Social value in public procurement: A multi-level governance perspective

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Summary
This working paper evaluates how social value is considered in public procurement. The appropriateness of adopting multi-level governance (MLG) as a theoretical lens is explored to assess its potential to bring new insights into social value through an extension of the conceptual boundaries for consideration. Reporting on an initial exploratory phase of data collection, MLG is applied to a major commission by Knowsley Council (a regional UK council) to build a 'Shakespeare North Playhouse and Rail Interchange', which has an initial procurement aim of embedding social value to an economically deprived locality.

Keywords: Social value, public procurement, Multi-Level Governance

Submission category: Working paper

Introduction
Public procurement and commissioning in the UK is subject to the UK Public Services (Social Value) Act 2012, that encourages public authorities to consider social and environmental benefits delivered within, and from, its contracts, that extend beyond purely financial value. The Act is not intended to mandate or standardize social value in public procurement, but "…it constitutes an anchor point…to encourage authorities to change their procurement and commissioning practices" (Boeger, 2017, p.119). Social value remains high on the UK political agenda and continues to develop conceptually. From its early origins in corporate social responsibility, social value is now emerging into a more political and uncertain terrain, where stemming largely from issues of Brexit in the UK and President Trump in the US, neoliberal markets face dichotomies between protectionism and free trade, and globalization and localism (Social Enterprise UK, 2017). Regardless, of the nationaland global politics, public procurement commissioners will still demand more value-for-money from their supply chains, and require the full weight of their purchasing power to be leveraged to achieve social and environmental benefits alongside more traditional measures of financial efficiency (Social Enterprise UK, 2014)

This paper is part of a wider PhD research study exploring the emerging role of social value in local authority commissioning to create additional socio-economic value through social value supply chain integration. In this working paper, we respond to the emerging contextual issues that can contribute to stakeholder tensions around social value in a major regional public commissioning project, Knowsley Council's 'Shakespeare North Playhouse and Rail Interchange' in Prescot, Merseyside (UK). The research of social procurement in construction projects is extremely sparse, despite the industry's role in developing social benefit through physical public infrastructure like libraries, hospitals, schools, civil works, and community buildings (Loosemore, 2016). The paper evaluates the appropriateness of adopting multi-level governance (MLG) as a theoretical lens, and seeks to bring new insights into social value in public procurement through an extension of the conceptual boundaries for

consideration. MLG (Hooghe, 1996; Marks, 1993, 1996; Marks, Hooghe, & Blank, 1996; Scharpf, 1997) seeks to stimulate a deeper level of understanding about participation and coordination between stakeholders. We use MLG to consider the influence and tensions of the various levels of the supply chain (horizontal) and the wider political system (vertical) in Knowsley council's procurement framing, implementation, and evaluation of social value. In line with the Public Services (Social Value) Act (2012), it also allows for the evaluation of the dispersion of the decision-making process from the national level, to the local operational level of public sector commissioning and procurement. This exploratory study follows previous research examples which adopted an MLG approach including 'The Cities for Climate Protection' (CCP) program to explore multi-level complexity (Betsill & Bulkeley, 2006). In the CCP program, forms of governance at multi-levels were adopted from state actors to non-state actors with national government working in close connection with local government. The findings suggested that tensions between national policies/legislation can be addressed and governed at local, regional and international levels simultaneously and interestingly that policies and practices do not always need to follow a hierarchical top-down order. Given the potential 'vertical' and 'horizontal' tensions in delivering social value through public procurement, MLG is an appropriate lens to provide new insights into how to address potential contradictions and conflicts in a multi-faceted, regulated environment, in order to facilitate an understanding of its sustained impact and delivery in practice.

