

Navigating Social Value Challenges Facing Tech SMEs in Government Procurement

Introduction

techUK has long recognised small and medium sized businesses' (SMEs) potential to transform public service delivery through their innovative nature and wide set of capabilities. Our goal is to understand the challenges faced by SMEs operating in or aspiring to operate in the public sector spans back many years. We have a long track record of producing a GovTech SME Survey to amplify the voice of SMEs working in public sector. [The results of our seventh GovTech SME Survey](#), which was published in April 2023, highlights the fact that SMEs operating in the public sector continue to face numerous challenges, including lack of meaningful early industry engagement, too many frameworks, and a risk-averse culture within the civil service. These challenges have been persistent across many years of conducting the survey.

To bring out a new aspect of the SME challenge, this year we put the focus of our survey on Social Value.

Social value has been a requirement in public sector procurement since 2013, and a determinant of public procurement outcomes since 2020. The new procurement measures require that social value contributions account for at least 10% of the overall assessment score. Further, the UK Procurement Act 2023 aims to enhance the role of social value by requiring contracting authorities to maximize public benefit and adopt a "Most Advantageous Tender" approach, which allows for consideration of social, economic, and environmental benefits. Additionally, the National Procurement Policy Statement prioritises social value, mandating its consideration in public procurement with a minimum 10% weighting in contract evaluations from October 2025.

According to techUK's Improving Social Value in Technology Procurement report published in November 2023, "there is inconsistent understanding, application and commitment to the policy by procuring authorities. This not only impacts on supplier confidence in the appropriateness and fairness of tender specification and evaluation, but it also leaves suppliers concerned that social policy outcomes will not be delivered." Research evidenced in the report shows that SMEs face greater challenges when responding to social value requirements.

In May 2024, techUK surveyed over 100 SMEs to understand the experience SMEs go through when responding to social value questions and implementing social value deliveries in central government contracts. The survey sought to gather the views of tech SMEs operating within central government to find out their challenges and concerns they have in addressing social value in procurements. We are pleased to share the results in this report.

A photograph of two women in an office environment. The woman on the left has red hair and is wearing glasses and a light-colored plaid shirt. She is looking at a computer monitor. The woman on the right has dark curly hair, wears glasses and a maroon sweater, and has her hand on her chin in a thoughtful pose. They are both looking at a large computer monitor that displays some code or data. The background is slightly blurred, showing office shelves.

73.1%

of respondents, think it is difficult to formulate commitments to respond to social value requirements in central government tenders. While they are confident in their ability to deliver on the substance of the tender, the vast majority of SMEs we surveyed admitted that they struggle to respond to social value requirements of a procurement.

Challenging Model Award Criteria

At the time the survey was conducted, there were five key themes, each with unique Model Award Criteria (MAC), that suppliers are required to deliver in central government contracts as part of the Social Value model, each one with its own policy outcome. The themes were as follows:

COVID-19 Recovery **Tackling Economic Inequality**

Fighting Climate Change **Equal Opportunity** **Wellbeing**

Wellbeing: The benefits that can be delivered through social value have the potential to improve wellbeing, and government is asking employers to better support their employees, including those with mental health problems, to remain in and thrive through work. The difficulty for SMEs in achieving wellbeing goals stems from their limited resources, as they have tighter budgets and smaller staffs, leading to a lack of dedicated expertise. Firms typically must prioritise covering essential business costs, which constrains the finances that could fund support for mental health and wellbeing programs. Additionally, with smaller teams, there is rarely the opportunity to designate specialised roles focused on employee support, leaving these organisations without the necessary expertise to develop and maintain comprehensive wellbeing strategies.

We asked SMEs which of the themes is the hardest to deliver.

43.4%
Wellbeing

21.2%
Tackling
Economic
Inequality

came out on top.

