4,336.42	£4,096.73	£20,635.31	
1.25%	£3,274.00	£6,086.65	£5,674.51	£5,309.78	£4,992.22	£25,337.16	
1.50%	£3,899.00	£7,236.65	£6,732.51	£6,283.14	£5,887.71	£30,039.02	
1.75%	£4,524.00	£8,386.65	£7,790.51	£7,256.50	£6,783.20	£34,740.87	
2.00%	£5,149.00	£9,536.65	£8,848.51	£8,229.86	£7,678.69	£39,442.72	
2.25%	£5,774.00	£10,686.65	£9,906.51	£9,203.22	£8,574.18	£44,144.57	
2.50%	£6,399.00	£11,836.65	£10,964.51	£10,176.58	£9,469.68	£48,846.42	
2.75%	£7,024.00	£12,986.65	£12,022.51	£11,149.94	£10,365.17	£53,548.27	
3.00%	£7,649.00	£14,136.65	£13,080.51	£12,123.30	£11,260.66	£58,250.12	



2% budget decline YoY		Cash position for Social Impact Reinvestment for Council (£UK thousands)					Contract Total
CSR claw back levy (% of awarded contract amount)	year 1	year 2	year 3	year 4	year 5		
1.00%	-£4,762.78	-£381.05	-£662.84	-£963.37	-£1,283.29	-£8,053.34	
1.25%	-£3,930.91	£489.93	£190.71	-£126.89	-£463.54	-£3,840.69	
1.50%	-£3,099.03	£1,360.90	£1,044.27	£709.60	£356.22	£371.95	
1.75%	-£2,267.16	£2,231.88	£1,897.83	£1,546.08	£1,175.97	£4,584.60	
2.00%	-£1,435.28	£3,102.85	£2,751.38	£2,382.56	£1,995.73	£8,797.24	
2.25%	-£603.41	£3,973.83	£3,604.94	£3,219.05	£2,815.48	£13,009.89	
2.50%	£228.47	£4,844.80	£4,458.49	£4,055.53	£3,635.24	£17,222.53	
2.75%	£1,060.34	£5,715.78	£5,312.05	£4,892.02	£4,454.99	£21,435.17	
3.00%	£1,892.22	£6,586.75	£6,165.60	£5,728.50	£5,274.74	£25,647.82	

4% budget decline YoY		Cash position for Social Impact Reinvestment for Council (£UK thousands)					Contract Total
CSR claw back levy (% of awarded contract amount)	year 1	year 2	year 3	year 4	year 5		
1.00%	-£1,190.70	-£113.04	-£200.19	-£291.02	-£385.72	-£2,180.67	
1.25%	-£3,930.91	£401.05	£18.30	-£377.77	-£788.03	-£4,677.35	
1.50%	-£3,099.03	£1,254.25	£837.37	£408.54	-£33.17	-£632.04	
1.75%	-£2,267.16	£2,107.45	£1,656.44	£1,194.85	£721.69	£3,413.27	
2.00%	-£1,435.28	£2,960.65	£2,475.51	£1,981.16	£1,476.54	£7,458.59	
2.25%	-£603.41	£3,813.85	£3,294.58	£2,767.47	£2,231.40	£11,503.90	
2.50%	£228.47	£4,667.05	£4,113.66	£3,553.78	£2,986.26	£15,549.21	
2.75%	£1,060.34	£5,520.25	£4,932.73	£4,340.09	£3,741.11	£19,594.53	
3.00%	£1,892.22	£6,373.45	£5,751.80	£5,126.40	£4,495.97	£23,639.84	

6% budget decline YoY	Cash position for Social Impact Reinvestment for Council (£UK thousands)					Contract Total
	year 1	year 2	year 3	year 4	year 5	
CSR claw back levy (% of awarded contract amount)						
1.00%	-£3,578.35	-£735.93	-£1,316.27	-£1,908.00	-£2,513.01	-£10,051.55
1.25%	-£3,930.91	£312.18	-£150.57	-£618.40	-£1,092.86	-£5,480.56
1.50%	-£3,099.03	£1,147.60	£634.73	£119.78	-£398.97	-£1,595.89
1.75%	-£2,267.16	£1,983.03	£1,420.03	£857.96	£294.92	£2,288.79
2.00%	-£1,435.28	£2,818.45	£2,205.33	£1,596.14	£988.81	£6,173.46
2.25%	-£603.41	£3,653.88	£2,990.63	£2,334.32	£1,682.70	£10,058.13
2.50%	£228.47	£4,489.30	£3,775.93	£3,072.50	£2,376.59	£13,942.80
2.75%	£1,060.34	£5,324.73	£4,561.23	£3,810.69	£3,070.49	£17,827.47
3.00%	£1,892.22	£6,160.15	£5,346.53	£4,548.87	£3,764.38	£21,712.14

8% budget decline YoY	Cash position for Social Impact Reinvestment for Council (£UK thousands)					Contract Total
	year 1	year 2	year 3	year 4	year 5	
CSR claw back levy (% of awarded contract amount)						
1.00%	-£4,762.78	-£594.35	-£1,068.11	-£1,541.07	-£2,015.53	-£9,981.85
1.25%	-£3,930.91	£223.30	-£315.87	-£849.02	-£1,378.84	-£6,251.34
1.50%	-£3,099.03	£1,040.95	£436.36	-£156.96	-£742.15	-£2,520.82
1.75%	-£2,267.16	£1,858.60	£1,188.60	£535.10	-£105.45	£1,209.70
2.00%	-£1,435.28	£2,676.25	£1,940.84	£1,227.16	£531.24	£4,940.21
2.25%	-£603.41	£3,493.90	£2,693.08	£1,919.22	£1,167.94	£8,670.73
2.50%	£228.47	£4,311.55	£3,445.32	£2,611.28	£1,804.63	£12,401.25
2.75%	£1,060.34	£5,129.20	£4,197.55	£3,303.34	£2,441.32	£16,131.76
3.00%	£1,892.22	£5,946.85	£4,949.79	£3,995.40	£3,078.02	£19,862.28

2% budget decline YoY	Return on Investment (Social Impact reinvestment generated as a % of expenditure)					Contract Total
	year 1	year 2	year 3	year 4	year 5	
CSR claw back levy (% of awarded contract amount)						
1.00%	-38.24%	-3.30%	-5.42%	-7.41%	-9.26%	-12.76%
1.25%	-31.56%	4.24%	1.56%	-0.98%	-3.34%	-6.09%
1.50%	-24.88%	11.79%	8.53%	5.46%	2.57%	0.59%
1.75%	-18.20%	19.33%	15.51%	11.89%	8.48%	7.26%
2.00%	-11.52%	26.88%	22.48%	18.32%	14.40%	13.94%
2.25%	-4.84%	34.42%	29.46%	24.75%	20.31%	20.62%
2.50%	1.83%	41.96%	36.43%	31.18%	26.22%	27.29%
2.75%	8.51%	49.51%	43.41%	37.61%	32.14%	33.97%
3.00%	15.19%	57.05%	50.38%	44.04%	38.05%	40.64%

4% budget decline YoY	Return on Investment (Social Impact reinvestment generated as a % of expenditure)					
	year 1	year 2	year 3	year 4	year 5	Contract Total
1.00%	-38.24%	-3.92%	-6.54%	-8.95%	-11.13%	-13.82%
1.25%	-31.56%	3.47%	0.15%	-2.90%	-5.68%	-7.41%
1.50%	-24.88%	10.86%	6.84%	3.14%	-0.24%	-1.00%
1.75%	-18.20%	18.25%	13.54%	9.19%	5.21%	5.41%
2.00%	-11.52%	25.64%	20.23%	15.23%	10.65%	11.82%
2.25%	-4.84%	33.03%	26.92%	21.28%	16.10%	18.23%
2.50%	1.83%	40.42%	33.62%	27.32%	21.54%	24.64%
2.75%	8.51%	47.81%	40.31%	33.37%	26.99%	31.05%
3.00%	15.19%	55.20%	47.00%	39.41%	32.43%	37.46%

6% budget decline YoY	Return on Investment (Social Impact reinvestment generated as a % of expenditure)					
	year 1	year 2	year 3	year 4	year 5	Contract Total
1.00%	-38.24%	-4.53%	-7.65%	-10.43%	-12.89%	-14.84%
1.25%	-31.56%	2.70%	-1.23%	-4.75%	-7.88%	-8.68%
1.50%	-24.88%	9.94%	5.19%	0.92%	-2.88%	-2.53%
1.75%	-18.20%	17.18%	11.60%	6.60%	2.13%	3.63%
2.00%	-11.52%	24.41%	18.02%	12.27%	7.13%	9.78%
2.25%	-4.84%	31.65%	24.44%	17.95%	12.14%	15.94%
2.50%	1.83%	38.88%	30.86%	23.62%	17.14%	22.09%
2.75%	8.51%	46.12%	37.27%	29.30%	22.15%	28.25%
3.00%	15.19%	53.36%	43.69%	34.97%	27.15%	34.40%

8% budget decline YoY	Return on Investment (Social Impact reinvestment generated as a % of expenditure)					
	year 1	year 2	year 3	year 4	year 5	Contract Total
1.00%	-38.24%	-5.15%	-8.73%	-11.85%	-14.54%	-15.82%
1.25%	-31.56%	1.93%	-2.58%	-6.53%	-9.95%	-9.91%
1.50%	-24.88%	9.02%	3.57%	-1.21%	-5.35%	-3.99%
1.75%	-18.20%	16.10%	9.71%	4.11%	-0.76%	1.92%
2.00%	-11.52%	23.18%	15.86%	9.43%	3.83%	7.83%
2.25%	-4.84%	30.26%	22.01%	14.75%	8.42%	13.74%
2.50%	1.83%	37.35%	28.15%	20.07%	13.02%	19.65%
2.75%	8.51%	44.43%	34.30%	25.40%	17.61%	25.56%
3.00%	15.19%	51.51%	40.45%	30.72%	22.20%	31.47%

2% budget decline YoY CSR claw back levy (% of awarded contract amount)	Cumulative Cash Position for Social Impact Reinvestment to Council (£UK thousands)					Contract Total
	year 1	year 2	year 3	year 4	year 5	
1.00%	-£2,381.39	-£2,571.92	-£2,903.34	-£3,385.02	-£4,026.67	-£4,026.67
1.25%	-£1,965.45	-£1,720.49	-£1,625.13	-£1,688.58	-£1,920.35	-£1,920.35
1.50%	-£1,549.52	-£869.07	-£346.93	£7.87	£185.98	£185.98
1.75%	-£1,133.58	-£17.64	£931.27	£1,704.31	£2,292.30	£2,292.30
2.00%	-£717.64	£833.78	£2,209.48	£3,400.76	£4,398.62	£4,398.62
2.25%	-£301.70	£1,685.21	£3,487.68	£5,097.20	£6,504.94	£6,504.94
2.50%	£114.23	£2,536.63	£4,765.88	£6,793.65	£8,611.26	£8,611.26
2.75%	£530.17	£3,388.06	£6,044.08	£8,490.09	£10,717.59	£10,717.59
3.00%	£946.11	£4,239.48	£7,322.29	£10,186.54	£12,823.91	£12,823.91

4% budget decline YoY CSR claw back levy (% of awarded contract amount)	Cumulative Cash Position for Social Impact Reinvestment to Council (£UK thousands)					Contract Total
	year 1	year 2	year 3	year 4	year 5	
1.00%	-£2,381.39	-£2,607.47	-£3,007.85	-£3,589.89	-£4,361.33	-£4,361.33
1.25%	-£1,965.45	-£1,764.93	-£1,755.78	-£1,944.66	-£2,338.68	-£2,338.68
1.50%	-£1,549.52	-£922.39	-£503.71	-£299.43	-£316.02	-£316.02
1.75%	-£1,133.58	-£79.85	£748.37	£1,345.79	£1,706.64	£1,706.64
2.00%	-£717.64	£762.68	£2,000.44	£2,991.02	£3,729.29	£3,729.29
2.25%	-£301.70	£1,605.22	£3,252.51	£4,636.25	£5,751.95	£5,751.95
2.50%	£114.23	£2,447.76	£4,504.59	£6,281.48	£7,774.61	£7,774.61
2.75%	£530.17	£3,290.30	£5,756.66	£7,926.71	£9,797.26	£9,797.26
3.00%	£946.11	£4,132.83	£7,008.74	£9,571.93	£11,819.92	£11,819.92

6% budget decline YoY CSR claw back levy (% of awarded contract amount)	Cumulative Cash Position for Social Impact Reinvestment to Council (£UK thousands)					Contract Total
	year 1	year 2	year 3	year 4	year 5	
1.00%	-£2,381.39	-£2,643.02	-£3,110.95	-£3,789.24	-£4,682.61	-£4,682.61
1.25%	-£1,965.45	-£1,809.37	-£1,884.65	-£2,193.85	-£2,740.28	-£2,740.28
1.50%	-£1,549.52	-£975.72	-£658.35	-£598.46	-£797.94	-£797.94
1.75%	-£1,133.58	-£142.07	£567.95	£996.93	£1,144.39	£1,144.39
2.00%	-£717.64	£691.58	£1,794.25	£2,592.32	£3,086.73	£3,086.73
2.25%	-£301.70	£1,525.23	£3,020.55	£4,187.71	£5,029.06	£5,029.06
2.50%	£114.23	£2,358.88	£4,246.85	£5,783.10	£6,971.40	£6,971.40
2.75%	£530.17	£3,192.53	£5,473.15	£7,378.49	£8,913.74	£8,913.74
3.00%	£946.11	£4,026.18	£6,699.45	£8,973.88	£10,856.07	£10,856.07

8% budget decline YoY CSR claw back levy (% of awarded contract amount)	Cumulative Cash Position for Social Impact Reinvestment to Council (£UK thousands)					Contract Total
	year 1	year 2	year 3	year 4	year 5	
1.00%	-£2,381.39	-£2,678.57	-£3,212.62	-£3,983.16	-£4,990.93	-£4,990.93
1.25%	-£1,965.45	-£1,853.80	-£2,011.74	-£2,436.25	-£3,125.67	-£3,125.67
1.50%	-£1,549.52	-£1,029.04	-£810.86	-£889.34	-£1,260.41	-£1,260.41
1.75%	-£1,133.58	-£204.28	£390.02	£657.57	£604.85	£604.85
2.00%	-£717.64	£620.48	£1,590.91	£2,204.49	£2,470.11	£2,470.11
2.25%	-£301.70	£1,445.25	£2,791.79	£3,751.40	£4,335.36	£4,335.36
2.50%	£114.23	£2,270.01	£3,992.67	£5,298.31	£6,200.62	£6,200.62
2.75%	£530.17	£3,094.77	£5,193.55	£6,845.22	£8,065.88	£8,065.88
3.00%	£946.11	£3,919.53	£6,394.43	£8,392.13	£9,931.14	£9,931.14

