

# Does your Business have Social Value? The changing world of public procurement

October 2, 2020

In the UK “Government spends £284 billion a year on buying goods and services from external suppliers. This amounts to around a third of all public expenditure. The money is spent on everything from goods such as stationery and medicine, through to the construction of schools and roads, the daily delivery of back-office functions such as information technology and human resources, and front-line services such as probation and social care.”<sup>i</sup>

The Government has now launched a new evaluation model designed to ensure that public contracts deliver social value by requiring at least 10% of the evaluation to be assigned to how the bidder furthers social value. Given that a large portion of tenders are won and lost on percentage point differences between bids, this will need serious consideration by all bidders.

This model, set out in [Procurement Policy Note \(“PPN”\) 06/20](#), will apply from 1 January 2021. It will capture the vast majority of new public contracts - irrespective of size or type.

This includes all contracts covered by the Public Contracts Regulations 2015 as well as all contracts issued by central government departments, their executive agencies and any non-departmental public bodies. The measures are the result of a March 2019 [consultation](#) on a proposed social value in procurement model, which found the majority of respondents in favour. Detailed guidance is to follow, but the PPN outlines several key themes and outcomes which public sector buyers must include (and bidders must respond to) where relevant and necessary to the delivery of the contract.

The key themes and outcomes are broadly reflective of those proposed during the consultation with the recent and topical addition of COVID-19 recovery which replaced engagement with SMEs:

- **COVID-19 recovery**

Helping local communities to manage and recover from the impact of COVID-19, through the creation of employment, support of communities and businesses affected by the virus, and the improvement of workplace conditions to provide for effective working during the pandemic.

- **Tackling economic inequality**

Creating new businesses, jobs and skills through the delivery of the contract, with a focus on education, employment opportunities and support for small businesses for those who face barriers to these including increasing supply chain resilience and capacity.

- **Fighting climate change**

Effective stewardship of the environment, including working towards net zero greenhouse gas emissions and influence within the community.

- **Equal opportunity**

Reducing the disability employment gap and tackling workforce inequality.

- **Wellbeing**

Improving the health and wellbeing of people both in the contract force and in local communities, as well as community integration through the delivery of the contract.

Whilst the PPN acknowledges that the main objective in procurement will be “the best commercial outcome”, these measures are the latest product of the idea that government can and should deliver social change through its purchasing power. From David Cameron’s Big Society plans to Theresa May’s post-Carillion social value model, government has gradually incorporated this idea into the procurement process - but not until now has it been a mandatory requirement.

The commercial landscape is changing. Now more than ever, businesses need to understand their social impact. Our teams at Hogan Lovells have extensive experience in public procurement, delivering corporate social value and the social impact sector.

Visit [HL BiG](#) or [HL BaSE](#) for more information about Social Value, Business Integrity and sustainability. For advice on how these measures might affect you and how you can ensure your business moves with the times, speak to your usual contact or:

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<sup>i</sup> Institute for Government, December 2018

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