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Social Value in the Age of Fast Paced Public Sector Innovation

Aligning Fail Fast Procurement with Labour's Five National Missions

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Executive Summary

Public procurement is entering a decisive period of change. Government is increasingly calling for rapid, innovation-led delivery models such as pilots, sandboxes, staged funding and agile contracts, while at the same time reinforcing the importance of social value as a core evaluation requirement. Labour’s five national missions provide a clear policy framework:

1. Kickstart Economic Growth,
2. Clean Energy Superpower,
3. Take Back Our Streets,
4. Reform Childcare and Education,
5. Build an NHS Fit for the Future.

Each mission carries strong social value implications and sets expectations for how public money should deliver wider societal benefit. And depending on the sector, may be easier or harder to align with.

The challenge lies in reconciling two powerful but sometimes competing imperatives. Innovation procurement requires agility, iteration and tolerance of controlled failure. Social value frameworks traditionally emphasise defined outputs, measurable commitments and certainty of delivery. This paper explores how the new mission-led model applies to innovation-focused procurements, where tensions arise, and whether it is genuinely possible to achieve both rapid innovation and meaningful social value within the current framework.

Reference materials:

Throughout the paper, PPN002 is heavily referenced. If you are not familiar with the missions, outcomes, model criteria and standard reporting metrics, it is highly recommended you refer to the government page [here](#).

Social Value in Innovation – a vignette

In an innovation pilot for the Ministry of Defence exploring low-TRL sensing technologies, you proposed a social value approach rooted in inclusive design, user co-creation and long-term impact rather than headcount-driven metrics. Recognising that a four-person technical team could not credibly commit to new apprenticeships or large employment numbers, you instead partnered with defence community groups, early-career STEM cohorts and reservist networks to co-design and test prototype interfaces throughout each agile sprint. Service personnel, including those with limited digital confidence or accessibility needs, were invited to trial early models, directly shaping features that improved usability in demanding operational contexts and widened the future talent pipeline. By embedding responsible experimentation, structured learning capture and clearer pathways to long-term benefit from day one, your project demonstrated how defence innovation can deliver meaningful social value: strengthening inclusive participation, improving real-world applicability of the technology, and contributing to a more resilient, skills-rich defence ecosystem over time.

The conclusion is cautiously optimistic. The missions themselves are inherently dependent on innovation. However, the way social value is measured and evaluated must evolve if innovation is to flourish rather than be constrained. Both buyers and suppliers approach social value with a clear understanding of appropriateness, proportionality and strategic relevance

The Changing Procurement Landscape

Public bodies are increasingly expected to commission new digital tools, data platforms and service redesign initiatives at pace. Procurement models now frequently include discovery phases, prototyping and controlled experimentation. The fail fast philosophy recognises that innovation requires iteration and that learning is generated not only through success but also through well managed failure.

Historically social value approaches have been structured around predictable outputs such as jobs created, apprenticeships delivered, carbon reduced and community hours volunteered. These metrics are tangible and reassuring, but they do not always align neatly with early stage innovation projects where outcomes may be uncertain, and impact may emerge over time. Whilst Procurement Policy Note (PPN) 002/25: Taking account of social value in the award of central government contracts, released in February 2025 set to address this – there is an organisational cultural shift towards social value required to instead focus on outcomes.

The question is not whether social value applies to innovation procurement. It clearly does. The more pertinent question is how it should apply and whether companies are truly embracing PPN002/25 in their approach to social value or simply treating it as a box tick.

Kickstart Economic Growth: Innovation as a Productivity Engine

The mission to kickstart economic growth, with its focus on good jobs and productivity, is deeply intertwined with innovation procurement. Public sector commissioning can stimulate emerging sectors, strengthen SME participation and encourage the growth of high skilled employment. Many innovation-led contracts act as catalysts for regional clusters, research partnerships and supply chain development.

There is, however, an important nuance. Early stage innovation projects may not immediately demonstrate UK economic growth. And whilst many low TRL level innovations are often low in value, and therefore are not subject to social value, the CORVUS RFI from DE&S is a £130m example of high contract value, low TRL work.

