

## **Social Value – DSF All Industry Session Question & Answers**

This is the consolidated questions and answers from the preparation for, briefing to and responses from the Defence Suppliers Forum all industry session on Social Value, held on Monday 24<sup>th</sup> May 2021.

We take this opportunity to thank all contributors, the intent of this document is to summarise the emerging key questions and answers and opportunities identified together in one document for the benefit of all. In order that we can work collaboratively to achieve the intent of Social Value which we all recognise is positive.

### **CONTEXT**

#### **Q 1. What factors drove the choice of these three areas? [Question post 24 May briefing]**

- Is there scope for industry to offer views on which three of the five may be most relevant and practical?

**A.** *Defence considers the three themes of to be most relevant:*

*The Defence & Security Industrial Strategy (DSIS) has already stated (p.43) that for military equipment 'it is likely that the highest priority social value objectives will be about creating new businesses, skills and jobs, increasing the diversity and resilience of the supply chain, and stimulating innovation - outcomes captured under the theme of 'Tackling Economic Inequality'.*

*MOD's Climate Change and Sustainability Strategic Approach (p.25) noted the linkages between the department's approach to sustainability and the Social Value Model's theme of 'Fighting Climate Change'.*

*The March 2020 Defence People Strategy makes clear that Defence's success depends on its People and our Contractors are an important component of the Defence workforce. The theme of 'Equal Opportunity' encompasses, issues such as modern slavery, diversity and inclusion more broadly and a particular focus on increasing representation of disabled people in the workplace.*

*Through Early Market Engagement, Delivery Teams will engage suppliers to discuss proposed Social Value criteria and gauge what the market can supply. At this stage suppliers will have an opportunity to feed in their views on the proposed criteria as they relate to the specific procurement.*

*[The Department are always keen to hear the views of Industry and we'd welcome your continued engagement on these topics via the DSF and Industry Forums.]*

#### **Q 2. Could we look at what wider initiatives you want industry to invest in for Social Value at the enterprise level? [Question post 24 May briefing]**

## OFFICIAL

**A.** *The Social Value Model sets out the Governments priorities for Social Value and we will be following the Model.*

*Where there are opportunities to contribute to the delivery of specific objectives related to other and/ or wider strategy / initiatives, additional policy outcomes may be added. However, this must not be instead of applying the Social Value Model.*

*It may be that in due course we change elements of the Model as it applies to Defence. We will look to engage industry when considering any change(s) and to manage their introduction pragmatically to allow time to plan for these changes.*

**Q 3. Is there potential for misalignment of Social Value procurement incentive with longer term Social Value investments?** Industry have already adopted a range on long term investment in Social Value strategies, i.e. through community investment or through long term sustainability initiatives. There is a fear that with a mandatory 10% minimum weighting on scoring criteria, that Industry will be incentivised to reduce focus, or even halt, longer term and more widely enriching SV strategies to pivot to the immediate criteria expressed through a particular procurement. How will MOD guard against this potential outcome? **[Question posed pre-meeting]**

**A.** *The Social Value Model reflects Government's view of the priority issues to be addressed in all Central Government procurements. This is not the totality of Social Value; the intent is to build on the good work already in hand and it seeks to evaluate the additional Social Value that can be delivered on a contract-by-contract basis. Furthermore, the intent is to influence behaviours and outcomes and therefore shift emphasis, Climate Change being a good example of this.*

## APPLICATION

**Q 4. When will the start date be for assessing Social Value? [Question raised during the session]**

**A.** *For the Public Contract Regulations it was Procurements that started after 1 Jan 21, for the Defence & Security Public Contract Regulations , it is those that have not got to the Invitation to Tender / Invitation to Negotiate issue stage on 1<sup>st</sup> June 2021 as this is the point in the procurement process when we introduce Award criteria.*

**Q 5. Is Social Value being applied to Single Source procurements?**

How will SV initiatives and associated costs affect the treatment of "Allowable Costs" in the Single Source Procurement Regulations? **[Question posed pre-meeting & raised during the session]**

**A.** *The Department believes that the Social Value Model can be applied to Single Source procurements and are working with colleagues to consider how best to do this; we will ensure that Industry are appropriately briefed on the outcome of this work well in advance of it coming into effect*

**Q 6. Is Social Value designed to favour quantity over quality?**

The social value model discounts the quality of jobs and training our company offers. In our view, the quality of jobs is just as crucial to the number of jobs. **[Question posed pre-meeting]**

*A. The Social Value Model assesses the Qualitative response of Tenderers.*

**Q 7. Do all the areas highlighted score equally, if not what mechanism will be used for specific weighting? [Question posed pre-meeting]**

How will MoD/HMG have the ability to be assured of data veracity and accuracy, and how will it be able to make equitable comparisons between companies?