For budgets declining 2% year on year						
Key performance Indicators for 1% CSR Levy for Reinvestment						
Basic KPIs	Year 1	Year 2	Year 3	Year 4	Year 5	End of contract
Profitability as % of Revenue	-89.90%	-3.64%	-6.39%	-9.36%	-12.52%	-17.25%
Gross Return for Reinvestment Margin	-135.08%	-10.23%	-17.97%	-26.32%	-35.21%	-35.15%
Staff cost as a % of Income	44.99%	24.10%	25.91%	27.82%	29.80%	28.94%
Staff cost as a % of Expenditure	19.14%	21.86%	21.96%	22.02%	22.04%	21.41%
Return on Investment	-38.24%	-3.30%	-5.42%	-7.41%	-9.26%	-12.76%
Static Current Ratio	0.87	1.65	1.57	1.49	1.41	1.41
Key performance Indicators for 2% CSR Levy for Reinvestment						
Basic KPIs	Year 1	Year 2	Year 3	Year 4	Year 5	End of contract
Profitability as % of Revenue	-13.94%	15.31%	13.77%	12.09%	10.25%	9.80%
Gross Return for Reinvestment Margin	-20.94%	43.05%	38.74%	34.00%	28.82%	29.67%
Staff cost as a % of Income	23.15%	12.45%	13.45%	14.53%	15.69%	15.06%
Staff cost as a % of Expenditure	19.14%	21.86%	21.96%	22.02%	22.04%	21.41%
Return on Investment	-11.52%	26.88%	22.48%	18.32%	14.40%	13.94%
Static Current Ratio	1.70	3.20	3.02	2.84	2.68	2.70
Key performance Indicators for 3% CSR Levy for Reinvestment						
Basic KPIs	Year 1	Year 2	Year 3	Year 4	Year 5	End of contract
Profitability as % of Revenue	12.37%	21.90%	20.84%	19.67%	18.38%	19.32%
Gross Return for Reinvestment Margin	18.59%	61.61%	58.63%	55.33%	51.70%	52.47%
Staff cost as a % of Income	15.58%	8.39%	9.09%	9.84%	10.65%	10.18%
Staff cost as a % of Expenditure	19.14%	21.86%	21.96%	22.02%	22.04%	21.41%
Return on Investment	15.19%	57.05%	50.38%	44.04%	38.05%	40.64%
Static Current Ratio	2.52	4.75	4.47	4.20	3.94	4.00
For budgets declining 4% year on year						
Key performance Indicators for 1% CSR Levy for Reinvestment						
Basic KPIs	Year 1	Year 2	Year 3	Year 4	Year 5	End of contract
Profitability as % of Revenue	-89.90%	-4.40%	-8.02%	-11.96%	-16.20%	-19.46%
Gross Return for Reinvestment Margin	-135.08%	-12.38%	-22.56%	-33.64%	-45.57%	-40.83%

Staff cost as a % of Income	44.99%	24.57%	26.92%	29.43%	32.08%	30.16%
Staff cost as a % of Expenditure	19.14%	21.86%	21.96%	22.02%	22.04%	21.41%
Return on Investment	-38.24%	-3.92%	-6.54%	-8.95%	-11.13%	-13.82%
Static Current Ratio	0.87	1.62	1.51	1.40	1.31	1.35
<b>Key performance Indicators for 2% CSR Levy for Reinvestment</b>						
<b>Basic KPIs</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>End of contract</b>
Profitability as % of Revenue	-13.94%	14.90%	12.89%	10.66%	8.20%	8.68%
Gross Return for Reinvestment Margin	-20.94%	41.91%	36.27%	29.99%	23.05%	26.59%
Staff cost as a % of Income	23.15%	12.70%	14.00%	15.42%	16.96%	15.72%
Staff cost as a % of Expenditure	19.14%	21.86%	21.96%	22.02%	22.04%	21.41%
Return on Investment	-11.52%	25.64%	20.23%	15.23%	10.65%	11.82%
Static Current Ratio	1.70	3.14	2.90	2.68	2.48	2.59
<b>Key performance Indicators for 3% CSR Levy for Reinvestment</b>						
<b>Basic KPIs</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>End of contract</b>
Profitability as % of Revenue	12.37%	21.62%	20.24%	18.69%	16.96%	18.60%
Gross Return for Reinvestment Margin	18.59%	60.83%	56.94%	52.57%	47.71%	50.36%
Staff cost as a % of Income	15.58%	8.56%	9.46%	10.44%	11.53%	10.63%
Staff cost as a % of Expenditure	19.14%	21.86%	21.96%	22.02%	22.04%	21.41%
Return on Investment	15.19%	55.20%	47.00%	39.41%	32.43%	37.46%
Static Current Ratio	2.52	4.66	4.29	3.96	3.64	3.83
<b>For budgets declining 6% year on year</b>						
<b>Key performance Indicators for 1% CSR Levy for Reinvestment</b>						
<b>Basic KPIs</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>End of contract</b>
Profitability as % of Revenue	-89.90%	-5.19%	-9.74%	-14.76%	-20.22%	-21.78%
Gross Return for Reinvestment Margin	-135.08%	-14.61%	-27.41%	-41.52%	-56.87%	-46.75%
Staff cost as a % of Income	44.99%	25.05%	27.98%	31.16%	34.57%	31.43%
Staff cost as a % of Expenditure	19.14%	21.86%	21.96%	22.02%	22.04%	21.41%
Return on Investment	-38.24%	-4.53%	-7.65%	-10.43%	-12.89%	-14.84%
Static Current Ratio	0.87	1.59	1.45	1.33	1.21	1.29
<b>Key performance Indicators for 2% CSR Levy for Reinvestment</b>						
<b>Basic KPIs</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>End of contract</b>
Profitability as % of Revenue	-13.94%	14.47%	11.96%	9.12%	5.94%	7.50%
Gross Return for Reinvestment Margin	-20.94%	40.71%	33.64%	25.66%	16.71%	23.37%
Staff cost as a % of Income	23.15%	12.96%	14.57%	16.37%	18.36%	16.41%
Staff cost as a % of Expenditure	19.14%	21.86%	21.96%	22.02%	22.04%	21.41%
Return on Investment	-11.52%	24.41%	18.02%	12.27%	7.13%	9.78%
Static Current Ratio	1.70	3.08	2.79	2.52	2.29	2.48
<b>Key performance Indicators for 3% CSR Levy for Reinvestment</b>						
<b>Basic KPIs</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>End of contract</b>
Profitability as % of Revenue	12.37%	21.34%	19.60%	17.63%	15.39%	17.84%
Gross Return for Reinvestment Margin	18.59%	60.01%	55.14%	49.59%	43.31%	48.15%
Staff cost as a % of Income	15.58%	8.74%	9.85%	11.10%	12.50%	11.10%
Staff cost as a % of Expenditure	19.14%	21.86%	21.96%	22.02%	22.04%	21.41%

Return on Investment	15.19%	53.36%	43.69%	34.97%	27.15%	34.40%
Static Current Ratio	2.52	4.56	4.12	3.72	3.36	3.66

	Year 1	Year 2	Year 3	Year 4	Year 5	End of contract
TOTAL STAFF COSTS	£1,191.75	£1,261.84	£1,343.81	£1,432.20	£1,527.69	£6,757.28
TOTAL TECHNOLOGY EXPENSES	£2,002.00	£1,345.03	£1,465.13	£1,604.54	£1,764.89	£8,181.59
TOTAL OPERATING EXPENSES	£3,033.60	£3,165.71	£3,309.84	£3,467.15	£3,638.94	£16,615.25
TOTAL EXPENDITURE	£6,227.35	£5,772.58	£6,118.78	£6,503.90	£6,931.52	£31,554.12

	End of contract
TOTAL STAFF COSTS	£13,313.39
TOTAL TECHNOLOGY EXPENSES	£10,064.67
TOTAL OPERATING EXPENSES	£8,797.24
TOTAL EXPENDITURE	£8,797.24

CUMULATIVE CASH FLOW ANALYSIS						
Period (Accounting Period)	period 1	period 2	period 3	period 4	period 5	period 6
Cumulative cash position with a 1% CSR Levy	-£1,139.04	-£2,204.88	-£2,857.84	-£3,455.90	-£4,053.95	-£4,652.01
Cumulative cash position with a 2% CSR Levy	-£1,139.04	-£2,204.88	-£2,857.84	-£3,455.90	-£4,053.95	-£4,652.01
Cumulative cash position with a 3% CSR Levy	-£1,139.04	-£2,204.88	-£2,857.84	-£3,455.90	-£4,053.95	-£4,652.01
Period (Accounting Period)	period 7	period 8	period 9	period 10	period 11	period 12
Cumulative cash position with a 1% CSR Levy	-£2,328.79	-£2,331.57	-£2,334.36	-£2,335.51	-£2,336.66	-£2,337.82
Cumulative cash position with a 2% CSR Levy	-£4,361.33	-£4,070.64	-£3,779.96	-£3,486.02	-£3,192.08	-£2,898.13
Cumulative cash position with a 3% CSR Levy	-£4,065.08	-£3,478.14	-£2,891.21	-£2,301.02	-£1,710.83	-£1,120.63
Period (Accounting Period)	period 13	period 14	period 15	period 16	period 17	period 18
Cumulative cash position with a 1% CSR Levy	-£4,827.02	-£4,953.37	-£5,034.07	-£5,082.51	-£5,109.31	-£5,115.45
Cumulative cash position with a 2% CSR Levy	-£2,759.19	-£2,595.22	-£2,385.60	-£2,143.71	-£1,880.18	-£1,596.00
Cumulative cash position with a 3% CSR Levy	-£691.37	-£237.07	£262.88	£795.09	£1,348.94	£1,923.45
Period (Accounting Period)	period 19	period 20	period 21	period 22	period 23	period 24
Cumulative cash position with a 1% CSR Levy	-£5,118.98	-£5,122.51	-£5,126.05	-£5,125.99	-£5,099.34	-£5,056.68
Cumulative cash position with a 2% CSR Levy	-£1,309.20	-£1,022.41	-£735.62	-£445.24	-£128.26	£204.72
Cumulative cash position with a 3% CSR Levy	£2,500.57	£3,077.69	£3,654.80	£4,235.51	£4,842.81	£5,466.12
Period (Accounting Period)	period 25	period 26	period 27	period 28	period 29	period 30
Cumulative cash position with a 1% CSR Levy	-£4,531.74	-£2,133.55	-£2,774.28	-£3,360.10	-£3,945.92	-£4,531.74
Cumulative cash position with a 2% CSR Levy	£304.51	£430.93	£606.73	£818.02	£1,051.60	£1,308.54
Cumulative cash position with a 3% CSR Levy	£5,850.43	£6,261.37	£6,721.69	£7,217.49	£7,735.59	£8,277.05
Period (Accounting Period)	period 31	period 32	period 33	period 34	period 35	period 36
Cumulative cash position with a 1% CSR Levy	-£5,241.41	-£5,399.51	-£5,508.23	-£5,581.46	-£5,632.39	-£5,659.97
Cumulative cash position with a 2% CSR Levy	£1,568.08	£1,827.62	£2,087.16	£2,350.65	£2,645.38	£2,956.10
Cumulative cash position with a 3% CSR Levy	£8,821.11	£9,365.17	£9,909.23	£10,457.23	£11,036.48	£11,631.72

### 30.3 Other Local Authorities

The financial modelling of the the annualised accounts were given the following assumptions for the “Case Study City” Council – taken from the list provided in the report. The Procurement departments purchasing plus additional contracts were also factored and given assumptions with respect to the impact upon growth and expenditure on up scaling.

INCOME COMPONENT	ASSUMPTIONS with respect to changes year on year	Assumptions for feasibility testing on additional councils joining the pathfinder project
2.00% CSR agreement	linear with reduction in budget yoy	Factor in the 2% levy for the additional contract based upon its own procurement spend – each additional council factored in having the average total procurement spend of £220m per council added each – with the levy of 2% coming out of this (publically published statistics)
Compulsory Charges on Bid Measurements	Constant	15% additional revenue per implemented council (per additional contract)
Corporate CSR Improvement services	15% growth yoy	15% additional revenue per implemented council
Licenses / Joint ventures	30% growth yoy	15% additional revenue per implemented council
Compliance/ verification	30% growth yoy	15% additional revenue per implemented council
Dashboards, KPI services	15% growth yoy	15% additional revenue per implemented council
Kite marks and other related metrics	30% growth yoy	15% additional revenue per implemented council
Audit and compliance service	25% growth yoy	15% additional revenue per implemented council
Data mining service	15% growth yoy	15% additional revenue per implemented council
Benchmarking and matching services	20% growth yoy	15% additional revenue per implemented council
CSR education and Training services	20% growth yoy	15% additional revenue per implemented council
Metrics / KPI consulting services	20% growth yoy	15% additional revenue per implemented council
Newsletters	10% growth yoy	15% additional revenue per implemented council
Periodicals	10% growth yoy	15% additional revenue per implemented council
Consulting for compulsory services	15% growth yoy	15% additional revenue per implemented council
Consulting for supplementary service	15% growth yoy	15% additional revenue per implemented council
Social media and public sector applications	10% growth yoy	15% additional revenue per implemented council
Social Impact levy per head	A one off payment for public sector per head, based on population of adopter LA	The population of the additional council implemented added – multiplied by 4.65 pence for 1 <sup>st</sup> year of implementation only



HUMAN RESOURCE COST	Year 1 (£UK thousands)	ASSUMPTIONS	Assumptions for feasibility testing on additional councils joining the pathfinder project
Chairman	95.00	5% increase year on year	No additional figures or increases for each additional council
CEO	78.00	5% increase year on year	No additional figures or increases for each additional council
COO	65.00	5% increase year on year	No additional figures or increases for each additional council
CFO	65.00	5% increase year on year	No additional figures or increases for each additional council
CTO	60.00	5% increase year on year	No additional figures or increases for each additional council
Director of Education	55.00	5% increase year on year	One additional person employed per additional council signed up - to deliver services in locality
Director of Analytics /Informatics	50.00	5% increase year on year	One additional person employed per additional council signed up - to deliver services in locality
IT Technology manager	40.00	5% increase year on year	One additional person employed per additional council signed up - to deliver services in locality
IT Administrators x3	66.00	3 administrators - 22K each 5% increase year on year	three additional person(s) employed per additional council signed up - to deliver services in locality and manage contract admin
Finance team members	40.00	5% increase year on year	One additional person employed per additional council signed up - to deliver services in locality
Business Development Director	45.00	15% increase if on target	No additional increases or changes
Business Development Executive	25.00	25k base - 15% increase if on target	One additional person employed per additional council signed up - to deliver services in locality
3rd Sector Relationship Director	50.00	5% increase	One additional person employed per additional council signed up - to deliver services in locality
Corporate Engagement Director	50.00	5% increase	One additional person employed per additional council signed up - to deliver services in locality
Marketing Communications Director	50.00	5% increase per year	One additional person employed per additional council signed up - to deliver services in locality
Marketing Communications Manager	35.00	5% increase	One additional person employed per additional council signed up - to deliver services in locality
Web Technician x2	50.00	25K each at 5% increase per year	One additional person employed per additional council signed up - to deliver services in locality and manage website implementation



Personal Assistant	19.00	5% increase per year	One additional person employed per additional council signed up - to deliver services in locality
Secretary	26.00	5% increase per year	One additional person employed per additional council signed up - to deliver services in locality
National Insurance at 7.5%	72.30	5% increase per year	Applied to each additional salary per additional contract / council
HR growth - 15% contingency		assuming one additional recruitment at 15% of total spend	Added as an annual contingency based on annual (end of year) figures for the whole HR spend including additional council contracts and their associated employees

TECHNOLOGY EXPENSES	ASSUMPTIONS with respect to changes year on year	Assumptions for feasibility testing on additional councils joining the pathfinder project
Hosting Server/ Software / Cloud infrastructure	linear cost growth - 10%	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)
R&D / Software development and maintenance	Initial software development, maintenance 40% initial cost with - growth 5% yoy	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)
Mapping / GIS / Algorithmic programme	linear thereafter as 20% of original cost	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)
API and 3rd party feeds	linear growth cost 15%	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)
SV Platform and procurement platform Integration	linear decreasing at 20% yoy	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)

<b>Third sector web portal</b>	linear growth cost 15% after initial development cost (50% of upfront cost thereafter)	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)
<b>Digital Democracy portal</b>	linear growth cost 15% after initial development cost (50% of upfront cost thereafter)	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)
<b>Private Sector web portal</b>	linear growth cost 15% after initial development cost (50% of upfront cost thereafter)	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)
<b>Public Sector web portal</b>	linear growth cost 15% after initial development cost (50% of upfront cost thereafter)	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)
<b>Online technical support</b>	linear growth cost 10%	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)
<b>Web presence and content management / email marketing</b>	linear cost growth 10%	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)
<b>Related IT hardware</b>	linear cost growth 10%	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)
<b>Related IT maintenance costs</b>	linear cost growth 15%	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)