The importance here is to ensure procurement teams select the most appropriate Model Award Criteria (MAC) that lends itself to innovation. A digital pilot may employ a small but highly specialised team. Outcome 1 Fair Work focusing on 'creating and retaining high quality jobs' and Outcome 3 'resilient, innovative and flexible supply chains' are the right MACs to support innovation procurements.

The key is the proportionate application of the right MAC to enable suppliers to demonstrate wider economic value through productivity gains, intellectual property development or scalable solutions that improve public service efficiency – highlighting what the Authority truly values in the scoring. Bidders should think more broadly in terms of the outcomes they propose. If bidders focus too much on metrics for ease of measurability, they risk undervaluing this broader contribution.

Clean Energy Superpower: Natural Alignment with Innovation

Of all the missions, the ambition to become a clean energy superpower has the strongest natural alignment with innovation procurement. Achieving net zero requires new technologies, new data capabilities, new infrastructure models and new forms of collaboration between public and private sectors. Innovation is the foundation of this mission.

Procurement can accelerate low carbon technologies, support renewable integration pilots or commission digital systems that optimise energy consumption. In this domain, fail fast experimentation can reduce long term risk by testing solutions at smaller scale before broader rollout.

The main tension lies in measurement. When considering pilots, agile projects and spiral development cycles, there's a degree of uncertainty on how the result might manifest. Focus is often on the ability to demonstrate feasibility, refine models or build evidence in cycles over time. The standard reporting metric under outcome 4 is "the annual reduction in carbon emissions arising from the performance of the contract, measures in metric tonnes carbon dioxide equivalents". The challenge here is that this KPI assumes a more waterfall based approach to project management, which does not allow for agile sprints and pivots in innovation. Therefore, not only being able to make savings, but also being able to measure those savings becomes very difficult when the project is evolving at pace. The alternative reporting metrics on waste to landfill reduction, water use reduction and the creation of green spaces also feel less appropriate in an environment when you are creating something new and potentially leads to the poor behaviour of being purposefully wasteful on day 1 of the project to be able to see a reduction through the project life. A more sophisticated approach would assess credible pathways to impact, supported by modelling and staged evaluation.

Take Back Our Streets: Innovation with Responsibility

Reducing crime and strengthening community safety presents a more complex relationship with innovation procurement. Digital tools, predictive analytics, community engagement platforms and data sharing systems can contribute to safer environments. However, crime outcomes are influenced by numerous factors beyond any single contract. And outcome 5 really narrows this down to the standard reporting metric being 'number of hours of learning interventions delivered under the contract raising awareness on the risk of domestic abuse'. A far smaller sub-set of the broader national mission.

Even with that narrowing, this is an area where appropriateness of the social value question being asked in the bid to the project that will be delivered is absolutely critical.

Caution must be exercised if outcome 5 is expressed in an ITT where it's relevance to the contract is questionable.

Innovation related to crime reduction must therefore be framed carefully. The need for ethical safeguards and community trust is embedded in responsible data use and transparency. Both procurers and bidders should focus on responsible experimentation. Pilots should incorporate evaluation frameworks that capture learning and long term potential rather than promising deterministic results in complex systems.

Community cohesion, awareness raising and action is the key here – it is less about the crime statistics and more talking about key issues. Perhaps this area is as popular in procurements as the COVID-19 recovery MAC in the old PPN 06/20 released in 2021, where although an important issue at the time, was very difficult to apply social value to. And rather than try to force it, focusing on an alternative outcome area would be preferable.

Reform Childcare and Education: Expanding Opportunity through Innovation

The mission to reform childcare and education, aimed at removing barriers to opportunity, creates fertile ground for innovation-led procurement. Digital platforms can improve access to childcare, streamline admissions or personalise learning support. Edtech solutions can extend resources to disadvantaged communities and support children with additional needs.

However, the principle of outcome 6 'employment and training for those who face barriers to employment' could limit the innovative approaches undertaken. The metrics associated with outcome 6 focus on number of employment opportunities from under-represented groups and the number of apprenticeships offered and retained for under-represented groups. Innovation projects naturally employ small, specialist teams and so headcount-based metrics are not always appropriate. Additionally, an SME that has a small workforce will struggle to offer places in the same quantity as a larger company, and whilst they could show a significant percentage demographic of the workforce, is this the needle shifter the government is looking for in this mission? This outcome is less appropriate for research projects because it:

- **Disproportionately focuses on labour-intensive outcomes:** Research projects often have high intellectual input but low labour-to-cost ratios. Applying a rigid employment outcome can force bidders to focus on hiring staff rather than on technical, methodological, or digital innovation, which may not align with the project's actual needs.
- **Restricting talent acquisition to specific demographics:** The outcome encourages targeting specific, often localised, groups. In highly technical research, this may conflict with the need to hire specialised, niche, or international talent, potentially stifling the intellectual innovation required for high-level research.

- **Provides a "Check-Box" approach over transformative solutions:** Because companies' approach to Social Value has a tendency to focus on measurable, "above-and-beyond" deliverables, bidders may prioritise standard, easy-to-calculate employment metrics (e.g., number of apprentices) rather than investing time in creating genuinely innovative, long-term, and high-impact social, environmental, or technological solutions.
- **Limits "Add-On" value:** For research projects where the budget is already tight, the requirement to fund specific training or employment programs can limit the ability to invest in more innovative research methods, equipment, or software.
- **Misaligns with non-physical research:** The focus on "local job centres" and "physical presence" may not suit research projects that are entirely data-driven or remote, forcing artificial, non-innovative employment opportunities just to satisfy the weighted criteria.

A better approach would be for social value to focus on inclusive design. Innovation procurements should reward accessibility, co-design with users and clear strategies to reach underserved groups. Social value becomes less about short-term quantifiable outputs and more about reducing structural barriers. There is a risk that the standard reporting metrics in outcome 6 do not drive the right behaviour.

Build an NHS Fit for the Future: Innovation as a Tool for Equity

Few missions rely more heavily on innovation than building an NHS fit for the future. Digital diagnostics, remote monitoring, AI-enabled triage and preventative health analytics all have significant potential to transform service delivery and reduce health inequalities.

The relationship between innovation and social value here is direct but complex. Health outcomes evolve over time. A new triage system may not show immediate reductions in inequality, but it may lay essential groundwork for more equitable access. Evaluating such projects requires patience and lifecycle awareness.

The disappointment here is that despite research and innovation having such a great alignment to the government mission, the associated social value outcome is perhaps somewhat of a damp squib. Outcome 8 is 'Increasing productivity through physical and mental wellbeing: in the supply chain and communities in the relevant area'. And so whilst the associated standard reporting metric on number of hours spent setting up and delivering staff health and wellbeing should be relatively easy for research and innovation projects to achieve, it somewhat leaves an underwhelming feeling that with a less-focussed outcome, research could make a significant contribution to the mission.

Is the Current Social Value Model Fit for Innovation?

The mission-led framework provides strong strategic direction and clearly articulates the societal outcomes government seeks to achieve. It embeds social value firmly within national priorities and avoids treating it as an optional add-on.

However, the structure of many social value evaluation models remains output-oriented and relatively static. Innovation procurement, by contrast, is dynamic and uncertain. Whilst some outcomes in PPN002 easily lend itself to research and innovation, others are not quite such a direct fit. It is therefore even more imperative that procurement teams really focus on the outcome, model criteria and reporting metric they are asking for in the bid. Appropriateness and proportionality is critical for social value to be truly delivered in research projects. Procurement teams should use industry engagement sessions to identify what the right social value approach is, ensuring they don't discourage risk-taking and drive slow innovation.

This does not mean that social value and innovation are incompatible. The missions show that innovation is often the mechanism through which social value will be delivered. What must evolve is the method of assessment. Social value in innovation contexts should recognise learning, capability building and credible pathways to long-term impact. Buyers should recognise that as commitments change over time, measures may not be fit for purpose, but should have a mechanism to ensure the supplier is acting in accordance with the overall social value aim.

Can Government Achieve Both Speed and Social Impact?

It is possible to deliver fast paced innovation and meaningful social value, but only through adaptive procurement design. Procurers should tailor social value criteria to the stage of innovation, differentiating between early discovery and later scale-up. The Procurement Act 2023 calls for greater buyer/industry engagement before finalising the requirements set. This dialogue should allow for appropriate social value discussion, enabling procurement teams to reward credible evaluation frameworks and accept that managed failure can produce public benefit through learning.