Tackling Economic Inequality: Diversifying supply chain opportunities is a key priority for the government, as a broader range of suppliers can deliver better value for money, innovative solutions, and improved public services. To tackle inequality, diversified supply chains mean the government must engage a greater number of suppliers, which could create more jobs and “spread the wealth” of a dynamic sector. However, this still poses challenges for SMEs as suppliers are often required to demonstrate active collaboration with smaller businesses—even though many SMEs themselves are already working at a small scale, which can complicate their ability to both deliver services and benefit from these initiatives. The agile nature of SMEs is well documented, and techUK has long championed the need for government to harness their capabilities. However, meeting the requirements of this theme has proven difficult for SMEs. This is partly because government guidelines now expect suppliers to demonstrate active collaboration with SMEs. For many SMEs—who are themselves part of the supplier ecosystem—this creates a paradox. Instead of being seen as potential beneficiaries of such partnerships, SMEs are often forced into a situation where they must both lead and collaborate with other SMEs, a dual role that many simply aren’t structured to fulfill.

Recent Changes

Recently, there has been much change in public sector procurement. The first quarter of 2025 has seen the implementation of the Procurement Act 2023, the release of the updated National Procurement Policy Statement, and the unveiling of a new social value model. In this new model, the 5 previous themes are replaced with 8 new Outcomes based around the government’s 5 Missions. These Outcomes are then split into Model Award Criteria, model sub-criteria and standard reporting metrics.

It will be interesting to observe how this new model impacts SMEs going forward and whether they feel equally capable to deliver on these Outcomes.



The barriers to addressing social value in central government contracts

Survey respondents identified 4 main barriers to addressing the social value component of procurement responses.

Lack of resource and funds: SMEs do not have the capacity or financial resource that larger organisations must deliver social value commitments. This difference puts them at an immediate disadvantage, particularly when it comes to bidding on larger contracts.

76% of respondents from our 2023 SME Survey, said that addressing social value is an administrative burden.

“Financial and human resource limitations put us at a disadvantage compared to our larger competitors”

Scale: SMEs feel they cannot make as significant an impact when competing with larger organisations that can make larger commitments. For example, an SME might possibly be able to bring on 1 apprentice for 6 weeks as opposed to a larger organisation taking on 3 apprentices for 6 months. If SMEs are evaluated using the same criteria as large organisations, and the standardised questions and metrics don't consider the unique circumstances of SMEs, they will fear that they are at a disadvantage. This shows the need for greater communication around the standards procuring organisations are using as the Procurement Policy Note from September 2020 states, “it is the quality of what is being offered that will count in the evaluation, not the quantity.”