IT security	linear cost growth 15%	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)
Factor 10% contingency	To cover increased hardware / software costs or project management risks in development phase	A 25% additional increase in cost for the first year of implementation for an additional council and 15% thereafter for subsequent years 2-5 of the contract growing / declining at the same rate as implementation year on year (figure to the left in assumptions table)

Financial costs and Business Modelling components	ASSUMPTIONS with respect to changes year on year or numerical effect on amount	Assumptions for feasibility testing on additional councils joining the pathfinder project
Reinvestment Earnings before finance cost	EBITDA based on 3rd party commission share model	Assumed to follow original assumptions – taken as a % value of the total earnings revenues generated at the end of each financial year – with additional councils factored in
CSR Reinvestment Earnings less tax	Corporate tax - at 21% linear charge	Assumed to follow original assumptions – taken as a % value of the total earnings revenues generated at the end of each financial year less corporate tax applied to each councils earnings at 21% – with additional councils factored in
CSR Reinvestment Earnings less depreciation and amortisation	Assuming a linear decline of 10% yoy	Applied to each additional council following the same assumptions (figures to the left)
External contractor option (25%)	Ratio as discussed in business models - share of 75%:25%	Assumed to follow original assumptions – taken as a % value of the total earnings revenues generated at the end of each financial year – with additional councils factored in
Licence agreement option (20%)	Ratio as discussed in business models - share of 80%:20%	Assumed to follow original assumptions – taken as a % value of the total earnings revenues generated at the end of each financial year – with additional councils factored in
Commission 3rd Party	Ratio as discussed in business models - share of 50%:50%	Assumed to follow original assumptions – taken as a % value of the total earnings revenues generated at the end of each financial year – with additional councils factored in
SPV under 3rd Party (40% return to LA)	Ratio as discussed in business models - share of 60%:40%	Assumed to follow original assumptions – taken as a % value of the total earnings revenues generated at the end of each financial year – with additional councils factored in
Gain Share 1% SPV: 0.5% LA	Ratio as discussed in business models - share of 66%:33%	Assumed to follow original assumptions – taken as a % value of the total earnings

<b>Local Authority : Social Value Hub agreement (50:50) - less Expenses and capital costs</b>	Ratio as discussed in business models - share of 50%:50%	revenues generated at the end of each financial year – with additional councils factored in Assumed to follow original assumptions – taken as a % value of the total earnings revenues generated at the end of each financial year – with additional councils factored in
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## 31 IT Platform Solution Estimates

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### 31.1 Atos

#### 31.1.1 Social Value Platform

### 31.2 Boilerhouse

#### 3.2.1 Delivering the Social Impact Measurement Platform

**A proposal covering:**

**IT and digital infrastructure design, delivery, hosting and maintenance**

#### 3.2.2 Supporting the Embedded Social Value Programme

**A high-level proposal covering:**

**Marketing and communications strategy, plan, and delivery**

## Social Value Portal

### Architecture

#### Principles

1. The business and technical requirements will be documented in a backlog as normal, but the dynamic nature of SVP means that these requirements will be subject to frequent and substantial change and reprioritisation. The development and deployment approaches *and* the architecture itself must both be agile.
2. SVP is largely an integration task. There will be some pure development during the initial build stages (notably around S/E calculation), but this should be a comparatively small part of the whole.
3. Cloud deployment is a stated requirement. That aside, it is anyway the obvious strategy for providing the scalability and flexibility of deployment needed for SVP.
4. Taking agility, integration and Cloud together as key themes, this is in essence a DevOps job.
5. The architecture must take account of commercial engagement models. However the first versions of SVP are launched, we recognise that success is very likely to mean that we (Atos) then find ourselves engaged in a transactional commercial model with shared risk/reward. This makes it *far* easier to contemplate starting the service with lower-cost launch-friendly constituent technologies and products, and then switching to other components when demand calls for it. We find that in practice our customers can rarely contemplate such a prospect when it comes to it, whatever the “agreed architecture roadmap” has to say about it; but in this case it is **Atos** that will be bearing the cost and risk of the transition, not the customer, and a successful transition will be self-funding. These considerations must influence architectural decisions and the business case: we need not (and will not) over-engineer the launch product to cater for conjectural growth (though of course it must allow for *expected* medium-term growth).
6. SVP obviously contains elements of “CRM”, especially in the management of tendering suppliers. This is certainly not mainstream usage for CRM systems (generally categorised as covering sales, marketing, and customer support), but from our knowledge of the requirements it will make sense to include a CRM component into the solution and to exploit its capabilities for all they are worth. However, we believe it would be most unwise to set out to construct the whole SVP solution around a CRM product – it will be too constraining.
7. To us, information management and analytics are at the heart of SVP, and we will design and construct the solution accordingly.

#### Applications

##### Architectural building blocks

At the logical level, we identify four major components (ABBs) for SVP:

- Information Management & Analytics (IMA)
- Customer Experience (CX)
- Security
- Channels



## IMA

This is the heart of SVP. It is the repository for all information relevant to SVP: structured (including geographical) and unstructured, and for the ontology that organises that information.

IMA also supports SVP algorithms. We place these in three categories.

1. **Stable and locked.** Some algorithms will be of legal significance, and the system must provide the necessary rigour for these.
2. **Static.** Algorithms that are defined, coded and tested as part of a release, and will not be altered except under release change control.
3. **Dynamic.** Algorithms that may change frequently as strategies are reviewed: the domain of the “expert user” and the data scientist.

## CX

The purpose of CX is to ensure a consistent and rich experience for the user (in whatever category of user), regardless of how the service is accessed in time or “space” (channels, user device type). At the heart of this is “single view” of course, but this is a small part of the whole (and in fact single view is delivered as much through IMA as through CX).

CX and CRM are sometimes treated almost as synonyms. While CRM will be the core of CX, the collaborative user design approach (called “user experience testing” within Atos) is at least as important to CX as the technology.

## Security

The SVP service will be inherently multi-tenant, although we would expect to provide options for private instances (which has implications for the Cloud strategy – see below). Information governance statutory and regulatory (and cultural!) requirements vary significantly across geographies even within Europe; the security component must be rich enough to cope with all such requirements.

## Channels

All the above is to be deliverable through all expected channels, bricks as well as clicks.

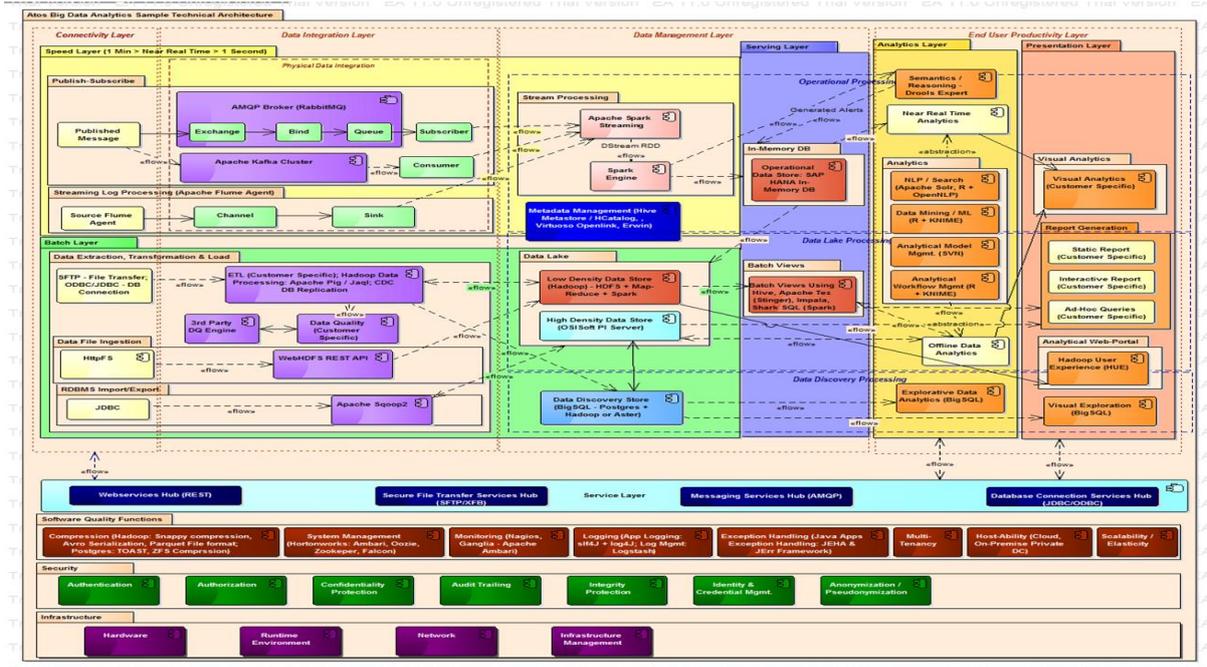
## *Solution Building Blocks*

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We envisage four Solution Building Blocks, not exactly coterminous with the ABBs above (which no doubt breaks the laws of TOGAF, but what of it?).

## IMA

The IMA SBB will be delivered as an instance of IDA: the Atos **Industrial Data Analytics** platform.



IDA is an *implementation-level reference architecture* for Information Management & Analytics. No specific implementation will necessarily match the full picture of IDA above, but where a solution needs IDA capabilities they will be constructed to patterns reflecting the relevant sections of the IDA reference architecture.

As the scope and geographical reach of the service expands, any or all of the above components might be required.

Some elements are definitely necessary:-

- Structured SQL data store with GIS extensions
- Unstructured data store (Hadoop)
- Analytics toolkit (R will be the basis for this – the default choice for all our data scientists)

R is a powerful language not just an analytics package, and will be capable of supporting most of our algorithmic requirements of whatever nature. Other language capabilities will be available if required as part of the base Cloud Fabric PaaS platform (see below).

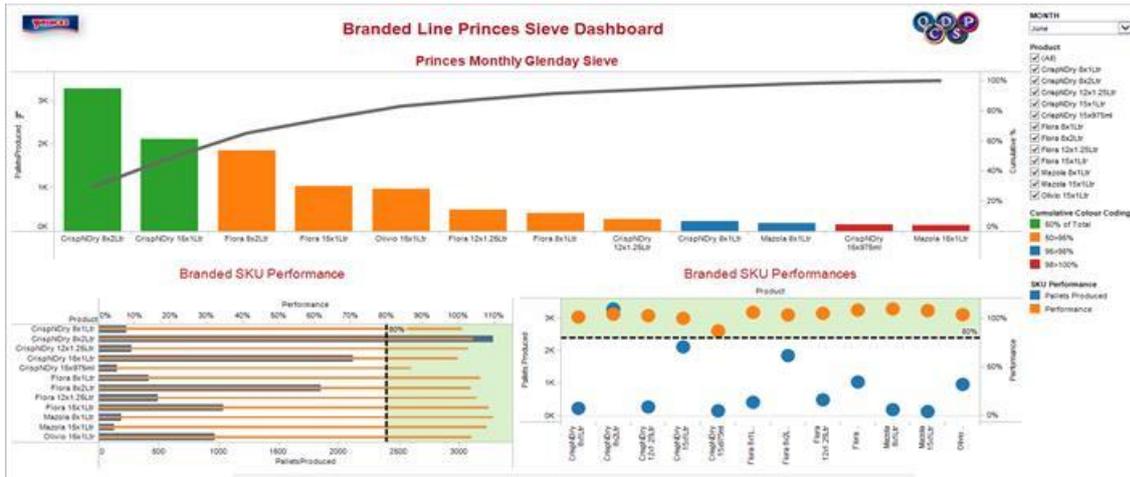
Atos is in close partnership with a number of third-party analytics specialists, notably in the field of **predictive** analytics – which we expect to become important for SVP. As the service expands we can bring any of these partners into play for SVP.

- The **Lily** product from NGData specialises in providing rich support for Single View and predicting subject behaviour, structured on the Google ontology.
- Blue Yonder come out of CERN, and (unsurprisingly, given their heritage) specialise in complex predictions from huge volumes of unstructured data.
- Logical Glue are another close analytics partner, with broad capabilities.

IDA is not specific about visualization choices, but we will definitely be proposing Tableau Server as the basis for delivering data visualization of all kinds (not solely the output of data scientists’ work). It is worth noting that we will probably want to supplement Tableau with specific GIS-focused visualization support as we learn how to exploit the SVP platform after launch; this is rich territory for Open Source solutions.

An example of Tableau output is shown below, but it offers a wide range of different styles and formats for data visualization.





CX

SugarCRM will be used as the foundation for CX. We will make use of the Enterprise Edition, which provides support for a multi-channel Internet portal as well as direct “licensed user” access – we will exploit this portal capability to support the Channels SBB (see below). We plan to host SugarCRM in the Atos Canopy cloud rather than use the SaaS service, though this and similar hosting options will be reviewed as SVP development proceeds.

As SVP volumes grow and the commercial model changes, it will become possible and maybe appropriate to consider other CX/CRM options. Atos offers both Microsoft Dynamics and Yunano (aimed at small to medium enterprises, so perhaps a good fit for the SVP target market) as Canopy-hosted SaaS.

Security

Open Source is more than up to the job for the Security SBB, in the long term as well as immediately. The dominant supported offering based on the OpenSSO GPL codebase is **OpenAM** from ForgeRock. The Atos Security Practice has a close partnership with ForgeRock, and experience of deploying OpenAM into highly sensitive operational environments; we recommend OpenAM for SVP.

Other components (most importantly, SugarCRM) support SAML, and will integrate easily with OpenAM in the overall security framework. We will use IMA itself as the audit repository, and the IMA analytical tools to provide security monitoring.

Channels

SugarCRM Enterprise will give us many of the capabilities we need to provide clicks-and-bricks delivery to the usual range of device types, including mobile access.

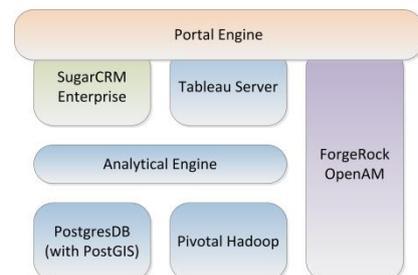
The Cloud Fabric PaaS also provides access to a range of Web 2.0 build technologies (Ruby, Python, and Node.js among others) with the usual associated frameworks and extensions.

We will construct the portal (or more likely portals plural, to serve various user populations) from these technologies in combination, delivering content also from Tableau and other IMA subsystems.

Day 1

The diagram should not be read as showing a decomposition of the Day 1 solution to the VM level. For example:

- SugarCRM requires its own MySQL database service, which will prefer to run in its own VM.



- The LDAP and Identity Management subsystems of OpenAM will certainly be isolated from the authentication and authorisation subsystem.

## IMA

- Pivotal HD (Hadoop and associated Apache technologies)
- PostgreSQL with the PostGIS extensions
- R
- Tableau Server
- RStudio, Tableau Desktop (on data scientist laptops)

All this runs on the Atos Canopy Cloud Fabric PaaS (a commercial implementation of Cloud Foundry).

## CX

SugarCRM Enterprise is the chosen Day 1 product. We considered basing Day 1 CRM on the free Community edition of SugarCRM, but judged that the risk (of a CRM-related Severity 1 after launch taking longer to resolve than it need because of the lack of support) outweighed the cost of the Enterprise edition. We would certainly need to cut over to a supported version as soon as the launch of SVP was seen to be a success, in any case.

## Security

Provided principally by ForgeRock OpenAM, as above.