Interestingly, The Social Value Portal (SVP) have demonstrated how an outcomes approach can support research. This pilot, which shaped the approach SVP have taken, is a key example of how structured progress reviews can support evolving programmes. Noting, their TOMS takes a different approach to the Government's PPN002.

Outcomes: the piloted model that is fit for innovation-based procurement

Whilst a somewhat dated example now, local authorities have demonstrated the ability to measure progress not just outputs. In 2016 the London Borough of Harrow ran a social value procurement pilot, delivered in partnership with the Social Value Portal.









Rather than prescribing numerical outputs, such as a set number of apprenticeships, Harrow focused on inviting bidders to propose how they would contribute to outcomes – based on credibility, relevance and potential impact of their commitments. Delivery was monitored through structured progress reviews.

This approach shifted emphasis from counting static outputs to tracking delivery progress and contribution to broader strategic goals – a model that is particularly relevant for innovation-led procurements where outcomes may emerge iteratively rather than immediately.

Source: UK Government, Social Value Case Study: Harrow Council (2016).

Bidders must avoid treating social value as a separate compliance exercise. Instead, they should embed mission alignment within their innovation strategy, demonstrating how experimentation contributes to societal outcomes over time.

ENABLING SOCIAL VALUE IN INNOVATION PROCUREMENT

PROCUREMENT TEAMS	BIDDERS
 <p>Tailor criteria to the innovation stage</p>	 <p>Adopt a lifecycle approach to impact</p>
 <p>Reward credible evaluation frameworks</p>	 <p>Demonstrate responsible experimentation</p>
 <p>Accept managed failure as a contribution, not a defect</p>	 <p>Show credible pathways to long-term outcomes</p>
 <p>Embed mission alignment in the strategy</p>	 <p>Highlight equity and inclusive design</p>

A shared mandate for innovation and social value

Labour's five national missions have created a stronger policy environment for innovation-led procurement. Each mission relies on technological, service or system-level innovation to achieve meaningful change. Innovation is therefore not an optional feature of public delivery but a central mechanism through which mission outcomes will be realised.

To make this possible, the relationship between innovation and social value must continue to evolve. Innovation generates impact across a full lifecycle rather than through immediate or highly measurable early outputs. A more suitable approach to social value must recognise learning as a legitimate public benefit, support responsible experimentation, and judge progress through credible pathways toward long-term impact. It should also acknowledge that managed failure is sometimes necessary in order to refine solutions, build evidence and reduce long-term risk.

There are areas of caution that must be taken seriously. When social value requirements are overly rigid, they can slow the pace of innovation and encourage suppliers to submit low-risk proposals that offer limited long-term benefit. When criteria are poorly selected or disproportionate to the stage of development, they can unintentionally steer procurement activity toward activities that are easy to measure rather than activities that genuinely strengthen mission outcomes. It is therefore essential that both buyers and suppliers approach social value with a clear understanding of appropriateness, proportionality and strategic relevance.

The next era of procurement will be shaped by the ability to deliver innovation at speed while still contributing meaningfully to social value. Labour's missions make clear that the public sector must achieve both, and this responsibility sits jointly with procurement teams and bidders.

Procurement teams now need to design processes that support innovation rather than restrict it. They should select social value criteria that reflect the stage of development, encourage credible evaluation frameworks, and recognise that learning and managed failure can be legitimate contributions to public benefit. This requires acting as strategic stewards of mission outcomes rather than functioning solely as compliance gatekeepers.

Bidders must embed social value into the core of their innovation strategies. They should adopt a lifecycle view of impact, set out clear pathways to long-term outcomes, demonstrate responsible approaches to experimentation, and ensure that their work is inclusive and accessible by design. Social value should not be treated as a separate or peripheral component of a proposal but as an integral part of decision-making throughout development and delivery.

If procurement teams and bidders work together in this way, they can reshape how the public sector commissions innovation. The central challenge is not to choose between speed and social impact but to create approaches that enable both. The opportunity is to build procurement systems that accelerate new ideas, reduce long-term risk and deliver real societal benefit. Now is the moment for both parties to act.