Conceptual background

Social Value
The Public Services (Social Value) Act 2012 was born out of a Private Member's Bill initiated by Chris White MP, with the support of Social Enterprise UK, which recognised the potential of using the government's vast supply chain to increase public benefit (Social Enterprise UK, 2017). The Act requires public authorities in England and Wales to consider how the services they commission and procure can improve the economic, social and environmental wellbeing of the communities served (HM Government, 2012). The actual obligations of the social value legislation are limited by financial thresholds (Brennan & Tennant, 2018), although all contracts are encouraged to consider social value (Wright, 2015). The Act encourages decision makers in the procurement and commissioning process to consider wider aggregate benefits to communities, beyond cost considerations (UK Cabinet Office, 2012). This is not to suggest that cost is not important; rather there is an implied recognition that positive social interventions whether related to health, education or employment, can reduce the longer-term costs to the public purse. The operationalization of such a diverse concept is, however, problematic (Harlock, 2014), and there are concerns on the evidence provided by suppliers and contracts, on which service and social value effectiveness is currently assessed (Arvidson & Kara, 2013; Social Enterprise UK, 2012; Teasdale, Alcock, & Smith, 2012).

The introduction of social value into the public procurement process changes the relationships within the supply chain. Relationship coordination in public-private collaborations have been found to be crucial in creating social value, acting as micro-foundations beyond structural considerations (Caldwell, Roehrich, & George, 2017). Social value also widens suppliers' responsibilities, yet the impacts of these shifts are largely unknown. Although the Act is relatively new, there is still limited academic research on its impact awareness and understanding is low (Harlock, 2014).

This was evidenced in the government's Social Value Act Review (UK Cabinet Office,

2015), two years into the Act, undertaken by Lord Young. The review examines the awareness and adoption of social value and the Act's overall impact on public bodies, their commissioning practices, providers, and service users. Whilst feedback for the Act was positive amongst those actively using it, the report recommended that the Act should not be extended at this time, stating that *'...despite its growing awareness amongst public bodies, the incorporation of social value in actual procurements appears to be relatively low when considered against the number and value of procurements across the whole public sector'* making it difficult for the review to *'...make a comprehensive assessment or a definitive recommendation about the grounds to extend the Act at this stage'* (UK Cabinet Office, 2015, p4).

Whilst acknowledging the positive benefits of the Act, the review proposed three areas that warranted attention before an extension of the Act could be considered – awareness, understanding, and measurement. The review reports a mixed picture on the *awareness* around the Social Value Act*,* varying levels of *understanding* of how to apply the Act to procurement*,* and immature *measurement* to provide consistency and rigour around outcomes.

At the heart of the issue are difficulties of how social criteria are included and evaluated in tenders. Social Enterprise UK (2017) claim that these barriers have now been largely addressed, with the awareness and adoption of the Act increasing; EU legislation and thresholds no longer being seen as walls to hide behind; councils increasingly applying the act to goods and works; and a move towards a consensus on measuring social value. They estimate that from an annual public sector spend of around £268bn, social value is already shaping £25bn worth of public sector spend and that an extension of the Act to cover all public sector spending would generate more than ten times its current impact. Yet, despite some successes and behavioural changes evidenced from the review, social value in public procurement is still far from a panacea with structural barriers and culture risk-averse legacies persisting (Boeger, 2017).

As a relatively new concept, at least in terms of formal measurement and contractual consideration for public procurement, the level of experience is likely to be low for both buyers and sellers. Professional experience, and crucially experience in operating in, and managing ecosystems can improve contractual processes between public-private organisations (Caldwell et al., 2017), yet the public sectors adoption of agile methods is low (Nuottila, Aaltonen, & Kujala, 2016), and regulations and culture of the public sector may constrain these system level routines and processes (Erridge & Greer, 2002). The increased uncertainty and tensions in the wider political environment also raise questions for the sustained adoption and innovative growth of social value.

Social value metrics have played a key role in debates about how organisations conceptualise, measure and communicate their achievements, and how public-sector bodies evaluate social value when commissioning services (Arvidson & Kara, 2013). The Social Value Act recognizes that economic value is only part of the story and opens the debate into a wider context where economic, social, and environmental value are balanced and considered together (Social Enterprise UK, 2012). The interplay and combination of multiple types of value are arguably inseparable and need to be assessed concurrently as they are unable to be 'traded off' against each other (Emerson, 2003), creating further quantification and temporal issues for evaluation. Critically, how measures are identified, valued by whom, and over what time frame, are not clear, neither is how these activities can be specified and monitored

contractually within the supply chain.

Filling these gaps is important, as creating societal value is arguably one of the most powerful forces driving global economic growth, with the concept of shared value focusing on the connections between societal and economic progress (Porter & Kramer, 2011). Yet how value is operationalized in commercial contracts has not been fully developed. Windsor (2001) advocates the need for mechanisms to achieve a balance of interests of all the stakeholders in a supply chain, illustrating that shared value is a more complex, multi-level, and possibly contradictory concept.

There have been repeated attempts to develop appropriate frameworks for measuring and comparing social value creation (McLoughlin et al., 2009) but comparing social value creation remains complex. Notions of blended value take place within a continuous and evolving timeframe (Emerson, 2003), with the temporal and multi-dimensional considerations raising further issues in value appropriation and value assessments. Studies that have attempted to measure the value creation of social interventions, are difficult to mechanically apply to other sites as different communities have their own histories and traditions (Kroeger & Weber, 2014). Value logics are inherently situational, encompassing particular power relations, and structural and cultural resource configurations (Roome & Louche, 2016). The Social Value Act itself considers outcomes to the relevant commissioning area, as thus is inherently local in its outlook.

Three characteristics of social value creation that hamper comparability has been suggested: 1) heterogeneous social interventions; 2) the social element, and 3) different socio-economic and institutional contexts (Kroeger & Weber, 2014). Questions also remain regarding the relationship dynamics that enable or inhibit value creation (Boeger, 2017). Optimal balances between broader regional/national versus localised community level social value remains, at least in practice, a major barrier to creating sustainable socio-economic capital (Social Enterprise UK, 2017).

Multi-level Governance (MLG)
The concept of MLG first emerged in the literature following the Maastricht Treaty (1992) formally known as the Treaty on European Union, the international agreement responsible for the creation of the European Union (EU). Various European policy reforms led to research that sought to address how institutional innovations happen and which actors are responsible for shaping them. (Marks, 1993) argued for decision making to go beyond the supranational level and to recognize the increasing importance of subnational levels and the interconnecting levels between them. Multi-level governance was suggested as an alternative concept to traditional state centric forms of government. Other scholars have since contributed to the development of this theory (Hooghe, 1996; Marks, 1996; Marks et al., 1996; Scharpf, 1997). MLG was originally developed as a conceptual framework for studying regional cohesion (Bache, 1998; Benz & Eberlein, 1999), whilst it has more recently been adopted to provide explanatory power for the broader transformation from government to governance (Bache & Flinders, 2004; Jessop, 2004; Kohler-Koch, 2003).

From their initial concept of MLG, Hooghe and Marks (2001) progressed to apply MLG to a comparative investigation of institutional adaption between the national and regional level, followed by a similar study comparing supranational and national levels (Kohler-Koch, 2003). Hooghe and Marks (2003) further suggested the need to consider layered systems of co-existing levels of authority with complex pattern of transnational, public, and private

institutional relations with overlapping competencies. More recent examples of adoption and development of MLG theory includes analyses of EU structural funds and environmental policy (Conzelmann & Smith, 2008), and historical analysis to identify dichotomies of centre/periphery, state/society and domestic/international (Piattoni, 2009).

The development of MLG theory proposed an alternative lens to view systems with interconnected institutions nested at multiple levels interacting with each other. Levels were initially conceptualised across the different vertical levels of government (European layer, national layer and regional layer) to convey the intimate entanglement between the domestic and international levels of authority, and later progressing to include a horizontal dimension to convey the intimate entanglement with other relevant actors (state and non-state) within the same level (Stephenson, 2013). More recently the adoption of MLG theory has expanded to address issues of global governance and international organisations (Bache, Andreou, Atanasova, & Tomsic, 2011) and broader notions of governance that include risk, regulation, markets, and civil society (Levi-Faur, 2012).