*A. Delivery Teams will publicise scoring methodology in their procurement documentation in the usual way. We are guiding our teams that a distribution of; 5% Tackling Economic Inequality, 2.5% Fighting Climate Change, 2.5% Equal opportunity, is a starting point when they considering how to apply Social Value. Delivery Teams may have good reason to vary from this starting point following market engagement and sensitivity analysis; in addition, we are establishing a Centre of Expertise to help ensure consistent application.*

**Q 8. How much emphasis will be placed on market engagement when providing guidance? [Question raised during the session]**

*A. Market engagement forms part of the Tender process for our procurements and is best practice. We are encouraging our Delivery Teams to engage with the Market early on, at the pre-Invitation to Tender / Invitation to Negotiate stage to discuss Social Value and how it relates to the specific procurement.*

**Q 9. Under Fighting climate change, how does this theme in SV play out alongside many of the sustainability objectives MoD is considering under the Richard Nugee report? [Question posed pre-meeting]**

*A. Social Value proposals should respond to the Model Award Criteria being Tendered for and are delivered in addition to the Requirements of the Contract. We are engaged with and working closely with the Climate Change & Sustainability Team in MOD to ensure alignment and with the appropriate DSF working group in this area too.*

**Q 10. Particularly under 'Equal Opportunity', some of the proposed factors and metrics may present Data Protection issues, has MoD considered this issue? [Question raised after the session]**

We have direct experience of issues where we are trying to understand some of the D&I metrics around our business, but we cannot force employees to disclose some of what GDPR would consider personal information.

*A. Thank you we will take this into consideration.*

**Q 11. How you ensure appropriate and fair awards that represent all supplier cohorts (SME through to Prime)?**

– There is a risk that the SV points criteria will not present a weighted buffet of options through which a supplier can attain the 10% (min) SV score in a way that recognises that dynamics of all supplier cohorts. For instance, if scale of SV impact (e.g. creation of x 200 apprenticeships) is overvalued, that will disadvantage the SME cohort, who could maybe adopt a more agile and encompassing approach to SV, but at a much smaller scale. Equally, if breadth of SV initiatives is favoured over impact, that could work the other way at the disadvantage to Primes. How will MOD account for the differences in supplier cohort dynamics to deliver a fair and appropriate system? **[Question posed pre-meeting]**

*A. The Model takes a qualitative approach to assessing Social Value tender responses. It allows Social Value to be evaluated on a 'level playing field' between SMEs and Primes. Delivery Teams will specify the Social Value Award criteria taken from the Model that they are evaluating, this will give tenderers a clear view of what is being sought and how it will be assessed. Through the tender process suppliers will need to clearly articulate the Social Value they propose to deliver.*

*The Social Value Model is outcomes-based, so it enables a diverse range of suppliers (SME to Prime) to contribute social value during the performance of a contract. Delivery teams will conduct their usual reviews of the Model Evaluation Questions, Model Award Criteria and methodology to ensure they are not discriminatory.*

**Q 12. How will MOD ensure SV criteria implementation offers a level playing field?**

- The potential danger of the unintended consequence of handing an advantage to overseas suppliers. A market entrant from overseas may benefit from greater agility to instantiate SV strategies targeted at the SV procurement criteria, and they won't already have costly and established SV strategies within the UK market from which they would have to pivot or adapt. How will MOD ensure SV criteria implementation offers a level playing field?