## Channels

This will be mostly provided by SugarCRM in practice for Day 1 purposes, in combination with portal functionality built using Cloud Fabric Web 2.0 capabilities.

## Platform

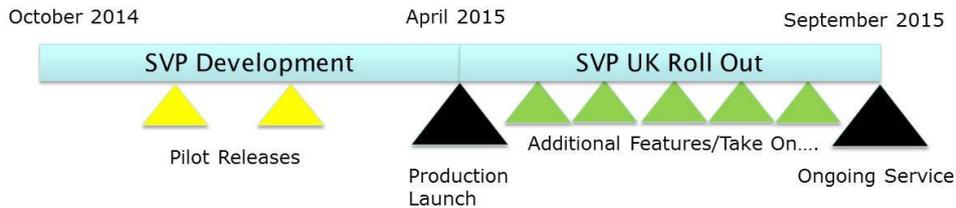
The platform for SVP will be Atos Canopy Cloud Fabric. This is a commercial implementation of the Cloud Foundry PaaS, created in cooperation with our partner Pivotal.

Cloud Fabric is aimed particularly at solutions requiring agile development and deployment (in the DevOps style), exploiting the latest Internet technologies. It provides full support for the agile and continuous integration/deployment lifecycle, even to the extent of daily drops into production. As such, it fits very well with the way we expect SVP operation to develop as full advantage is taken of the analytical opportunities offered by IMA.

The Cloud Fabric PaaS will be deployable onto a range of IaaS options, third-party as well as Atos Canopy IaaS – even onto Amazon EC2. The Canopy Enterprise Platform oversees the operation of Cloud Fabric as well as other Canopy PaaS offerings, and enables Cloud service broking so that multiple IaaS platforms can be used, with the load being deployed onto the range of IaaS available at any one time so as to optimise business performance (value for money).

One of the IaaS options available is Atos Canopy EPC (Enterprise Private Cloud). This is based on VCE vBlock technology, and allows deployment onto a completely private IaaS, in an Atos data centre or on the customer's premises (but still as a managed service); EPC can also be integrated into a hybrid cloud and/or into the customer's "legacy" managed service. Being based on vBlock this is not a very cheap option (albeit not always as expensive as might be thought), but may be appropriate to some SVP customers. The important point is that this is purely an IaaS deployment (or redeployment) decision; the Cloud Fabric PaaS and the SVP applications running on the PaaS are quite unaffected.

## Delivery Plan



The outline delivery plan above assumes:

- The SVP will follow an Agile delivery approach, to maximise collaboration, high visibility of progress and business engagement
- There will be two initial pilot releases during the development phase; one “vertical”, focussing on features/data for all Council suppliers, and one “horizontal”, addressing thin feature/data set across a selected subset of all target organisation types
- The initial Production launch in April 2015 will focus on delivering the core enterprise platform with the key features to meet the highest priority business needs
- We have allowed for a period of regular additional feature releases, to reflect emergent requirements/feedback, plus new organisation take on following initial production launch
- The initial product development phase will be completed and on a continuous improvement/“bau” footing by September 2015

## Indicative Estimates

On the basis of the solution and approach outlined our budgetary estimates for the SVP solution are as follows:

Cost Area	Estimate	Comments
SVP Development Cost	SVP Development £550 - £650k SVP Enhance/Roll Out £180 - £240k	Initial project to deliver core enterprise platform, followed by 6 month enhance & client take on as required.
SVP Production Operation Cost	Assume £100k pa from Production Launch	Assumption based on core platform operational cost for an enterprise service at this sort of scale
SVP Service Management Cost	Assume £100k pa from Ongoing Service	Assumption based on basic service & application management regime for this sort of platform.

The indicative development cost ranges are given above in the context of a price/capital cost. However, Atos recognise the values at the heart of this programme and our part in creating social value if selected as a delivery partner for a critical component of transformational change in a blended solution. In the light of this we expect to consider a different commercial model based on operational service or transaction charges, subject to further investment analysis and approval.

We are highly confident that our proposed delivery approach will deliver the Social Value Platform to support the goals of this programme and we will be happy to work with CCEG to bottom out unknowns.

# Delivering the Social Impact Measurement Platform

## **A proposal covering:**

IT and digital infrastructure design, delivery, hosting and maintenance

### **From:**

**Boilerhouse Media Ltd**

Walker Building  
58 Oxford Street  
Birmingham B5 5NR

### **To:**

**The Social Value Hub +**

Centre for Citizenship,  
Enterprise & Governance  
Northampton Business School

### **Prepared by:**

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- Lambeth in numbers
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- Socitm WPS
- SSAM
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### **The team**

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### **Why choose Boilerhouse as a partner to deliver the Social Value IT platform?**

## Background to the project

CCEG has identified a process by which public sector organisations can generate income and develop their social value ambitions on behalf of citizens.

The CCEG pathway will ensure these ambitions can be self-sustaining and achieved at minimal up front cost. It depends on a sophisticated, automated process for evaluating and monitoring social value, and an integrated IT platform to manage and communicate involvement from all stakeholders.

## The requirement

**Suppliers registered on the organisation's procurement platform will be signposted to a new portal to register and to undertake the process of social valuation online, with education/training options available if required.**

Suppliers will be encouraged to measure their own social impact, as many times as they wish to, as part of a process to as they develop and capture more appropriate data and thereby iteratively improve their score.

If they decide to bid on a contract, a validated system will allow them to submit their results into tendering process. On award, these measures (and forecast delivery) will be monitored throughout the contract life through the automated system.

The organisation will have full view and transparency of measurement, allowed to interrogate the system, but for the most part will interface with it through a simple APIs.

The scheme will co-ordinate campaigns through private and third sector portals to communicate with hard to reach communities (eg. BME, religious) and companies (eg. SME/micro).

Through the process of registering for the new portal, suppliers will be matched with third sector organisations who can increase their social impact within the region.

The platform will allow for 'what-if' forecasting of the fruits of such collaboration to assist preparation of bids if required. It will also teach suppliers the benefits of collaborating through third sector agencies.

The system function will consist of the metric engine, matching software, GIS articulation, capacity development and the essential feedback loop from the community, staff, etc that allows measurement of sentiment analysis. APIs will be developed as required.

This is intended to be a scalable enterprise quality platform for eventual international rollout so resilience is required. System Design will be required which will comprise:

- Consultation with service users (within the organisation, corporates, and third sector)
- Streams mapping
- Decision Trees
- Interface designs
- Integration specs
- Helpdesk system
- System Architecture
- Mock up
- Implementation plan

## Our response to the requirement

**We have divided up the requirement into a series of modules. Individual modules will be built by the Boilerhouse team, outsourced from other suppliers, or be developed in collaboration with other suppliers engaged on the project.**

We anticipate concurrent development on modules taking place within an overall project framework, and this will be a consideration in allocating development resources.

### Assumptions

- The elements of this system are to be generic and designed for use by any organisation sourcing social impact/value calculation/monitoring through CCEG.
- The system must be highly available and resilient given the time sensitive nature of returning responses to procurement.
- There will be a high number of concurrent users (estimated between 25,000 and 50,000 business users)
- The system will operate in real time; with the likelihood there will be peaks of usage associated with procurement deadlines.
- It will be necessary to provide security within the portal in order to protect the data confidentiality of suppliers and the organisation.
- Changes to data, specifically in the procurement, and social value matching modules, are likely to require an audit trail.
- The portal will be presented to all users through a web interface.
- The system must be easily maintainable, e.g. administrators should be able to amend metrics such as KPIs with out the need to refer these back to the developer.
- Initial assumption that service is developed using Open Technology standards and tools.

### Indicative pricing

The Social Value Portal will provide stakeholders (the organisation, private sector, third sector, and the public) with access to all elements of the social value/impact system subject to registration, authentication, and data security controls.

Please see Appendix 1 for our diagram of relationships between the elements.

The IT and digital communications infrastructure required to deliver the social value proposition and digital democracy can be broken down into eight components. The cost quoted under each item is the cost to build each component up to the point of launch.

1. **Integration with the organisation's Procurement Portal:** Interface between Social Value System and Procurement Portal: Supplier SE score validation; contract data for monitoring. **Indicative cost to design and build: £55,000**
2. **Metric Platform: Social Impact Metric (S/E) & Calculator:** This online tool would calculate and display S/E ratios for all businesses listed on the supplier portal. Any business registering on the supplier portal would have a fixed period of time to upload data to enable auto calculation of an S/E ratio. Results will be returned to the organisation's procurement portal, both general company, and specific project related results.  
**Indicative cost to design and build: £100,000** (Social Value training not included)
3. **Monitoring: Social Value Monitoring Tool:** This tool monitors the social value being delivered by supplier organisations providing resources, as well as by third sector organisations using the resources to deliver value to local communities. Members of the public and Third Sector will rate and comment on the outcomes of projects.  
**Indicative cost to design and build: £175,000**  
(Definition of complex relationship between monitoring and companies' social value metrics (result) not included in estimate)
4. **Social Value Dashboard:** This dashboard will display real time metrics about total social value implied in contracts let, and that actually committed and delivered. It will display league tables of top social value providers and other top-line metrics as illustrated in [www.socialvalueportal.info](http://www.socialvalueportal.info), and utilise mapping to show geographical impact.  
**Indicative cost to design and build: £60,000**
5. **Matching: Social Value Matching Tool:** This tool enables local projects to be matched with resources offered by organisations looking to deliver social value. Functionality would be similar to tools like Kickstarter or Neighbourly, and would include a GIS element for location, and also for display of background socio-economic data from government statistical sources (eg ONS)  
**Indicative cost to design and build: £55,000**
6. **Social Value digital communications hub:** This would be an interactive online hub for digital communications promoting the concept of social value. It would push out results from SV initiatives, provide a PR platform for organisations delivering SV, and engage the Birmingham public on what SV is delivering for them.  
**Indicative cost to design and build: £80,000**  
(includes cost of populating with sufficient content for launch)

7. **CSR Education: Social Value Training (via MOOCs):** An online training facility for individuals and organisations needing to up skill on SV delivery, measurement etc. Based on Moodle or similar  
**Indicative cost to design and build: £50,000** (does not include development of any training content)
  
8. **Brand Development:** the IT and digital communications platform will need an overarching design and branding scheme and to have this applied consistently across all components.  
**Indicative cost design and implementation: £25,000**

**TOTAL INDICATIVE DESIGN/BUILD COST: £600,000**

### Ongoing annual costs

**Maintenance:** this is calculated at 20% of total development costs excluding content elements. It covers ongoing user support, bug fixes, planned maintenance (patches etc.) and minor adjustments to calculation logic or presentation.

**Indicative cost: £110,000 pa**

**Hosting:** this is a very high level estimate based on a cloud-based solution and assumptions about levels of activity, as well as requirements to support dual redundancy, be PSN and G-Cloud compliant, meet sector-appropriate resilience and business continuity standards etc.

**Indicative cost: £40,000 pa**

**Content creation:** this covers creation of content for the digital communications hub as well content needs across the system

**Indicative cost: £100,000 pa**

**TOTAL INDICATIVE ANNUAL COST: £250,000**

## Technical Approach

- Responsive web design to support a variety of end user devices, e.g. PC, smartphone, tablet.
- Cloud delivery of Infrastructure and Platform to ensure a resilient, scalable, 'Pay-as-you-go' service model.
- Use of 'Infrastructure/Platform as a Service' and backup services which support the UK Government's 'digital by default' agenda, and comply with ISO27001 information security standards. For example Microsoft Azure.
- Database geo-replication to provide failover during data centre outages.
- Data hosting with the European Union.
- Each functional module will be assessed against UK Government defined information security levels and commercial sensitivity. With multi-factor authentication applied where this is appropriate. This will most likely apply in modules such as the Supplier / Procurement Portal
- Configuration Management of source code using Git (distributed revision control and source code management.)
- Mapping: overlay of data on Google Mapping Engine, or Open Street Map, where use of Google may require additional licence fees.
- Payment module implemented to Payment Card Industry (PCI) data security standard.
- Data standards: Adoption or development of suitable XBRL taxonomy (E.g. GRI) for data export.
- Management: A structured approach to project and programme management, derived MSP and PRINCE2.
- Management: An agile approach to delivery of features, aided by a collaboration tool such as Basecamp.
- Server side scripting: PHP framework to support rapid application development and maintainability.
- Client side scripting: Java Script
- Database: MySQL
- Web server: Apache

## Accessibility

Boilerhouse websites and user interfaces are always designed taking accessibility issues into account, using design and coding best practices:

- All important content reachable by keyboard navigation
- Visible focus indicators on links and form elements
- Sufficient colour contrast
- Flexible font sizes
- Avoidance of movement on pages
- No auto-starting for audio or video with sound

- No flashing content
- Accessible downloadable 'non-html' documents

Testing at the development phase would ensure the system and its content are meeting accessibility standards.

### **Business Continuity**

We will prepare a business continuity plan describing how we would keep the service running in the event of disruptive situations. This covers:

- Details of processes for back up of source code, database structures, designs etc.
- Recovery from back ups, and regular testing
- Off site storage of critical design and process documents
- Arrangements for staff to work if it is impossible to access their place of work
- Continuity arrangements for critical services
- Staff cover arrangements for sickness and other absence.

## About Boilerhouse

**Boilerhouse has been in business in its current form since 2002, although its founder directors have been working together since 1992. We have 12 staff based in offices in Digbeth, Birmingham, and a number of Boilerhouse associates that work with us on a project-by-project basis.**

Boilerhouse has been on the G-Cloud Framework since November 2012. Find our listing in the Cloudstore at: <http://govstore.service.gov.uk/cloudstore/supplier/info/boilerhouse-media-ltd/>

We have designed, developed and delivered a wide range of digital projects as illustrated in the case studies included in this document.

Boilerhouse in-house developed software includes solutions for content management, CRM, benchmarking, online communities, and map-based tools for deployment on Google or Open Street Map.

We have used our bespoke content management system for many websites. Using this system enables us to deliver better value to clients than designing on a proprietary CMS or adapting an open source CMS like Drupal or Joomla.

We have developed online benchmarking solutions for the NHS (workforce data, service commissioning) and the Society of IT Management (website performance data). The NHS workforce benchmarking system has also been adapted for local authority use.

We have designed a range of online document libraries/knowledge exchanges. Some of these have been administrator managed, others have enabled public upload of documents. These libraries have involved a wide range of tools to access material, including Google search, custom search, tagging, categorisation, etc.

We have designed and developed a number of online communities, and have our own communities solution installed with a number of clients including Health Education England North West. We have a strong track record in engaging and building online audiences and communities. Although they are not digital development skills, they are skills that inform our approach to design.

We have significant experience in designing content rich sites where users need to navigate and access material quickly and efficiently. Boilerhouse is part of the local authority Better connected initiative that surveys all council websites annually to rate them in terms of usefulness and usability of site content.

Boilerhouse in-house graphic design and illustration skills and our websites are characterised by clean lines and uncluttered design that supports usability. A typical comment from a client following a recent site launch was:

‘Much enjoying the new web site and feel good sharing/promoting it to people.’

## The Boilerhouse team

### **Vicky Sargent**

#### **Client Services Director – overall lead for Birmingham SVP project**

A graduate of Oxford University, Vicky worked for PA Consulting and Shandwick PR, and was chief executive of a trade association before forming the company that became Boilerhouse in 2001. In addition to her client services role, Vicky has particular expertise in online and digital communications for public service organisations. She is a member of the Better connected and Website Performance Improvement teams run by local authority IT and digital professionals' organisation Socitm, for whom she is a consultant, and has also written a range of reports and briefings about digital services and channel shift. She speaks regularly at conferences on web, social media, customer access, and use of data. She has led digital and marketing communications projects for among others, Socitm, PRIMIS, NHS HEE NW, NHS Pensions, Planning Aid, Control Shift, Sheffield City Council, and Improvement and Efficiency West Midlands. Vicky was a member of the Birmingham City Council Interim Smart Commission and is a member of the Department of Communities and Local Government Local Data Panel.