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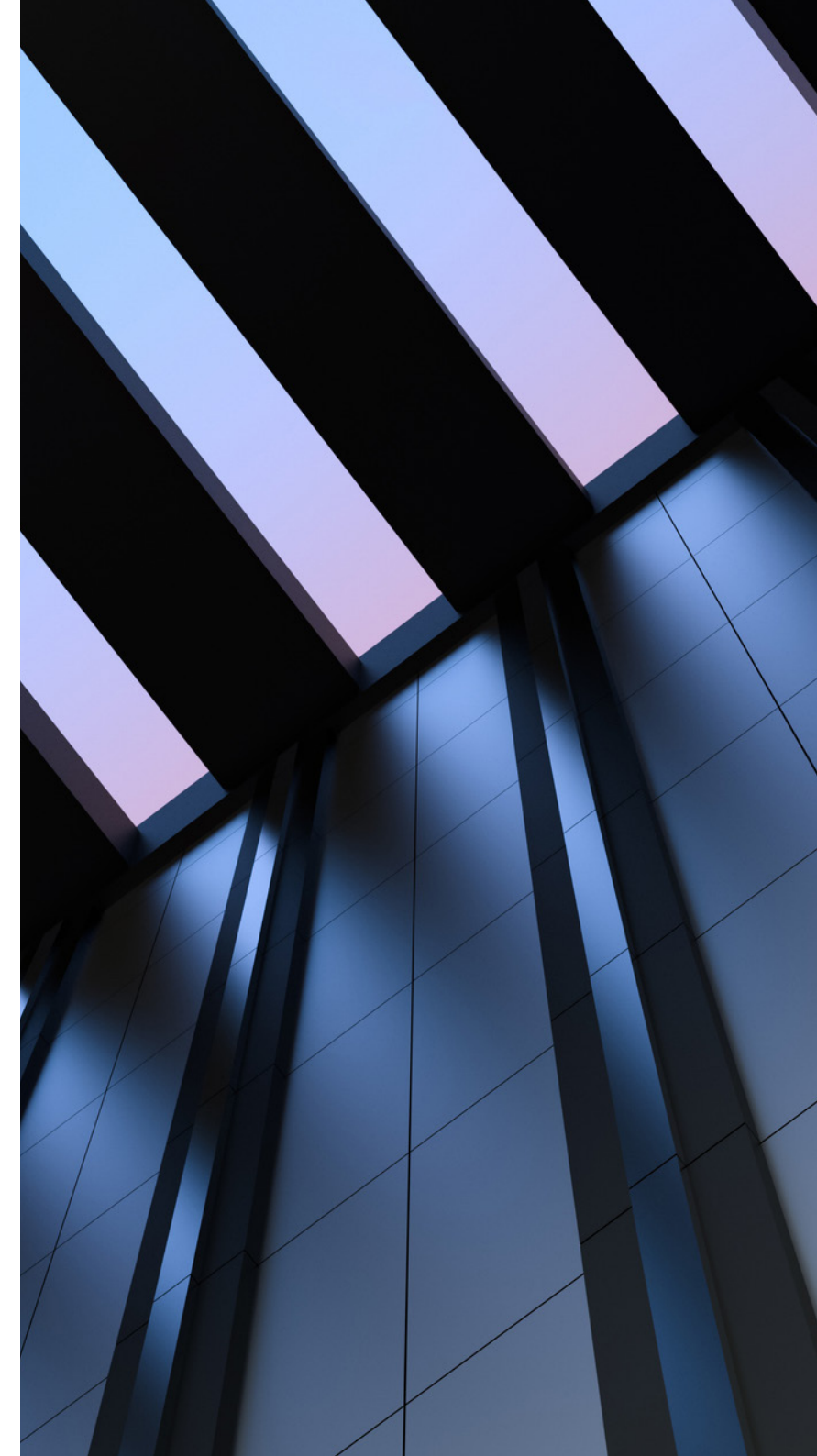
“The impact we can have based on our size is much less than the impact bigger providers might be able to exhibit.”

“We are actively developing our social value strategy but it will never look as impressive next to a big corporation’s social value.”

Lack of insight/experience: SMEs often lack the specialist and in-depth knowledge needed to effectively deliver social value commitments and to align projects with the MAC. It is also challenging to understand the expectations of the awarding authority as different buyers from different departments have varying criteria. Furthermore, many SMEs do not have any demonstratable previous experience to provide.

“Tenders often require evidence of delivering similar social value initiatives, which can be challenging for us as an SME because we haven’t had the opportunity to provide this yet”

Ambiguity and lack of consistency: There is no clarity on how a procurement authority will score social value. Without clear metrics or expertise in assessment it can be hard for SMEs to demonstrate their social value in a way that aligns with the criteria. Moreover, often the criteria are not linked to the contract, which can prove a challenge for any supplier, let alone SMEs. Generally, SMEs try to deliver social value principles, but they aren’t required to track these formally and collecting and demonstrating evidence for government metrics is time-consuming. To address these issues, simplifying social value by emphasising realistic commitments over grand but unfulfilled promises, could better align the interests of procurement authorities and SMEs for achieving measurable impact.



Meaningful engagement

71.6% of suppliers believe there is not enough meaningful engagement between government and suppliers to identify social value criteria that are relevant, measurable, and deliverable.

We know from previous SME Surveys that about 51% of SMEs feel that there is a lack of meaningful early industry engagement on procurement opportunities more generally. Therefore, it is not surprising that SMEs feel that social value engagement is insufficient.

For techUK we think that effective market engagement is crucial in enabling Government to get the most out of its supplier base, access innovative services & a diverse range of expertise, and think of novel approaches to complex problems. Engagement involves regular interactions with suppliers, asking specific questions, and using a feedback system to refine requirements and criteria. Equally, it allows potential suppliers to understand Government's requirements better, opening the market to more competition and leading to higher-quality supplier responses. Meaningful engagement involves a true and open dialogue between buyers and suppliers to understand the challenge and the limits and opportunities of possible solutions.



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Showcasing capabilities

54% of respondents feel they can't showcase their company's strengths and capabilities when addressing social value in central government tenders/contracts. This shortfall can be attributed to criteria that are interpreted in an overly narrow way, leaving little room for SMEs to highlight a broader range of past contributions. Some SMEs suggest that unless they've delivered work that exactly matches the specific government criteria, their diverse experiences are overlooked, putting them at a distinct disadvantage.

SMEs already work hard to be inclusive, diverse and have a positive impact, however, when being assessed in the same way that large organisations, this impact can feel small and not as impressive. Furthermore, the prescribed themes may not reflect the areas where SMEs excel. Although SMEs routinely incorporate social value principles into their operations, these practices rarely find recognition in contractual terms. Instead, contracts focus on future commitments measured against criteria that don't align with an SME's established strengths, making it challenging for them to showcase their true capabilities.

"SV answers have to follow a prescriptive response to the MAC which could overlook wider SV initiatives that an SME can actually afford to undertake."



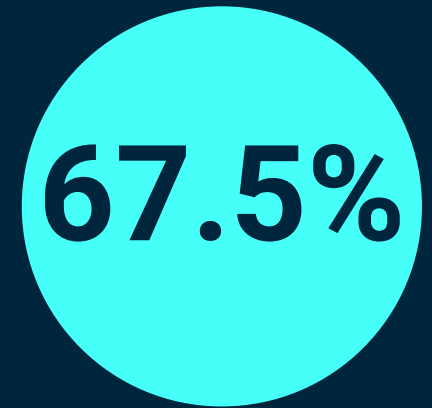
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Government commitment

67.5% of respondents feel the government is either very or slightly committed to delivering social value.

More than half of the respondents think the government is slightly committed to delivering social value, rather than not committed at all. The 10% weighting shows intent from government, but with things such as social value questions that do not relate to the contract and lack of follow up with the social value requirement asked for in the invitation to tender, it feels like more of a tick box exercise for compliance purposes rather than a genuine desire to deliver social value. Government is committed, but not in a meaningful way.



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Recommendations/what SMEs want to see

Our recommendations draw on the responses to this survey and those that were identified in the Improving Social Value in Tech Procurement Report.



Government must establish clear guidelines for social value in procurement.

To address the widespread challenges SMEs face when responding to social value requirements, it is crucial for the government to establish a single, well-articulated set of guidelines for integrating social value into public procurement. This should include not only clear instructions on how to structure responses and evidence capabilities but also introduce a mechanism—such as a social value accreditation or kite marking scheme—to validate an SME's social value credentials.



The government must enhance its engagement with industry.

To address the challenges SMEs face in navigating social value requirements, it is essential for the government to enhance its engagement with industry stakeholders. This should involve establishing regular consultation platforms and collaborative forums that facilitate open dialogue between government, SMEs, and larger industry players. Such engagement would ensure that procurement processes and social value criteria are informed by practical insights and diverse perspectives, ultimately fostering a more inclusive, innovative, and transparent framework for public sector procurement.



Monitor a way that mission led approach to social value is impacting SMEs.

To bridge the gap between perceived government commitment and meaningful social value delivery, two critical recommendations are paramount. Firstly, mandatory monitoring framework must be implemented to assess the impact of 'mission-led' social value initiatives on SMEs. This framework should prioritise direct SME feedback, utilising qualitative data collection to understand operational impacts and ensure a level playing field.

By systematically tracking these effects, the government can proactively mitigate potential disadvantages and foster an inclusive marketplace.



Release an annual statement of how well departments are implementing social value.

To drive transparency and accountability, government departments should be required to publish annual 'Social Value Performance Reports.' These reports must include measurable data on SME engagement, successful delivery outcomes, and areas for improvement, providing SMEs with crucial insights into departmental performance. This will create a culture of transparency, enabling SMEs to make informed decisions, and ensure that social value initiatives translate into tangible benefits for both the government and the SME community, moving beyond 'tick-box' compliance to genuine, impactful social value.



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