**[Question posed pre-meeting]**

*A. The Social Value Model is outcomes-based, so it enables a diverse range of suppliers (UK & non-UK) to contribute social value. The Selection of Social Value criteria for a given procurement will be subject to testing including early market engagement, to establish if any criteria would unfairly disadvantage any supplier. We recognise that as this Social Value is rolled-out we need to consider Operational and Industry feedback on the model, the process and the outcomes being delivered so that we may respond appropriately to any unintended consequences and take opportunities to improve the Model or its application.*

**Q 13. Is it more appropriate to address some of the Social Value topics at an enterprise level, rather than contract by contract? [Question raised during the session]**

*A. The Social Value Model is designed to take account of Social Value at the Tender stage and monitor Deliver through the life of the Contract(s). The Social Value Model sets out the Governments priorities for Social Value and we will be following the Model, it is outcomes-based, so it enables a diverse range of suppliers (UK & non-UK) to contribute social value. The Selection of Social Value criteria for a given procurement will be subject to testing including early market engagement, to establish if any criteria would unfairly disadvantage any supplier.*

**Q 14. Some companies consist of multiple legal entities, how widely can Industry account for Social Value throughout their entire business? [Question raised during the session]**

*A. Social Value will be considered to the extent that it can be delivered through the life of the contract(s).*

**Q 15. Job creation – How with MOD balance the value within the SV criteria of quantity over quality and new jobs over job sustainment? [Question posed pre-meeting]**

*A. The Model takes a Qualitative approach to assessing Social Value tender responses. The Model Response Guidance specifies in the sub-criteria for each Model Award Criteria “Activities that demonstrate and describe the tenderer’s existing or planned..”, furthermore the Metrics against the theme of Tackling Economic Inequality measure the “created or retained” (apprentices and training).*

*For the purposes of the Model “new” means new for the contracting opportunity being Tendered.*

**Q 16. Supply Chain – How does the SV weighting relate to Supply Chain management activities? [Question posed pre-meeting]**

How will management of supply chains, and supply chain risk, affect Social Value in the criteria under consideration?

*A. We would expect suppliers to deliver Social Value outcomes working with their supply chain(s). The Theme of Tackling Economic Inequality and the Policy Outcome in ‘Increase supply chain resilience and capacity’ set out the Government’s priorities in this area.*

**Q 17. Risk – Is there a risk that large numbers of relatively small contracts all have different social value agendas/objectives, and it starts to get difficult to manage and therefore eventually dumbed down as a result? [Question posed post meeting]**

The potential risk is that large numbers of relatively small contracts all have different social value agendas/objectives, and it starts to get difficult to manage and therefore eventually dumbed down as a result. This is a fantastic initiative and a great opportunity, but it needs to be tied into what the

company is doing as a whole (and very clearly reported) rather than lots of project specific initiatives.

*A. The Social Value model sets out five themes which are the Governments priorities for Social Value and within that Defence will focus on three Themes. Tenderers are asked to provide a Social Value response that meets the criteria of the particular procurement. Performance & reporting will be managed through the Contract Management processes of the Contract, with KPI's and payment withholds applied (as appropriate).*

**Q 18. How can subjectivity be removed from assessing the Social Value? [Question pre-meeting]**

*A. Social Value Criteria are no different to other Tender award criteria and as such are evaluated in the same way.*

**Q 19. How will MOD work with Primes to ensure flow down through the supply chain? [Question posed pre-meeting]**

*A. We would expect Primes to flow these requirements through their Supply Chain, involving them in responding to Social Value criteria and its subsequent delivery.*

**Q 20. How will suppliers be held to account? Could contracts be cancelled if promises not met? [Question raised pre & during the session]**

*A. Social Value performance will be monitored as part of the Contract Management process. We would expect Social Value to be translated into Contract terms and deliverables with associated KPIs and linked to payments. This could potentially include penalty clauses if it was appropriate and could structure contracts so that they could be cancelled if targets not met.*

*The DSF Climate Change and Sustainability Steering Group, for example, will be looking at acceptable levels of penalty that might apply to metrics it is developing to measure carbon.*

**Q 21. Where MOD policy states that there is a preference in the first place to use UK suppliers? [Question raised after session]**

*A. The Social Value Model is outcomes-based, so it enables a diverse range of suppliers to contribute social value during the performance of the contract(s). Commercial Officers within Delivery Teams should conduct their usual reviews of the Model Evaluation Questions, Model Award Criteria and methodology to ensure they are not discriminatory against non-UK suppliers; appropriate, early Market Engagement will also inform this activity.*

**Q 22. Will companies track record on delivery be taken into account? [Question raised during the session]**

## OFFICIAL

*A. Currently MOD cannot consider past performance in any form. This could potentially change as part of the Public Procurement Reforms work being undertaken by the Cabinet Office.*

**Q 23. Will Social Value measures take into account where a company is registered? [Question raised during the session]**

*A. It won't. This is not a relevant consideration under current Procurement Regulations.*

**Q 24. Given the length of most competitions, can MOD ensure that guidance does not change too quickly? [Question raised during the session]**

*A. MOD recognises the need to ensure stability within the Model and is committed to working collaboratively on any changes such that are introduced in a planned and coordinated manner.*

## TRAINING

**Q 25. Commercial Officer Training - There is a concern that without a comprehensive training and awareness strategy, that the SV criteria could be misapplied, and/or inappropriately weighted within Defence procurements.**

- Equally, the nature of SV means that subjective preferences could distort the scoring process, and consideration is required to develop a strategy to correct for this. **[Question posed pre-meeting]**

*A. Commercial Officer Training – we have been training procurement staff (i.e. not just Commercial Staff) in the Model and its application since mid-2020. Additionally, a Centre of Expertise is being established to help ensure consistency in application.*

**Q 26. Supplier Training - Could suppliers' access and MOD training on SV? [ADS question posed pre-meeting & raised during the session]**

*A. It is the responsibility of suppliers to educate and train their staff, however we recognise that Social Value is a collective endeavour, therefore we have been engaging with suppliers via multiple forums since Nov 2020. The Social Value Model, Model Award Criteria and guidance is available on Gov.uk, and we are engaging with the Cabinet Office to see whether the training (e-learning package) can be shared with suppliers. We have already shared our Defence specific policy statements and guidance via the Defence Sourcing Portal, Defence Suppliers Forum, and it will also be available on the Knowledge in Defence Portal (KiD) from July 21.*

## ESCALATION

**Q 27. Formal escalation – If suppliers encounter issues with the fair and reasonable application and treatment of SV, is there a formal escalation process available to suppliers to elevate their concerns? [ADS question posed pre-meeting & raised during the session]**

*A. Social Value fits within our normal procurement processes, so in the first instance questions should be raised with the Delivery Team conducting the procurement, as you would with any other queries during the tendering process. We intend to set up a Working Group under the DSF structure as a formal engagement and communication route.*

## OTHER

**Q 28. How will the Armed Forces Covenant be considered?**

- According to current guidelines on implementation, existing company social value activities will not be included as part of the scoring process in new bids to MOD. We are concerned because in theory this seems to discount the underlying principles of the Armed Forces Covenant and ERS. **[ADS question posed pre-meeting]**

*A. Tenderers will need to be specific in how their current practices will deliver Social Value through a particular Procurement. In this way commitments to the Armed Forces Covenant & Employers Recognition Scheme could form part of a Tenderers response and to the extent that it leads to contract specific Social Value benefits would be assessed. Suppliers 'Corporate Social Responsibility' policy and similar refer to how the organisation performs corporately; these are not contract-specific and therefore are unlikely to adequately address the social value evaluation criteria.*

**Q 29. What Tools is MOD considering to help manage Social Value?**

Use of enhanced tools to support the implementation of the Social Value by both, clients and suppliers (including cost implications). **[Question raised during the session]**

**A.** Industry has suggested several tools, which we will look to evaluate and formally report back to DSF Social Value Working Group in due course.

**Q 30. What has been learnt from projects already done on Social Value? [Question raised during the session]**

*A. MOD have been assessing procurements that have included Social Value so far. This is still early days for Social Value, and we will continue to identify these as we implement it to procurements under the Defence & Security Public Contract Regulations. So far it is clear that it is important to get the award criteria right in the beginning and we will need to make greater use of Early Market Engagement too. The MOD's Centre of Expertise will help to do this.*



**NEXT STEPS**

**Q 31. Next steps – how we will continue good dialogue on Social Value? [Question raised during the session]**

*A. We plan to hold three further Social Value sessions, dates being confirmed, to continue the positive dialogue with Industry. In addition, a workstream will be considered within the Defence Suppliers Forum.*