### **Graham Catlin**

#### **Boilerhouse Associate – lead for IT systems delivery management**

Graham has more than twenty years experience of IT management and delivery. Graham was accountable for delivery of Cheshire Shared Service's annual ICT development programme valued at more than £6 million. He has considerable experience of delivering large IT projects, including the design and build of a new Data Centre; Oracle ERP re-implementation; and of stakeholder management at all levels in public and private organisations. In 2011 Graham founded Bowerbank Consulting and has successfully obtained contracts to provide; programme management and IT consultancy for a national events management group; infrastructure design and programme management for a network of wedding and conference venues. Bowerbank have partnered with Boilerhouse on successful public sector procurements. He is also a consultant for the local authority IT organisation Socitm, advising councils on IT strategy, programme delivery, and shared services.

### **Sarah Catlin**

#### **Boilerhouse Associate – lead for system design**

Sarah has wide experience of designing, developing, and improving IT systems for public and private sector businesses. She was instrumental in the delivery of Cheshire County Council's 'eGovernment' programme for digital service delivery, mainstreaming transactional web services across all areas of the council. Sarah managed an IT technical resource pool of more than 250 employees, and is highly skilled at working with developers to deliver workable solutions. In the last three years Sarah has made a successful transfer into the private sector as a Director of Bowerbank Consulting; providing private sector clients with IT management services; project management; business process improvement; IT vendor management; KPI and business analytics; and document and records management consultancy.

## **Andrew Dealey**

### **Head of Digital Media – lead on digital development**

Andrew has 10 years of commercial web coding experience working on a wide variety of projects from cutting edge micro sites to large data driven web applications. He has developed web projects for City and Guilds, Pinsent Masons, The Highways Agency, Socitm, and various NHS organisations. Andrew has developed a range of online tools for benchmarking and performance management; online community developing and management; NHS commissioning and asset management; geo-mapping of socio-economic and other data; and data collection.

## **Mohamed Omar**

### **Boilerhouse developer – lead on publishing and digital communication tools**

Mohamed has over 5 years experience in commercial web development in various roles. He has experience in system design, back end development and front end development. He has worked on SME business solutions in Kenya and with local banks and revenue authorities on systems integrations. He has also worked on projects for the Kenyan government and the United Nations Department of Economic and Social Affairs amongst other organizations. Projects for Boilerhouse include our in-house CRM system, the Making a Difference with Data site, and ongoing work on The Information Daily publishing platform. Mohamed has a Master's degree in IT Project Management (Hons) and a Bachelors degree in Information Systems.

## **Pete Willis, Head of Design**

### **Head of Design – lead on branding for digital**

Pete has a degree in Graphic Design & Illustration and 12 years experience delivering a wide range of creative projects at Boilerhouse in the areas of identity and branding; literature design, exhibitions, packaging and illustration. He has completed assignments for, among others, the Fatherhood Institute, Icomos UK, Race for Health, Barnardos, Socitm and NHS Pensions. His successful work with BP led to Boilerhouse becoming an officially accredited supplier and brand advocate on the BP global roster of preferred suppliers. More recently Pete has been leading our design work for NHS NW, Sheffield City Council, Citadel Events (now HIMSS UK), and Ctrl-Shift.

Examples of IT and digital work relevant to this project

eWIN

[www.ewin.nhs.uk](http://www.ewin.nhs.uk)

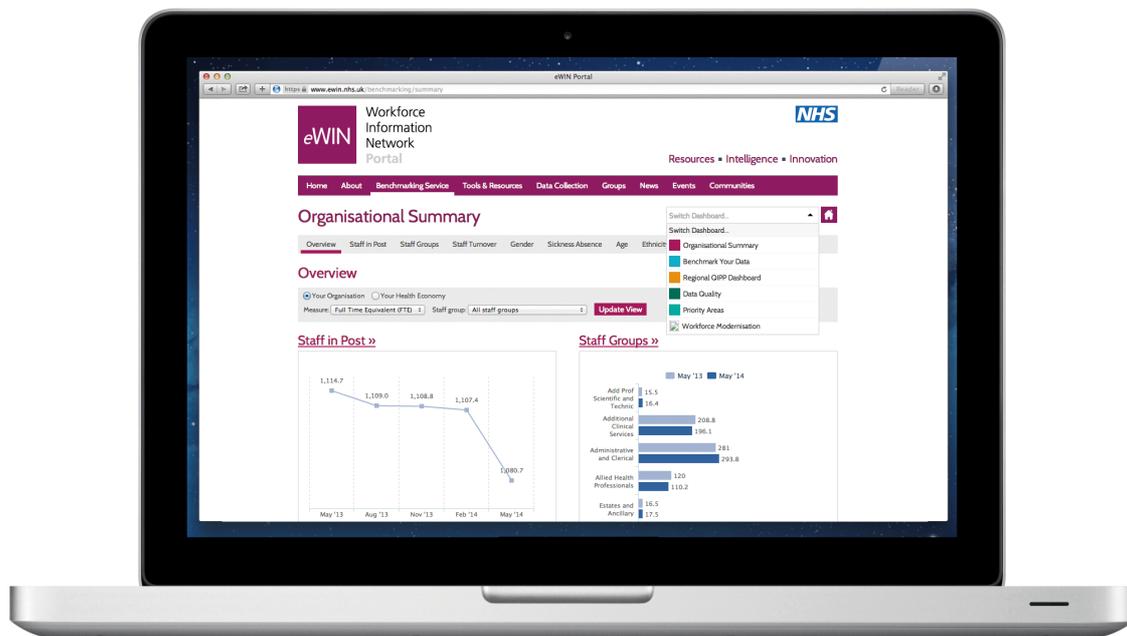
**The eWIN portal was originally designed and developed by Boilerhouse as an agile project in collaboration with NHS North West. It serves HR staff in NHS Trusts as well as workforce planners in Strategic Health Authorities and PCTs (now LETBs).**

The portal provides easy access, via a secure login, to workforce indicators and benchmarking tools to support and monitor targeted improvements in areas like sickness absence, staff recruitment and turnover.

The site enables users to view, interact with, and download data, providing a 24/7 available 'single version of the truth' as attractive, easy-to-assimilate graphs and charts. Before eWIN, users were reliant on emailed spreadsheets for their data needs, so the portal has improved efficiency as well as providing a better experience

The data is supported by an extensive knowledge exchange containing documents, case studies and other materials, and the site also provides forums and networking facilities for special interest groups within the area of workforce management, development and planning.

Boilerhouse has been responsive for all design, user experience, and software development for eWIN, and for the branding and graphic design of the portal. eWIN is also maintained by Boilerhouse, which also handles monthly data updates from the NHS ESR warehouse.



Examples of IT and digital work relevant to this project

## Health & social care West Midlands

[www.hscwm.org.uk](http://www.hscwm.org.uk)

**This web platform was commissioned to support the drive for health and social care integration in the West Midlands associated with the Better Care Fund. The intention was to share knowledge and bring together the people, the places, and the organisations that make up the region's health and social care infrastructure.**

The site has four main features:

- A sophisticated directory/contact finder to enable users to browse, identify and contact individuals from all health and social care professions, in all organisations across the region
- A resources database which enables users to easily locate relevant/latest high level documents;
- Data visualisation tools to help users make sense of the region's location, socio-economic and outcomes data;
- A 'communities' section to enable professional networking, with public or private groups to enable discussion and sharing around specific topics

The site has all of the 'bells and whistles' associated with modern social media platforms, but rather than investing up front in an off the shelf expensive IT system, it is being built from the bottom up. Using networks that already exist within the region, the site is testing out what people are comfortable doing on-line but also explaining the efficiencies associated with using technology as a tool for building understanding and cross sector collaboration.



Examples of IT and digital work relevant to this project

## Socitm Council Website Performance Monitor

[www.wps.socitm.net](http://www.wps.socitm.net)

**The Council Website Performance Monitor is a website that presents data about usage of, and satisfaction with, local authority websites. Users, who can access different levels of data according to their permission status, can interrogate the graphs and charts using interactive tools developed by Boilerhouse.**

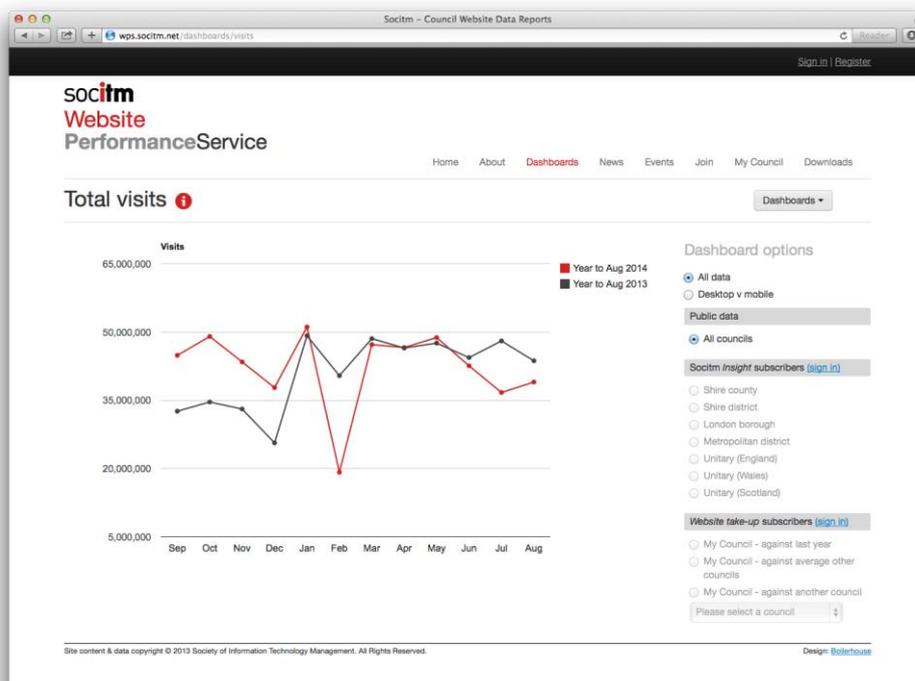
The data displayed is collected by Socitm - the association for local authority IT & digital professionals - using a pop-up survey offered to people visiting websites of councils participating in Socitm's Website Performance service (WPS).

Public data is free to view and provides information about visits for all councils. The values are based on extrapolation from the cohort of 100 councils that use the service.

Subscribers to Socitm Insight can also see data for different types of council, enabling them to compare the performance of their own website (from their own data) with average performance for their council type from WPS data.

WPS subscribers can see a 'My Council' dashboard showing actual data for their council. This can be viewed in comparison with their own performance in the previous year, or with the average performance of other councils in their sector over the year to date.

Well over 100 councils currently use the service and participation rates are high, with the service receiving up to 25,000 completed surveys a month.



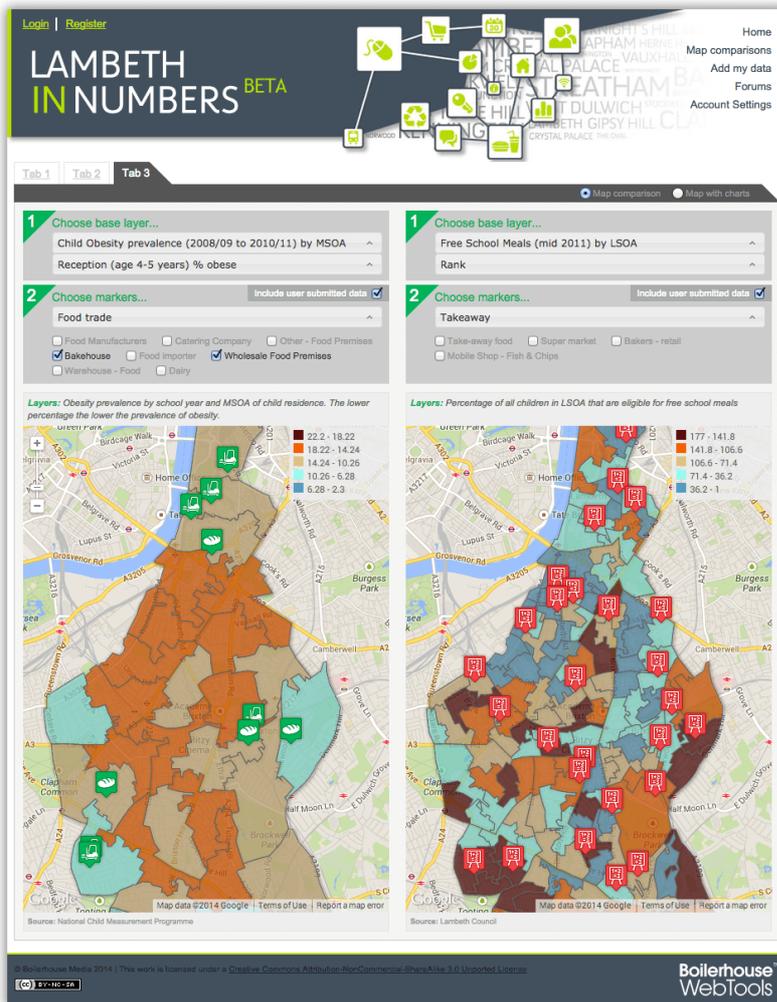
Examples of IT and digital work relevant to this project

## Lambeth-in-Numbers Demonstrator

<http://www.lambeth-in-numbers.co.uk>

The interactive 'Lambeth-in-numbers' demonstrator was commissioned by the Department for Communities & Local Government.

It shows how data released by councils and other public bodies can be made useful and accessible to the public and other stakeholders.



The data displayed is from Lambeth Council, the Department for Communities, and NHS sources. Data used has been chosen for its relevance to Lambeth's Food Strategy.

Launched in Lambeth on September 2012, the demonstrator allows non-experts can use to 'mash-up' different datasets about the local area. This will enhance the understanding of the relationship between local assets and infrastructure and the activity and wellbeing of its population.

Continued...

## Examples of IT and digital work relevant to this project

...continued

The demonstrator has the following elements:

- map comparisons: these enable users to make visual comparisons of different base layers (comprising Indices of Multiple Deprivation, child obesity, free school meals and land use data) and different overlay markers (such as the location of food outlets and food projects).
- map with charts: these show maps alongside a range of associated data presented in tables or pie charts.
- map my data: this tool allows users to locate facilities on a map and add data associated with the location.

For Lambeth Council, the project is part of its commitment to achieve greater transparency and to be 'open by default' with its data. The demonstrator shows what can be done with data from the council and partners and how it data can be used to support co-production and community led commissioning.

The Council is also trying to make services more directly accountable to residents, so they can influence and scrutinise the Council and propose changes that will improve and serve residents' needs better. To do all of that, residents need access to council data. The project shows how open data can be presented in ways that can be understood by ordinary citizens without the need for expert intermediaries.

Examples of IT and digital work relevant to this project

## Hate crime reporting website

[www.shoutcrime.co.uk](http://www.shoutcrime.co.uk)

**Shoutcrime.co.uk was developed for Ideal for All, a not-for-profit company and registered charity run by disabled people for disabled people in Sandwell, in the West Midlands.**

The site is an important part of IFA's work to tackle hate crime, and was made possible by funding from Ordnance Survey. The function of the application is to increase accessibility and promote reporting of hate crime within communities.

