

DEMOS

TAMING THE WILD WEST

HOW TECHNOLOGY CAN
CHART A NEW FRONTIER
FOR SOCIAL VALUE

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JULY 2024

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Any errors remain the authors' responsibility.

Hana Kapetanovic

July 2024

ABOUT THIS REPORT

This paper is part of Demos' pillar focusing on a *Citizen Economy*, where people, businesses, charities and government work together to achieve good growth.

The economic divide – between people, places and institutions – has become unsustainably wide. For a nation to hold together, every place and every person needs a stake in economic growth.

We need an economy where everyone can participate and contribute economically and socially.

This will not happen by accident. We need to embed a 'citizen' mindset in all the institutions in our economy, putting our shared interests at the heart of decision making. Business, the state, regulators and markets will all need to be reformed to focus beyond their self-interest and to consider the wider needs of our society and economy. This is how we build a Citizen Economy.

We're working on how we can reform business to encourage them to be good corporate citizens. We're looking at how to improve the support given to people so that we reduce economic inactivity and enable everyone to participate in the economy. We're working around the country on how to achieve a fairer transition to a net zero future. We're investigating how taxation can be reformed so that wealth creates a stronger society.

Across all our work, we are encouraging the creation of an economy where everyone contributes to a prosperous, shared future.

FOREWORD

BY ANNE GODFREY



The way we do business needs to change. To support the growth of UK PLC in a way that delivers beyond profit, we need to transition to a more circular and regenerative future. Additionally, Government should use its purchasing power to encourage businesses to deliver genuine benefits for the taxpayer and local communities, and drive this agenda forward.

Consumers, governments and investors are increasingly looking to support businesses that align with their values and, in our hyper-connected modern world, there is a growing expectation that all things should be knowable and transparent.

Too often, we see a myriad of different reporting metrics, statements and policies, resulting in a confusing landscape that leaves governments and consumers asking the question – “are we really getting the social value that’s being claimed?”

To overcome this challenge, and create a clear pathway for the future, it is imperative for businesses to deliver greater levels of transparency. This is especially true when it comes to assurances on social responsibility, sustainability and traceability.

Transparency cannot be achieved without trusted data. Around 2.5 quintillion bytes worth of data are generated each day¹ and when harnessed effectively, this data can transform the way people work and live, acting as a powerful catalyst to drive lasting, positive change.

GS1 UK is one of 118 local GS1 memberships organisations operating across 150 countries for the benefit of our members, their consumers and wider society.

We have an active role to play in delivering the traceability and data sharing infrastructure that will enable businesses to unlock social value and allow consumers to make more informed choices.

Globally recognised standards are essential for powering the three pillars of traceability – the ability to identify, capture and share interoperable data – and we are already using this infrastructure to support businesses in adopting ambitious new commitments and making demonstrable improvements.

There is still much to be done if we are to transition to a more purpose-led economy, one that fosters trust and a culture of openness between businesses and their consumers, preserves our planet for future generations, and delivers genuine social and economic impact in our communities.

We must work together to harness the power of data, technology and collaboration to make the world, society and business better, sustainable and more transparent. In this way, industry can come together to tackle the considerable challenges that currently stand in the way of progress.

That is why we have partnered with Demos, to create a comprehensive picture of the challenges, opportunities and potential solutions associated with achieving this vision for social value.

Armed with this insight we can drive meaningful lasting change, just when it is most urgently needed.

Anne Godfrey
CEO of GS1 UK

¹ Forbes, 2024. [https://www.forbes.com/sites/lauraclaytonmcdonnell/2024/04/17/time-to-tax-data-why-the-next-great-tax-frontier-could-be-a-data-tax/#:~:text=Now%2C%20in%202024%2C%20roughly%202.5,of%20generative%20AI%20\(GenAI\)](https://www.forbes.com/sites/lauraclaytonmcdonnell/2024/04/17/time-to-tax-data-why-the-next-great-tax-frontier-could-be-a-data-tax/#:~:text=Now%2C%20in%202024%2C%20roughly%202.5,of%20generative%20AI%20(GenAI))

EXECUTIVE SUMMARY

This paper considers how a new vision for social value can build trust in the social value agenda and help unlock economic opportunities, enabled by technology.

The UK's economic growth is lagging behind most G7 economies², while our income inequality is one of the highest,³ along with our regional inequality.⁴ We need to grow our economy, but we need to do so in a way that is shared by communities across the country, including by the businesses that have helped to drive it. By encouraging businesses to think beyond profit alone, we can harness the trillions of pounds they inject into the economy to help create transformational social, environmental and economic impact in our communities. Our previous research shows that a purpose-led economy could provide a £149bn boost to the UK GDP per year,⁵ making the opportunities in this area vast.

Importantly, we need mechanisms to drive that behaviour change. Measuring and tracking the social, economic and environmental impact of how we spend our money is one way that we can achieve this. Using these insights to shape government procurement decisions, worth over £300bn a year and equivalent to 13% of UK GDP, is another lever that we can pull to encourage business to think long term.

We must build on the demand that already exists for businesses to embed purpose beyond profit. New polling for this paper finds that around half of UK consumers consider the social, environmental and/or wider economic impact of a product, service,

company or organisation when deciding whether to purchase something.⁶ And there are now 2,000 businesses in the UK voluntarily signed up to higher standards on social responsibility through the B Corp movement.⁷

But there are red flashing lights on the dashboard. Our research has found real concern that businesses are not delivering on the purpose they have promised. In our survey, we found that the majority (57%) of consumers feel companies and organisations actively hide information about their social, environmental and wider economic impact, with only 5% disagreeing with this statement.

Such concerns have real impact - on investors' willingness to invest in purpose-led businesses, on public trust in the concept of social value, and the ability of public sector contracts to deliver it, particularly given recent scandals, such as 'VIP' lanes used to fast track PPE contracts during the pandemic. Without the trust of investors and consumers, the entire concept of social value is at risk, as we have seen with concerns around 'greenwashing' and the backlash against the environmental, social and governance (ESG) movement in the US.⁸

Building trust that businesses can actually deliver positive social, environmental and economic impact for communities across the UK is paramount. To do so, we will need to involve citizens, who will ultimately benefit from social value, build on the devolution and regional regeneration agendas, featured both in the Conservative and Labour party

2 House of Commons Library, 2024. <https://commonslibrary.parliament.uk/research-briefings/sn02784/>

3 New Statesman, 2022. <https://www.newstatesman.com/chart-of-the-day/2022/09/uk-second-most-unequal-g7-country>

4 NIESR, 2023. <https://www.niesr.ac.uk/blog/where-are-we-regional-inequalities-uk>

5 Demos, 2023. <https://demos.co.uk/wp-content/uploads/2023/11/The-Purpose-Dividend-1.pdf>

6 We have defined this as anyone saying at least one of these types of impacts influences their decision when looking to buy a product or service sometimes, often or always.

Survey question: How often do each of the following impact your decision when looking to buy a product or service? Base: Nationally representative sample (n=2,082). Survey conducted 12th to 14th April 2024.

Unless otherwise noted, all references to 'our survey' relate to one of two polls we conducted in April 2024 - one with the general public, one with SME business leaders. See the appendix for more information on the questions and methodology.

7 B Corp, 2024. <https://bcorporation.uk/>

8 Financial Times, 2023. <https://www.ft.com/content/a76c7feb-7fa5-43d6-8e20-b4e4967991e7>

2024 election manifestos,⁹ to spread this benefit across the country, and empower small and medium enterprises (SMEs), which generate trillions of pounds for the economy, and are often the most tuned in to their communities.¹⁰

Both the Conservative and Labour parties have seen the importance of building public trust in public sector spending, with the previous government setting out plans for more transparency in public procurement¹¹ and Labour putting the ambition to 'make sure public procurement is fair and transparent' at the heart of its plans for business.¹² We need to take advantage of this rare cross-party consensus by building on both parties' plans to increase transparency, which is a key part of our vision.

Technology is a crucial tool for enabling this transparency, and another opportunity that the UK cannot afford to miss. Data enables taxpayers to see how public money is being spent, consumers and investors to see how products and services are delivering social value, contractors to evaluate how bidders are delivering against their promises, and the Government to track progress on social value as a country - which it is currently unable to do. Without establishing an accurate picture of the social value landscape, we will not be able to advance the agenda in a targeted way.

The opportunities that technology can bring will run through all four pillars of our new vision for social value:

- **Standardisation and Interoperability:** Taking steps towards consistent standards in public sector procurement that support interoperability across the private sector and international supply chains
- **Transparency:** In a number of ways: data that allows public sector procurers to evaluate a bidder's progress against the social value elements of their contract; the public to see how taxpayer money is being spent and to track the social value of products, goods and services in the private sector; investors to see how businesses are faring on social value; and government to track progress against social value goals on the whole

- **Capability:** Ensuring businesses and contractors understand social value and how to deliver it, have the resources to evaluate its delivery, and know where to turn if they do not
- **Incentivisation:** Ways to encourage businesses to properly deliver social value, including making progress on the other pillars

While we have made great progress on social value over the past decade or so, there is still some way to go to fully realise the opportunities it can bring. By focusing on social value, while acknowledging the relevance of concepts like ESG or corporate responsibility (CR), we will build on the UK's leadership in this area. This paper will outline a new vision for social value, one which will involve communities and businesses across the UK, aims to unlock the opportunities outlined, and avoid the risks associated with eroding trust in the concept of social value.

To achieve this vision, we set out five key policy recommendations on the following page in table 1.

9 Labour Party Manifesto, 2024. <https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf> Conservative Party Manifesto, 2024. <https://public.conservatives.com/static/documents/GE2024/Conservative-Manifesto-GE2024.pdf>

10 FSB, 2023. [https://www.fsb.org.uk/uk-small-business-statistics.html#:~:text=SMEs%20account%20for%2099.9%25%20of,%C2%A32.4%20trillion%20\(53%25\).](https://www.fsb.org.uk/uk-small-business-statistics.html#:~:text=SMEs%20account%20for%2099.9%25%20of,%C2%A32.4%20trillion%20(53%25).)

11 Cabinet Office, 2022. <https://www.gov.uk/government/publications/transforming-public-procurement-our-transparency-ambition/transforming-public-procurement-our-transparency-ambition>

12 Labour, 2024. <https://labour.org.uk/wp-content/uploads/2024/02/A-Partnership-for-Growth.pdf>

TABLE 1
SUMMARY OF POLICY RECOMMENDATIONS

WHAT?	WHY?	HOW?	VISION PILLARS
Strengthening legislation on social value	Patchy implementation in local and regional government, and the need for a legislative push in the absence of collective action	Strengthen the Social Value Act 2012 to ask all public bodies to 'account for' social value, and establishing a Social Value Council	• Standardisation and Interoperability • Incentivisation
Standardising outcomes through combined authorities and building trust with citizen participation	No consistency and standardisation, but also a need for interoperable and flexible standards to deliver what is socially valuable in different contexts. Also concerns about public trust in the social value agenda	Develop Social Value Strategies on a combined authority level, informed in part by a Citizens' Panel	• Standardisation and Interoperability • Incentivisation
Standardising measurement and encouraging innovation through a Trusted Social Value Data Taskforce	Lack of standardisation of measurement means additional burden on businesses, especially SMEs, and an inability to evaluate our progress on social value. We are not using technology to its full potential in this area	Establish a Trusted Social Value Data Taskforce to standardise the measurement of social value data, and encourage tech innovation	• Standardisation and Interoperability • Capability • Incentivisation
Publishing information on social value measurement as part of public sector contracts	Little transparency in how social value is being delivered means we are unable to evaluate our progress, and may erode trust in the agenda. Additionally, it makes it more difficult for businesses to learn from others and use the data that exists in their own measurement	Build on commitments to increasing transparency in public sector contracts with new social value requirements	• Transparency • Capability • Incentivisation
Capacity building through bigger businesses and social value networks	Understanding is a key concern, especially for SMEs and those less familiar with social value, as well as ability to deliver due to time, resource and money constraints	New requirement in the Companies Act 2006 for a Social Value Officer in all bigger companies	• Capability • Incentivisation

INTRODUCTION

OUR ECONOMY IS LAGGING AND WE NEED TO UNLOCK THE POWER OF GOOD BUSINESS

There has been growing demand from consumers, investors, policymakers, and businesses themselves for considerations beyond profit, such as social, environmental and economic impact, to play a more central role in the world of business. A lot of progress has been made, and in many ways the UK has led on this agenda, but as this paper will argue, we need a new vision to enable us to fully seize the immense opportunities this could bring.

A purpose-led economy could provide a **£149bn boost** to the UK GDP per year - a **7% boost**¹³

Research Demos published in 2023 shows that a purpose-led economy could provide a £149bn boost to the UK GDP per year - a 7% boost,¹³ making the opportunities in this area vast. And by not utilising the full potential of social value, analysis by Social Enterprise UK suggests that we may have missed out on over £760bn worth of opportunities in public sector procurement to create social, environmental and economic value.¹⁴

In the context of an economy that has just come out of a recession at the beginning of the year, GDP growth that has been lagging behind most

G7 economies in recent years,¹⁵ and stagnant productivity levels,¹⁶ these opportunities are significant. But economic growth is not the end in and of itself. We must ensure that this growth is inclusive, and shared with the businesses and communities who have helped drive it.

With a spend of £306bn in 2022/23,¹⁷ public sector procurement provides significant economic opportunities. The Public Services (Social Value) Act 2012 sought to capitalise on this as a way to drive the social value agenda by enshrining requirements to 'have regard to' social value in legislation.

But as demonstrated in our paper launching The Future Public Services Taskforce in November 2023, our public services are facing unprecedented challenges and public satisfaction is declining.¹⁸ In an 'age of polycrisis', it is clear that no single solution can address the complex, overlapping issues facing the country, but it is also clear that we need to take drastic action.¹⁹ At the same time, public trust in politicians to deal with these issues is at an all-time low.²⁰ We need to redesign our economic institutions, working together with communities, businesses, and the public sector.