Stephenson (2013) provides a visual representation of MLG which offers five uses and ten focal points, loosely sequenced to distinguish between original, functional, combined, normative and comparative uses of the MLG literature, capturing the evolution of scholarship over a twenty-year period and showing how the original concept of MLG has been used by scholars in diverse ways.
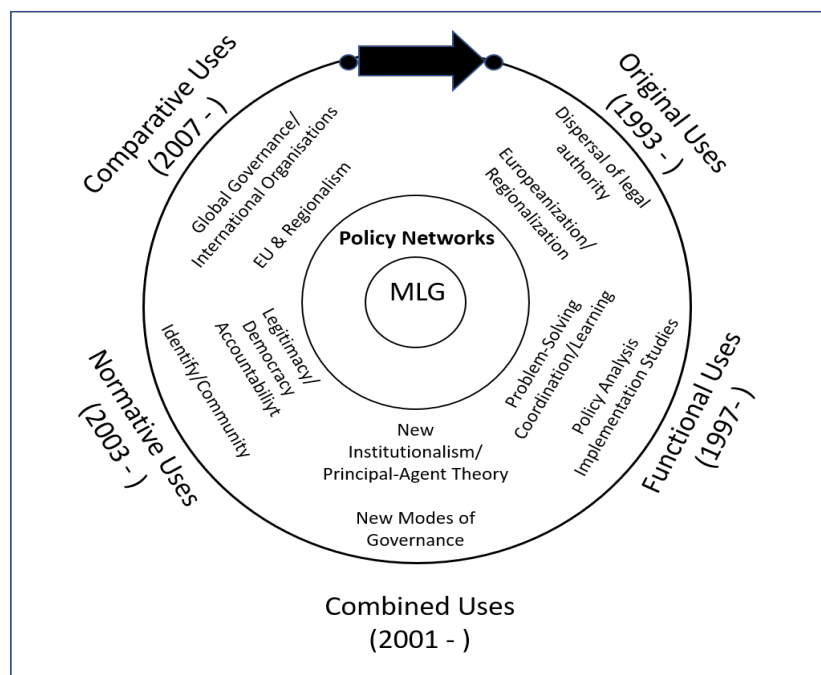

Figure 1: '*A bird's eye view of MLG's uses over two decades*' (Stephenson, 2013)

The aim of this working paper is to explore MLG's potential as a theoretical lens to stimulate a deeper level understanding of participation and co-ordination between stakeholders delivering social value. In our exploratory data phase (this is a work-in-progress), we use the MLG framework to assess the various horizontal and vertical levels of a UK public procurement supply chain to consider the emerging role, and tensions, of social value in a local authority construction commission. The academic studies on social value, in line with government reviews, suggest that at the heart of the issue is how social criteria are decided

and assessed in tenders, which requires a mechanism to achieve a 'balance of interest' of all the stakeholders in a supply chain. Achieving shared value of these issues is a complex, multi-level, and possibly contradictory challenge in terms of the balance of interests (Windsor, 2001). The forthcoming phases of the research considers whether national policies/legislation (e.g. the Social Value Act, 2012) can be addressed and governed at national, regional and local levels simultaneously without the need to follow a hierarchical order?

Similar to the approach adopted by Betsill and Bulkeley (2006) in the 'The Cities for Climate Protection' (CCP) program, this research will seek to provide a theoretical contribution by extending theory to explain a new phenomenon, social value, in UK public sector procurement adopting a 'normative use' of MLG theory (Stephenson, 2013). We aim to better understand the challenges of awareness, understanding and measurement of social value in a new context, at the three levels of governance within the UK - national, regional and local, from both vertical and horizontal dimensions, and from various stakeholder perspectives.

Empirical context

Knowsley Council and their end-to-end supply chain for the construction of the 'Shakespeare North Playhouse and Rail Interchange' capital build project in Merseyside will provide the empirical focus for this research. With a population of approximately 146,000 residents and 67,000 households, the borough of Knowsley is one of five boroughs that make up the Liverpool City Region Combined Authority. Since 2010, Knowsley has been hit harder than any other UK local authority by national funding cuts whilst at the same time facing increasing levels of demand for services. With a collective public sector budget in excess of £1bn, Knowsley Council and their partner organisations have had to work smarter and collaboratively to make the best use of reducing resources to achieve the best possible outcomes for the Knowsley Community. This has included building social value into all commissioning and public sector procurement processes to secure the best social and economic return on the 'Knowsley pound' (The Knowsley Partnership, 2016).

As part of the council's approach to social value there is a new emphasis on all procurement and commissioning contracts explicitly containing social value requirements of its suppliers. This goes beyond the Social Value Act's 'light touch' that requires only a consideration of social value, rather than obligating its inclusion (Boeger, 2017). A new system of recording and reporting on social value measures is in development with partner agencies to create a consistent methodology for social benefit which is understood by all parties (Knowsley Council, 2016).

The Shakespeare North Playhouse and Rail Interchange capital project will create an iconic new theatre, education, outdoor performance garden and exhibition space with wayfinding and accessibility improvements within Knowsley to encourage inward investment, support a better retail, leisure, cultural and housing offer and result in increased footfall as part of Knowsley Council's wider strategic objectives. It is estimated that the project will generate over 100,000 new visitors to the LCR each year from across the UK and internationally and the value of goods and services produced in LCR will increase by £13m during construction and by £5.3m each year following opening, with the creation of 20 new permanent full time jobs and around 175 full time jobs across the region and 185 temporary construction jobs (Shakespeare North, 2018). Kier Construction are the preferred bidder to build the £19m

capital project for Knowsley council and as part of their offering will be working with the local supply chain to strengthen the local economy (Kier, 2018). The research of social procurement in construction projects is extremely sparse, despite the industry's role in developing social benefit through physical public infrastructure like libraries, hospitals, schools, civil works, and community buildings (Loosemore, 2016). This gap offers potential for this research to make a rich contribution to understanding the issue from various perspectives, through the MLG lens.

Methods
The study has adopted a qualitative approach as part of an inductive research strategy (Yin, 2015) with secondary data collected through documentary evidence (including plans, strategy documents, contracts etc) (Bowen, 2009). Three levels of national, regional and local governance are mapped as illustrated in the conceptual framework (see figure 2). The levels enable an assessment of the various actors' documented perceptions of the awareness, understanding and measurement of social value in procurement contracts. Content analysis approach has been used to start to analyse the data to map the vertical and horizontal dimensions of levels through an MLG Theoretical lens.
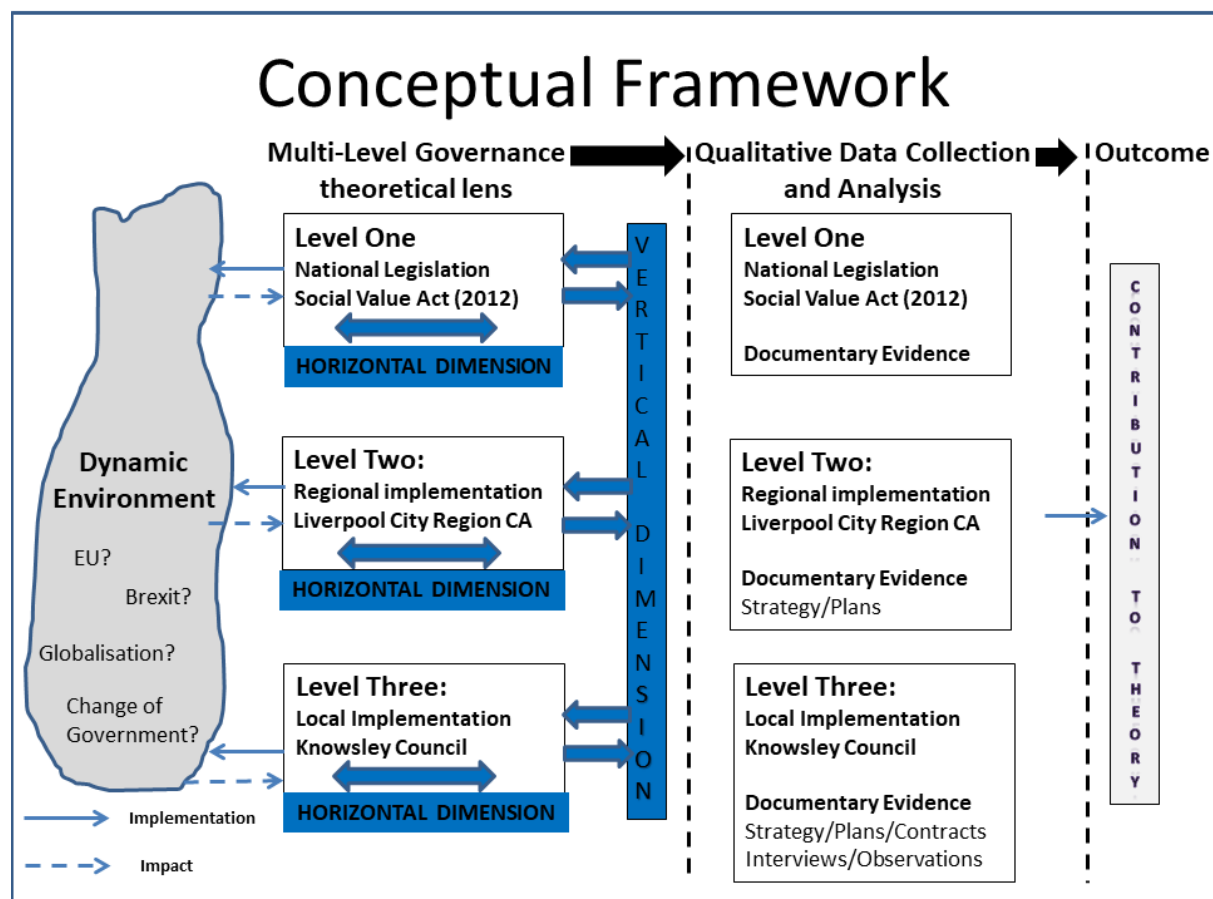

Figure 2: The conceptual framework

Primary data through interviews, observations, and focus groups are in the process of being collected to evaluate awareness, understanding and measurement of social value at the regional and local level through a combination of semi structured interviews, focus groups and observations from a selection of state and non-state actors within the local supply chain for the Shakespeare North Playhouse and Rail Interchange project (Commissioners/

Procurement/ Preferred Bidder/ Main Contractor /Sub-contractors/ community businesses/ community residents). NVIVO software will be used to analyse the data.

Next steps
As discussed, this study is still in its early stages and very much work in progress The initial exploratory work is an at early data collection phase, and the focus currently is on developing, and refining the potential of MLG as a theoretical lens to provide new insights into a nascent area of research around social value. As a result, there is little that can be empirically reported other than early suggestions of contradictions and tensions between stakeholders in their perceptions of the awareness, understanding and ability to measure social value in contracts.

The early signs from the small amounts of data collected suggests that key stakeholders are struggling to 'translate' the multitude of social value dimensions, potentialities, stakeholder claims, and various regulative/governance structures, into a cohesive set of procurement and supply chain processes. How this data is mapped is critical to illustrate the complexity of the challenge to operationalise social value in contracts in order to unpick some of the key barriers to achieving this. In this sense, using the MLG framework can potentially provide a fruitful avenue to uncover the challenges, tensions, and opportunities across both vertical and horizontal layers. Interestingly, the implied top-down hierarchical policy structures (national, through regional, to local) appear to be in conflict with social value that, as a concept is inherently local and driven primarily by communities at a 'bottom-up' level. We therefore would like to take this approach forward to discuss how we can provide further insight to this gap in knowledge.

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