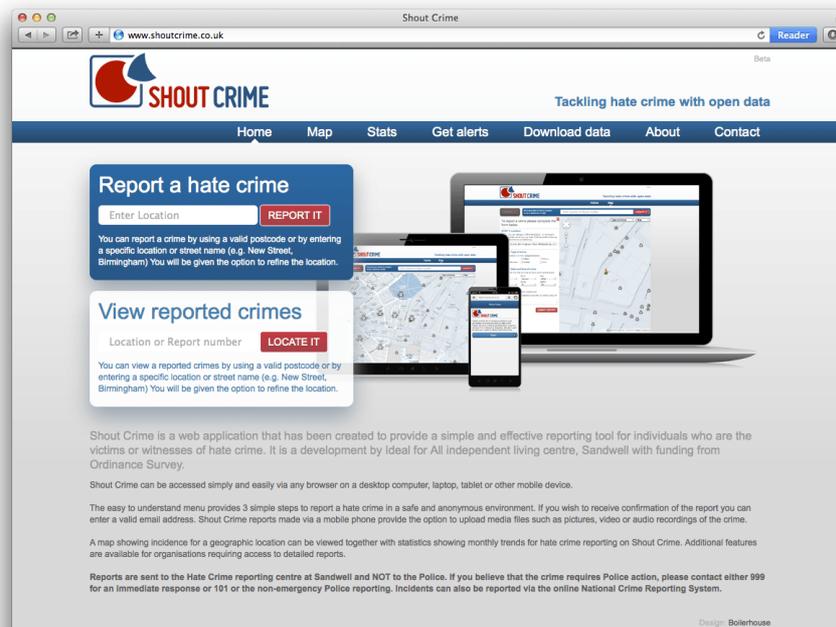
Shout Crime provides an easy to use application accessible through fixed and mobile technologies that have access to the internet via a browser.

Mapping and reporting formats enable users to report the location, type and time of a hate crime. In addition, mobile devices can be used to upload media files, such as pictures and video, which are tagged to individual reports.

Search facilities enable trend analysis to be undertaken within the application while a dashboard presents summary analysis over a rolling 12 month period.

Database content can be requested as a csv format file that can be analysed by organisations and community groups for use in prioritising interventions, community and agency actions.

Unfortunately cuts in local authority funding have led to the site not being promoted or maintained



Examples of IT and digital work relevant to this project

## NHS Specialised Commissioning

Site not available to the public

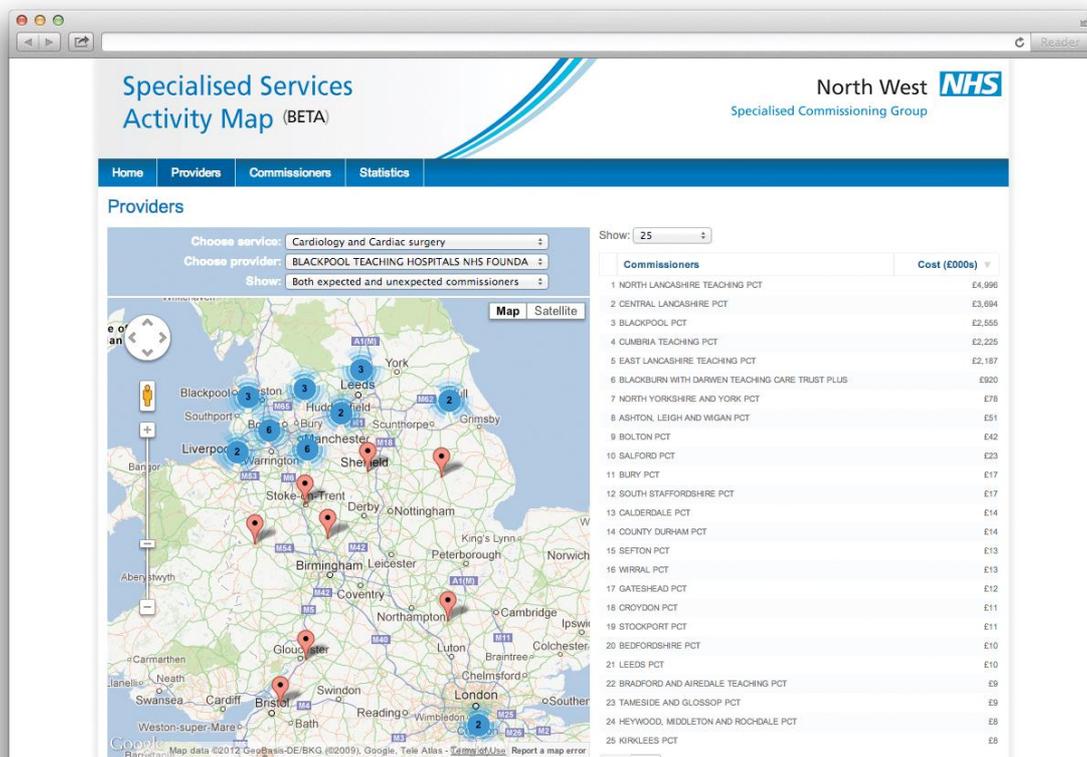
**The Specialised services activity map is an interactive map and data visualisation tool showing provider/supplier activity for NHS Specialised Services.**

The tool was commissioned by the national organisation responsible for the commissioning of specialised services. These are NHS-funded services that help to improve the lives of children and adults with very rare conditions.

In 2011, the specialised services commissioners in NHS North West invited Boilerhouse to develop a tool to enable them to interrogate data about services commissioned through the medium of a map.

The Specialised Services Activity Map allows users to select services from a drop down menu, choose a locality (by PCT) and see on a map which providers across England have been commissioned by them to deliver those services. Conversely, users can choose a provider (eg St Bartholomew's Hospital) and see which PCTs across the UK have been commissioning it to provide specific specialised services. The tool also displays the total value of services provided in each case.

The site also includes a statistics section, in which users can see the data displayed as charts and tables. This makes it easy to see, for example, which are the top providers for any service, which services have the highest expenditure, and the extent to which specialised services are commissioned inside or outside the region.



Examples of IT and digital work relevant to this project

## Equality Performance Improvement Toolkit

Site not available to the public

**EPIT was commissioned by NHS North West equalities team as an online reporting and verification tool for monitoring achievement of equalities goals by NHS organisations.**

The tool allows organisations, including hospitals and other trusts, and PCTs, to self-assess and report their progress on a range of measures around equalities in the workplace.

Authorised staff from organisations using the tool can log in and upload information from their self-assessment. This is then displayed to all site visitors but is marked 'unverified'.

Authorised supervisors can then log on and verify (or not) the self-assessments of those organisations they are responsible for. Once verified, assessments can be marked as such for site visitors to see.

Site admins can authorise registered site users to have access to the tool at different levels to enable verification of reports submitted.

The screenshot shows the 'Assurance and Compliance Tool' interface. At the top, there is a navigation bar with 'Home' and the NHS logo. Below this, there are filters for 'View reports by, Goal:' (set to 'Goal 4 - Move beyond legal compliance to initiating best practice') and 'or Organisation:' (set to 'Choose one:').

The main content area is titled 'Goal 4 - Move beyond legal compliance to initiating best practice'. It includes a list of bullet points:
 

- Assuring full legal compliance.
- Using compliance as a powerful stepping stone to provide a platform for eliciting goodwill and good practice across the region.
- Removing risk associated with poor practice to preserve the reputation of the healthcare organisations.
- Preventing the waste of resources on legal fees, fines and time spent on cases and the consequent lowering of morale and organisational reputation.

There are two status indicators: 'or Unverified' (with a red checkmark) and 'or Verified' (with a green checkmark). Below these are links for 'Show Commissioner Trusts' and 'Show Providers'.

The main table displays the following data:

Deliverable 4.1	Organisation	No response	Insufficient Evidence	Developing	Achieving	Excellent
Develop single equality schemes (SES) that are in line with existing and forthcoming legislation which are evidence based and outcome focused and where commissioner and provider schemes are reflective of each other's outcomes.	Ashton, Leigh and Wigan PCT			✓		
	Blackburn with Rossendale PCT				✓	
	Blackpool PCT			✓		
	Bolton PCT			✓		
	Bury PCT			✓		
	Central and East Lancashire PCTs			✓		
	Central and Eastern Cheshire PCT			✓		
	Cumbria PCT			✓		
	Hallam and St Helens PCT			✓		
	Hyndburn, Burnley and Rossendale PCT			✓		
	Warrington PCT			✓		

Examples of IT and digital work relevant to this project

## Neighbourhood Planner

[www.neighbourhoodplanner.co.uk](http://www.neighbourhoodplanner.co.uk)

**This tool provides a map of England's neighbourhood planning areas and enables anyone to add or modify data on the map, using a simple self-service tool.**

Registered and logged in users can update existing data or add new data to the map, thereby 'crowd-sourcing' a nationally useful and up-to-date data source and reference tool for activity around neighbourhood planning.

To engage users, updates are shown immediately on the home page in text and numbers. The map illustration and call to action pull people further into the site. The Twitter feed (where we have deliberately used avatars as well as text) links the site with relevant conversations going on on social media, NOW.

Boilerhouse created the mapping tools, website design, branding & coding

the INFORMATION DAILY.COM public policy matters

# NeighbourhoodPlanner

An Information Daily channel

About Us Follow us Get our daily news alert

Home About Map Further Advice Log in Register

## Existing Neighbourhood Plans

The data used to create this map, in April 2014, came from the Department of Communities and was collected by them from local authority websites. If you are involved in neighbourhood planning activity, you are invited to update the data for the benefit of everyone using this resource. The colour of the pins denotes the status of the NPA.

- Initial Discussions
- Applied for Designation
- Designated Area
- Referendum
- No information

**Change information about existing neighbourhood plans**

Click on markers to see further information about the status of each plan. To modify the information, use the link within the popup. You will need to be registered and logged in to do this.

## Boilerhouse clients

### Some of our clients include...

360 Recruitment • Aluminium Federation • An-Nisa • Barnardo's • Barrow Cadbury Trust • Bedfordshire County Council • Birmingham School of Jewellery • BP • BP Shipping • British Council • British Presidency of the European Union • Cake • Capita • Centre for Policy Studies • Cheers Interactive (India) • Cheshire County Council • Chipping Norton Theatre • Cisco • Citadel Events • City of Birmingham • Community Health Partnerships • Coventry Technical College • Cranes Travel Pvt (India) • Ctrl-Shift • Cumberland Chef • Cumberland Initiative • D&AD • Department of Communities and Local Government • Department of Health • Department of Trade and Industry • Design Council • Domaine Vintur • Easy Connect • ELGIN - roadworks.org • Elmhurst Royal Ballet School • Embassy of Belgium Wallonia Foreign Trade & Investment Office • eWin Information Network • Fatherhood Institute • Foreign and Commonwealth Office • GOSS • HaCIRIC • Hampshire County Council • Health and Social Care West Midlands • Health Education England • Health Insights • Health Visitors NHS North West • HIMSS UK • Hook Norton Brewery • Ideal for All • Improvement and Efficiency West Midlands • Institute of Biomedical Science • International Council of Graphic Design Associations • International Council of Monuments and Sites • IXC • James Wigg GP practice • Kable • LEGsB • Local Authority Software Consortium • London Borough of Lambeth • London School of Tropical Medicine • Lunar Society • Market Place Design • Modern Plants • Modern Products • Mouchel Parkman • Nacro • NASA • NHS • NHS Pensions • NoCo2 Carbon Offset Programme • Office of the Deputy Prime Minister • Open University • Osaka Gas • Plantech • Primis • Procter and Gamble • Public Service Intelligence Limited • Queens Street GP practice • R3 - Association of Business Recovery Professionals • Race for Health • Radical Middle Way • Royal Town Planning Institute • Royal College of Obstetricians and Gynaecologists • Ruskin College Oxford • Samaritans • SCC • Science Capital • Sheffield City Council • Shimadzu • Society of Information Technology Management (SOCITM) • Socitm Consulting • Specialised Services Commissioning NHS North West • Surrey Institute of Art and Design • The Old Crown, Hesketh Newmarket • UK Tech • Wates Construction • West Midlands AHSN • Working With Business National Project • World Monuments Fund

## Testimonials

*“Boilerhouse didn't just deliver on what we wanted – they used their expertise to guide us to a far better overall solution”*

**PAUL JOHNSTON**

International Business Solutions Group, Cisco

*“Lovely site well done to you and your team”*

**WILLIAM PERRIN**

Founder Talk about Local and member of the Advisory Board for the Government Digital Service:

*“Boilerhouse are quick, clever and creative. Excellent work underpinned by first class project management.”*

**DUNCAN FISHER**

Chief Executive Fatherhood Institute:

*“We are very pleased with Boilerhouse's work on the eWIN project, which is both high quality and good value for money. The team are great to work with and not afraid to challenge us if there is a better way of doing things.”*

**DONNA SIDONIO**

Assistant Director Workforce Strategy, NHS North of England:

*“The Flag internal communications programme was a wonderful idea. It has made a real difference in uniting the organisation. I cannot say enough in its praise.”*

**BOB MALONE**

Chairman & President, BP America:

## Why choose Boilerhouse as a partner to deliver the Social Value IT platform

**We believe that the information we have provided about our experience, our team, and the projects we have successfully carried out demonstrate that we have the right mix of skills, experience and sector knowledge to deliver this project.**

Many of the projects we have cited in this document are in the public domain and available on the Internet. Further evidence is in the testimonials provided, and in the length of time that we have worked with many of our clients.

We also have the third party endorsements of being on the G-Cloud Framework since 2012, and of being a formally-procured, long-standing supplier to a major NHS organisation (NHS North West, now Health Education England NW).

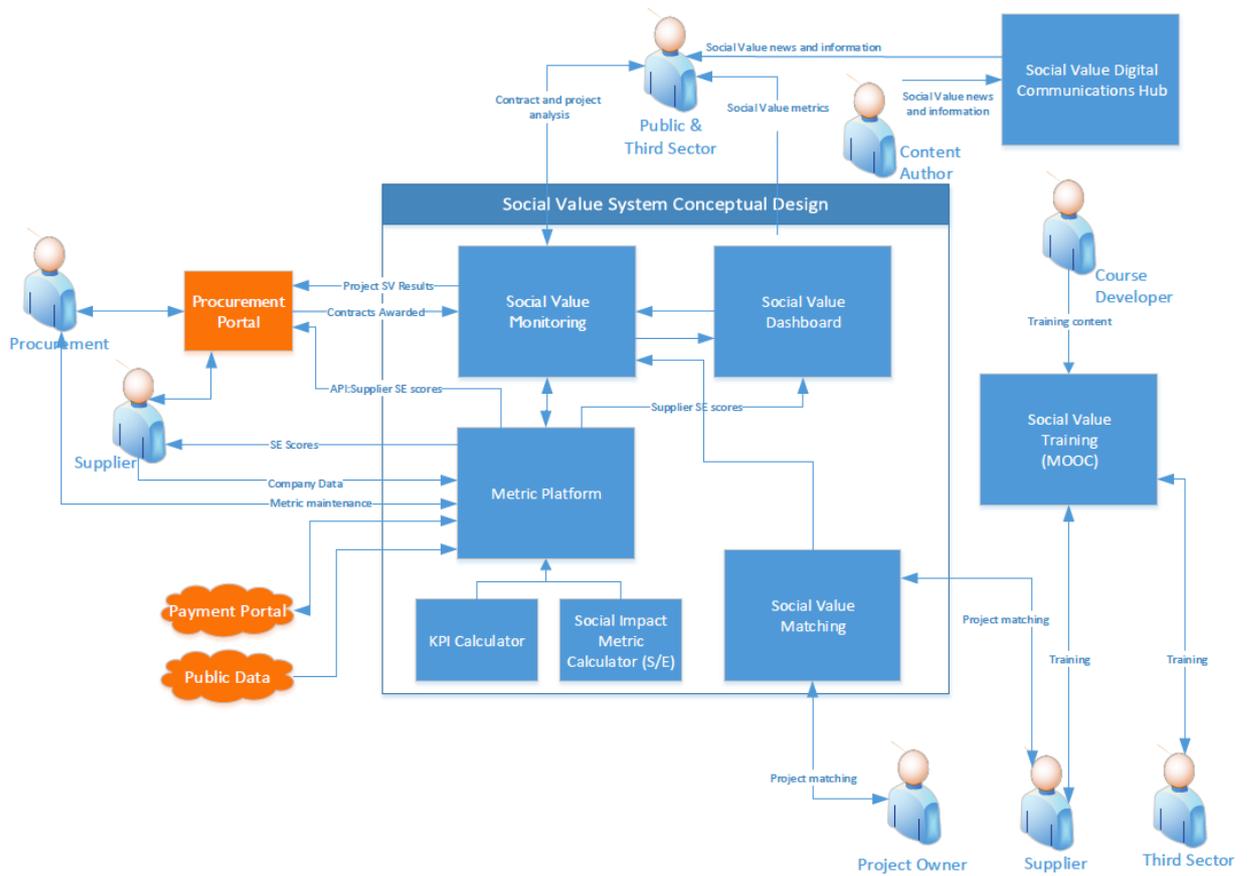
There are however, other reasons to hire Boilerhouse for this project:

**We employ and train local people in our Birmingham office:** we work with the three universities and Birmingham Metropolitan College to recruit staff and to offer work experience. Two of our project team are graduates of Aston University. We prefer to take on young and inexperienced staff and develop their skills. In an unusually broadly based business there is much scope to develop their talent in whatever direction it takes them.