Ultimately, all companies and organisations in the UK should consider the wider social, environmental and economic impact of their work, and aim to benefit society and communities in these areas. Without harnessing the power of businesses, especially SMEs, which contribute trillions of pounds to the economy²¹ and are often much closer to their local communities than government is, we won't be able to achieve the transformational social, environmental and economic change that we are aiming for.

13 Demos, 2023. <https://demos.co.uk/wp-content/uploads/2023/11/The-Purpose-Dividend-1.pdf>

14 Social Enterprise UK, 2022. <https://www.socialenterprise.org.uk/app/uploads/2022/05/Social-Value-2032-Creating-a-Social-Value-Economy-compressed.pdf>

15 House of Commons Library, 2024. <https://commonslibrary.parliament.uk/research-briefings/sn02784/>

16 House of Commons Library, 2024. <https://commonslibrary.parliament.uk/research-briefings/sn02791/>

17 House of Commons Library, 2023. <https://commonslibrary.parliament.uk/research-briefings/cbp-9317/#:~:text=According%20to%20Public%20Spending%20Statistics,22%2C%20not%20adjusted%20for%20inflation.>

18 Demos, 2023. https://demos.co.uk/wp-content/uploads/2023/11/Recovery-through-Reform_Paper.pdf

19 Financial Times, 2022. <https://www.ft.com/content/498398e7-11b1-494b-9cd3-6d669dc3de33>

20 The Guardian, 2024. <https://www.theguardian.com/uk-news/article/2024/jun/12/trust-in-british-politics-hits-record-low-latest-bsa-survey-finds>

21 FSB, 2023. <https://www.fsb.org.uk/uk-small-business-statistics.html>

In this introduction, we will set out the growing demand for purpose beyond profit, the risks associated with losing public trust on this issue, where progress still needs to be made, and an overview of our new vision for social value and policy recommendations.

EVERYONE IS TAKING ENVIRONMENTAL AND SOCIAL IMPACT SERIOUSLY, BUT PARTICULARLY CONSUMERS - TWO-THIRDS OF CONSUMERS ARE INFLUENCED BY ENVIRONMENTAL IMPACT WHEN MAKING PURCHASING DECISIONS

Over the past few decades, we have seen increasing demand from consumers for businesses to consider their wider impact on the world, particularly on the environment. Building on the definition in the Social Value Act 2012 of social value as economic, social and environmental wellbeing, we conducted new polling to better understand this demand from consumers. Around half of the public consider the social, environmental and/or wider economic impact of a product/service or company/organisation when deciding whether to purchase something.²² While the environment is the most likely factor to influence purchasing decisions, social and wider economic impact also influence purchasing decisions for around half.

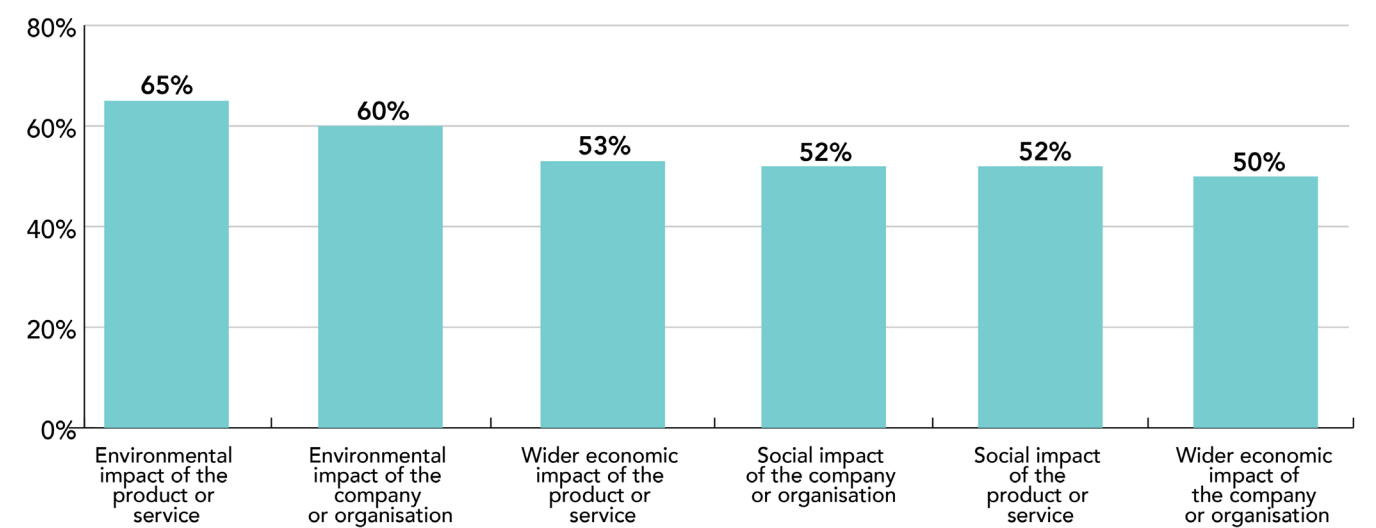
Perhaps unsurprisingly then, environmental impact has been the chief focus of the global environmental, social, and governance (ESG) movement and in terms of UK government initiatives too, particularly outside of public sector procurement. It is often said that the ‘S’ of ESG is neglected, but this is an area that the UK has led on since the passing of the Social Value Act in 2012. The Act went further than ESG and corporate social responsibility (CSR) movements in enshrining social value in legislation, and using the power of the public purse.

All three concepts that have been used in this space over the past few decades aim to get businesses to think beyond maximising profit and consider their impact on the world around them. However, each have different origins which influence how they are used today, and corporate social responsibility (CSR) has declined in use since the growth of the ESG movement.

CHART 1

At least half of the public are influenced by the environmental, social and economic impact in their purchasing decisions

Proportion of consumers saying each of these factors influence their decision when looking to buy a product or service. See appendix for more detail on survey methodology.



²² We have defined this as anyone saying at least one of these types of impacts influences their decision when looking to buy a product or service sometimes, often or always. Unless otherwise noted, all references to ‘our survey’ relate to one of two polls we conducted in April 2024 - one with the general public, one with SME business leaders. See the appendix for more information on the questions and methodology. Survey question: How often do each of the following impact your decision when looking to buy a product or service? Base: Nationally representative sample (n=2,082). Survey conducted 12th to 14th April 2024.

TABLE 2

TERMINOLOGY AROUND THE SOCIAL, ENVIRONMENTAL AND ECONOMIC IMPACT OF BUSINESSES

	CORPORATE SOCIAL RESPONSIBILITY (CSR)	ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)	SOCIAL VALUE
Origin	Coined by Howard Bowen in his book <i>Social Responsibilities of the Businessman</i> (1953), and grew in the latter half of the twentieth century and early twenty-first century.	First mentioned in UN's Principles for Responsible Investment (PRI) report (2006), and has grown since.	First mentioned in the House of Commons in 1919, but today's concept was advanced by the Social Value Act in 2012 (legislation on public sector procurement).
Usage	Also used in UK and international contexts, mostly in the private sector, but has been overtaken somewhat by ESG in recent years.	Used in UK and international contexts, mostly in the private sector, and particularly in investing. There has been more focus on the environmental sustainability aspect.	Mostly used in relation to public procurement, and in a UK context.
Definition	A responsibility for businesses to go beyond the goal of maximising profits by taking into account its societal impact.	A measurement for investors to assess non-financial risks and opportunities in a business's operations - specifically on their environmental and social impact, and their governance.	A need for businesses to have regard to additional economic, social and environmental wellbeing that can be generated through public spending.

This paper will focus on the term social value, or refer to social, economic and environmental impact, as we believe all three of these areas are key for businesses to consider. By using this term, we will build on the UK's leadership in this area. However, we consider ESG and CSR as related agendas that we can learn lessons from, and that help to demonstrate growing demand for purpose beyond profit. For example, impact investing, which is mostly linked to ESG, is a growing sector, estimated to be worth £58 billion in the UK.²³ Social value can be seen as a tool to move businesses towards fulfilling the principles of ESG and CSR.

'GREENWASHING' AND PUBLIC PROCUREMENT SCANDALS RISK LOSING PUBLIC AND INVESTOR SUPPORT

Profit remains the key motivator for most businesses, but profit can only be achieved through giving the market what it wants. Increasingly, that is positive social and environmental impact as well as high quality goods and services - there is evidence that products which made ESG-related claims had higher growth levels over the past five years than those that didn't.²⁴ There is also an increased focus on social, environmental and economic impact in the public sector. The Social Value Act brought in the requirement to consider social value in central government procurement, and has been strengthened by Procurement Policy Note (PPN) 06/20. Moving social value from the voluntary to an obligation has led to large increases in engagement with and implementation of social value,²⁵ but

23 EY, 2022. https://www.ey.com/en_uk/financial-services/how-the-uk-impact-investing-sector-measures-up

24 McKinsey, 2023. <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/consumers-care-about-sustainability-and-back-it-up-with-their-wallets>

25 Social Enterprise UK, 2024. https://www.socialenterprise.org.uk/app/uploads/2024/03/SV32-Executive-Summary-online-version_2.pdf

it inevitably leads to motivations beyond social, environmental and economic wellbeing.

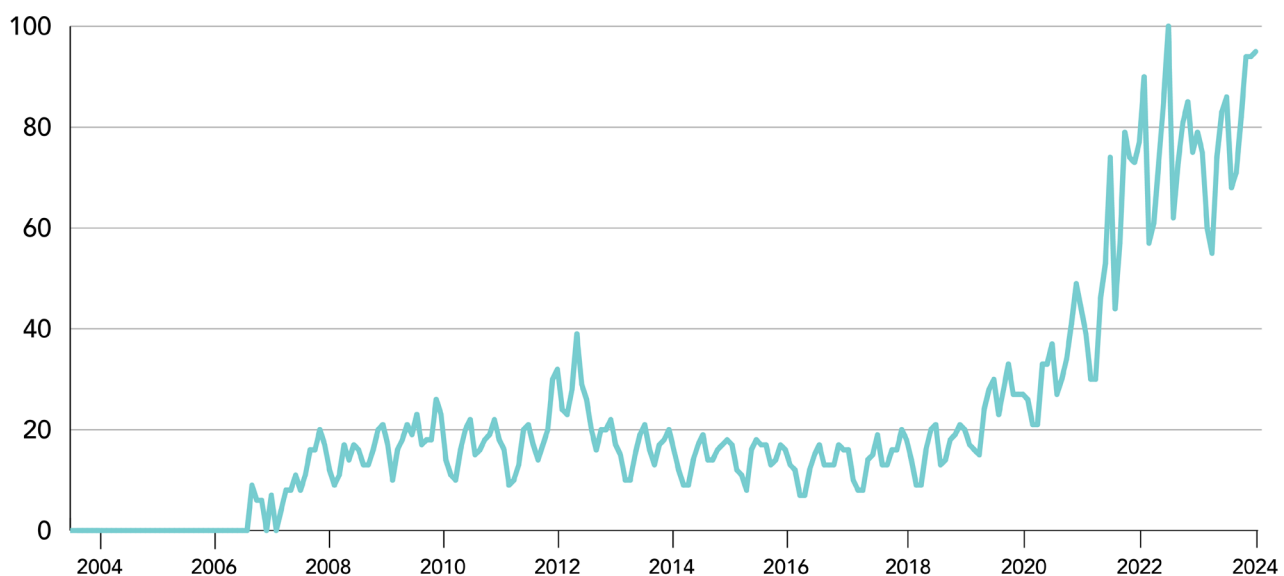
Concerns about 'greenwashing', the process of conveying a false or misleading impression about a company's environmental impact, have grown significantly over the past few years. In our survey, the majority (57%) of the public feel companies and organisations actively hide information about their social, environmental and wider economic impact, rising to 63% among those who consider social environmental and/or wider economic impact in their purchasing decisions. Only 5% disagree with this statement.

These concerns have real impact. We can see this already beginning to happen to ESG in the US with investors moving away from ESG-labelled funds.²⁸ A recent study showed that when there are more 'greenwashing' allegations in the news, investors decreased their investments in funds advertised as sustainable.²⁹ And a study of 202 large publicly traded US companies found that companies that were perceived to be greenwashing experienced a drop in their customer satisfaction.³⁰

CHART 2

Google searches for 'greenwashing' have increased sharply in the past few years²⁵

Google Trends data on the search term 'greenwashing'. Numbers on the y axis represent search interest relative to the highest point on the chart for the given region and time, with 100 being peak popularity for that term, and 0 meaning not enough data for this term.



There is a real danger that these concerns erode public and investor trust in any attempts that businesses make to create positive social, environmental and economic impacts. But it's not only 'greenwashing' concerns that may be eroding public trust. Public procurement scandals such as 'VIP' lanes used to fast track PPE contracts during the pandemic mean that the public aren't just sceptical of businesses in the private sector. Only 37% of the public trust the public sector to spend their money wisely or represent their interests.²⁷ The current lack of transparency around social value, as will be examined below, only serves to erode public trust even further.

Only 37% of the public trust the public sector to spend their money wisely or represent their interests.³⁰

26 Google trends data. <https://trends.google.com/trends/explore?date=all&q=greenwashing>

27 Consultancy.uk, 2023. <https://www.consultancy.uk/news/35754/half-of-uk-public-does-not-trust-government-with-long-term-planning>

28 Financial Times, 2023. <https://www.ft.com/content/a76c7feb-7fa5-43d6-8e20-b4e4967991e7>

29 Gourier, Elise and Mathurin, H  l  ne, A Greenwashing Index, 2024. <https://ssrn.com/abstract=4715053>

30 Harvard Business Review, 2022. <https://hbr.org/2022/07/how-greenwashing-affects-the-bottom-line>

At the same time, trust is crucial when deciding whether to buy a product or service. In our survey, almost all said that how much they trust the product/service (95%) or company/organisation (91%) influences their purchasing decisions. Missing out on these opportunities due to loss of trust would have serious economic impacts.

The previous government recognised this. For example, to tackle concerns about 'greenwashing', earlier this year the previous government committed to regulating ESG ratings providers. Additionally, the Procurement Act 2023 added a requirement for contracting authorities to publish a transparency notice before awarding a contract. In contrast to the US, where there has been backlash against ESG by businesses and policymakers, there is far more cross-party consensus on the importance of social value in the UK.

The previous government passed legislation requiring the evaluation of social value in public procurement contracts, created a social value framework for central government procurers in 2021 with the Social Value Model, and set up or backed a wide variety of initiatives on environmental sustainability. This includes the Global Resource Initiative (GRI) taskforce, the Task Force on Climate-related Financial Disclosures (TCFD), and Sustainability Disclosure Requirements (SDR).

Meanwhile Labour has largely supported the previous government's Procurement Act 2023, which will shift the basis that public sector contracts are awarded on from M.E.A.T (Most Economically Advantageous Tender) to M.A.T. (Most Advantageous Tender) to encourage consideration of wider public benefits beyond value for money, although argued that it could have gone further. Labour has also announced its own five-point plan for public procurement, which includes rewarding businesses that create wider social and economic impact, such as jobs, skills, and wealth,³¹ and a Social Value Council which would advise a new Office for Value for Money to ensure that public money is spent responsibly.³²

Both the Conservative³³ and Labour manifestos³⁴ for the 2024 General Election committed to supporting SMEs in access to public sector contracts. For example, Labour has committed to reforming public procurement rules to help SMEs access government contracts. Making it easier for SMEs to measure,

report and deliver on social value will be crucial for increasing their share of public procurement contracts.

WE STILL HAVE A LONG WAY TO GO ON SOCIAL VALUE

As we've seen, progress has been made over the past decade or so, and there is desire and ambition in this area. Suppliers report a "genuine and increasing" focus on criteria outside of financial value in public sector procurement, including social value, as well as having made changes themselves to meet this criteria.³⁵

Social value is increasingly embedded in the central government public sector procurement process, but there is still some way to go, particularly outside of central government procurement. Research conducted this year by Social Enterprise UK on the basis of Freedom of Information (FOI) requests to local authorities in England and Wales (with a 71% response rate) found that while the proportion of local authorities with a social value policy, strategy framework or similar has more than doubled since 2016, almost a third of local authorities still do not.³⁶ It is also difficult to build up a clear picture of public procurement more broadly due to "disparate and unconnected datasets" and portals, according a review from the previous government.³⁷ This picture is crucial to being able to evaluate our progress on social value, and points to the importance of technology.

On the business side, those which make efforts to deliver social value, often those bidding for public procurement contracts, report a lack of consistency in the information that contracts ask for, and the standards and frameworks they apply. There is also a perception of a broader lack of clarity - only 10% of businesses surveyed by APMP UK last year felt that evaluation criteria for social value are clearly defined in public procurement processes.³⁸

"We get asked completely different questions and asked for completely different data in contracts. There is even inconsistency on the definition on local."

- Business roundtable attendee

31 LabourList, 2022. <https://labourlist.org/2022/09/angela-rayner-to-open-conference-with-pledge-to-end-tory-procurement-racket/>

32 Hansard, 2023. [https://hansard.parliament.uk/commons/2023-01-09/debates/2936011F-A818-40FC-941B-D53E05672870/ProcurementBill\(Lords\)](https://hansard.parliament.uk/commons/2023-01-09/debates/2936011F-A818-40FC-941B-D53E05672870/ProcurementBill(Lords))

33 Conservative Manifesto, 2024. <https://public.conservatives.com/static/documents/GE2024/Conservative-Manifesto-GE2024.pdf>

34 Labour Manifesto, 2024. <https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf>

35 techUK, 2022. <https://www.techuk.org/resource/getting-it-done-techuk-public-sector-supplier-perspectives.html>

36 Social Enterprise UK, 2024. https://www.socialenterprise.org.uk/app/uploads/2024/03/SV32-Executive-Summary-online-version_2.pdf

37 Cabinet Office, 2022. <https://www.gov.uk/government/publications/transforming-public-procurement-our-transparency-ambition/transforming-public-procurement-our-transparency-ambition>

38 APMP UK, 2024. <https://www.apmpuk.co.uk/images/pdf/SOCIAL%20VALUE%20SURVEY%20REPORT%202024.pdf>

Subsequently, different businesses are working to different standards and frameworks, generating and using different data (which is often outdated), and using different methodologies, tools and services to do so. Public procurement contractors we spoke to felt that many bidders are 'gaming' the system to win contracts, and not properly delivering on outcomes, if they are delivering on them at all.

"It is felt that some bidders are game playing... so we need to ensure the validation of the Social Value offer and the true delivery of the offer is real and tangible, for example, they'll commit to ten local people being employed on a contract and they'll score points and win contracts. But, are the jobs real jobs, as in new, and therefore truly impacting on the very people we are trying to support into employment?"

- Local and regional policy roundtable attendee

LACK OF COLLECTIVE ACTION PUTS THE ENTIRE SOCIAL VALUE AGENDA AT RISK

On top of a lack of consistency on standards, methodologies, and tools, there is a lack of transparency around how businesses are delivering social value. This means it is impossible to compare the implementation of social value between businesses, making the social value landscape even more opaque, and consumers even more sceptical. This lack of transparency is at least in part due to a reluctance to share data to retain a perceived competitive advantage.

There is a collective action problem here that risks undermining the entire social value agenda, given that the majority (57%) of those we surveyed already think companies 'actively hide' information about their social, environmental and economic impact. Without this data, we are not able to properly evaluate progress, or assess the quality of social value efforts, which may further erode public trust. In doing so, the current perceived competitive advantage will become less valuable, and so the way forward has to be more transparency from businesses, even if this means companies will have to find other ways to get the competitive edge on social value.

This is particularly true when you consider that small and medium-sized enterprises (SMEs) are even more disadvantaged by a lack of transparency (and a lack of standardisation) as these do nothing to help, and only worsen, the disproportionately larger administrative and financial burden that SMEs face when trying to deliver social value. The Government missed its targets for public sector procurement spending with SMEs of £1 in every £3 by 2022, with the reality being closer to just over £1 in every £5.³⁹ With SME turnover estimated at £2.4 trillion, this is an opportunity we cannot afford to miss.⁴⁰

In the broader business sphere, many are still not completely clear on what social value means for their business. In polling of SME business leaders commissioned as part of this research, the majority did not rate their understanding of social value in relation to their business as 'strong' - instead, 22% described it as weak, 29% as neither strong nor weak, and 7% said they don't know, with 42% saying strong.⁴¹ Outside of public procurement, there is more progress to be made on embedding social value in businesses.

39 Tussell, 2022. <https://www.tussell.com/hubfs/British%20Chambers%20of%20Commerce%20&%20Tussell%20%20-%20SME%20PROCUREMENT%20TRACKER%202022%20.pdf>

40 FSB, 2023. [https://www.fsb.org.uk/uk-small-business-statistics.html#:~:text=SMEs%20account%20for%2099.9%25%20of,%C2%A32.4%20trillion%20\(53%25\).](https://www.fsb.org.uk/uk-small-business-statistics.html#:~:text=SMEs%20account%20for%2099.9%25%20of,%C2%A32.4%20trillion%20(53%25).)

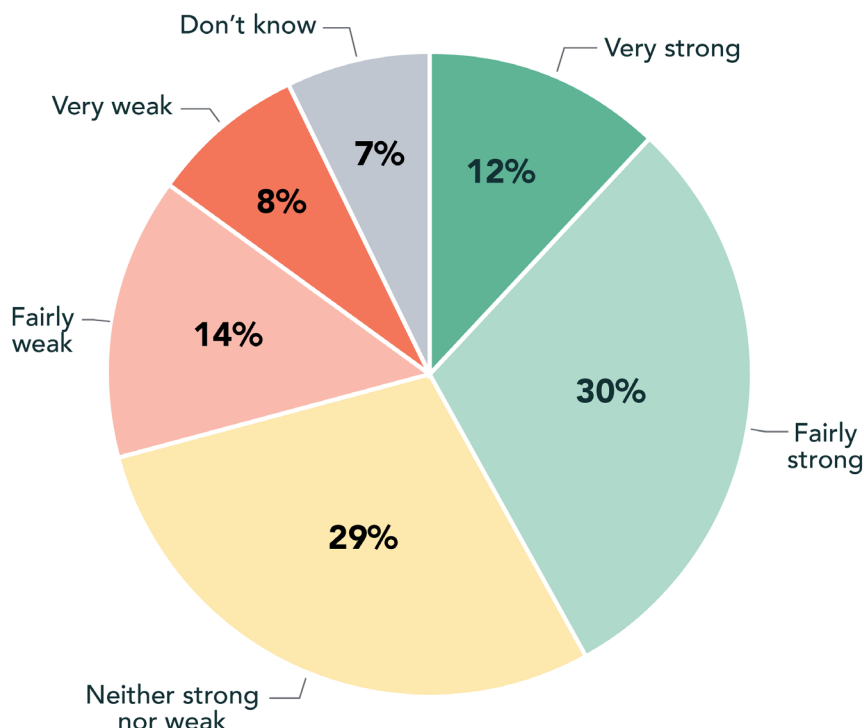
41 As referenced above, unless otherwise noted, all references to 'our survey' relate to one of two polls we conducted in April 2024 - one with the general public, one with SME business leaders. See the appendix for more information on the questions and methodology.

Survey question: Which of the following best describes your understanding of the term 'social value' in relation to your business? Base: SME business leaders (0-249 employees) (n=509). Survey conducted 16th to 25th April 2024.

CHART 3

A minority of SME business leaders rate their understanding of social value as 'strong'

Pie chart showing SME business leaders rating their understanding of 'social value' in relation to their businesses on a scale from 'very strong' to 'very weak'. See appendix for more details on survey methodology.



The challenge is even more immense when you look beyond our borders, as most of our supply chains do these days. If we're lacking standardisation across the UK, the problem is amplified at a global supply chain level as each country has its own approach (or lack thereof) on the wider social, economic and environmental impact of businesses. It is beyond the scope of this paper to solve international standardisation challenges entirely, but we will recommend steps towards reaching global interoperable standards.

WE NEED TO REBUILD TRUST AND UNLOCK ECONOMIC OPPORTUNITIES WITH A NEW VISION FOR SOCIAL VALUE, ENABLED BY TECHNOLOGY

To unlock the opportunities we have outlined, we must rebuild public trust in the monitoring, measuring, reporting and delivery of social, environmental and economic impact by businesses by setting out a new vision for social value, and a path towards achieving it.

We have identified technology as a **powerful tool** that will not have all the answers, but can help to propel our **new vision for social value forward, further and faster.**

We have identified technology as a powerful tool that will not have all the answers, but can help to propel our new vision for social value forward, further and faster. The opportunities that technology can bring run through all four pillars of our vision:

- **Standardisation and Interoperability:** Taking steps towards consistent standards in public sector procurement that support interoperability across the private sector and international supply chains
- **Transparency:** In a number of ways: data that allows public sector procurers to evaluate

a bidder's progress against the social value elements of their contract; the public to see how taxpayer money is being spent and to track the social value of products, goods and services in the private sector; investors to see how businesses are faring on social value; and government to track progress against social value goals on the whole

- **Capability:** Ensuring businesses and contractors understand social value and how to deliver it, have the resources to evaluate its delivery, and know where to turn if they do not
- **Incentivisation:** Ways to encourage businesses to properly deliver social value, including making progress on the other pillars

In the subsequent section, we will outline and explore each of the above elements, and the challenges we have faced or may face in realising them.

Finally, we will explore policy recommendations that aim to move us towards our vision. There is a clear role for government (in consultation with other key stakeholders) in delivering standardisation across public sector procurement, but we also need government action to prompt the transparency needed in businesses. We cannot rely on the private sector alone to do so. Government, too, can help build capability on social value, but there is a crucial role for business networks here, particularly when it comes to encouraging consideration in the private sector.

The five policy recommendations we will set out are:

1. Strengthening legislation on social value
2. Standardising outcomes through combined authorities and building trust with citizen participation
3. Standardising measurement and encouraging innovation through a Trusted Social Value Data Taskforce
4. Publishing information on social value measurement as part of public sector contracts
5. Capacity building through bigger businesses and social value networks

A NEW VISION FOR SOCIAL VALUE THE FOUR PILLARS

PILLAR ONE: STANDARDISATION AND INTEROPERABILITY

Challenges

One of the key challenges in the current social value and ESG landscape is a lack of standardisation. Firstly, there is no requirement for businesses to standardise how they approach social value outcomes and measurements, so many do not. This results in a 'wild west' where businesses are able to interpret and measure social value in a way that suits them, with little consistency or interoperability between businesses, or oversight.

Secondly, businesses that do wish to bring in a level of standardisation of social value outcomes and measurements are faced with an overwhelming array of legislation, guidance, frameworks and tools, leading to different buyers and bidders using different metrics and reporting methods. This creates another kind of 'wild west' where everyone is asking for different social value outcomes and measurements, making it confusing for businesses to know where to focus their efforts, what to invest in and how to best measure their impact.

There are multiple layers with a range of possible sources of standards within them, but a lack of interoperability between them:

- **International standards and frameworks** e.g. UN's Sustainable Development Goals, International Sustainability Standards Board, European Sustainability Reporting Standards (ESRS)
- **National and devolved legislation** e.g. Social Value Act 2012, Well-being of Future Generations (Wales) Act 2015, Procurement Reform (Scotland) Act 2014, Northern Ireland PPN 01/21, Procurement Act 2023
- **National guidance** e.g. HM Treasury Green Book, National Procurement Policy Statement, PPN 06/20, Social Value Model
- **Regional and local strategies and frameworks** e.g. policies of combined and local authorities
- **Practitioner standards, accreditation and associations** e.g. Social Value UK's Principles of Social Value, British Standards Institute standards, International Organisation for Standardisation ISOs, investors' ESG ratings
- **Measurement and reporting tools** e.g. Social Value Bank, Rail Social Value Tool, Social Value Portal⁴²

42 Social Enterprise UK, 2023. <https://www.socialenterprise.org.uk/seuk-report/the-social-value-roadmap/>

Alongside this, social value can be weighted differently by different public sector buyers. PPN 06/20 has created a minimum 10% weighting, but some local and regional authorities weigh social value even higher, for example the Greater Manchester Combined Authority (GMCA) weights social value at 20% for procurements over £100k.⁴³ This creates a lack of consistency in terms of the importance placed on social value in public sector contracts.

Many businesses also feel that there is a lack of clarity on and standardisation of criteria and taxonomy. In a survey by APMP UK, only 10% of businesses felt that evaluation criteria for social value is clearly defined in public procurement tenders, and only 16% felt this way about the method of monitoring social value during delivery.⁴⁴

When it comes to taxonomy, social value is the key term in public sector procurement in England, albeit with no consistent definition due to the lack of standardisation. ESG is more often used when it comes to the private sector, and internationally (as well as corporate social responsibility). Some of the above standards relate to environmental sustainability alone, whereas others focus on a broader view of social, environmental and economic impact. This creates a confusing landscape where there is little interoperability between different taxonomies and standards.

"The taxonomy challenge is huge. I've been working on a project on SME carbon disclosure which cover a number of global jurisdictions and finding a commonality of terms has been a real challenge."

- Business roundtable attendee

This is all complicated by the inherent difficulty in defining and measuring what is socially valuable in a standardised way. Environmental impact, around which there have been more standardisation efforts through the ESG movement, have a simpler unit of measurement at least in theory - carbon emissions. However, even here, there are limitations due to the various tiers of supply chains and the difficulty in tracking emissions through the whole lifecycle of a product or service.

In contrast, the impact of a business on social and economic wellbeing is less easily measured on even a conceptual basis. The link between business activities and outputs is more difficult to prove, and the unit of measurement is less obvious (especially

for social impact). What may be socially beneficial to one community may not be as socially beneficial in another. All these highlight the importance of clear and consistent information.

While our vision aims for some level of standardisation and interoperability, we also want to allow for flexibility between different contexts and communities. Additionally, we need to allow time to build best practice to a point where we are ready for uniform standardisation.

But some standardisation and interoperability is needed, and so we propose a gradual move towards full standardisation and interoperability. Not only to improve the delivery of social value and add a level of consistency, but also to relieve the additional administrative and financial burden that comes with responding to each contract anew. This is particularly concerning for SMEs, who already have a proportionally higher barrier for entry to bidding for public sector contracts, which can often be time-consuming.

"Every social value bid is different, and it does need to be a different on a local level, but it's too different. You spend more time talking about the mechanics of the contracts than what you want to deliver and achieve."

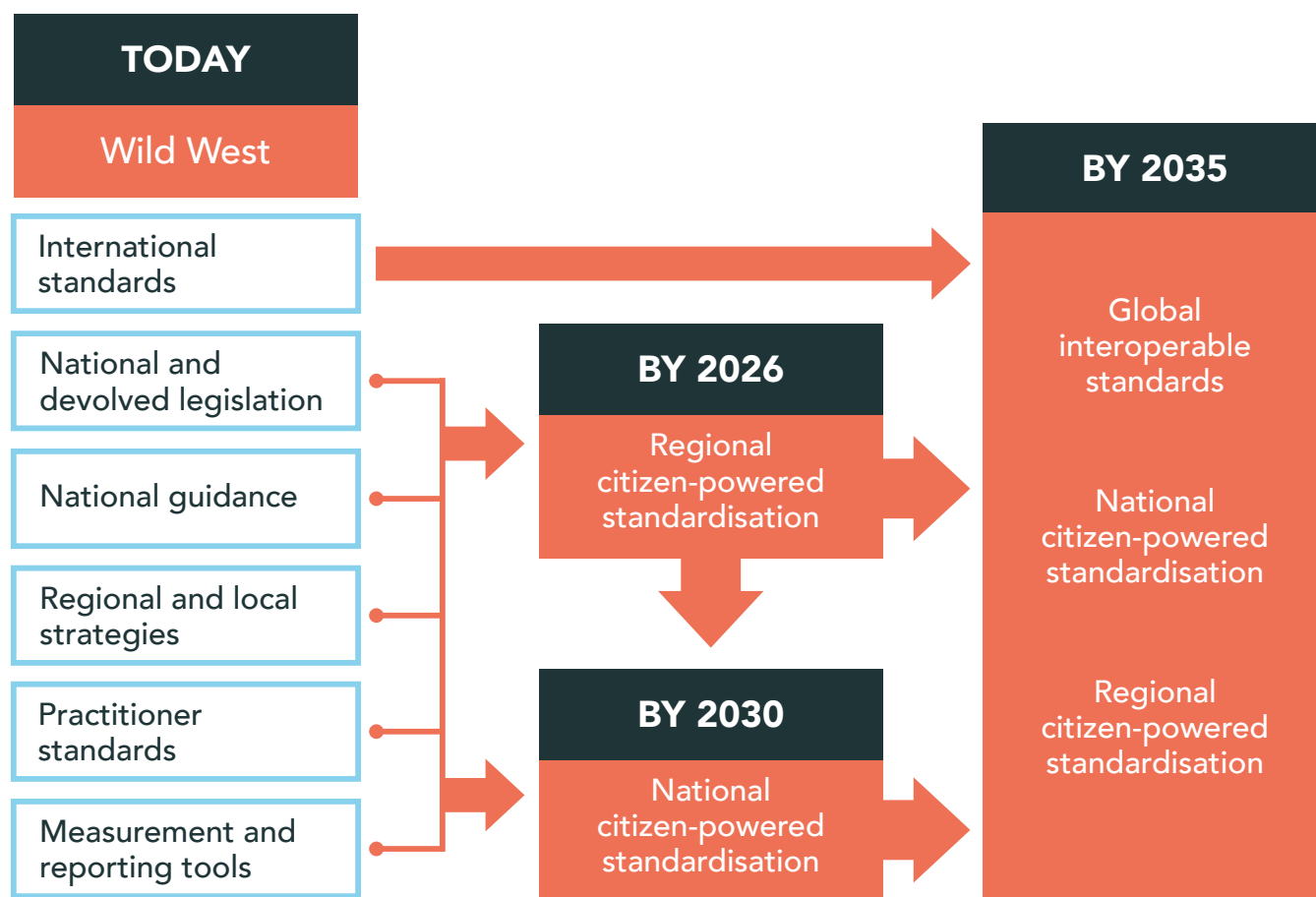
- Business roundtable attendee

⁴³ Greater Manchester Combined Authority, 2023. <https://democracy.greatermanchester-ca.gov.uk/mgConvert2PDF.aspx?ID=25480#:~:text=GMCA%20has%20adopted%20a%20policy,2.2.>

⁴⁴ APMP UK, 2024. <https://www.apmpuk.co.uk/images/pdf/SOCIAL%20VALUE%20SURVEY%20REPORT%202024.pdf>

FIGURE 1**STEPS TOWARDS STANDARDISATION ON SOCIAL VALUE**

Steps towards standardisation from today (wild west) to regional citizen-powered standardisation by 2026, to national citizen-powered standardisation by 2030, and finally global interoperable standards by 2035.



Local authorities are using at least **31 different approaches** to measure social value in their contracting processes.⁴⁵

In addition to the lack of standardisation of taxonomy and outcomes, there is perhaps an even more concerning picture when it comes to measurement. Businesses are using different methodologies, different data sets, different tools,

different consultancies, and none of this is being monitored or overseen. Local authorities are using at least 31 different approaches to measure social value in their contracting processes.⁴⁵ This lack of consistency and oversight inevitably leads to poor data practices from some businesses, and gets us no closer to understanding how businesses are actually doing on social value.

In a review by Dr Jess Dagers of an impact investor's impact measurement and management (IMM) report, she found that the "measurement practices are insufficiently robust (or extant!) to generate [meaningful] insight".⁴⁶ This investor was selected randomly, and as an example of a typical investor which is attempting to be proactive about IMM, to make the point that even those who are making an effort may not be measuring or reporting on impact data in a meaningful way.

⁴⁵ Social Enterprise UK, 2024. https://www.socialenterprise.org.uk/app/uploads/2024/03/SV32-Executive-Summary-online-version_2.pdf

⁴⁶ Dagers, Jess, 2020. <https://medium.com/@jessdagers/its-time-to-start-scrutinising-the-claims-investors-make-about-their-impact-ca2b70796dec>

Opportunities

Unlike environmental sustainability goals, there is more nuance to determining standardised social value goals. The need is different across different communities. We need some consistency in social value standards to reduce the burden of delivering social value, and so that we have something to measure our progress against, but we also need to allow for local variation in what the outcomes should be.

Since 2011 when the Greater Manchester Combined Authority (GMCA) was established, the number of combined authorities has grown to eleven, which represent 75 of the 317 local authorities in England. As recently as the May 2024 local elections, a mayor was elected for a new North East Combined Authority. The Labour party manifesto 2024 committed to deepening devolution and reviewing governance arrangements for existing Combined Authorities, as well as extending devolution to more areas.

We need to seize this opportunity to embed social value from the (relatively) early stages of the development of these authorities. Some, such as the GMCA and West Midlands Combined Authority (WMCA), already have well established social value strategies which newer authorities as well as businesses in the region can learn from.

“Greater Manchester Combined Authority sets the principles and framework [on social value], but we have found that individual districts want to interpret that their own way.”

- Regional policymaker

This can also help us get closer to basing social value policy on what is truly valuable to local communities. Local government, including combined authorities, is generally closer to communities as well as small businesses than central government. The case study below demonstrates that local government can act as a convenor to bring local businesses together to encourage social value outside of its procurement contracts, and use technology to do so in a way that requires little investment from cash-strapped local authorities.

CASE STUDY

BRINGING LOCAL BUSINESSES TOGETHER THROUGH LOCAL AUTHORITIES TO ADVANCE SOCIAL VALUE⁴⁷

Challenge: Stockport Council wanted to encourage investment in the local community sector to help local businesses create social value impact beyond public procurement.

Solution: Stockport Council set up an online brokerage system called Match My Project which allows community sector organisations to register their projects and get help from local businesses. The aim is to build long-term relationships between businesses and the community sector, as well as meeting immediate needs on projects. Once set up by the Council, the technology can be used by businesses and community organisations without the need for much maintenance from the Council.

Impact: The project won Best Initiative to Deliver Social Value Through Procurement at CIPS Excellence in Procurement Awards 2022, with businesses offering a total of 217 hours of support to community organisations so far.

However, there is still quite some distance between regions and local communities, and so we recommend involving members of the public from across the region in developing the principles that will shape the combined authorities' social value agendas. Businesses, industry, experts, and government were consulted for the development of the Social Value Model, but we believe the next step is involving the public - the people that will ultimately benefit from the social value that is created. All the time we see examples of policies being developed that aim to benefit the public, but don't involve them in the process of developing the policies. These usually end up missing the mark, often with cost implications for the public purse due to U-turns.

Having involved the public early on, we have a much greater chance of success if we first know what it is that people want. And what they want will vary on a local level, so it is key that we engage citizens on

⁴⁷ See website: <https://matchmyproject.org/stockport>

this level. There is a powerful opportunity here to build on the levelling up and devolution agendas by listening to local communities about what is valuable to them, and empowering local and regional government to help deliver this.

Involving the public will also be beneficial for businesses. In our survey, when we asked SME business leaders what the most persuasive reasons would be for them to share more information relating to their social, economic and environmental impact, unsurprisingly attracting customers and improving the reputation of their business came out as some of the most persuasive. 59% of SME business leaders put attracting customers in their top three reasons to share more information, while 50% put the improving the reputation of their business in their top three. By getting the public involved in shaping social value standards, businesses can better tailor their impact to what their consumers want.

While the standards should be focused in the first instance on public sector procurement, given this is the most developed area of social value and therefore an area we can build on, they should also be sufficiently flexible to have a level of interoperability across the private sector and international supply chains.

Standardisation is seen as a **top enabler** to improving the way SME business leaders measure their **social, economic and environmental impact**, with **over half (54%)** saying that clearer standards would make this easier.

Standardisation is seen as a top enabler to improving the way SME business leaders measure their social, economic and environmental impact, with over half (54%) saying that clearer standards would make this easier. Those who rate their understanding of social value as 'strong' are even more likely to find this helpful, with 64% of this group saying clearer standards would make it easier for them. This may be because they are more familiar with the process of trying to deliver social value, and have been faced with the vast array of legislation, guidance,

standards, frameworks and tools outlined above, and left even more confused than before.

Therefore as well as some standardisation of outcomes, standardisation of measurement methodology is also important, and in fact simpler to standardise on a national level than outcomes. There should be consistency in how businesses are measuring their social value impact, no matter what impact they are aiming for, which will allow bigger picture analysis of how businesses are performing against their aims. This will also help businesses understand how they can measure their progress against the outcomes, which reduces the administrative and financial burden.

How can technology help?

In our survey of SME business leaders, **around half (49%)** said that technology would make it easier for them to measure their **social, economic and environmental impact**.

In our survey of SME business leaders, around half (49%) said that technology would make it easier for them to measure their social, economic and environmental impact. This is seen as even more helpful for those more familiar with social value (i.e. reporting their understanding as 'strong'), with the proportion seeing technology as an enabler rising to 62%, although the proportion is still high (51%) for those who are less familiar (i.e. reporting their understanding as 'weak').

Businesses as well as public sector commissioners we spoke to emphasised the importance of data in measuring social value in a standardised way. Standardisation in the way that social value is measured and pooling of the data would help relieve some of the administrative burden associated with collecting this data by not having to collect new data for each contract, and by providing more tools, technology and data that other businesses can use to measure their own impact. Automating the process would help reduce the administrative burden further, as has been seen with the Match my Project

case study on page 21, demonstrating the need for tech innovation in this area.

"We repeatedly get asked similar questions during the bid process. If all organisations were reporting in the same way, this data could be 'harvested'. This would free up an enormous amount of time for the requester of the information who will need to assess the data and the supplier who needs to gather and supply the data."

- Business roundtable attendee

Equally, standardisation would make it easier to assess and compare social value data - both for individual contractors and for the government to evaluate the broader picture. Technology can also enable the efficient analysis of this data by bringing data from scattered sources together, and using analysis tools, such as ones powered by artificial intelligence (AI).

AI is increasingly being used to help streamline ESG reporting processes.⁴⁸ As with social value, there is a lack of standardisation of ESG measurements, making it more difficult to analyse and compare the data, and making the quality of the data more variable. Additionally, the data is often not held centrally, but scattered across different sources. AI can not only help to collate and analyse data more efficiently, but also a recent study found that AI improved the comprehensiveness of companies' ESG reporting and increased the likelihood of ESG disclosures receiving external assurance, suggesting that it can also improve the quality of the reporting.⁴⁹

CASE STUDY

USING AI TO SPEED UP ESG REPORTING PROCESSES⁵⁰

Challenge: Lightrock, a global private equity platform, was manually extracting ESG data from scattered and unstructured sources, which was taking over a day per company that it was assessing. Some companies lacked the specific data needed to comply with criteria set by regulators, making the process even more time-consuming.

Solution: Using Briink's AI-powered tools, Lightrock was able to quickly scan, identify and report on relevant data, and automate a significant proportion of its data collection and reporting processes.

Impact: ESG reporting efficiency was improved, with time savings of 30% per ESG assessment.

"Some of our asset management clients have told us that, on average, it takes four to six manual hours to analyse the documents of a firm they may be interested in. We've also heard that figure from sustainable procurement teams at large, industrial manufacturers with many suppliers. But AI cuts those assessments down to an hour."

- Tomas van der Heijden, CEO of Briink, a generative AI-powered analysis suite⁵¹

Additionally, transparency about forms of measurement through publicly available data is crucial in ensuring there is an accurate picture of social value - both in terms of individual contracts, and the broader landscape in the UK - and relieving the burden for businesses by providing more data they can use to measure their social, economic and environmental impact.

48 ICAEW Insights, 2024. <https://www.icaew.com/insights/viewpoints-on-the-news/2024/mar-2024/how-ai-is-blazing-a-trail-in-esg-reporting>

49 Chen, Shuyue, The Influence of Artificial Intelligence and Digital Technology on ESG Reporting Quality, 2024. <https://doi.org/10.62051/IJGEM.v3n1.36>

50 Case study on Briink website: <https://www.briink.com/case-studies/lightrock>

51 ICAEW Insights, 2024. <https://www.icaew.com/insights/viewpoints-on-the-news/2024/mar-2024/how-ai-is-blazing-a-trail-in-esg-reporting>

PILLAR TWO: TRANSPARENCY

Challenges

There is no transparency in the way businesses are measuring, reporting and delivering social value currently, which means that there is no consistency across businesses, and nothing stopping businesses from making claims about their social value impact based on whatever evidence they choose to use.

This means we do not have a clear picture of the social value landscape in the UK, making it impossible to evaluate our progress on social value as a whole, and even on a smaller scale, with public procurement contractors struggling to evaluate whether bidders are delivering on what they promised.

We do not have a clear picture of the social value landscape in the UK, making it impossible to evaluate our progress on social value as a whole.

The picture becomes even more complex when you look at supply chains and the global picture - social, economic and environmental impact is being monitored in an even greater variety of ways, if monitored at all. There is even less transparency about how this impact plays out over the course of a supply chain, particularly once that supply chain is international.

In public procurement contracting, this is reflected in the lack of supply chain visibility in indirect spend data (where the government is not directly contracting with the supplier, and so the spend is coming to them indirectly, further down the supply chain). Indirect spending makes up over half of government procurement spending with SMEs, and yet there is no clear methodology for calculating this spend, and therefore no clear data.⁵² This also points to the importance of ensuring that SMEs are able to properly deliver on social value, given their crucial role in supply chains.

The administrative and financial burden faced by businesses as a result of the lack of standardisation

is increased by insufficient publicly available data to help businesses track their social, environmental and economic impact in a meaningful way. As summarised by the think tank Localis in their report *True Value*: "there is a fundamental lack of an extensive dataset, that is coherent and comparable, relevant to the national public procurement market, and often, local procurement markets too."⁵³ This is true, too, of the private sector.

One of the challenges to increasing the level of data that is shared is reluctance from businesses themselves to share data they view as giving them a competitive advantage. Not sharing this data makes social value practices even more opaque, and risks further eroding public trust in this agenda. As has been argued, this would be self-defeating, as it will reduce the competitive advantage businesses perceive themselves to have in not sharing this data. It is preferable for businesses to be pushed to share this data, and have to invest in new areas of competitive advantage, than to put the entire social value agenda at risk.

"My background is working in the youth sector where there is a lot of collaboration. In the social value sector, sharing data is not done so much because of commercial sensitivities. We have to understand that businesses are there to make money, but our ability to create greater impact is limited by the data that isn't being shared."

- Business roundtable attendee

This reluctance is evidenced by few of the SME business leaders we surveyed being strongly motivated by transparency itself, with only 15% of all business leaders putting improving the transparency in their top three reasons to share more information about their social, environmental and economic impact, although this rises to 23% of those more familiar with social value (i.e. those who report a 'strong' understanding).

Similarly, a minority (37%) of business leaders we surveyed said that greater data and information sharing between organisations and the public sector would make it easier for their business to measure their social, economic and environmental impact. However, this is not an insignificant minority, and high proportions were on the fence or unsure (44% said 'neither easier nor harder' and 18% 'don't know') rather than feeling this would make it harder for them (only 3% said this). Again, this rises for those more familiar with social value to a majority (52%) of this group. Evidently, despite the reluctance to share

⁵² Institute for Government, 2018. https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_procurement_WEB_4.pdf

⁵³ Localis, 2021. https://www.localis.org.uk/wp-content/uploads/2021/12/043_TrueValue_WebAWK.pdf

data that might be commercially sensitive, there is appetite for greater data and information sharing.

The previous government’s review of transparency in public procurement summarised one of the key issues as “lots of data, little insight” in that the data that exists (albeit in disparate and unconnected datasets) is not being used to its full extent to generate insight.⁵⁴ So we are also missing out on valuable opportunities to harness the data we do have to develop our picture of the social value landscape today.

As well as being important for enforcing standards, evaluating social value delivery, and helping reduce the burden for businesses, transparency is also important for consumers and investors to make informed decisions about their spending, and build trust in businesses and in public bodies to spend taxpayers’ money wisely, as has been previously outlined. Given that, as we have seen in our survey, over half of the public (57%) felt that companies actively hide information from them on social, environmental and economic impact and only 37% of the public trust the public sector to spend their money wisely or represent their interests, we have a lot further to go before consumers feel that businesses and the public sector are being transparent about social value.

Opportunities

Once clearer social value standards are established, transparency is needed to ensure that businesses and organisations are properly measuring and implementing them. We cannot evaluate our progress business by business and as a country without consistent and good quality measurement, and in fact we may lose public trust by not being able to do so.

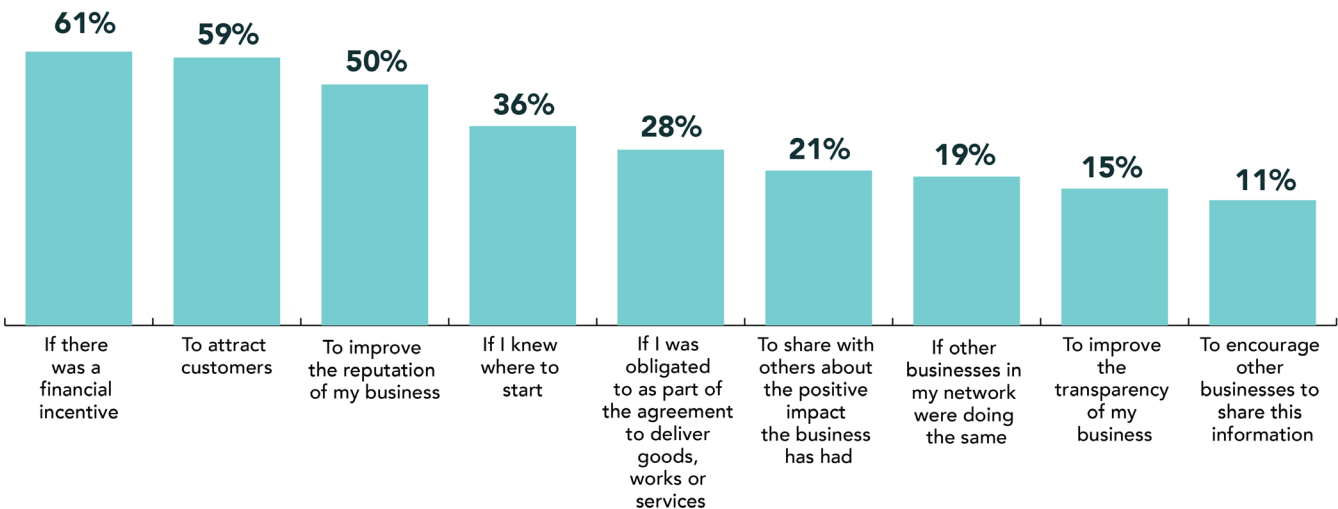
As well as developing standards around measurement as outlined in the previous section, we need to make information about how businesses are measuring social value publicly available. This will create accountability around measurement, and should therefore improve the quality of the data being used for measurement.

We know that businesses are unlikely to be motivated to share this information themselves. Of the reasons we shared in our survey that might convince businesses to share more information on their social, economic and environmental impact, only 11% of SME business leaders surveyed put encouraging other businesses to share this information as one of their top three, 15% said the same for improving the transparency of my business, and 21% said the same for sharing with others about the positive impact the business has had. And so we need government action, given the failure of businesses to collectively solve this problem.

CHART 4

The most persuasive reasons for SME business leaders to share more information about their impact are financial and reputational

Proportion selecting each of these reasons in their top 3 reasons most likely to encourage them to share more information relating to their company’s wider social, economic and environmental impact. See appendix for more details on survey methodology.



54 Cabinet Office, 2022. <https://www.gov.uk/government/publications/transforming-public-procurement-our-transparency-ambition/transforming-public-procurement-our-transparency-ambition>

While being obligated to as part of the agreement to deliver goods, works or services is only in the top three most encouraging reasons for just over a quarter (28%), we know that requirements have worked in the social value space, given the huge progress that has been made since the passage of the Social Value Act in 2012. The obligation does not need to be encouraging, it simply needs to be implemented (although of course actual implementation is never quite 'simple'). We feel a requirement to share this information is key to building transparency.

This obligation would also already be more encouraging for businesses who are less familiar with social value (i.e. rate their understanding as 'weak'), with 38% putting this in their top three reasons (compared to 28% average). Encouraging these businesses is key as they are more likely to be those who are not currently delivering on social value, and need most convincing.

Conversely, while most businesses may not see greater data and information sharing between organisations and the public sector as a key enabler for improving their impact measurement, as has been seen earlier, just over half (52%) of SME business leaders who are more familiar with social value (i.e. rate their understanding as 'strong') do. Different policies will work for different businesses. It is useful to learn from the more familiar businesses about what would help them, as they are more likely to have tried to deliver social value, but also from the less familiar businesses, to understand what the barriers to entry might be.

In conjunction with the requirement to publish this information, there needs to be a central, publicly available database of public sector contracts where this information can be easily accessed, which doesn't currently exist. The previous government already outlined its ambitions to create such a database,⁵⁵ as has Labour.⁵⁶ In fact, at the heart of Labour's plans for business is the ambition to 'make sure public procurement is fair and transparent'.⁵⁷ Politicians have recognised the huge benefits for public trust in enabling anyone to see how public money is being spent.

As we found in our recent survey, over half of the public (57%) felt that companies actively hide information from them on the social, environmental and economic impact of their products and services, while almost half (46%) of consumers felt that greater access to this information would change their buying habits, rising to 57% of those who already say the

social, environmental and/or economic impact of products or services influences their buying habits. Given the extent to which businesses are motivated by attracting customers and improving their reputation, there is a compelling argument to be made that increasing transparency in this area will do just that.

It's not just consumers who would benefit from increased transparency. One of the big concerns we heard from public sector contractors was that they are not able to properly assess whether the bidder has delivered on the social value outcomes they had promised in their contract, and there is a suspicion that many haven't. Transparency would have a big impact on the ability of contractors to evaluate the social value they have *actually* delivered through their contracts, not just the social value that has been promised.

Transparency would have a big impact on the ability of contractors to evaluate the social value they have *actually* delivered.

"How can I prove to anybody in the world that what we're doing is actually changing lives on the streets? I can't, as there is too much focus on measurement and proxy values rather than impact and outcomes."

- Local and regional policy roundtable attendee

While having to share more information on social value would create some additional burden on businesses, creating more publicly available data should help relieve the burden for businesses who are not sure where to get started with measurement. As always, this is particularly of concern for SMEs.

55 Cabinet Office, 2022. <https://www.gov.uk/government/publications/transforming-public-procurement-our-transparency-ambition/transforming-public-procurement-our-transparency-ambition>

56 LabourList, 2022. <https://labourlist.org/2022/09/angela-rayner-to-open-conference-with-pledge-to-end-tory-procurement-racket/>

57 Labour, 2024. <https://labour.org.uk/wp-content/uploads/2024/02/A-Partnership-for-Growth.pdf>

How can technology help?

With the introduction of publicly available data on public procurement spend, supported by both the Conservative and Labour parties as seen above, there is a big opportunity for technology to generate valuable insight on social value. In order to do so, we will need to further develop the technology that currently exists in the social value space to enable us to disseminate and communicate that information effectively. Partnerships with tech providers will be crucial here.

The case study below demonstrates the innovation that tech providers can bring in demonstrating the transformational possibilities of transparent data for businesses, procurers, and consumers. It also demonstrates how we can harness tech to help further relieve the burden associated with increasing transparency. For example, as in the case study below, enabling a product to be trackable and traceable, once there has been an initial investment in setting up the technology, reduces the burden by automatically generating data relating to social value. This can then be shared with procurers, buyers, and consumers with a great deal of transparency.

Interoperable data, as used in the case study below, can also help build a more holistic picture of social value, by looking at an entire supply chain, including international elements. This would mark a big change in the way social value is currently dealt with, which is usually on a contract by contract basis in the public procurement sector.

CASE STUDY

USING TECHNOLOGY TO PROVIDE TRANSPARENT, TRACEABLE DATA ON AGRI-FOOD PRODUCTS⁵⁸

Challenge: Farms, cooperatives and other agri-food businesses wanted to create a competitive advantage by meeting consumer needs for easy accessibility to valuable information about their crops and food.

Solution: Future Intelligence, an Internet of Things (IoT) provider, developed a tool called QUHOMAttrace to integrate information relating to the product (e.g. sensor data) and event-based information (e.g. item moved from location X to Y). Event-based information is captured and stored as interoperable, GS1-standardised EPC Information Services (EPCIS) data which can track and trace crops as they travel from farm to farm. This information can be captured on a QR code, as tested by Future Intelligence, which consumers can scan on a food product's package to see the journey of their product with a high level of transparency.

Impact: Traceable data that can be accessed at the fingertips of a procurer, buyer or consumer allows a high level of transparency about a food product, which may include information relating to environmental sustainability such as whether the product has been produced locally.

⁵⁸ GS1, 2020. https://gs1go2.azureedge.net/cdn/ff/lhkk48l2R0H0XifHa08KYZwixWCL-y6p6LL4LbO3eHc/1685720042/public/case_study_library_item/traceabilityreferencebook21-case-study-quhomatrace_2.pdf

PILLAR THREE: CAPABILITY

Challenges

Part of the reason for the lack of consistency in terms of measurement or implementation of social value is a varied landscape in terms of capability. We see capability as having multiple dimensions:

- Understanding of what we mean by social value and the outcomes we are aiming for
- Understanding of how to deliver social value to achieve those outcomes
- The ability to deliver social value (e.g. having time, money, resources), and evaluate its delivery
- Knowledge of where to turn if you do not have the understanding or ability outlined above

We know that understanding of social value amongst businesses in broad terms is mixed, with 4 in 10 (42%) of SME business leaders surveyed describing their understanding of social value in relation to their business as 'strong', 22% as weak, 29% as neither strong nor weak, and 7% saying they don't know.

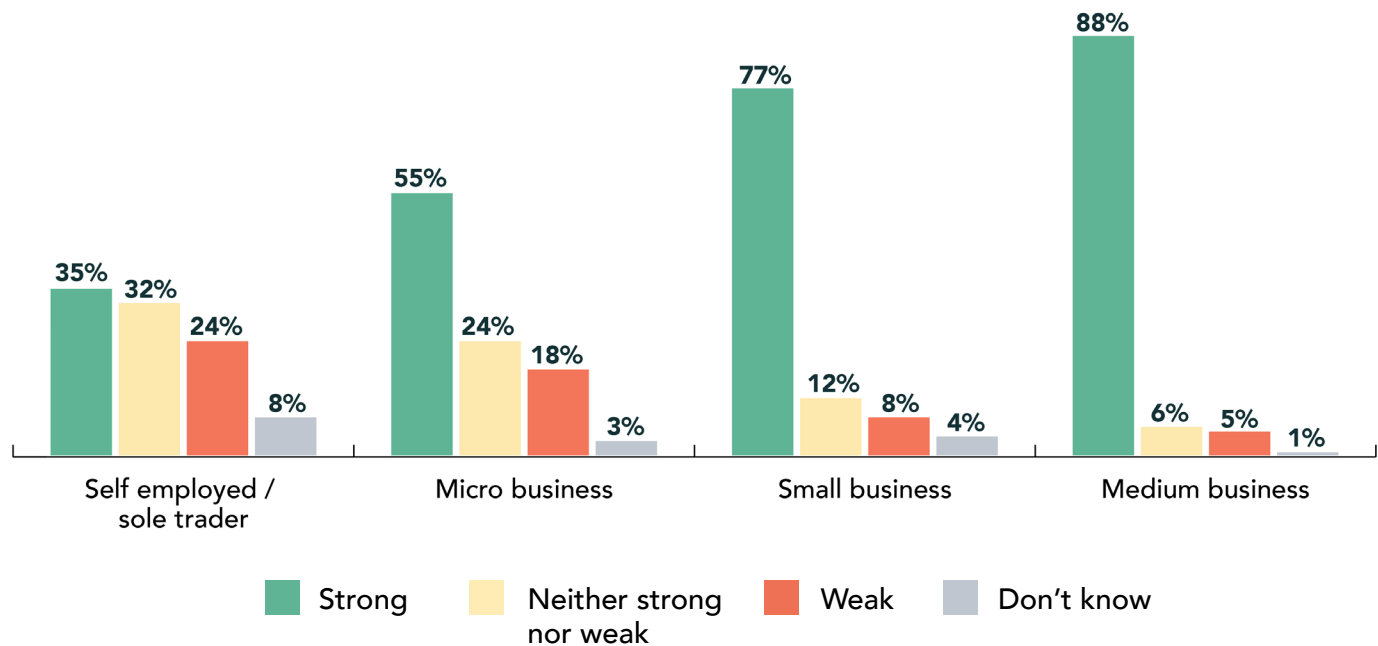
The size of the business impacts the level of understanding, with bigger businesses (even within the SME classification) more likely to have a stronger understanding. It is even more urgent to address this challenge with smaller businesses, who may be losing out on public sector contracts in particular without a strong understanding of social value. Equally, making it easier for smaller businesses to bid for public sector contracts, as this paper aims to do, may subsequently increase their understanding of social value.

4 in 10 (42%) of SME business leaders surveyed describing their understanding of social value in relation to their business as 'strong', and **22% as weak.**

CHART 5

The bigger the business, the stronger their self-reported understanding of social value

Proportion of SME business leaders reporting each level of understanding. See appendix for more details on survey methodology.



Delivering social value takes time, money and resources, and a disproportionately large amount of these for smaller businesses. MPs from both the Conservative and Labour parties were keen to emphasise in the debates around the Procurement Act 2023 that any requirements must not make it even harder for SMEs to bid for public procurement contracts. But SMEs continue to find public sector procurement processes “prohibitively bureaucratic, time-consuming, and expensive”, and the Government is not hitting its targets when it comes to the SME share of public sector procurement contracts.⁵⁹ Lack of standardisation, consistency, interoperability and transparency is making delivering social value disproportionately harder for SMEs, given that bigger businesses have more resources to respond to contracts afresh each time, or develop their own standards for doing so.

Knowing where to turn is also a key barrier for many of the SME business leaders surveyed, with over a third (36%) saying that knowing where to start is one of the top three reasons that would encourage them to share more information relating to their company's wider social, economic and environmental impact. This is particularly true of smaller businesses⁶⁰ (37%) compared to medium businesses (14%), and those who are less familiar with social value (i.e. report a ‘weak’ understanding), with 45% of this group putting knowing where to start in their top three reasons.

And it is not just businesses who are struggling with their understanding of social value and their ability to deliver on their aim - public bodies have also struggled to embed social value into their organisations. They report mixed levels of understanding of social value from a commissioner perspective, and lack of resource to manage a contract sufficiently well to evaluate whether the social value that has been promised by a bidder is being delivered.

“If we could actually check everyone was saying what they said they’d do, that would make a huge difference. The reason we don’t is resource, contract managers don’t have the time.”

- Local and regional policy roundtable attendee

All of the elements examined in previous sections - the lack of standardisation, of interoperability, and of transparency - make understanding and

knowledge more complicated to obtain. While there is legislation, guidance, standards, frameworks and tools out there, it is not available in a standardised and interoperable way, so it can be hard to know where to start. Not enough publicly available information and different systems of measurement can also make knowing where to start difficult.

Opportunities

We have seen that consumers and investors increasingly care about the social, environmental and economic impact of businesses. And often, where consumers and investors go, businesses will follow. We see this in the rapidly growing social enterprise sector in the UK, which is worth £78 billion and employs around 2.3 million people,⁶¹ and the B Corp movement, where businesses voluntarily sign up to higher standards on social responsibility, which now has 2,000 members in the UK.⁶²

As these sectors grow, so does capability. While capability to deliver social value has grown, we are not quite there yet. If businesses do not have sufficient capability in relation to social value, it will not be properly delivered. It's crucial that we build widespread awareness and understanding of what the standards are, of how to deliver and measure outcomes against the standards and ability to do so, and what sources of support or advice there are to help with this process.

Standardisation, interoperability, and transparency are key in supporting businesses to deliver social value and reducing the burden in doing so, and building capability as a result. But beyond simply developing standards around outcomes and measurement, and requirements for transparency, there is a need to ensure businesses are aware of and understand these changes. Legislation alone cannot tackle the barriers around capability. So it is also crucial that we diffuse this understanding and knowledge, including beyond public sector procurement contracting, where it currently largely sits.

Bigger businesses, who already have greater levels of understanding, will be key in helping with this diffusion process through their networks. Social Enterprise UK (SEUK) has encouraged two-way learning between bigger corporates and smaller, purpose-led businesses through its Buy Social Corporate Challenge, as can be seen in the case study below.

⁵⁹ British Chambers of Commerce, 2022. <https://www.britishchambers.org.uk/news/2022/10/only-one-in-five-pounds-of-direct-government-public-procurement-spending-awarded-to-smes/>

⁶⁰ We are defining this category here as self-employed, sole trader, micro or small businesses. See appendix for detail on employee count in relation to these categories.

⁶¹ Social Enterprise UK. <https://www.socialenterprise.org.uk/all-about-social-enterprise/>

⁶² B Corp UK. <https://bcorporation.uk/>

CASE STUDY

BUILDING CAPACITY OF SMALLER PURPOSE-LED BUSINESSES THROUGH BIGGER CORPORATES⁶³

Challenge: A desire to increase the level of procurement spend with purpose-led businesses, and through this, increase the capability of these businesses, and grow this sector.

Solution: Social Enterprise UK (SEUK) launched the Buy Social Corporate Challenge in 2016, aimed at bringing together a group of high-profile businesses to collectively spend £1bn by 2026 with social enterprises through their procurement. As part of this, SEUK offers support including training, supply chain diagnostics, peer-to-peer collaboration sessions and buyer-supplier matching and connections.

Impact: There are now 30 companies signed up to the Buy Social Corporate Challenge, and so far the total collective spend with social enterprises in years one to seven of the Buy Social Corporate Challenge was £355m. Social enterprises supplying to Buy Social Corporate Challenge partners have benefited greatly in terms of more reliable revenue streams and securing new contracts, but also report making changes to their marketing approach or that they have learnt how to engage more effectively with corporate clients. Some of the corporate partners have developed upskilling or capacity-building programmes to support the social enterprises they work with, or even supplied equipment free of charge.

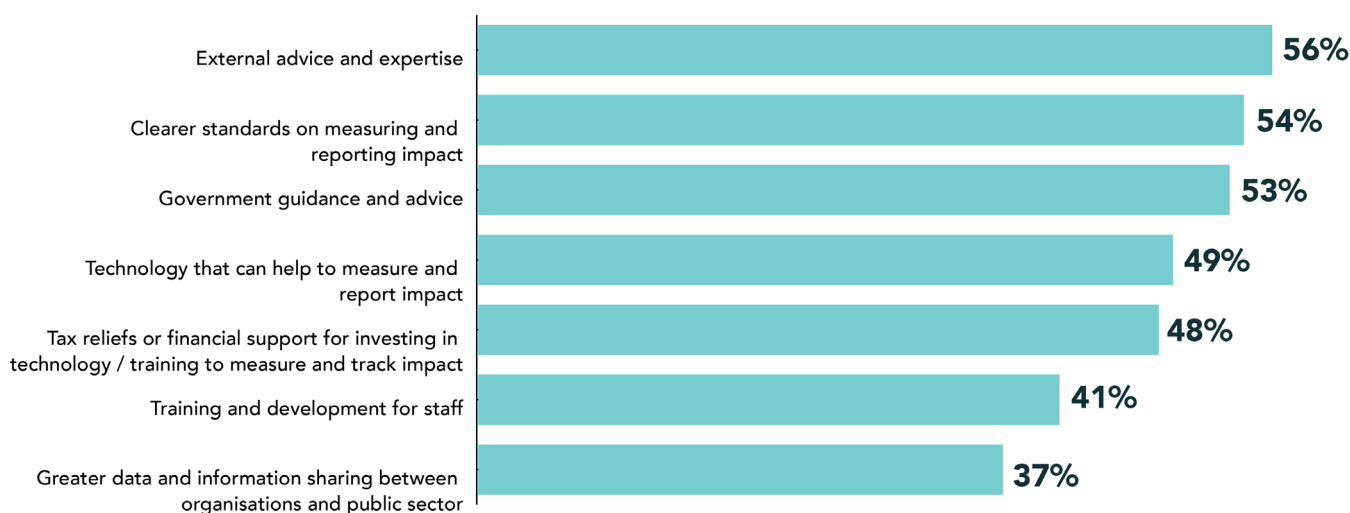
Advice and guidance is seen as one of the key enablers for smaller businesses to improve the measurement of their social, economic and environmental impact. In our survey, over half of SME business leaders say external advice and expertise (56%) and government guidance and advice (53%) would make this easier. This is higher than the proportion saying tax reliefs or financial support for investing in technology/training would make it easier (48%), suggesting that good advice and guidance may be even more helpful than financial incentives.

⁶³ Social Enterprise UK, 2023. <https://www.socialenterprise.org.uk/app/uploads/2023/08/SEUK-Buy-Social-Corporate-Challenge-Year-7-Report.pdf>

CHART 6

Advice, guidance, and clearer standards are most likely to make it easier for businesses to measure their impact

Proportion of SME business leaders saying that each of these would make it easier for them to measure their business' social, economic and environmental impact. See appendix for more detail on survey methodology.



And it's not only those who may be new to social value who would like advice and guidance. Both those who report their understanding of social value as strong and weak would find this similarly helpful - respectively, 66% and 64% for external advice and expertise and 59% and 61% for government guidance and advice.

How can technology help?

Technology will again be key in helping to reduce the administrative and financial burden of delivering social value, and thereby increasing the ability of businesses to do so. There is currently technology out there to help measure social value, but there are gaps in what it can achieve. For example, one local government contractor who uses one of these tools to manage a large number of contracts reported their frustration about the inability to see an overview of all of these contracts and analyse this collective data (instead of looking at it contract by contract). We need government action to help encourage technological innovation in this area.

"I don't think [the technology] is developing at the speed we want it to."

- Local and regional policy roundtable attendee

We need government action to help encourage **technological innovation** in this area.

PILLAR FOUR: INCENTIVISATION

Challenges

An increasing amount of businesses are claiming to put purpose over profit at the heart of their business model. In a global survey, a larger proportion of business leaders (21%) saw creating 'positive outcomes for society' as the *primary* role for their business than maximising immediate shareholder value (15%).⁶⁴ In the US, the Business Roundtable released a statement redefining the very purpose of a corporation in their view, which included a commitment to 'supporting the communities in which we work' alongside delivering value to customers and shareholders.⁶⁵

⁶⁴ Bain & Company, 2023. <https://www.bain.com/insights/making-business-do-better-for-everyone-ceo-sustainability-guide-2023/>

⁶⁵ Business Roundtable, 2019. <https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans>

However, it can be harder to implement this in practice than in theory. We heard from public sector procurers that businesses are often not delivering on the social value outcomes in their contract. Businesses need to be incentivised to deliver social value and buyers to consider social value as part of their contracting process, through legislation as well as other levers.

We have come a long way since the introduction of the Social Value Act in 2012, with social value increasingly considered in public sector procurement, influencing around £100bn of public spending.⁶⁶ The vast majority of respondents (84%) to APMP's recent survey (likely to be those more involved in the social value space already) report that they see social value requirements in tenders frequently or always.⁶⁷

However, the Social Value Act applies to all public bodies, but requirements are stronger for central government than local government as the former is required to 'account for' rather than just 'consider' social value in its public procurement contracts. The previous government also developed the Social Value Model, which brings some standardisation for all central government procurers. There has been less government focus on local authorities, and they therefore have been slower to catch up, although they too have made great strides over the past decade or so. Research conducted earlier this year by Social Enterprise UK on local authorities' implementation of social value reveals progress, but also gaps. While the proportion reporting they apply the Social Value Act in all eligible tenders has increased from 10% in 2016 to 30% in 2024, that still leaves the majority either not applying this or providing no information on its application in their response to Social Enterprise UK's FOI.⁶⁸

"From a public procurement perspective, one of our biggest concerns is that all the mandated policy is focused on central government."

- Business roundtable attendee

So social value (including reporting on it) may not always be the top priority for public bodies, as it may not always be for businesses. The mixed levels of understanding identified in our survey of SME business leaders suggest that when you look at the broader business sphere, legislative levers mainly focused on public sector procurement have had limited impact in the private sector.

Levels of understanding of social value appear to be lower than that of ESG, with 12% of business leaders in our survey rating their understanding of social value as 'very strong', compared to a similar measure in Capterra UK's survey last year, with 30% of respondents saying they fully understood what ESG is.⁶⁹

ESG has not had the same public procurement focus, but also not the same level of explicit legislation in the UK as social value. The slight discrepancy in understanding demonstrates the challenges faced in putting the social value agenda on the map outside of public procurement, but also may demonstrate the effectiveness of legislation in the area it was intended for (and not beyond).

But it is clear that levers beyond legislation are needed, and can be helpful, as is the case with ESG. ESG has been successful mostly because it has been prioritised by major institutional investors, and so to access finance and reduce borrowing costs, businesses have embraced ESG too. As outlined earlier, an obligation to deliver social value as part of the agreement to deliver goods, works or services is not the most motivating factor for businesses when considering sharing more information about their social, economic and environmental impact.

One of the other reasons that businesses, especially SMEs, may not prioritise social value is the additional burden it creates, particularly due to the lack of standardisation, interoperability, and transparency. But it's not just about convincing businesses that delivering social value is worth the cost, as businesses who are committed to social value report that they struggle to justify this to customers and clients.

"The biggest challenge is now how we can qualify to a client the impact of social value to them. The 'so what' of social value to customers and clients."

- Business roundtable attendee

Looking even further beyond customers and clients, it is also difficult for businesses to convince others in their supply chain of the importance of social value. Incentivisation becomes even more difficult, or even impossible, on an international scale, given the different policies and contexts relating to social value, ESG, and corporate social responsibility across different countries. However, starting the

⁶⁶ Social Enterprise UK, 2023. <https://www.socialenterprise.org.uk/seuk-report/the-social-value-roadmap/>

⁶⁷ APMP UK, 2024. <https://www.apmpuk.co.uk/social-value/17-social-value-blog/326-social-value-survey-report-2024>

⁶⁸ Social Enterprise UK, 2024. https://www.socialenterprise.org.uk/app/uploads/2024/03/SV32-Executive-Summary-online-version_2.pdf

⁶⁹ Capterra, 2023. <https://www.capterra.co.uk/blog/3480/ESG-challenges-SMEs-tackling-climate-change-face#Are-UK-SMEs-adopting-ESG-initiatives>

conversation on how we can achieve a level of global interoperability, and interoperability across the different concepts in this space, will be important for incentivising global businesses to adopt the social value agenda.

Opportunities

We need legislation that strengthens requirements for public bodies outside of central government, as we have seen this has been successful, but we also need other incentives like creating accountability through transparency and reducing the administrative and financial burdens surrounding social value through standardisation, transparency, harnessing technology, and capability building. At the same time, we need to develop a clear narrative on the importance of social value and why it's worth the cost in the long run.

These, along with other levers, will be explored in more detail in the subsequent section on policy recommendations.

POLICY RECOMMENDATIONS

OVERVIEW

TABLE 1
SUMMARY OF POLICY RECOMMENDATIONS

WHAT?	WHY?	HOW?	VISION PILLARS
Strengthening legislation on social value	Patchy implementation in local and regional government, and the need for a legislative push in the absence of collective action	Strengthen the Social Value Act 2012 to ask all public bodies to 'account for' social value, and establishing a Social Value Council	• Standardisation and Interoperability • Incentivisation
Standardising outcomes through combined authorities and building trust with citizen participation	No consistency and standardisation, but also a need for interoperable and flexible standards to deliver what is socially valuable in different contexts. Also concerns about public trust in the social value agenda	Develop Social Value Strategies on a combined authority level, informed in part by a Citizens' Panel	• Standardisation and Interoperability • Incentivisation
Standardising measurement and encouraging innovation through a Trusted Social Value Data Taskforce	Lack of standardisation of measurement means additional burden on businesses, especially SMEs, and an inability to evaluate our progress on social value. We are not using technology to its full potential in this area	Establish a Trusted Social Value Data Taskforce to standardise the measurement of social value data, and encourage tech innovation	• Standardisation and Interoperability • Capability • Incentivisation

Publishing information on social value measurement as part of public sector contracts	Little transparency in how social value is being delivered means we are unable to evaluate our progress, and may erode trust in the agenda. Additionally, it makes it more difficult for businesses to learn from others and use the data that exists in their own measurement	Build on commitments to increasing transparency in public sector contracts with new social value requirements	• Transparency • Capability • Incentivisation
Capacity building through bigger businesses and social value networks	Understanding is a key concern, especially for SMEs and those less familiar with social value, as well as ability to deliver due to time, resource and money constraints	New requirement in the Companies Act 2006 for a Social Value Officer in all bigger companies	• Capability • Incentivisation

STRENGTHENING LEGISLATION ON SOCIAL VALUE

We have seen that businesses on the whole are not taking the action needed on transparency, when left to their own devices. Therefore, the government will need to step in through strengthening its legislation as a first step.

“The brevity of the Social Value Act means you can do what the hell you like, but the bad thing is that everyone does what the hell they like.”

- Regional government policymaker

At the same time, local authorities are lagging behind on social value compared to central government, with almost a third still without a social value policy,⁷⁰ and businesses reporting that there is even less standardisation in local authority procurement contracts than central government ones. It is encouraging that local authorities have made such progress without legislation, but legislation is needed to push us further. We also feel that there is an opportunity to engage local government more on social value, as it is closer than central government to the communities we hope to create social, economic and environmental benefits for.

Currently, the Social Value Act applies to all public bodies, but central government procurers have been asked to ‘account for’ rather than just ‘consider’ social value,⁷¹ whereas local and combined authorities have not. Given that combined authorities have been developed more recently, and would have been unlikely to have been considered during when the Social Value Act was written, we feel the legislation needs a refresh.

We suggest that the current requirement could be strengthened to ask all public bodies to ‘account for’ social value. For example, this could be added to existing legislative proposals related to procurement, such as Labour’s proposed new Office for Value for Money. This legislation should further strengthen the emphasis on social value in public sector contracts by establishing a Social Value Council on a statutory footing - we have outlined more detail on the role of the Council below. Additionally, this would take the first step towards an approach that makes the most of both central and local government in progressing the social value agenda, as will be detailed further in the policy recommendation below.

⁷⁰ Social Enterprise UK, 2024. https://www.socialenterprise.org.uk/app/uploads/2024/03/SV32-Executive-Summary-online-version_2.pdf

⁷¹ HM Government, 2018. https://assets.publishing.service.gov.uk/media/5b6b280e40f0b62ed2fd12a7/Executive_summary_-_Civil_Society_Strategy.pdf

STANDARDISING OUTCOMES THROUGH COMBINED AUTHORITIES AND BUILDING TRUST WITH CITIZEN PARTICIPATION

The many layers of standards increase the burden on businesses trying to deliver social value, and result in a lack of consistency around the implementation of social value, making it difficult to measure our progress on it. But we also need to allow for flexibility, as what is socially valuable in one context may not be as socially valuable in another, particularly when it comes to the more nuanced areas of social and economic impact.

The social value outcomes that different organisations aim for need not be exactly the same, but there does need to be a level of interoperability with national and global standards so that we are not undermining the broader profit beyond purpose agenda (e.g. ESG and corporate social responsibility movements) through an overly burdensome focus on highly localised outcomes.

We propose a middle ground between the national and local community levels that builds on the devolution and regional regeneration agendas: standardisation at the combined authority level. We recommend that the Social Value Council (more on their role below) works with combined authorities to set up Social Value Units and develop a Social Value Strategy to be embedded not only in relation to their own procurement, but also the procurement of member councils. We estimate that this would cost around £500k per combined authority per year, with the addition of the cost noted below every five years.

To enable combined authorities to have the oversight needed over procurement in their member councils, the Social Value Strategy would need to require all public bodies within their combined authority area to have regard to this Strategy in their own procurement.

This Social Value Strategy should put residents at its core by using deliberative participatory methods. Each combined authority should commission a Citizens' Panel on Social Value, and commit to commissioning a new one to refresh the insights every five years. This would bring a representative sample from across the region together to learn from experts about social value, and then deliberate on what the principles should be that underlie the Social Value Strategy. Not only does this allow the combined authority to hear directly from the public, but in doing so, it can help build public trust in the strategy and avoid costly U-turns on policies that the public later voice strong objections to, as happened in some instances with Low Traffic Neighbourhoods (LTNs).⁷²

While there is a cost attached to commissioning a Citizens' Panel, around £30,000-£40,000, the fact that Citizens' Panels, Assemblies and Juries are being increasingly commissioned by combined and local authorities on various issues suggests that budget exists if the issue is deemed valuable enough. Given the billions of pounds worth of procurement spend that combined and local authorities are responsible for, and the real value that could be created in communities, including additional economic value, this cost is small in comparison.

"The people who know intimately what our boroughs need are the people who are working, living, eating, sleeping in them."

- Local and regional policy roundtable attendee

These citizen-generated principles will be used to inform the detail of the strategy, which the combined authority should develop in consultation with member councils, the Social Value Council (who will be able to consult on international standards and interoperability), businesses, practitioners, and experts. The strategy should enable standardisation at a regional level, with some flexibility for local authorities to tailor to their specific local contexts. Once this strategy is developed, the Social Value Unit in each combined authority will build capacity to deliver it and oversee its delivery within the combined authority and across its member councils.

By 2030 (see figure 1 on page 20), we will aim for standardisation on a national level through the Social Value Council, which must also have citizens, as well as other stakeholders, at its heart. This will scale up and build on learnings from the regional standardisation model, particularly the relationship between the combined authorities and their member councils, which will be operating in different contexts, despite being in the same region. The Social Value Council should also work to encourage a focus on social value in local areas that aren't covered by combined authorities, for example through embedding it in new Local Growth Plans for towns and cities, that Labour is planning to create a new statutory requirement for.⁷³

We propose that the Social Value Council works towards helping develop global interoperable standards that countries will need to sign up to by 2035. The first step could be considering the use of global interoperable standards in the reporting requirements of major government contracts, for example starting with government Strategic Suppliers. This could be an opportunity for the UK to lead the charge on purpose beyond profit on the

72 Department for Transport, 2024. <https://www.gov.uk/government/publications/low-traffic-neighbourhood-review>

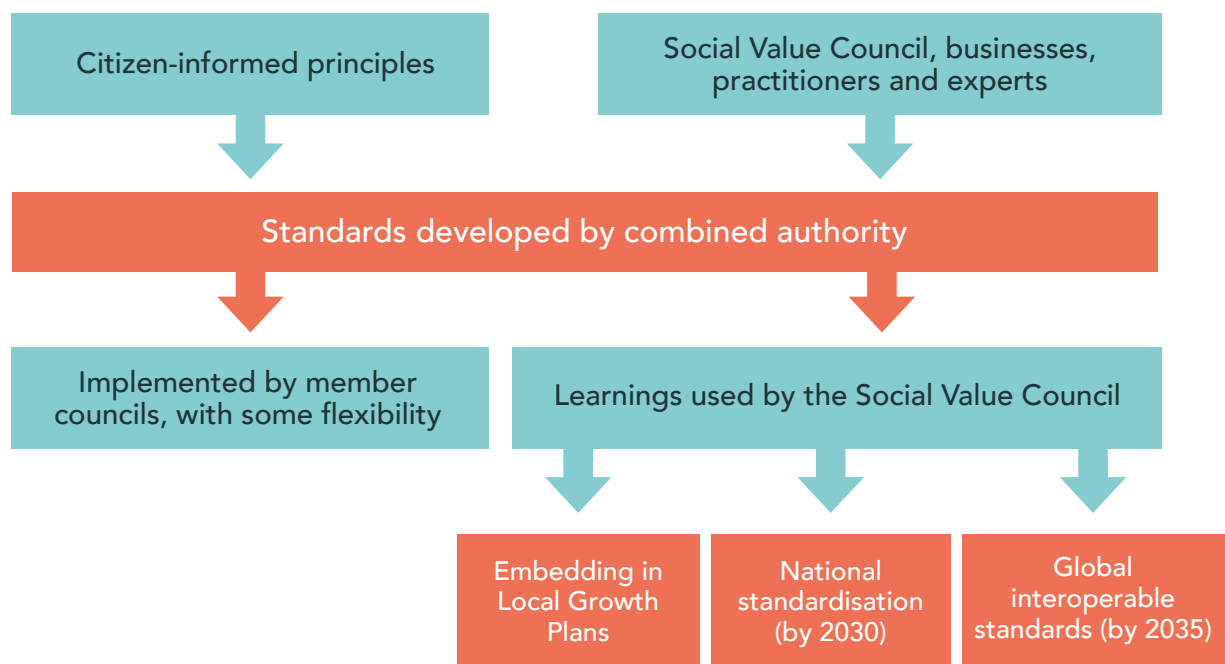
73 Labour Manifesto, 2024. <https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf>

international stage, especially given the US' recent wavering commitment to ESG, and to push for the technological innovation needed to make this happen on a global scale.

FIGURE 2

HOW STANDARDISING OUTCOMES THROUGH COMBINED AUTHORITIES COULD INFORM STANDARDISATION AT THE NATIONAL AND GLOBAL LEVELS

Diagram showing that combined authority standards will be informed by Citizen-informed principles, the Social Value Council, businesses, practitioners, and experts. These standards will then be implemented by member councils, with some flexibility, and the learnings will be used to inform the Social Value Council's plans for national standardisation (by 2030), global interoperable standards (by 2035), and for embedding social value in Local Growth Plans.



STANDARDISING MEASUREMENT AND ENCOURAGING INNOVATION THROUGH A TRUSTED SOCIAL VALUE DATA TASKFORCE

We've seen that lack of standardisation is a clear barrier, with over half (54%) of SME business leaders surveyed saying that clearer standards would make it easier for them to measure their social, economic and environmental impact. And in terms of measurement, lack of standardisation means a lack of accurate and comparable data, which is crucial to evaluating progress towards social value outcomes - whether that of a business, or of the country as a whole.

While we may only want some standardisation of outcomes to allow for variance in local contexts, we should push for stronger standardisation in terms of how progress against outcomes is measured. This will help reduce the burden of measuring social, environmental and economic impact, especially of SMEs, and, in turn, the barriers to entry.

We are not fully grasping the **potential of technology** in helping to alleviate the burden associated with measurement, reporting and analysis of data, and in generating insight about progress against **social value outcomes**.

Embracing technology will be crucial here. We are not fully grasping the potential of technology in helping to alleviate the burden associated with measurement, reporting and analysis of data, and in generating insight about progress against social value outcomes. Without being able to see and be honest about where the gaps are, we cannot progress effectively on social value, or build public trust in the agenda.

Recognising the importance of taxpayers' trust in public spending, Labour have announced they would create a new Office for Value for Money to ensure that public sector contracts do represent value for money *before* they are contracted, which would be advised by a Social Value Council to ensure that social value, not just financial value, is considered. We support this proposal, and suggest using it to bring a level of national standardisation on social value measurement, and to encourage tech innovation in this space.

As with the government's Making Tax Digital programme to digitalise the tax system, we need a **Making Public Spending Digital** programme to digitise public sector procurement data and make collection of data from businesses easier and faster. As part of this, The Social Value Council should bring together technology providers to help with elements of the programme. We recommend the Council sets up a **Trusted Social Value Data Taskforce**, made up of public bodies, social value practitioners and technology providers, who will, through different working groups:

- **Develop a Social Value Methodology** that sets out best practice for how public bodies and businesses should measure their social, economic and environmental impact
- **Develop a Social Value Code** that sets out guidance for any tech providers looking to build new technology to help measure social value including transparency criteria for how they calculate their impact, the regularity by which their data is updated, and sources of information
- **Develop innovative technological tools** that will help to measure, monitor or report on social value, such as software that enables the tracking of the social value of a product or service, including throughout a supply chain, and for consumers and buyers to monitor how the product or service is doing on social value (for example through traceable and interoperable data accessible via QR codes as in the case study on page 27)

- **Build on plans set out by the previous government to create a centralised, publicly available digital platform** that brings together information on public procurement contracts,⁷⁴ and ensuring that information on social value is published as part of those plans, as well as working to analyse that data (see more on this below)
- **Set up a Social Value Tech Hub** to bring together information on the strategies of central government, regional authorities and local authorities (with those under combined authorities tagged so that the data can be analysed by region) in one central database
- **Commissioning an annual review on the progress of social value** through analysis of Social Value Tech Hub data, and setting out any areas where more data is needed

The Social Value Tech Hub should link to the central government database on public sector contracts (see below) to avoid duplication, and to increase the information available. This would provide a dataset that can be analysed to assess the progress on standardisation (for example, within combined authorities) as well as social value more broadly (on different levels or as a whole). Such data analysis is key to identifying and addressing gaps on the way social value is delivered.

Additionally, this database would allow businesses to easily see the outcomes that public sector contractors in their local area are aiming for, and information (from the central government database) on measurement of social, economic and environmental impact that may help them with their own measurement, which would be particularly valuable for SMEs as we have seen. To help further reduce the burden of SMEs, and to encourage tech innovation, the Tech Hub should feature innovative tech solutions developed by businesses that help measure, monitor and report on social value that other businesses in the region could use.

The Trusted Social Value Data Taskforce will not only develop standards on measurement and technological tools, advance the digitisation of information on public spending, and pool and analyse valuable data on social value, but also encourage much needed tech innovation in this space. This is something that Labour has recognised in its manifesto, with a number of commitments to driving innovation, such as simplifying the public procurement process to support innovation, and removing planning barriers to new AI datacentres.

⁷⁴ Cabinet Office, 2022. <https://www.gov.uk/government/publications/transforming-public-procurement-our-transparency-ambition/transforming-public-procurement-our-transparency-ambition>

PUBLISHING INFORMATION ON SOCIAL VALUE MEASUREMENT AS PART OF PUBLIC SECTOR CONTRACTS

Once standards are established through the above policies, accountability is needed to ensure that they are being implemented. Transparency can help create accountability, as well as reduce the burden of measuring social value by providing examples that other businesses can learn from of how to measure their social, environmental and economic impact, and by increasing the amount of publicly available data that can be used to do so.

Transparency can help create **accountability**, as well as reduce the burden of measuring social value.

Transparency will strengthen the social value agenda by building trust (of consumers, taxpayers, and investors) that businesses and the public sector are properly implementing and delivering social value, and, for those under combined authorities, doing so in a way that is informed by public priorities. It will also enable us to evaluate our progress on social value towards our vision, and develop targeted policies where the gaps are biggest, thereby further strengthening the agenda.

We need to build on the previous government's progress in this area, as well as Labour's announcements, to create a publicly available central digital platform for public procurement. These proposals have not included information on social value up until now, but we feel this is a crucial opportunity to provide transparency on how contracted businesses and organisations are measuring social value. We would require that information on metrics (e.g. KPIs), methodology and the data that is being used to measure social value is published alongside other details of the contract, and to be 'tagged' so that it is easily searchable.

This information is only required for contracts over a certain amount, which helps to ensure that the burden is proportional, and minimises burdens on smaller contracts and businesses. For example, there is a requirement as part of the Procurement Act to set and publish at least three KPIs for contracts with an estimated value of over £5 million, and that

the contracting authority must assess performance against these KPIs and publish information relating to that assessment on a regular basis. We recommend requiring that at least one of these KPIs relates to social value, which will greatly increase transparency on how social value is being delivered as part of public sector procurement.

As well as building trust through transparency, creating a publicly available database will also provide a large dataset that can be analysed to gain insight about the measurement of social value, and progress against metrics. The Trusted Social Value Data Taskforce should have an official role in analysing this data, but the data would be out there for anyone to analyse, stimulating further tech innovation.

CAPACITY BUILDING THROUGH BIGGER BUSINESSES AND SOCIAL VALUE NETWORKS

To ensure that standards are properly implemented, it will be crucial to build capability across the system. There is currently a varied landscape, with more understanding in the public sector due to procurement requirements, although we've seen that even there understanding could be improved, and less ability to deliver for SMEs due to disproportionate time, resource and money constraints.

Government action can go some way to shape understanding and build capability, but ultimately it will be companies and organisations who will be the ones learning and capacity building, and be best placed to share their knowledge and experiences with other companies and organisations. Our recommendations therefore use government action to harness existing capability amongst social value practitioners, and to build additional capability across a wider range of businesses than have been addressed by social value legislation to date.

We recommend amending the Companies Act 2006 to include the requirement for larger businesses (i.e. 250+ employees) to have a named Social Value Officer as part of giving a true and fair view of the company's activities (section 393, Companies Act).⁷⁵ This will place a slight burden on bigger businesses but it is justifiable given public concern about the information that is being provided to them. It is also crucial in ensuring that businesses invest in the capabilities they need to be able to demonstrate their social value effectively, as well as investing in tech innovation that will help them to do this more efficiently and accurately.

75 Companies Act, 2006. <https://www.legislation.gov.uk/ukpga/2006/46/part/15/chapter/4>

By increasing the number of practitioners across businesses, the sector will grow, and capability with it, including that of smaller businesses (for example those in supply chains with bigger businesses who have a Social Value Officer), who can learn from this more established network, and the resources that will be developed by Social Value Officers in bigger businesses. As we have seen with the Buy Social Corporate Challenge case study on page 30, investment in growing purpose-led businesses can greatly increase their capability.

This will also spread this awareness, understanding, and capability to an entirely new audience: private sector companies with little to no experience of public sector procurement. This will spark new investment in the social value sector, which is crucial for taking the next step towards embedding social value in as wide a range of companies and organisations as possible, and seizing the vast economic, environmental and social opportunities that come with it.

CONCLUSION

This paper has set out to make the case for investing in social value, not only because of the vast economic opportunities, but also because it could create real value for communities, value we are not clear has yet been delivered due to a lack of standardisation and interoperability, transparency, capability, and incentivisation.

These are the four pillars of our new vision for social value. While we have made progress since the passage of the Social Value Act in 2012, we need to go further and faster, enabled by technology. Our policy recommendations each fit into more than one pillar, as the challenges are interlinked, and therefore the solutions must be too.

We recommend strengthening the social value legislation for all public bodies, using combined authorities as a vehicle for some standardisation of outcomes and as a way to involve citizens, establishing a Trusted Social Value Data Taskforce to standardise measurement and encourage tech innovation, creating new requirements for transparency on social value in public sector contracts, and amending the Companies Act 2006 to push social value beyond the public sector and into bigger private sector businesses.

In the longer-term, building on learnings from combined authorities, we aim for standardisation of social value outcomes on a national level by 2030, and global interoperable standards by 2035.

We believe the UK has an opportunity to be a world leader on purpose beyond profit, as well as on the technological innovation needed to bring it to the global stage.

APPENDIX

As part of this research, we conducted a literature review, engaged a mix of smaller and larger businesses in a roundtable held in March 2024, engaged policymakers from central government, the devolved administrations, and combined authorities, through a roundtable and one-on-one conversations between March and May 2024 from central government, devolved administrations, and combined authorities, and conducted two surveys in April 2024 (see below for more detail).

SURVEY METHODOLOGY

We conducted two surveys: one with consumers, one with business leaders.

The consumer survey consisted of a nationally representative sample of the public (n=2,082) conducted between 12th and 14th April 2024. The questions were:

1. How often do each of the following impact your decision when looking to buy a product or service?
2. To what extent do you agree or disagree with the following statement? "Having greater access to information on the social, environmental and economic impact of products and services would change my buying habits."
3. To what extent do you agree or disagree with the following statement? "Companies and organisations actively hide information from consumers on the social, environmental and economic impact of their products and services."

The business leaders survey consisted of business leaders (n=509) from a range of small and medium enterprise sizes (SMEs) conducted between 16th to 25th April 2024:

SIZE OF BUSINESS	DEFINITION	NUMBER IN SAMPLE
Self employed / sole trader	0 employees	203
Micro business	1-9 employees	127
Small business	10-49 employees	77 ⁷⁶
Medium business	50-249 employees	102
TOTAL		509

The questions were:

1. Which of the following best describes your understanding of the term 'social value' in relation to your business?
2. Which of the following reasons would be most likely to encourage you to share more information relating to your company's wider social, economic and environmental impact?
3. To what extent would each of the following make it easier or harder for you to improve the way you measure the social, economic and environmental impact of your business?

⁷⁶ Note that this is considered a small base size for subgroup analysis, so any analysis on this group is to be considered with caution.

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