**We provide pro-bono work for local initiatives:** Boilerhouse has provided video and other communications work free of charge to a number of Birmingham organisations that are themselves delivering social value. These include Nacro, Science Capital, Digital Birmingham, Improvement and Efficiency West Midlands, and the Lunar Society.

**We donate time and expertise to local council projects:** Vicky Sargent served on the interim Smart City Commission and more recently on the task & finish group for the Smart City's health and social care work stream.

## Appendix 1 Component Modules - Social Value



# Supporting the Social Value Programme

## **A high-level proposal covering:**

Marketing and communications strategy, plan, and delivery

### **From:**

**Boilerhouse Media Ltd**

Walker Building  
58 Oxford Street  
Birmingham B5 5NR

### **To:**

**The Social Value Hub +**

Centre for Citizenship,  
Enterprise & Governance  
Northampton Business School

### **Prepared by:**

**Vicky Sargent**

Client Services Director

**Tel:** 07726 601139

**Email:** v.sargent@boilerhouse.co.uk

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**The marketing communications need**

**Our proposals**

**About Boilerhouse**

**About TheInformationDaily**

**About Making a Difference with Data**

**The Boilerhouse/InformationDaily team**

## **Some projects**

- NHS Pensions
- BP Shipping
- Society of IT Management
- Ourneighbourhoodplanning

## **The team**

**Boilerhouse clients and testimonials**

## Background and introduction

Boilerhouse Media would like to offer its marketing and communications consultancy and services, and its communication channels TheInformationDaily.com and Making a Difference with Data, to support this activity. The range of scope of these is described in the following pages.

## The marketing communications need

**Moves to fully embrace social value, and commitment to the CCEG model for doing so represent very significant changes in approach to procurement, and relationships with large suppliers, SMEs, and the third sector.**

There will need to be very significant pre and post-launch communications campaigns, as well as ongoing activity, to ensure that this change is understood and acted upon by target audiences and all stakeholders.

A large part of the communications task will need to be undertaken in-house, but it will need help from the CCEG team to discharge this task.

Projects will need access to:

- materials that explain the concept of social value and how it is being applied
- messages tailored to different stakeholders (staff, existing suppliers, potential suppliers especially SMEs and social enterprises, third sector, business representative organisations, the media (including social media owners/influencers), and citizens
- channels to stakeholders

CCEG itself will need to undertake a raft of communications activities to ensure its role is understood in relation to local projects but also more widely, in order to position itself to maximum advantage in relation to the national and international opportunities emerging around the social value concept.

This document provides a high-level view of how Boilerhouse Media might support CCEG, and its client organisations, with communications and marketing services connected the social value concept and activity.

## Our proposals

**CCEG will need to access a range of communications and marketing activity to support social value projects undertaken for clients, in particular to their transition from existing procurement policy and processes to one where the concept of social value is integrated throughout.**

This is significant change no UK local authorities have yet adopted a comprehensive approach to meeting the letter and spirit of the Social Value Act 2012.

Equally challenging will be communicating the concept of social value, which is not well understood amongst the business community or the general public. Sections of the third sector may understand social value as a concept, but will have little experience of implementing it, or their own role as delivery partners in this 'blended model' of public service delivery.

Consequently, communicating the changes, achieving buy-in and marketing participation by all stakeholders, including sections of the business community that have not been previously engaged (eg SMEs, community based organisations and the public at large) will be a major challenge.

### Collaboration with in-house communications teams

Marketing Social Value programmes will need to be done in very close collaboration with internal and external communications teams, so that their established channels to all stakeholders can be used to maximum effect.

The very first element of the communications strategy should be to secure an excellent working relationship with in-house communications teams to enable co-creation and delivery of the programme of activity.

In many areas of the programme it will be appropriate for the in-house teams to lead. However, the concept they are communicating is new, and is also likely to face internal resistance from some of their colleagues.

Consequently, CCEG should be prepared to provide significant support to their clients' own communications efforts and plan for the possibility of in-house capacity and delivery proving to be insufficient to meet the requirement.

The communications programme should of course 'piggy-back' on the raft of 'business as usual' communication activity carried out by their clients and their partners with those sections of the community (business, third sector, the public at large and media) that will be impacted by the social value programme.

## Objectives of communications campaign

A successful marketing communications campaign to support the transition to a social value-driven procurement approach will achieve the following outcomes:

- All relevant audiences (set out below) will be made aware of the changes to procurement policy implied by the SVP
- All relevant audiences will understand the implications of the SVP for them
- All relevant audiences will understand the benefits of the SVP for them and other parties
- All relevant audiences will be acting in line with the objectives of the SVP (eg existing suppliers apply for their SV assessment, target numbers of SMEs and social enterprises come forward to get on the supplier register, the general public engage with the programme by providing feedback)
- Voluntary sector organisations add details to the matching service in order to attract resources via the SVP
- Suppliers use the matching service to offer resources
- People and organisations from local communities get engaged with the SVP in the hoped for ways (eg by providing feedback) and in the volumes desired

## Audiences

Key audiences for marketing and communications include:

- Staff who commission goods and services
- Procurement professionals
- Elected members
- Existing suppliers
- Potential suppliers, particularly SMEs and social enterprises
- Community organisations that need resources (public and third sector)
- Staff in organisations that represent community organisations
- Service users

Key audiences that are also channels include:

- Traditional media (newspapers, broadcast, trade press – local particularly but there will also be national interest)
- New media including hyperlocal websites, bloggers, social media activists
- Regional and national trade and professional associations
- Regional and national third sector support organisations
- Local business organisations (eg Chambers of Commerce)
- Local LEPS

- SME and innovation support organisations

## Scope of marketing and communications activity

Development of a local SVP **Communications Strategy**

Preparation of a local SVP **Communications Plan**

- **Branding** for the SVP programme (digital aspects included in Boilerhouse IT/digital proposal) - logo and simple identity scheme for leaflets, website, ppt etc
- Social Value **digital communications online hub** (included in Boilerhouse IT/digital proposal) this needs to be developed as soon as any new relationship is established in order to be available as a resource hub for all other communications activity. Ahead of its availability, TheInformationDaily.com could be used as a paid for content marketing channel.
- **Educational material** about social value: video, simple MOOC, downloadable leaflets
- **Media materials:** press releases; press briefing; interactive online experience 'what is social value'; explanatory video
- **Social media channels:** set up, population and ongoing activity. Include as minimum Linked In, Facebook, Twitter, Google +
- **Events:** internal events for staff; external briefings for business organisations; piggy back on third party events that are relevant to the programme (eg business events, conferences and exhibitions)
- **Campaigns:** (create content and push out via press release, media interviews, email marketing, social media groups, arrangements with representative organisations and channels). Campaigns should be centred on:
  - **existing suppliers** – educating them about social value, selling them the benefits and getting them to apply for social value assessment
  - **SMEs** – educating them about social value, selling them the benefits and getting them to register as potential suppliers
  - **Third and voluntary sector representative organisations** – engaging with them in order to get to them to tell their constituencies about the SV opportunity
  - **Individual third and voluntary sector organisations** - educating them about social value, selling them the benefits, getting them to register as a potential suppliers, and getting them to participate in seeking resources to be given by supplier organisations looking to up their SV
  - **Local residents** – educating them about social value and seeking to engage them in feedback on supplier organisations and their performance in delivering SV

## About Boilerhouse

**Boilerhouse Media has in-house skills to deliver communications strategy and planning, and the whole gamut of delivery, from copywriting, journalism and event organisation, through to branding and graphic design, web design and development, event production and management, and video production.**

Communications can be delivered through traditional and digital channels. As well as web design and development, we offer advanced digital presentation skills including online benchmarking, GIS, and data visualisation.

While we can provide simple websites through open source tools like WordPress, Boilerhouse also has a suite of in-house developed software providing solutions for content management, CRM, benchmarking, online communities, and map-based tools for deployment on Google or Open Street Map.

Boilerhouse owns TheInformationDaily.com and its associated online publications and social media channels.

Boilerhouse also owns the *Making a Difference with Data* initiative, launched in June 2014 in Birmingham, which includes an events programme, and an online publishing platform providing news, information, social media access, a product showcase and an online community.

Boilerhouse has been in business in its current form since 2002, although its founder directors have been working together since 1992. We have 12 staff and our offices and 1100 sq. ft. web-video studio are in Digbeth in central Birmingham, minutes from the mainline stations.

Boilerhouse has been on the G-Cloud Framework since November 2012. Find our listing in the Cloudstore at: <http://govstore.service.gov.uk/cloudstore/supplier/info/boilerhouse-media-ltd/>

## About TheInformationDaily

**TheInformationDaily.com is an online publication providing news, features and comment on public policy topics of interest to senior decision-makers in the public sector, and to private sector executives in organisations working with and for the public sector.**

We are widely followed in the offices of UK Government Ministers, MPs, MEPs, MSPs, MWAs and by many local authority officers and Councillors. We are also read by senior and middle ranking policy makers in health & social care (including the NHS); transport; education; communities, city and local government; the economy and the environment. We are accredited in Westminster and in Brussels and at all the major, UK, party conferences.

More than 11,000 people elect to get the Information Daily News Alert every weekday. According to data from Google Analytics, we get between 50,000 and 60,000 readers a month. Our own staff writers and video reporters originate more than 90% of our content.

The Information Daily publishes five supplements with new content added each weekday; Healthcare Innovation Daily; Local Government Monitor; DataDaily; Think Local; and Advanced Engineering Online.

As well as our in-house team, we have a growing number of columnists writing for us including a CCG chief executive; a data specialist; a former Guardian journalist; and a former communications chief of a major local authority.

From time to time we invite “opinion pieces” (third party features) from named individuals among our readership. In 2013 contributors included Ministers, MPs, MEPs and senior policy influencers from major think tanks and advisory consultancies. These third party features are published under the by-line of the authoring individual or organisation.

Our database, built and maintained in-house to market TheInformationDaily, initiatives like Making a Difference with Data, and to meet the content marketing needs of our clients, includes 20,000 public sector senior decision makers of which 5,500+ are in the health sector, 3000+ are local government officers, 6000+ are local government elected members and nearly 3000 are involved in open data/big data/making a difference with data. Our database also includes more than 10,000 private sector senior decision makers of which 7000+ are in advanced engineering and high-end manufacturing

Information Daily content-marketing services are designed to help organisations engage with their stakeholders through all channels and engage with our audiences. Specific services include:

- content-marketing strategy and planning
- content capture for events and conferences
- supply of content for clients' own online channels and titles
- design, delivery and management of websites, micro-sites and mobile sites that initiate, build and sustain local, national and international online communities
- production and commissioning of news, comment, white papers, briefings and opinion pieces for dissemination through our platforms, our clients platforms (news feeds and features), through third party channels and through social media
- supporting clients' content with our own content and independent, authoritative, endorsing content commissioned from named writers
- production and commissioning of web video, Web.TV programmes and podcasts for delivery through our platforms, on our clients platforms and through third party channels
- design and publishing of online advertising, polling, stakeholder engagement tools, games and tests.

## About Making a Difference with Data

**Making a Difference with Data was first launched in 2011, to raise awareness of the benefits of open data and data-driven decision-making for local public services.**

The programme was initiated by Improvement and Efficiency West Midlands and funded by the Department for Communities, with Boilerhouse contracted to develop and run the programme. Other funded projects followed, for example Boilerhouse's open data demonstrator [www.lambeth-in-numbers.co.uk](http://www.lambeth-in-numbers.co.uk).

Based on its own experience in the open data field, Boilerhouse re-launched Making a Difference with Data in 2014 as its own initiative, working with the UK's cities and regions, and with private sector partners, to accelerate the pace of change. @MADwDATA #2 has been conceived to support and amplify the range of initiatives by local public services to release and share data and to communicate the benefits of doing so.

The project is supported by a number of England's 'core cities'. In June 2014, a full day launch conference was held in Birmingham, organised in collaboration with Digital Birmingham, with sponsorship from Capita.

100 senior executives attended the launch, from local authorities, transport, health services, emergency services and housing providers. Video and presentation material from the event can be found online at [www.madwdata.org.uk](http://www.madwdata.org.uk). A [blog about the event](#) has been published by the Connected Digital Economy Catapult.

Events are now being planned in Sheffield and Leeds, with an Answertime event scheduled for the Autumn in Birmingham.

## Why choose Boilerhouse as a partner to deliver marketing and communications for the Social Value Programme

**We believe that the information we have provided about our experience, our team, and the projects we have successfully carried out demonstrate that we have the right mix of skills, experience and sector knowledge to deliver marketing and communications services to support CCEG's Social Value programmes and wider social value activities.**

In particular:

- We have worked for many years with local authorities, both as marketing communications consultants and suppliers and also in our role as communications consultants to the Society of IT Management
- We have worked as marketing communications consultants and suppliers elsewhere in the public sector, for Whitehall Departments (DTI – now BIS; Foreign Office; Department of Communities); for the NHS; for NDPBs like the Design Council and the British Council; and for universities (eg Open University, Imperial College). We are able to operate at the highest levels within these organisations.
- Given the above, we are extremely well networked across the public sector and suppliers to the public sector. Vicky Sargent was a member of the Birmingham City Council Interim Smart Commission and continues as a member of its health and social care 'task and finish' group. She is also a member of the Department of Communities and Local Government Local Data Panel.
- Unlike many marketing communications consultancies, are able to offer both strategy and delivery – right across the board of communications services. We will not recommend strategies that are not deliverable within the budget/resources available
- We own channels-to-market. With channels like TheInformationDaily, Making a Difference with Data and Neighbourhood Planner, we have unique access to communities that are not available to other marketing service providers. The communities we have access to, including senior executives across the public sector; elected members; and private sector suppliers to the public sector, are of direct interest

Boilerhouse also scores highly on social value:

**We employ and train local people working in our Birmingham office:** we work with the three universities and Birmingham Metropolitan College to recruit staff and to offer work experience. Two of our project team are graduates of Aston University. We prefer to take on young and inexperienced staff and develop their skills. In an unusually broadly based business there is much scope to develop their talent in whatever direction it takes them.

**We provide pro-bono work for local initiatives:** Boilerhouse has provided video and other communications work free of charge to a number of Birmingham organisations that are

themselves delivering social value. These include Nacro, Science Capital, Digital Birmingham, Improvement and Efficiency West Midlands, and the Lunar Society.

**We donate time and expertise to our local council's projects:** Vicky Sargent served on the interim Smart City Commission and is on the task & finish group for the Smart City's health and social care workstream.

## The Boilerhouse/InformationDaily team

### **Vicky Sargent**

#### **Client Services Director – project lead**

A graduate of Oxford University, Vicky worked for PA Consulting and Shandwick PR, and was chief executive of a trade association before forming the company that became Boilerhouse in 1992. In addition to her client services role, Vicky has particular expertise in online and digital communications for public service organisations. She is a member of the Better connected and Website Performance Improvement teams run by local authority IT and digital professionals' organisation Socitm, for whom she is a consultant, and has also written a range of reports and briefings about digital services and channel shift. She speaks regularly at conferences on web, social media, customer access, and use of data. She has led digital and marketing communications projects for among others, Socitm, PRIMIS, NHS HEE NW, NHS Pensions, Planning Aid, Control Shift, Sheffield City Council, and Improvement and Efficiency West Midlands. Vicky was a member of the Birmingham City Council Interim Smart Commission and is a member of the Department of Communities and Local Government Local Data Panel.

### **Joe Tibbetts**

#### **Creative Director and publisher, TheInformationDaily.com – content marketing lead**

Joe is the creative force behind Boilerhouse Media. He has a background in the theatre, film production and journalism, writing for among others The Sunday Times and BBC Radio 4. He formed International Design Marketing, his own creative agency, in 1989, and this became Boilerhouse Media in 2001 when he went into partnership with Vicky Sargent. In the last ten years Joe has built four remarkable creative teams at Boilerhouse, the digital design and development team, the graphic design and branding team, the video team and the web content team. The members of these four teams, all recruited as students or early in their careers, were chosen for their creative excellence and because they have the confidence and ability to follow their own vision while working as part of a larger, Boilerhouse, team.

### **Ather Abbas**

#### **Boilerhouse Development Director – lead on marketing communications**

Ather has a masters in Strategy and International Business from Aston Business School and an undergraduate degree in Business and Management Studies from the School of Management at University of Bradford. He has worked for Qatar Telecom as the Regional Marketing and Communications Executive and SES Dubai as the Business Development Manager before he joined Boilerhouse. Ather led teams to win million pound projects with Emirates Airlines, Samsung and the Abu Dhabi Government delivering turn-key security system and access control projects. At Boilerhouse, Ather's role is shaped around developing new commercial relationships and engaging with potential clients. He is also the founder and the official licensee of TEDxAstonUniversity – the first university TEDx in Birmingham.

**Pete Willis**

**Head of Design – lead on branding**

Pete has a degree in Graphic Design & Illustration and 12 years experience delivering a wide range of creative projects at Boilerhouse in the areas of identity and branding; literature design, exhibitions, packaging and illustration. He has completed assignments for, among others, the Fatherhood Institute, Icomos UK, Race for Health, Barnardos, Socitm and NHS Pensions. His successful work with BP led to Boilerhouse becoming an officially accredited supplier and brand advocate on the BP global roster of preferred suppliers. More recently Pete has been leading our design work for NHS NW, Sheffield City Council, Citadel Events (now HIMSS UK), and Ctrl-Shift.

**Andrew Dealey**

**Head of Digital Media – lead on digital development**

Andrew has 10 years of commercial web coding experience working on a wide variety of projects from cutting edge micro sites to large data driven web applications. He has developed web projects for City and Guilds, Pinsent Masons, The Highways Agency, Socitm, and various NHS organisations. Andrew has developed a range of online tools for benchmarking and performance management; online community developing and management; NHS commissioning and asset management; and geomapping of socio-economic and other data; and data collection.

**David Ha**

**Head of Video**

David has a degree in Media production with more than two years of videography experience. He has experience in event coverage for local businesses including Aspire4u's Talent UK and MVSA's Ceremony. He has completed various video projects for Boilerhouse including interviews of various high profile figures such as Graham Allen MP and David Mowatt MP as well producing promotional videos for various companies including AdvancedEngineeringUK. David has a wide range of skills that include camerawork, video editing and motion graphics design.

Examples of marketing communications work relevant to this project

## Communications strategy and delivery for NHS Pensions modernization

**Boilerhouse worked with NHS Pensions to develop and deliver a communications programme around changes to the NHS Pension Scheme.**

Our communications strategy, plan and deliverables within it (leaflets, website, call centre scripts etc) needed buy-in from a wide range of stakeholders including the Department of Health, NHS Business Services Authority, trades unions, doctors' and other professional associations and NHS Employers.

At the same time the activity needed to deliver for those affected by the changes, including NHS employing organisations, NHS pension and payroll officers, NHS Pensions' frontline staff, the media, and 1.3 million individuals with rights in the NHS Pension Scheme.

Activity delivered by Boilerhouse in connection with the communications programme included:

- Development of a communications strategy and plan acceptable to the Department of Health and other stakeholders
- A microsite dedicated to changes in the pension scheme
- Design and copywriting of employee payslip inserts, to be accessible to staff at all levels but also signed off by DoH lawyers
- Design and copywriting of briefings and factsheets
- Design and copywriting of posters
- Call centre scripts
- A series of events across England for pension and payroll officers
- Media relations activity
- Trade press advertising
- Communications via stakeholder websites
- Video



Examples of marketing communications work relevant to this project

## Communications programmes, BP Shipping

In 2005, BP invited Boilerhouse to advise on the development of an internal communications programme to support BP Shipping at a time when the group division was experiencing rapid growth. As part of a range of activities we conceived the design, content and structure for a new magazine that would engage land and sea-based employees with a common conception of BP's Shipping's activity.

The project was a huge success: Bob Malone, at the time Chairman & President, BP America said:

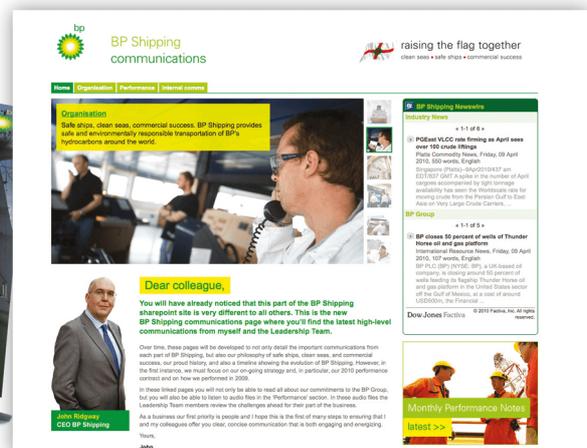
*“The Flag internal communications programme was a wonderful idea. It has made a real difference in uniting the organisation. I cannot say enough in its praise.”*

Since then, and until 2013, Boilerhouse worked with a number of divisions within the gas and oil giant on various publishing and promotional materials including magazines, literature, events, office interior graphics, DVD packaging and content.

Boilerhouse is an accredited agency with the global BP Group Brand Centre. The accreditation process identified Boilerhouse as an agency that demonstrated understanding of the BP Brand and could develop its trusted use across a wide range of global communications.

Boilerhouse also delivered a programme of internal communications for the Integrity Management initiative - a health and safety related initiative to demonstrate the organisation's ability to manage engineering and operational risk through a consistent review framework.

More recently, Boilerhouse delivered a communications programme for the GMS (Group Marine Standard) division, which involved rebranding it, and creating a suite of print, exhibition, web, presentation, and giveaway materials for use in raising awareness of GMS throughout the BP Group.



Examples of marketing communications work relevant to this project

## Communications and marketing for Society of IT Management

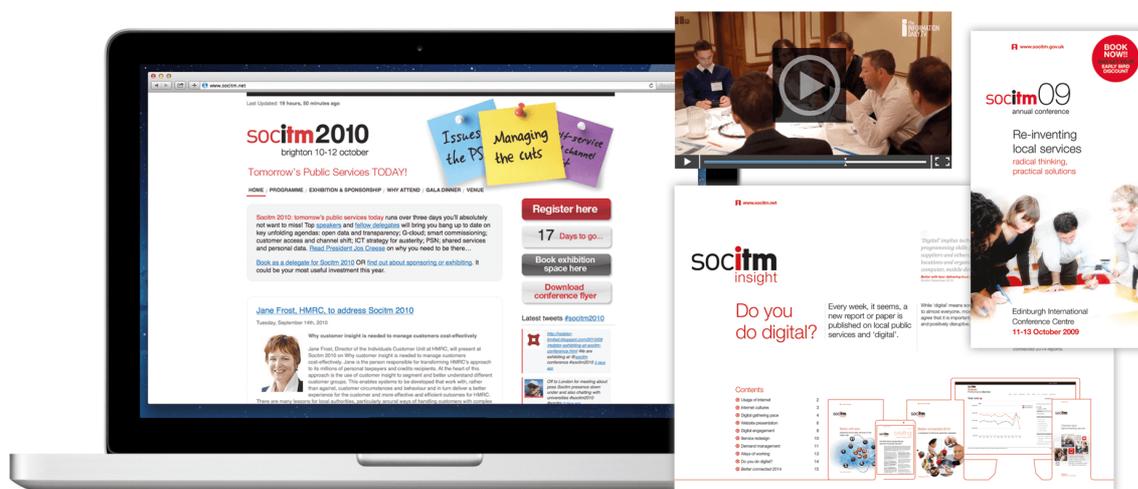
**The Society of IT Management (Socitm) is the professional association for IT management in local authorities and other local public services. Boilerhouse has been delivering a range of marketing and communications activities for Socitm since April 2000.**

Promoting Socitm's influence and its messages with key decision-makers in the local government arena has been an extremely important part of this work.

Key audiences have included top management in local authorities, senior civil servants in the Cabinet Office and other Whitehall departments, and regional and national bodies like the Local Government Association.

Our work for Socitm has included:

- Creating and managing the Socitm press office including commissioning and writing articles for publication in the media
- Creating a new branding scheme for the Society in 2001, that is in use
- Membership development
- Marketing Socitm's range of 'paid for' products and services (events, reports, subscriptions and benchmarking services)
- Writing and designing printed materials, exhibition stands, ecommunications and video material
- Creating specialist microsites including [wps.socitm.net](http://wps.socitm.net) that displays graphs and charts describing the performance of local authority websites
- Organising events and conferences
- Developing new products, including benchmarking, channel shift, and digital engagement.



Examples of marketing communications work relevant to this project

[hscwm.org.uk](http://hscwm.org.uk)

**This web platform was commissioned to support the drive for health and social care integration in the West Midlands associated with the Better Care Fund. The intention was to share knowledge and bring together the people, the places, and the organisations that make up the region's health and social care infrastructure.**

The site has four main features:

- A sophisticated directory/contact finder to enable users to browse, identify and contact individuals from all health and social care professions, in all organisations across the region
- A resources database which enables users to easily locate relevant/latest high level documents;
- Data visualisation tools to help users make sense of the region's location, socio-economic and outcomes data;
- A 'communities' section to enable professional networking, with public or private groups to enable discussion and sharing around specific topics

The site has all of the 'bells and whistles' associated with modern social media platforms, but rather than investing up front in an off the shelf expensive IT system, it is being built from the bottom up. Using networks that already exist within the region, the site is testing out what people are comfortable doing on-line but also explaining the efficiencies associated with using technology as a tool for building understanding and cross sector collaboration.



Examples of marketing communications work relevant to this project

[www.neighbourhoodplanner.co.uk](http://www.neighbourhoodplanner.co.uk)

**Neighbourhood Planner provides a map of England's neighbourhood planning areas and enables anyone to add or modify data on the map, using a simple self-service tool.**

To engage users, updates are shown immediately on the home page in text and numbers. The map illustration and call to action pull people further into the site. The Twitter feed (where we have deliberately used avatars as well as text) links the site with relevant conversations going on on social media, NOW.

Boilerhouse created the mapping tools, website design, branding & coding.

The screenshot displays the Neighbourhood Planner website interface. At the top, there's a navigation bar with 'Home', 'About', 'Map', and 'Further Advice'. A prominent map of Birmingham is featured, with an 'Explore map' button. Below the map, a section titled 'The Neighbourhood Planner Interactive Mapping Tool' explains the tool's purpose. To the right, a 'Current Stats' section shows '769' total number of neighbourhood planning areas, with an 'Add your NPA' button. A Twitter feed is integrated into the layout, showing recent tweets related to #neighbourhoodplanning. The bottom of the page features a 'Videos' section with thumbnails for Tony Burton and Will Perrin, and a 'Latest modifications to data' section listing various locations.

## Boilerhouse clients

### Some of our clients include...

360 Recruitment • Aluminium Federation • An-Nisa • Barnardo's • Barrow Cadbury Trust • Bedfordshire County Council • Birmingham School of Jewellery • BP • BP Shipping • British Council • British Presidency of the European Union • Cake • Capita • Centre for Policy Studies • Cheers Interactive (India) • Cheshire County Council • Chipping Norton Theatre • Cisco • Citadel Events • City of Birmingham • Community Health Partnerships • Coventry Technical College • Cranes Travel Pvt (India) • Ctrl-Shift • Cumberland Chef • Cumberland Initiative • D&AD • Department of Communities and Local Government • Department of Health • Department of Trade and Industry • Design Council • Domaine Vintur • Easy Connect • ELGIN - roadworks.org • Elmhurst Royal Ballet School • Embassy of Belgium Wallonia Foreign Trade & Investment Office • eWin Information Network • Fatherhood Institute • Foreign and Commonwealth Office • GOSS • HaCIRIC • Hampshire County Council • Health and Social Care West Midlands • Health Education England • Health Insights • Health Visitors NHS North West • HIMSS UK • Hook Norton Brewery • Ideal for All • Improvement and Efficiency West Midlands • Institute of Biomedical Science • International Council of Graphic Design Associations • International Council of Monuments and Sites • IXC • James Wigg GP practice • Kable • LEGsBY • Local Authority Software Consortium • London Borough of Lambeth • London School of Tropical Medicine • Lunar Society • Market Place Design • Modern Plants • Modern Products • Mouchel Parkman • Nacro • NASA • NHS • NHS Pensions • NoCo2 Carbon Offset Programme • Office of the Deputy Prime Minister • Open University • Osaka Gas • Plantech • Primis • Procter and Gamble • Public Service Intelligence Limited • Queens Street GP practice • R3 - Association of Business Recovery Professionals • Race for Health • Radical Middle Way • Royal Town Planning Institute • Royal College of Obstetricians and Gynaecologists • Ruskin College Oxford • Samaritans • SCC • Science Capital • Sheffield City Council • Shimadzu • Society of Information Technology Management (SOCITM) • Socitm Consulting • Specialised Services Commissioning NHS North West • Surrey Institute of Art and Design • The Old Crown, Hesketh Newmarket • UK Tech • Wates Construction • West Midlands AHSN • Working With Business National Project • World Monuments Fund

## Testimonials

*“Boilerhouse didn't just deliver on what we wanted – they used their expertise to guide us to a far better overall solution”*

**PAUL JOHNSTON**

International Business Solutions Group, Cisco

*“Lovely site well done to you and your team”*

**WILLIAM PERRIN**

Founder Talk about Local and member of the Advisory Board for the Government Digital Service:

*“Boilerhouse are quick, clever and creative. Excellent work underpinned by first class project management.”*

**DUNCAN FISHER**

Chief Executive Fatherhood Institute:

*“We are very pleased with Boilerhouse's work on the eWIN project, which is both high quality and good value for money. The team are great to work with and not afraid to challenge us if there is a better way of doing things.”*

**DONNA SIDONIO**

Assistant Director Workforce Strategy, NHS North of England:

*“The Flag internal communications programme was a wonderful idea. It has made a real difference in uniting the organisation. I cannot say enough in its praise.”*

**BOB MALONE**

Chairman & President, BP America: