

SOCIAL VALUE & PROCUREMENT

A TOOLKIT FOR
HOUSING PROVIDERS
& CONTRACTORS

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& CONTRACTORS

HACT

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HACT is an innovation agency that provides futures-oriented solutions, projects and products for UK housing. HACT delivers thought leadership and drives new ideas for business transformation through our platform of research, impact measurement and data analytics, as well as through our engagement with other sectors and our work on connected technologies. We work alongside housing providers to drive change within their own businesses. HACT helps housing providers maintain and refine resilient and successful businesses by generating actionable evidence to inform the development of new, smarter, and more efficient ways of working.



Trowers & Hamlins LLP is an international law firm with over 130 partners and more than 800 staff located across the UK, Middle East and Far East. With offices in London, Birmingham, Exeter, Manchester, Abu Dhabi, Bahrain, Dubai, Oman and Malaysia, we provide a full-service integrated legal offering. Trowers & Hamlins LLP has unparalleled expertise in the delivery of innovative and commercial EU procurement and state aid advice, acting for Local Authorities, Housing Providers, Central Government, contractors, service providers and suppliers. Rebecca Rees has been consistently ranked as a leading individual for Procurement advice in Chambers and Partners and their Procurement practice is consistently ranked as 'leading' (Tier 1).



echelon Consultancy Ltd – market leaders in assisting organisations to achieve their goals and aspirations. Established in 2005, echelon specialises in delivering services and advice on procurement, asset management and partnering, plus other best value and service improvement initiatives. Our team comprises professionals from across the client and contractor sectors, giving unique 360° insight into the challenges and key drivers of both. Using a collaborative approach which focusses on full stakeholder engagement, echelon prides itself on developing bespoke solutions to deliver our clients' aspirations. echelon Consultancy extends thanks to Basildon Council for agreeing to use an example from their recent procurement exercise within this toolkit.

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Foreword

In recent years the spotlight has fallen on significant political, financial and regulatory-driven change taking place across the housing sector, often focused on the delivery and achievement of externally-defined measures of output, value and value for money.

Whilst housing providers have shown themselves as more than up for meeting those challenges, this has been accompanied by an increased interest in exploring and defining for themselves the internal values that underpin their work as independent, social businesses.

In turn, this has driven a growing commitment to the effective measurement of the economic and social value created across housing provider businesses. HACT has been leading the sector's approach to measuring and demonstrating social value, with the creation of the Social Value Bank and an accompanying methodology enabling the mainstreaming of social value measurement across the sector.

Whilst the initial focus of much social value activity has been around defining the value created through community investment activities, increasing numbers of housing providers are looking to define and evidence the much broader social impact delivered through their core business activities – in particular housing and asset management, regeneration and development. This has been accompanied by the emergence of new and innovative approaches towards working with partners and suppliers to deliver increased social value and community wellbeing through the commercial relationships that exist across their businesses.

HACT, working with leading law firm Trowers & Hamblins LLP and procurement specialists echelon Consultancy Ltd, have collaborated on the development of a toolkit to support the development of this important area of activity. This toolkit is the result of our work together and with leading housing associations and contractors to provide practical ways to enable to be delivered through the procurement of goods and services.

Most resources on social value and procurement are developed from the perspective of those who are procuring goods and services. The unique collaboration behind this toolkit has ensured that all perspectives are on the table. Involving organisations from across the supply chain in its design means that the toolkit can be easily adopted and shared, so that everyone is aware of what is needed to embed a new approach to social value in procurement.

This toolkit is an essential resource for all those involved in procurement: those that are relatively new to social value as well as those looking to make established processes more effective.

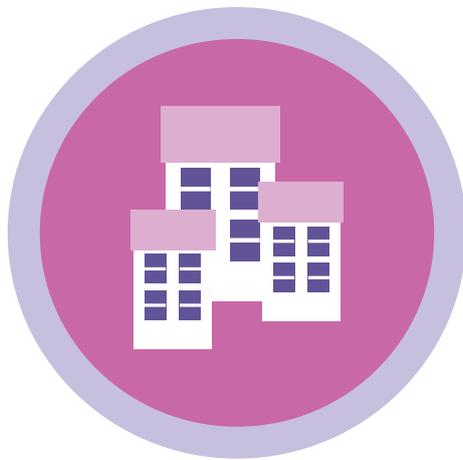
The development of this toolkit has been a major collaboration and HACT is grateful for the contributions of all of the project partners. The expertise of Trowers & Hamblins LLP and echelon Consultancy Ltd has been particularly invaluable.

Matt Leach

Chief Executive, HACT

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Introduction



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The financial landscape for Housing Providers has shifted dramatically in recent times. As a result of policy and legislative changes, Housing Providers are expected to deliver more to their residents than ever before, but with less resource. Alongside these commercial challenges, the Public Services (Social Value) Act 2012 has brought the delivery of social value to residents into the spotlight.

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The procurement budgets of Housing Providers provide a powerful tool to manage this fundamental change. Housing Providers can maximise the value of their contracts with private sector partners and leverage that value to obtain additional social value to support and enhance their communities and neighbourhoods.

Traditionally, this has been a difficult area for contracts regulated by the Public Procurement regime, fraught with uncertainty and risk. In particular, the approach to the pricing and valuing of social value has been a difficult concept to master. Recent changes to the legislation regulating this area removed a number of difficulties. The widespread adoption of HACT's Wellbeing Valuation Approach (for more information, see section 6) in the housing sector has provided a firm foundation and robust mechanism for measuring social value. This Toolkit provides Housing Providers and their bidders with the guidance, processes and confidence to engage with social value in a legally compliant manner.

This Toolkit is intended for use in both EU-regulated and non-regulated procurements by:

- internal legal teams who need to ensure regulatory compliance;
- procurement staff who need to draft and lead the assessment of tenders;
- community investment staff who need to understand where social value can be driven through the supply chain and how this links with existing/on-going service delivery;
- bid writers who need to understand how to respond to a specification or brief;
- staff charged with managing/delivering corporate social responsibility; and
- Boards and senior teams with oversight of organisation-wide priorities and governance.

HACT, Trowers & Hamblins LLP and echelon Consultancy embarked on a joint project in Autumn 2015 to respond to this challenge of integrating social value within the procurement process. The response from Housing Providers and from the supply chain was overwhelming. In developing this Toolkit, HACT, Trowers & Hamblins and echelon were pleased to work with Housing Providers (Affinity Sutton, North Hertfordshire Homes, Riverside, Thrive Homes, Wandle), the Northern Housing Consortium, as well as contractors and the broader supply chain (AkzoNobel, Mulalley, United Living and Wates) to develop this Toolkit. Throughout a series of workshops, these organisations shared their challenges, as well as their substantial expertise – all of which has been invaluable in developing this Toolkit.

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This Toolkit aims to respond to three main challenges with current practice identified in the workshops.

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1. **Clarity.** Housing Providers need to define social value and set out priorities within tender documents so that contractors can respond accordingly.
2. **Consistency.** Housing Providers and contractors want a clear, simple and standardised method for measurement for each contract, with criteria for the delivery of social value agreed upon at the outset.
3. **Transparency.** Processes for evaluating bids need to be transparent and the requirements for social value delivery should align with weighting for assessment.

Chief Executives and senior teams seeking to drive social value through contracts can be confident that this Toolkit recommends an approach that covers relevant current legislation and that the Wellbeing Valuation Approach recommended for measurement and reporting is the most methodologically consistent and robust one available.

Summary of contents

The Toolkit is broken down into three main sections.

1. THE STEP BY STEP GUIDANCE

This section helps the user understand how to integrate social value into the procurement process and covers each step from scoping through to procurement, mobilisation and delivery.

Each step contains guidance on what to do, how to do it, a worked example of what the relevant step looks like in practice, and links to specific Tools and external resources.

2. THE LEGAL GUIDANCE

This section helps the user understand the regulatory requirements affecting the integration of social value into a procurement process and covers key legislation, including:

- The Directive 2014/24/EU of the European Parliament of 26 February 2014 on public procurement (the Directive) as implemented into the laws of England, Wales and Northern Ireland (NB not Scotland) by the Public Contracts Regulations 2015 (SI 2015 No. 102) as amended by the Public Procurement (Appeals, Repeals and Revocations) Regulations 2016 (together, the Regulations);
- The Public Services (Social Value) Act 2012 (the Social Value Act); and
- The Homes and Communities Agency's Regulatory Framework for providers of social housing (the HCA Framework).

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3. THE TOOLS

This section is intended for use by both Housing Providers and Contractors throughout the process and includes a collection of template wording, example documents, checklists and processes.

These Tools are referenced throughout the Toolkit and are also accessible as separate documents (see www.hact.org.uk/procurement-tools) that can be amended to suit different contracts and the needs of an organisation.

This Toolkit is intended for general information only. It is not intended to provide legal advice in any specific situation. The materials and tools provided in the Toolkit are examples only and need to be tailored in each circumstance to your specific needs. All implied warranties and conditions are excluded and HACT, Trowers & Hamblins LLP and echelon cannot accept any responsibility for any loss or damage suffered as a result of using this Toolkit. We strongly advise you to seek independent advice where necessary.

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Context



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Clarity

Where a Housing Provider lacks clarity on (or fails to clearly define) what social value means, it will unlikely be able to leverage their procurement to generate social value. Contractors are generally interested in exploring new ways to generate and deliver social value, but they need to have some guidelines about what an individual Housing Provider is looking for in order to respond appropriately in tenders.

Housing Providers therefore need to have a clear approach to social value – whether across the business and/or specifically for the procurement of particular projects. The first step towards a clear social value approach is understanding why social value is important to the organisation. Is it important to the organisation's social ethos? How does it contribute to the organisation's strategic goals? An organisation's social value approach should be complementary to its wider ethos.

Having a clear understanding of why social value is strategically important to the organisation allows the more practical elements of a social value approach to be developed. A clear approach should outline a series of practical aims and objectives that will collectively help deliver the broader strategic goal. This will ensure the Housing Provider's programme of social value initiatives across the organisation fit together coherently, rather than individual interventions taking place on an ad-hoc basis.

The existence of a clear strategic social value purpose, allied with practical aims and objectives, will give contractors a good idea of what sort of interventions to develop as part of their offer. For example, including a requirement for 'improving the employment prospects of residents under thirty' within a tender will generate much more focused project proposals than one that only states an aim of 'generating social value'.

There is a balance to be struck between achieving clarity and adopting an approach that is so prescriptive it does not enable the contractor to consider and incorporate any specific skills or expertise they have themselves ('additionality'). Allowing some flexibility in providing one or a number of priority areas within which social value can be generated (other than those areas prescribed by the Housing Provider) allows contractors to differentiate themselves from each other. If a Housing Provider is too specific, it will likely receive a host of near identical bids, either all proposing social value offers the Housing Provider could have designed itself or not offering social value beyond the minimum stated requirements.

Finally, clarity around realistic expectations is important, for both Housing Providers and contractors. The social value that can be generated should be proportionate to the length of the contract, the budget and available resources (on the part of both parties). It is natural for the Housing Provider to want to generate the maximum possible value, however this should be tempered by realism about what can practically be achieved given the resources (and budget) available.

Further guidance on defining social value, determining social value criteria, and including these criteria within the procurement process is included in Tools 2 and 4.

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Consistency

For social value to be delivered, Housing Providers must be able to hold contractors accountable and contractors therefore need to understand exactly what is expected of them and their bid. It is vital to set out how performance will be assessed (method, mechanism and approach) and indicators for satisfactory delivery.

In order to be able to satisfactorily assess performance, consistent metrics should be adopted for measurement. This has become an acute challenge in recent years, with the social housing sector increasingly conscious of the need to measure, demonstrate and maximise the social value it creates, particularly in light of the Homes and Communities Agency stipulating that Value for Money (VfM) statements should include an assessment of social impact.

The simplest metric to use is to set targets at the outset, such as the number of apprenticeships that should be offered or the number of people to be assisted into employment. The shortcoming of this method is that it only provides an assessment of individual project performance, not a generalised measure of social value generated. This makes it a challenge to compare projects with different outcomes, assess the performance of projects that have more than one outcome and to aggregate social value generation over a range of projects and years.

When considering social value within the procurement process, Housing Providers and contractors must agree a mechanism for judging the success of social value deliverables, on a like-for-like basis. The ideal assessment metric is one that is consistent and generalised, which allows interventions with different outcomes to be compared, and also enables Housing Providers to understand how the social value offered by one contractor can be compared with another.

The Wellbeing Valuation Approach provides this solution, offering a resource-light, consistent and robust social value tool. HACT, working with Simetrica, created the Wellbeing Valuation Approach¹ and [supporting guidance](#)² in response to the need to demonstrate the impact of activity, particularly when it falls outside of 'core' activities. The approach has put the housing sector at the forefront of social impact measurement, providing an accessible way of assessing and comparing social value creation.

Wellbeing Valuation is a social value approach that consistently applies monetary values to the increase in wellbeing an individual experiences by achieving an outcome. Wellbeing Valuation is recognised by HM Treasury in its [Green Book guidance](#)³ on cost-benefit analysis and has been adopted by many within the housing sector. It has also been cited in [Lord Young's 2015 review of the Social Value Act](#),⁴ where the use of the methodology in procurement exercises is mentioned specifically.

Wellbeing Valuation works by assigning a pound (£) value to an outcome achieved by an intervention. For example, moving someone into full-time employment has an average value of £14,433. This is the value to the individual, per year. Simply,

1. <http://www.hact.org.uk/measuring-social-impact-community-investment-guide-using-wellbeing-valuation-approach>
2. [http://www.hact.org.uk/sites/default/files/uploads/Archives/2014/3/HACT Methodology Paper FINAL.pdf](http://www.hact.org.uk/sites/default/files/uploads/Archives/2014/3/HACT%20Methodology%20Paper%20FINAL.pdf)
3. <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>
4. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/403748/Social_Value_Act_review_report_150212.pdf

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this means that an individual in question would have to receive, on average, a lump-sum of £14,433 in order to raise their wellbeing by the same amount as finding full-time employment. HACT's Social Value Bank contains values for a large range of outcomes with objective outcomes (such as employment) sitting alongside subjective ones (such as sense of control over life).

Wellbeing Valuation therefore allows social value to be quantified and measured. For example, if a contractor got five people into full employment, it would have generated £61,340 of social value. As such, Wellbeing Valuation provides a possible solution to the challenge of measuring social value, as it allows the contractor to evidence the social value they have created, and allows the Housing Provider to assess social value creation and therefore contract performance.

Whether Wellbeing Valuation is used or another methodology, the crucial step is for the contractor and Housing Provider to agree how performance will be assessed before commencing the procurement of the contract.

Further guidance on use of a consistent methodology for assessment, measurement and reporting is contained in Section 4. Please also see Tools 2, 12, 13, 22, 23 and 24.

Transparency

Considerable frustration results from assessment criteria that are not transparent. Likewise, it is important that both Housing Providers and contractors commit to transparent processes. For Housing Providers, this means setting out clear, proportionate evaluation criteria. As noted above, the social value requirements should be proportionate to the value of the contract. Additionally, the weighting of the social value assessment criteria should be proportionate to the mechanism with which contractors are asked to respond. Housing Providers should also ensure that those colleagues assessing bids have the correct expertise to do so.

For contractors, committing to transparent processes means developing realistic and deliverable social value offers and committing to robust measurement of outcomes. Contractors must also appreciate that where social value offers are contractualised, there may be penalties for not delivering.

Housing Providers must also consider how they want contractors to include costs for social value. At present, these costs are generally just presented as part of the overall contract cost. Housing Providers will need to decide with each contract the level of detail they want to see in respect of the cost charged by the contractor for each social value intervention. They also need to confirm the degree to which these costs will be part of the criteria for assessing the social value offer and the overall bid.

Further guidance on evaluation criteria and costs is contained in Tools 9, 10, 11, 13 and 14.

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Step by step guidance

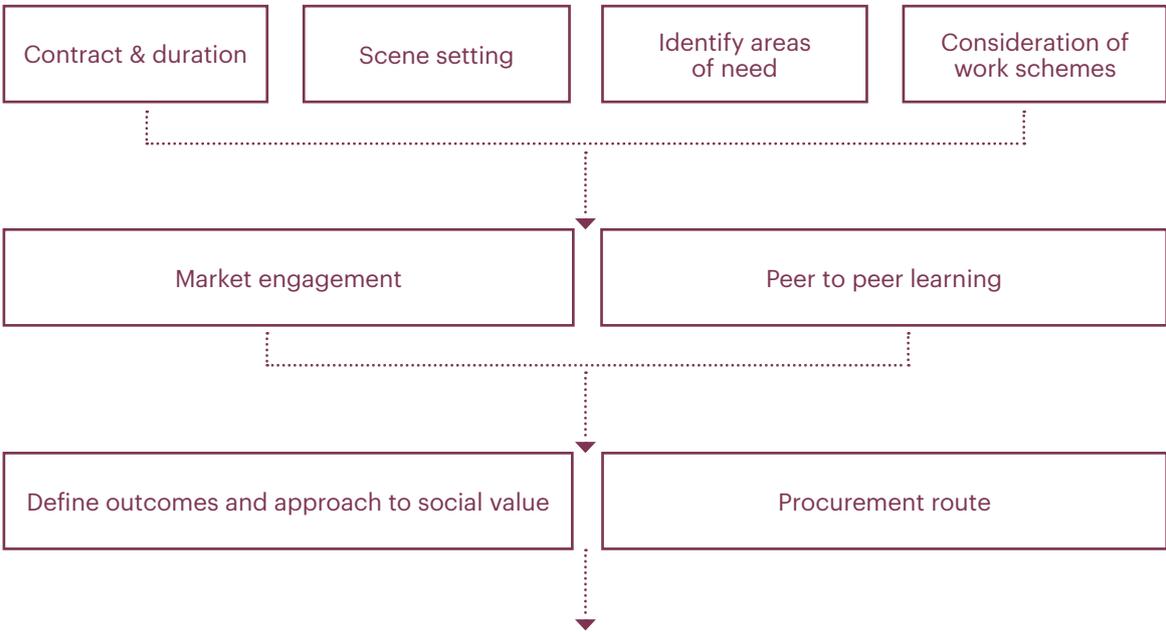
This section takes Housing Providers step-by-step through the process of integrating social value into the procurement process, offering guidance, options and examples at each stage. For some of these steps, Housing Providers have a number of options about how to proceed. These options are neither prescriptive nor exhaustive.



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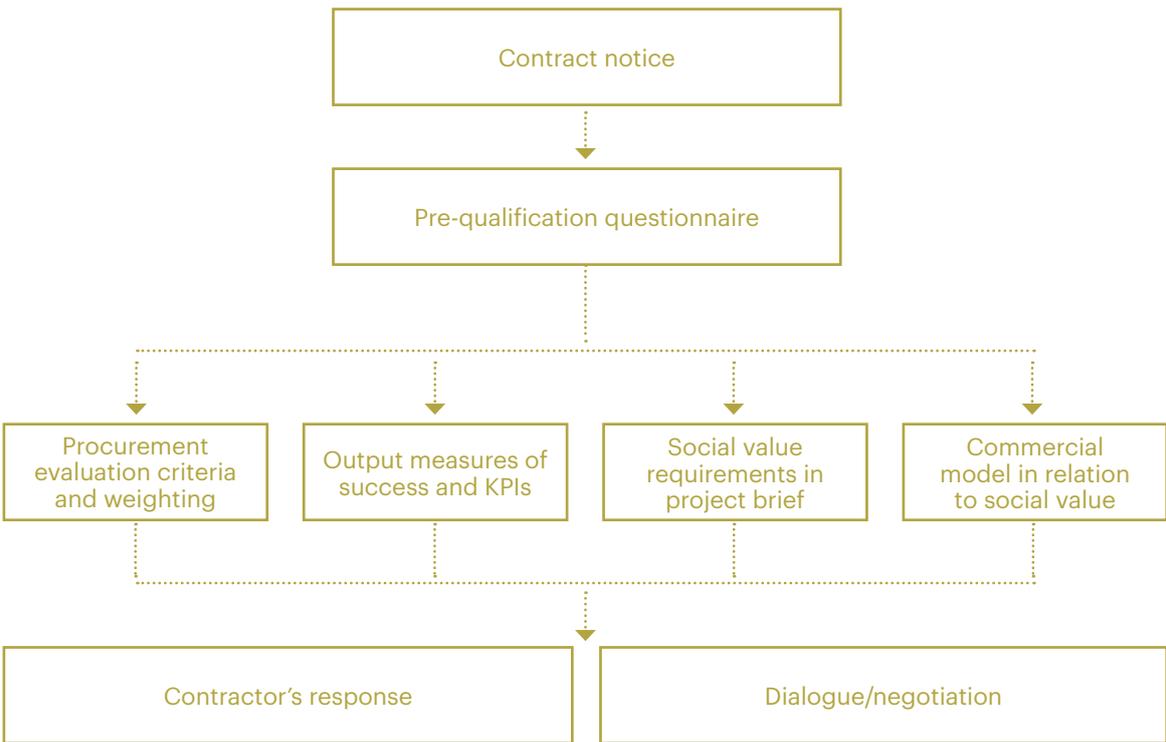
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SCOPING



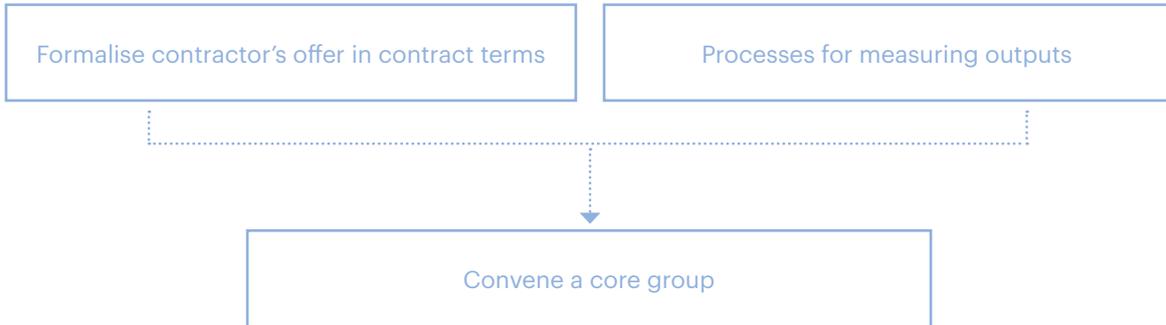
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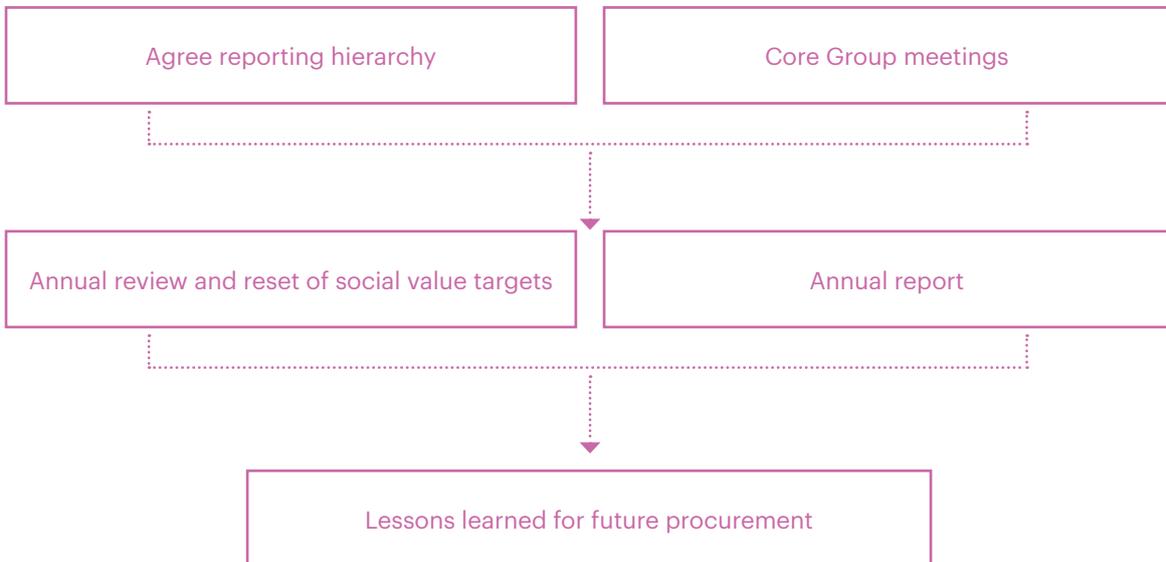
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MOBILISATION



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DELIVERY



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SCOPING	
STAGE	TIPS
<p>Step 1: Contract and duration Determine the duration of the contract and consider the impact this has on the ability to drive social value. Make sure that the form of contract is capable of including social value as a key driver (i.e. ensure there is the ability to formalise the bidder's social value offer, including the delivery, monitoring and enforcement of the offer, in contractual terms).</p> <hr/> <p>Step 2: Scene setting Pause to consider the project at hand. Use this opportunity to identify how the objectives of the Housing Provider's social value strategy can be accomplished through this project. This should provide a list of needs which could be met as part of the project and result in a project-specific social value strategy. Some questions the Housing Provider can ask:</p> <ul style="list-style-type: none"> What is our social purpose?; Can we articulate this clearly? Why are we looking for this social value in particular? What are we trying to achieve? Can we clearly identify the need of our residents/community and thus explain our social value needs? What outcomes are we looking for? <p>Also to be considered by the Housing Provider is how the social value achieved through this project will fit with its existing Community Investment (CI) and/or Corporate Social Responsibility (CSR) work. Broadly there are two options:</p> <p>1. Social value that complements existing CI offer. For example, a Housing Provider that prioritises employment, financial and digital inclusion and sport in its CI programme could ask contractors to deliver social value that also maps onto these priorities as far as it is relevant to the subject matter of the contract.</p> <p>2. Social value that supplements existing CI offer/addresses other local need. For example, a Housing Provider that prioritises employment, financial and digital inclusion and sport in its CI programme, but knows that locally, anti-social behaviour is a significant issue that is not being addressed could ask a contractor to deliver some diversionary activity for young people to address this need (subject to relevance and proportionality to the contract's scope).</p>	<p>If the organisation has defined a social value policy ensure that the offer is compliant and consistent with that.</p> <p>Consider how to align your strategy with any broader strategies of key partners (eg Local Authority, any Local Strategic Partnerships).</p>

SCOPING	
WORKED EXAMPLE	TOOLS / REF
<p>XYZ Housing is going to put in place a 10 year contract with a value of £15 million per annum for an Asset Management partner to deliver repairs and maintenance. For a contract of this type and length it is suggested that included in this contract will be a requirement to create social value by addressing the unemployment of 16–24 year olds in XYZ Housing communities. Wellbeing Valuation will be adopted as the monitoring and measurement system, which allows XYZ Housing to oversee and manage the implementation of this social value intervention.</p> <hr/> <p>XYZ Housing has thought about its social purpose as an organisation and considered how social value can contribute to its strategy. Through this it has come up with the following definition of social value:</p> <p>'XYZ Housing defines social value as the delivery of outcomes that are in its residents' and society's best interests and deliver more than just economic benefits'</p> <p>Through this procurement, XYZ Housing will be seeking to create social value that complements its existing Community Investment work, which is particularly focused on improving employment prospects in its neighbourhoods.</p>	<p>Section 6</p> <p>Wellbeing Valuation¹</p> <p>Legal section 5.5.12</p> <hr/> <p>Community Investment framework²</p> <p>Community Insight³</p> <p>Community Investment Strategy, if relevant.</p>

1. <http://www.hact.org.uk/measuring-social-impact-community-investment-guide-using-wellbeing-valuation-approach>
 2. <http://www.hact.org.uk/community-investment-framework>
 3. <https://www.communityinsight.org>

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SCOPING	
STAGE	TIPS
<p>Step 3: Identify areas of need Having identified the social objectives that could be delivered through this project, these objectives need to be clearly defined as requirements to be included in the procurement. To achieve this, the Housing Provider needs to consider gathering some intelligence, as set out below.</p> <p>Use the data on its residents and community that it has available. Community Insight, an open data mapping tool provided by HACT can be used to ensure that the identified needs are underpinned by knowledge of the communities in which the Housing Provider operates.</p> <p>Talk to colleagues to establish what is already being done to generate social value and what outcomes are being achieved or that the organisation needs. Consider what has worked elsewhere.</p> <p>Talk directly to service users to review what their needs are. The Housing Provider needs to get back to the basics about why it is providing the service, what outcomes it wants to achieve, how it can achieve them and what else it might be able to achieve on the way.</p>	<p>If the organisation is a Housing Provider, is there any potential for the Local Authority to provide any information? It should consider aligning its approach with that of the Local Authority or any Local Strategic Partnerships.</p> <p>Does it have any existing contacts or networks through which it could find out what contractors are doing and what expertise they can provide?</p> <p>Define a tool for measuring the social need (eg HACT's Community Insight Tool).</p>
<p>Step 4: Consideration of work streams and social value impact The Housing Provider should consider the different work streams that will be involved in this procurement and the opportunity each work stream provides to deliver social value. Social value requirements should be allocated to the specific work streams through which they will be delivered.</p>	<p>Are the work streams for this procurement already defined, and what is the contract duration?</p> <p>Works/services procurements and longer term contracts have the greatest potential to attract positive responses from the market.</p>
<p>Step 5: Market engagement The Housing Provider could engage with the supply chain prior to advertising the contract so as to understand their interpretation of social value and how its social value choices will potentially impact on their bid offers. In order to avoid any issues around unfair advantages to bidders, the Housing Provider should keep notes of these meetings and share any/all outputs of this exercise with all bidders (as appropriate).</p>	<p>The Housing Provider could engage with the supply chain either on a 1-2-1 basis and/or in workshops.</p>

SCOPING	
WORKED EXAMPLE	TOOLS / REF
<p>XYZ Housing wants to ensure that social value is delivered for specific needs of communities in which it works. Using Community Insight, combined with its own data and staff knowledge, XYZ Housing has identified the following as being the major issues for its residents:</p> <ul style="list-style-type: none"> a) Unemployment of 16-24 years olds; b) Isolation of the elderly; and c) Unhealthy lifestyles. 	<p>Tool 1 – Sample community engagement review form</p> <p>Community Insight⁴</p>
<p>XYZ Housing is tendering a contract for repairs and maintenance to its housing stock. XYZ Housing wants to use this procurement process to address one of the three issues it has previously identified within its communities.</p>	<p>Tool 2 – Social Value Bank</p> <p>Value Calculator⁵</p> <p>Value Insight⁶</p>
<p>XYZ Housing undertook pre-market engagement with a group of contractors that work in the repairs and maintenance of assets sector across the UK and locally. From this engagement it was discovered that these contractors felt that, on a services contract, of XYZ Housing's three social value priorities, they would be best placed to effectively address unemployment of 16-24 year olds.</p>	<p>Tool 3 – Soft market testing (social value) – Example</p> <p>Legal section 5.3</p>

4. <https://www.communityinsight.org>
 5. <http://www.hact.org.uk/value-calculator>
 6. <https://www.valueinsight.org>

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SCOPING	
STAGE	TIPS
<p>Step 6: Peer-to-peer learning The Housing Provider should engage with other key local stakeholders that can inform the social value offer. It is also helpful to seek out other organisations who have undertaken similar procurements and make contact, to learn lessons from their experiences.</p>	<p>These could include the Local Authority; Job Centre Plus; schools and colleges; other appropriate Voluntary and Community agencies.</p>
<p>Step 7: Social value priorities Use the learning gathered in all previous stages to finalise and draw up a weighted list of social value priorities for this procurement.</p>	<p>If a significant need is identified, this should be weighted more highly.</p>
<p>Step 8: Define outcomes and approach to social value requirements When defining the social value requirements to which the contractors must tender, the Housing Provider should consider an approach that is clear, consistent and transparent, and that enables the Housing Provider to understand the social value that will be generated as a minimum, as well as the additional value the contractor can add.</p>	<p>Housing Providers can set a baseline or minimum requirement and then ask what added value ('additionality') the contractor can deliver. The Housing Provider sets out the bare minimum a contractor must provide in terms of social value outcomes but also rewards bids offering above and beyond this minimum amount and allows them to create or offer a unique selling point (so-called 'additionality offers').</p>
<p>Step 9: Procurement route As set out in the Regulations there are several procurement routes that a Housing Provider can use to procure a contract. Consideration should be given to the impact the chosen procurement route will have on the ability to maximise the social value offer.</p>	

SCOPING	
WORKED EXAMPLE	TOOLS/REF
<p>XYZ Housing engaged with a number of local stakeholders, including Job Centre Plus, local colleges and local community organisations. From this XYZ Housing obtained a good understanding of the employment issues and barriers to employment for 16–24 year olds in its community. The main barrier was found to be lack of work experience.</p> <p>XYZ Housing identified Alphabet Housing as another housing association working in similar neighbourhoods who had previously tried to address youth unemployment through a procurement process. From this, XYZ Housing discovered that the social value element of Alphabet Housing's maintenance and repairs contract had been entirely apprenticeship-based. Alphabet Housing felt that this had value, but found that it was not as effective as envisaged at getting young people into full-time employment, because many of the young people also lacked the skills and confidence to gain employment after the apprenticeship.</p> <p>From this engagement XYZ Housing has concluded that tackling unemployment of 16–24 year olds will require addressing:</p> <ol style="list-style-type: none"> 1. Lack of experience; 2. Lack of appropriate skills; 3. Lack of confidence; and 4. Lack of follow on opportunities 	
<p>Through engagement with contractors, local organisations and Alphabet Housing, XYZ Housing has pinpointed improving the employment prospects of 16–24 year olds in its communities as the social value priority for this contract. Any proposals should demonstrate how they will address the underlying factors of lack of experience, skills and confidence as well as delivering tangible outcomes related to youth unemployment.</p>	<p>Tool 2 – Social Value Bank</p>
<p>XYZ Housing has set a minimum social value requirement per annum of:</p> <ul style="list-style-type: none"> 30 people between 16–24 receiving general training; 4 people between 16–24 moving into full time employment; 2 people between 16–24 receiving apprenticeships; and 10 people between 16–24 achieving high confidence. <p>XYZ Housing has decided to invite bidders to submit proposals for additionality and is awarding marks for this based on the value created as measured using HACT's Wellbeing Valuation methodology. It has requested bidders to offer additionality that is in line with the priorities listed in its Community investment Strategy and provide details in the Social Value Requirements Method Statement and Plan as to how this will be delivered. If the additionality does not align with the priorities as stated and/or the methodology for implementation does not work, then the bidder is to receive zero points for their additionality.</p>	<p>Tool 2 – Social Value Bank</p> <p>Tool 4 – Social Value requirements document – example</p> <p>Wellbeing Valuation Summary (Section 6)</p> <p>Value Calculator⁷</p>
<p>XYZ Housing considered the different procurement routes it could take, and will pursue a Competitive Dialogue as the most appropriate for the project being procured, and the best way to maximise the social value offer and explore its deliverability with shortlisted bidders.</p>	<p>Tool 5 – Procurement processes</p> <p>Legal section 5.2–5.9</p>

7. <http://www.hact.org.uk/value-calculator>

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PROCUREMENT	
STAGE	TIPS
<p>Step 10: Contract Notice Housing Provider to include wording in the Contract Notice that puts potential bidders on notice that it will be pursuing a social value agenda through the procurement.</p>	<p>Housing Providers can include specific requirements in respect of social value or simply indicate that social value will form part of the procurement.</p>
<p>Step 11: Pre-qualification questionnaire (PQQ) Housing Provider to identify the social value requirements it wishes to pursue and to insert relevant questions into the PQQ to obtain information on the contractor's relevant experience and skills in delivering social value of that/those type(s).</p>	
<p>Step 12: Procurement evaluation criteria and weighting The Housing Provider should clearly define the price/quality ratio. Within the quality aspect of the evaluation criteria, it should consider the weight it wants to give social value (i.e. how important is it to the project?), keeping in mind the process it has already been through to set its priorities and strategy. The Housing Provider should also make sure the weight it gives social value reflects its key drivers.</p> <p>It also needs to keep in mind that the responses to the criteria need to be evidence-based. When it drafts its evaluation criteria, it should do so in a way that requires the contractors to provide proof of their the deliverability of social value plans – how are they going to achieve this?: what are they offering?</p> <p>Anything that the contractor puts in their tender response shall become a contract term – and a Housing Provider should make sure this is made known to the contractors. At this stage in the procurement process, the Housing Provider is asking its bidders to frame their offer, describe how they are going to deliver it and be prepared to be held to it in accordance with the terms of the contract.</p>	<p>Some examples of things a Housing Provider might want to consider when evaluating quality include: project implementation and management, customer care, health and safety, social value, ICT, KPI and performance reporting and cost management and efficiencies.</p> <p>For pricing considerations, the housing provider should look at the price for social value and see if it meets its budget for social value delivery.</p>

PROCUREMENT	
WORKED EXAMPLE	TOOLS / REF
<p>XYZ Housing has indicated in the Contract Notice that social value will form part of the procurement and will be managed and monitored as part of the contract to be awarded.</p>	<p>Tool 6 – Example wording for the Contract Notice/ PIN</p>
<p>XYZ Housing included a range of questions in the PQQ. The questions focused on the past experience of contractor in delivering social value outcomes in asset management contracts. It also asked for specific details of past employment and skills projects, with information on the scope of the projects run and what social value was created, as these will be the main focus of the social value elements of this procurement.</p>	<p>Tool 7 – Example wording for Pre-qualification Questionnaire</p> <p>Legal section 5.7</p>
<p>Tenders are to be evaluated on a split of 60% quality against 40% price. For the quality element, XYZ Housing evaluates tenders on a points basis, with 100 points being the maximum score, of which 16 points are allocated for the social value element of this contract. XYZ Housing's Community Investment Manager will be brought in to evaluate the social value element of tenders and decide the points score. Points out of 100 are then weighted into a percentage value out of the maximum quality score of 60%. XYZ Housing believes some of the social value outcomes to be more valuable than others. As such, through the Invitation Document, it asks for proposals that carry different weightings as follows:</p> <ul style="list-style-type: none"> The question seeking a proposal on full time employment carries a maximum of 10 points The question seeking a proposal on apprenticeships carries a maximum of 3 points The question seeking a proposal on general training for job carries a maximum of 2 points The question seeking a proposal on developing high confidence carries a maximum of 1 point. <p>Price will be evaluated using a detailed method, whereby the contractor provides a complete breakdown of their prices in relation to delivering the various elements of social value as part of their bid.</p>	<p>Tool 10 – Example tender evaluation criteria</p> <p>Legal section 5.2.6 and 5.8–5.10</p> <p>Section 5, see option 3</p>



PROCUREMENT	
STAGE	TIPS
<p>Step 13: Output measures of success and KPIs KPIs need to be clearly defined and linked to contract terms and deliverables. The suite of KPIs adopted by the Housing Provider needs to reflect the priorities of its residents as well as its organisation. Outputs need to be specific and quantifiable.</p>	<p>Use industry standard definitions where possible, as bidders will understand and they can be used to benchmark.</p> <p>End-user satisfaction should be used as one of the key output measures.</p> <p>Set challenging but realistic targets founded on baseline data where possible.</p> <p>Ensure meaningful outputs – think about how KPIs will be used to drive service improvements and efficiencies. Ensure that there are robust clauses which allow for the monitoring and review of performance against the agreed KPIs.</p> <p>Consider including payment or incentive terms (or deduction charges) in relation to good and/or poor performance.</p> <p>Particularly in longer term contracts of 10 or more years, the requirements of the local area and the social value priorities of the organisation may change. In order to continue delivering social value that is relevant, satisfactory and effective throughout the contract, you should consider including a clause that provides for a review of the social value outcomes, targets and KPIs across the duration of the contract.</p> <p>If using Wellbeing Valuation, check the data requirements for each outcome.</p>

PROCUREMENT	
WORKED EXAMPLE	TOOLS/REF
<p>XYZ Housing will use the social value created to inform KPIs, with HACT's Wellbeing Valuation as the metric by which this will be measured. XYZ Housing sets a minimum social value requirement per annum, based on the following:</p> <ul style="list-style-type: none"> • 30 people between 16-24 receiving general training per annum • 4 people between 16-24 moving into full time employment per annum • 2 people between 16-24 receiving apprenticeships per annum • 10 people between 16-24 achieving higher confidence per annum <p>The delivery of these elements is a minimum requirement of the contract. Alongside any additional offer made by the contractor (which will be evaluated as part of the social value offer of the contractor), these figures will go towards forming the KPIs, with the achievement of the minimum requirements contributing to the Minimum Level of Acceptable Performance (MLAP). XYZ Housing has built into the contract a clause that would reward the contractor if they were to meet or exceed the KPIs. If the contractor were to fail to meet or exceed the KPIs or minimum requirements, deductions (based on the value lost to the contract by failing to meet one of the requirements) may be made.</p>	<p>Tool 8 – KPI template</p> <p>Legal section 5.12</p>

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PROCUREMENT	
STAGE	TIPS
<p>Step 14: 'Social Value Requirements' in project brief Clearly set out the requirements in the project brief (through the Social Value Requirements Document), to reflect both the baseline requirements and the additionality potential.</p> <p>Inclusion within the project brief highlights the importance placed on social value and confirms it will form part of the contract documents.</p>	
<p>Step 15: Commercial model in relation to social value The Housing Provider should clearly set out whether social value costs should be priced separately, or should be built into the bidders' other tendered rates.</p>	<p>Understanding the cost of delivering social value will enable you to measure its relative value. This allows you to focus on proportionate requests in future procurements (either scaling down or stretching). The breakdown of costs (i.e. the costs attributed to each social value outcome) can be built into the procurement process as part of the pricing framework. The costs of delivery can be requested, but it is only the cost to the Housing Provider that should be evaluated (not the cost to the contractor).</p>

PROCUREMENT	
WORKED EXAMPLE	TOOLS / REF
<p>XYZ Housing has included its social value requirements in the project brief via its Social Value Requirements Document, which sets out an overview of its CI targets and a set of project-specific interventions it requires, as well as setting out the monitoring and management regime and the relevant KPI and targets where appropriate.</p>	<p>Tool 2 – Social Value Bank</p> <p>Tool 4 – Social value requirements document – example</p> <p>Tool 9 – Example wording for invitation document</p>
<p>XYZ Housing will assess social value against the monetised social value generated, as well as the costs associated with the delivery of the social value as charged to XYZ Housing by the contractor and detailed in a separate section of the price framework included in the tender documents.</p>	<p>Tool 11 – Social value as part of the commercial model</p>

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PROCUREMENT	
STAGE	TIPS
<p>Step 16: Contractor's response</p> <p>Depending on the approach adopted by the Housing Provider, the contractor may be asked to offer to deliver over and above the minimum levels set out in the procurement documents. There may also be an opportunity to offer social value outcomes training for those who are unemployed.</p> <p>When responding to defined social value outcomes, contractors should look to the Value Calculator as it provides examples of how the social value outcome is achieved and what specific outcomes are required (e.g. for 'volunteer days' the outcome focusses on what is done on those days, such as training the unemployed).</p> <p>When offering social value that is not defined, care should be taken to identify the actual outcome that is being delivered (i.e. what is of value to the community). Where possible, contractors should define the outcome they are offering in line with one of those included in the HACT Value Calculator as this ensures evaluation of the offer is easier and can be compared to others on a like-for-like basis. Complete the Social Value Requirements Document, Method Statement and Plan.</p>	<p>Think about what value the outcomes offer to the community.</p>
<p>Step 17: Dialogue/Negotiation (if appropriate)</p> <p>If the procurement process is an Open or Restricted Procedure, the offer will be 'closed' at the point the Invitation to Tender is submitted.</p> <p>If using Competitive Dialogue or Competitive Procedure with Negotiation consider holding a specific dialogue/negotiation session with bidders around both the Housing Provider's requirements and the contractor's initial offer.</p>	<p>This will allow the final offer to be honed, ensuring an optimised social value model is agreed.</p>

PROCUREMENT	
WORKED EXAMPLE	TOOLS/REF
<p>Noting XYZ Housing's use of HACT's Wellbeing Valuation Methodology, ABC Contractor will adopt this methodology. Using this it calculated that it could meet XYZ Housing's minimum social value baseline through apprenticeships, training and employment skills initiatives. ABC Contractor also proposed as an additionality offer to use staff volunteer days to run football clubs for young people and walking clubs for the elderly, which would both address XYZ Housing's other social value priorities, of unhealthy lifestyles and isolation of the elderly.</p>	<p>Tool 15 – Social value requirements plan</p> <p>Tool 16 – Social value requirements method statement</p> <p>Value Calculator⁸</p>
<p>XYZ Housing initiated a Competitive Dialogue process. During this process ABC Contractor proposed to meet XYZ Housing's minimum targets laid out in the Social Value Requirements Document. ABC Contractor also proposed additional social value beyond XYZ Housing's stated targets.</p> <p>ABC Contractor noted XYZ Housing's other social value priorities in its CI strategy as including isolation of the elderly and unhealthy lifestyles. Using this, ABC Contractor proposed to offer 50 staff volunteer days per annum, with these staff using these volunteer days to run a weekly football session for young people and a weekly walking club for elderly people, thus addressing both isolation of the elderly and unhealthy lifestyles.</p> <p>ABC Contractor proposed a target of 20 young people taking part in the football and 15 elderly people in the walking, per annum.</p> <p>Using HACT's Wellbeing Valuation Approach, ABC Contractor therefore proposed an additionality of £160,000 of social value.</p>	<p>Tool 5 – Procurement processes</p> <p>Legal section 5.9</p>

8. www.hact.org.uk/value-calculator

MOBILISATION	
STAGE	TIPS
<p>3</p> <p>Step 18: Formalise contractor's offer in contract terms The Housing Provider should include the contractor's Social Value Requirements Method Statement and Plan as set out in its Best and Final Offer, including both minimum requirements and additionality, into the contract.</p> <p>Including the Social Value Requirements Document, Plan and Method Statement in the contract ensures they form part of the contract obligations.</p>	
<p>7</p> <p>Step 19: Processes for measuring outputs Finalise suite of KPIs that explain (as a minimum) what is being measured, how it is being measured, level(s) of expected performance, and/or targets.</p> <p>Define who is responsible for gathering data and what will be the consequences for failing to meet targets.</p> <p>Where social value is created through the supply-chain it must be attributed accordingly, (eg to the relevant supply-chain member) not to the lead contractor.</p> <p>Seek feedback from residents/communities engaged. What has worked for them and what has not? What has been the impact of the social value programme on them?</p> <p>Utilise the feedback forms found in the HACT Value Calculator.</p> <p>Outputs need to also make it clear as to who is responsible and accountable for their delivery.</p> <p>Ensure all supply-chain organisations are aware of the methodology for social value delivery and measurement and equipped to carry them out.</p>	<p>It may be useful to define KPIs on paper, detailing for each KPI: purpose, definition, measurement method, example, target, MLAP, source of target, scorer, and any variable fee attached.</p>
<p>Step 20: Convene a "Core Group" The Housing Provider should create a Core Group responsible for monitoring the delivery of social value throughout the contract.</p> <p>This should be jointly run and overseen by client and contractor.</p> <p>Establish membership, roles and responsibilities.</p> <p>Agree frequency and format of meetings.</p>	<p>Consider inclusion of resident, community or other stakeholder representative(s).</p>

MOBILISATION	
WORKED EXAMPLE	TOOLS / REF
<p>XYZ Housing has revised the Social Value Requirements Document that is included in the Project Brief, and forms part of the contract documents, to include the additional social value offer ABC Contractor proposed in its bid, and to reflect the measurement regime XYZ Housing laid out in the tender. It also included the Social Value Requirements Method Statement and Plan as ABC Contractor's Proposals, which also form part of the contract.</p>	<p>Tool 17 – Example terms of contract</p>
<p>XYZ Housing has developed a document that sets out the KPIs for this contract, and includes all information necessary for ABC Contractor to understand the measurement process.</p> <p>For example:</p> <p>KPI: getting 16–24 year olds into general training.</p> <p>Purpose: XYZ Housing's research showed that the level of skills amongst unemployed 16–24 year olds in XYZ Housing's communities is a significant barrier to achieving full-time employment.</p> <p>Definition: Any work related training to help find a new job, to increase skills for job or to improve skills for job.</p> <p>Method: HACT's Wellbeing Valuation approach, with 'general training for job' as the outcome to be recorded, using a record of individuals attending training.</p> <p>Example: 5 individuals were recorded as going through an ABC Contractor training scheme outside London. In the HACT methodology 'general training for job' has a social value of £2,507. This means a total social value created of £12,535.</p> <p>Target: The target has been set according to ABC Contractor's commitment to giving general training to 50 individuals between 16–24. This is a social value of £125,350.</p> <p>MLAP (Minimum Level of Acceptable Performance): 30 individuals between 16–24 receiving general training. This is a social value of £63,921.</p> <p>Target Source: Target has been set according to ABC Contractor's commitment as stated in the Social Value Method Statement and Plan.</p> <p>Scorer: ABC Contractor is responsible for collecting data. See Value Calculator for further details.</p> <p>Variable Fee: Variable profit is linked to this KPI.</p>	<p>Tool 8 – KPI template</p> <p>Section 6</p> <p>Value Calculator⁹</p> <p>Value Insight¹⁰</p>
<p>XYZ Housing will create a Core Group with one of the focuses being the delivery of social value in this contract. This will include XYZ Housing's Community Investment Manager, Procurement Manager, the Contracts Manager and nominated relevant individuals from ABC Contractor. This Core Group will meet every quarter. Social value will be tracked at this quarterly meeting, but will be scored annually and variable profit linked to annual performance. The format of each meeting will cover:</p> <ul style="list-style-type: none"> • Performance against targets to date (including whether any of the contract terms regarding poor performance need to be initiated); • Delivery: what has worked and not worked to date; • How XYZ Housing can support ABC Contractor in delivery; • Establish actions in next quarter. 	<p>Tool 18 – Mobilisation plan</p> <p>Tool 19 – Guidance for the Core Group</p>

9. <http://www.hact.org.uk/value-calculator>
 10. <https://www.valueinsight.org>

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DELIVERY	
STAGE	TIPS
<p>Step 21: Agree reporting hierarchy Confirm hierarchy and processes that are to be used to ensure any issues around KPI performance are appropriately addressed moving forward.</p>	<p>Note this hierarchy in the Project Brief.</p>
<p>Step 22: Core Group meetings Ensure that the Core Group meets in accordance with the schedule agreed.</p> <p>The meeting should have a structured agenda focused on (initially) the Social Value Method Statement and Plan.</p> <p>Minutes should capture key progress points plus future actions assigned to named individuals.</p>	<p>As well as tracing performance, these meetings could also be used as a forum for wider consultation and development of new initiatives.</p>
<p>Step 23: Annual Review and reset of social value targets Undertake an annual 'health check' to review actual performance against set targets.</p> <ul style="list-style-type: none"> • Address any underperformance. • Review KPIs. • Agree any amendments to KPIs and targets for the coming year. • All parties to sign off revisions. 	<p>What is working well and what is not? Are these the right KPIs? Are they driving service improvements?</p>
<p>Step 24: Annual Report Housing Provider to prepare and publish annual summary for stakeholders setting out key achievements, including impacts for each year of the term of contract.</p>	<p>If using the HACT approach, seek certification of results prior to publication to demonstrate that the methodology has been correctly applied.</p>
<p>Step 25: Lessons learned for future procurement The Housing Provider should conduct a review of social value interventions across the organisation and/or as achieved under specific contracts.</p> <p>This should incorporate 'hard data' (monetary values, numbers achieved) alongside 'soft data' (resident and community feedback, results of consultation activities).</p>	<p>Consider relevant stakeholders and the appropriate methods to gather insights and intelligence, reflecting on what has worked well, what could be improved, and how these improvements will be incorporated into future procurements.</p>

DELIVERY	
WORKED EXAMPLE	TOOLS/REF
<p>XYZ Housing has included KPI performance as an agenda item in its meetings and the Contracts Manager for each organisation is the first port of call for any performance issues raised at this meeting. If these issues cannot be resolved at this level, they are elevated up each organisation's hierarchy to a Commercial Director level and then CEO level.</p>	<p>Tool 18 – Mobilisation plan</p>
<p>At these meetings formal minutes will be recorded, and specific action points for the next quarter decided upon. Each meeting will also contain a portion for consultation and development of new ideas for delivering social value within XYZ Housing's stipulations.</p>	<p>Tool 19 – Guidance for the Core Group</p>
<p>As well as the quarterly Core Group meetings, XYZ Housing and ABC Contractor will meet annually to do a 'health check' and review performance. At these meetings any necessary re-evaluation of KPIs or targets for the coming year will take place.</p>	<p>Tool 20 Core Group example agenda</p> <p>Tool 21 – Annual review and reset</p>
	<p>Tool 22 – Measuring social value</p> <p>Tool 23 – Social value reporting checklist</p> <p>Tool 24 – Social value reporting – Certification process and checklist for contractors</p>
<p>XYZ Housing completed a review of the social value created through its contract with ABC Contractor in order to inform future procurement projects.</p> <p>As well as including the data reported by ABC Contractor throughout the term of the contract, XYZ Housing also surveyed residents who had participated in interventions run by ABC Contractor and the community more widely, to give a holistic view of the success of the social value elements of the contract.</p>	<p>Tool 19 – Guidance for the Core Group</p> <p>Tool 21 – Annual review and reset</p>

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Legal guidance



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1. Introduction

Most Housing Providers in the UK are required to follow prescribed rules, governing the procurement of works, services and supplies contracts, and which are set out in a number of statutes and statutory instruments (in the form of Regulations).

The key pieces of legislation that this Toolkit addresses are:

- The Regulations (the EU procurement regulations – as defined above in Section 1);
- The Public Services (Social Value) Act 2012 (the Social Value Act); and
- The Homes and Communities Agency’s Regulatory Framework for providers of social housing (the HCA Framework).

Housing Providers are also responsible for formulating their own internal procurement rules and policies within the framework of guidance or directions issued by the Cabinet Office (via the Crown Commercial Service) and HM Treasury. The Regulations are recent updates of the law and have been specifically changed to, amongst other aims, encourage delivery of social value in procurements and do not need to be seen as barriers to achieving social value. In this chapter, we summarise the major requirements of the legislation, and highlight where the rules are relevant to achieving social value.

2. The Regulations

2.1. WHAT ARE THE EU LEGAL FRAMEWORK?

The European procurement rules derive from Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement (the Directive). The European Parliament has also published a number of guidance notes (called “Communications”) which explain various aspects of the rules.

Legal questions relating to the Directive may be referred to the Court of Justice of the European Union. Decisions of that Court may affect the interpretation of the Directive and will also affect the interpretation of the Regulations.

The Directive was incorporated into England, Wales and Northern Ireland law via the Public Contracts Regulations 2015 (SI 2015 No.102) (as amended by The Public Procurement (Amendments, Repeals and Revocation) Regulations 2016 (SI 2016 No. 275)), which came into force on 26 February 2015, and applies to all procurements advertised on or after that date. Procurements that were advertised before 26 February 2015 will be subject to earlier versions of the Regulations.

This Toolkit is limited to discussing the most recent Regulations; Housing Providers should seek legal advice for any questions relating to earlier versions of the Regulations.

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2.2. WHO DO THE REGULATIONS APPLY TO?

The Regulations apply to all public sector bodies that are defined as “contracting authorities” in Regulation 2, which include:

- the State (but excluding the Crown in its personal capacity);
- central government authorities (listed in Schedule 1 of the Regulations);
- regional or local authorities;
- bodies governed by public law (see below); and
- associations formed by one or more authorities listed above.

“Bodies governed by public law” are bodies that contain all of the following characteristics:

- established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;
- has a legal personality; and
- has any of the following characteristics:
 - financed, for the most part, by the State, regional or local authorities or by bodies governed by other bodies governed by public law;
 - are subject to management supervision by those authorities or bodies; or
 - have an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.

In September 2004, the then Office for the Deputy Prime Minister confirmed that Registered Social Landlords (as Registered Providers were then known as) and Arm’s Length Management Organisations (ALMOs) were “contracting authorities” for the purposes of the European procurement rules. Subsequent governments have not changed this classification. It is assumed for the purposes of this Toolkit that Registered Providers and ALMOs continue to be bound by the Directive and the Regulations and the term “Housing Providers” has been used throughout to cover Registered Providers, ALMOs and Local Authorities with retained housing stock.

2.3 WHICH CONTRACTS NEED TO BE ADVERTISED?

The Regulations require “contracting authorities” to advertise works, services and supplies contracts that exceed certain defined financial thresholds via one of the prescribed advertising procedures set out in the Regulations.

Contracting authorities are also required to ensure that all procurements comply with the principles of proportionality, equality, transparency and non-discrimination. Procurements should not be structured with the specific purpose of avoiding the scope of the Regulations.

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The specific types of contracts covered by the Regulations are as follows:

- **Works contracts** include most traditional construction works (construction, demolition, scaffolding, etc.) and usually include repairs and maintenance works to building installations.
- **Services contracts** including construction professional services (architectural design, planners, surveyors, actuaries, etc.) and also includes non-contentious legal services, cleaning, gas appliance servicing and grounds maintenance services.
- **Supplies contracts** include the supply of goods and materials, and may also include some installation and servicing of the same goods and materials.

Contracts containing more than one element of works, services or supplies are often referred to as “mixed contracts”, and are categorised according to the element that carries the highest financial value, or, in the case of contracts where an element of that mix is Works, the ‘main character’. For example, a mixed contract containing a requirement for the supply of IT hardware (“Supplies”) valued at £2m, with an additional requirement for the installation and maintenance of the hardware (“Services”) valued at £50,000 is likely to be categorised as a Supply contract, due to the higher value of the supplies element. It is important to ensure that mixed contracts are categorised correctly, as the financial threshold for Works contracts is significantly higher than Services/Supplies contracts. Housing Providers should seek legal advice if they are unsure about the correct classification.

2.4. ARE THERE ANY EXCEPTIONS TO THE REQUIREMENTS TO ADVERTISE?

There are some exceptions to the requirements to advertise, as follows:

- Some Services contracts are expressly excluded from the requirement to advertise, including transactions for the sale or transfer of land; contentious legal services (advice relating to litigation or dispute resolution); financial and banking services; contracts of employment; and public passenger transport services.
- Services contracts relating to social care, health, education and non-contentious legal services are partially exempted from the full scope of the Regulations, where the total contract value exceeds £589,148 net of VAT. Contracting authorities can choose to not advertise these contracts (subject to the rules of their Standing Orders) but if they do, they must advertise these contracts on Contracts Finder. They are free to procure via a procedure of their choosing, subject to the general requirement to comply with the principles of proportionality, equality, transparency and non-discrimination.
- Concession contracts (Works and Services) are contracts where the contract takes a “concession” (either money or some kind of benefit or right, along with commercial risk) as part or all of its payment. Concession contracts are covered by the Concession Contracts Regulations 2016, which came into force on 18 April 2016.



- Contracts for public utilities (water, gas, etc.) are currently covered under the Utilities Contracts Regulations 2016, which came into force also on 18 April 2016.
- Contracting authorities may reserve the right to bid on a contract to “sheltered workshops” (organisations where at least 30% of employees are disabled or disadvantaged workers) or contractors whose main aim is the social and professional integration of disabled or disadvantaged persons. Similarly, contracting authorities may specify that such contracts are performed in the context of sheltered employment programmes.
- Contracting authorities may reserve up to 20% of a particular contract or framework into a “small lot”, which can be awarded outside the scope of the Regulations, provided that the value of the small lot is less than £62,842 net of VAT for Services and Supplies and £785,530 net of VAT for Works contracts.

Housing Providers should seek legal advice as to whether a particular contract is required to be advertised, or if any exemptions can be relied on.

2.5. WHAT VALUE OF CONTRACTS NEEDS TO BE ADVERTISED?

The financial thresholds for advertising Works, Services and Supplies contracts are set out in Article 4 of the Directive, and incorporated into Regulation 5 of the Regulations (EU Thresholds). The Cabinet Office calculates the thresholds in Pounds Sterling every two years, in line with current currency exchange rates. At the time of writing this Toolkit, the current EU Thresholds (valid from 1 January 2016 to 31 December 2017 inclusive) are:

Type of contract	Threshold sum (net of VAT)
Works contracts	£4,104,394
Services and Supplies contracts (Central Government)	£106,047
Services and Supplies contracts (Sub-Central Government – Housing Providers, Local Authorities and ALMOs)	£164,176
Services and Supplies contracts (Concessions)	£4,104,394

2.6. WHAT ABOUT CONTRACTS WITH A VALUE BELOW THE EU THRESHOLDS?

Contracts valued below the relevant EU Threshold (“sub-threshold contracts”) are not required to be advertised via one of the procedures set out in the

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Regulations. Nevertheless, the Regulations prescribe certain minimum requirements for sub-threshold contracts, depending on their value.

Contracting authorities are required to advertise sub-threshold contracts above £10,000 ex VAT (for central government) and £25,000 (for sub-central bodies (which includes Housing Providers)) on the Cabinet Office's Contracts Finder website: <https://www.gov.uk/contracts-finder>. Potential bidders may respond to advertisements in Contracts Finder and contracting authorities are obliged to accept responses from eligible contractors who respond to that advertisement. There is an exception to the need to advertise on Contracts Finder if the contract is not advertised at all, but this should be read in line with the Standing Orders of the contracting authority, which usually requires some form of advertising.

Contracts below the minimum thresholds stated above are not required to be advertised on Contracts Finder, and are only subject to the contracting authority's standing orders or internal procurement rules.

2.7. WHAT HAPPENS IF THE REGULATIONS AREN'T FOLLOWED?

Failure to comply with the Regulations is not a criminal offence, but can be challenged in the High Court. Serious breaches of the rules can result in the High Court cancelling a procurement process, and in some cases declaring a contract "ineffective" after it has been awarded and entered into, as well as ordering damages.

In addition, the UK Government can monitor contracting authorities' use of the Regulations via the Crown Commercial Service. Contracting authorities who do not comply with the rules can be reported to the Cabinet Office's "Mystery Shopper" service, and have details of their non-compliance published on the Cabinet Office's website.

Given the serious consequences of breaching the Regulations, it is important for Housing Providers to understand their requirements under the Regulations and ensure that they run compliant procurement procedures.

2.8. CAN SOCIAL VALUE BE INCORPORATED INTO THE REGULATIONS?

The Regulations provide Housing Providers with opportunities to pursue social value requirements at all stages of a procurement process, from early market engagement and the initial advertisement stage to the tender evaluation and contract award. Section 5 of this chapter sets out a suggested good-practice approach to securing social value objectives at each stage of an EU procurement process.

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3. The Social Value Act

The Social Value Act came into force on 31 January 2013, and applies to Housing Providers who are "contracting authorities" for the purposes of the Regulations.

The Act requires Housing Providers to consider the economic, environmental and social well-being of their relevant area during the pre-procurement stage of awarding any Services contract. Works and Supplies contracts are not covered by the Act, though mixed contracts that are classified as Services contracts will be included.

Housing Providers must consider how to achieve "well-being" by maximising benefits through what is being purchased, as well as looking at how the procurement process itself can stimulate community well-being. The Act does not define "well-being", but this arguably includes social value initiatives promoted by Housing Providers. The Act does not impose an obligation on Housing Providers to deliver social value through a procurement process. However, Housing Providers are obliged to consider the extent to which social value is both relevant to what is being procured, and the level of social value engagement from bidders that is proportionate to the contract being procured.

The requirements of the Act are typically fulfilled by Housing Providers running some form of public consultation with its local community, to identify the community's requirement ahead of a formal advertisement.

Housing Providers can also consult with the market ahead of advertising a contract, to identify the market's appetite for delivering the proposed contract, and to consider any changes to the scope or content of its requirements. The Regulations provide guidance for contracting authorities who wish to run a market consultation, and sets out rules for the conduct of any consultation, to ensure that market participants are not given an unfair advantage in the subsequent competition.

The requirements of the Act also require contracting authorities to consider how a procurement process can be structured and run to improve "the economic, social and environmental well-being of the relevant area". As a suggested example, Housing Providers can consider specifying social value evaluation criteria at pre-qualification and/or tender stage to measure bidders' social value engagement. Another popular strategy is to allow for representatives of the community to participate in aspects of the tender evaluation stage.

The initial advertisement and tender documents for a Services contract must state that the requirements of the Act have been satisfied. However, failure to satisfy this requirement will not affect the validity of the procurement exercise. Housing Providers can also waive the requirement to consider social value where it is not reasonable or proportionate to do so in the circumstances.

When considering their obligations under the Act, Housing Providers should ensure that any social value objectives they wish to achieve also comply with the Regulations and adhere to the general principles of proportionality, equality, transparency and non-discrimination.

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4. The HCA Regulatory Framework

4.1. WHAT IS THE HCA REGULATORY FRAMEWORK?

The Homes and Communities Agency (HCA) is the non-departmental public body that funds new affordable housing in England (except London, which is funded by the Greater London Authority) and regulates Housing Providers. The HCA Regulatory Framework was set up by the HCA to create a structure setting out the regulatory requirements, standards, codes of practice and guidance with which registered providers of social housing in England must comply. There are seven Regulatory Standards which can be broadly separated into two groups (Economic and Consumer). The Economic Standards are: Governance and Financial Viability (backed by a Code of Practice); Value for Money; and Rent (together with Rent Standard Guidance). The Consumer Standards are: Tenant Involvement and Empowerment; Home; Tenancy; and Neighbourhood and Community.

The HCA also publishes guidance on how it assesses compliance.

The current version of the Regulatory Framework is dated April 2015 and can be found at this link:

<https://www.gov.uk/government/collections/regulatory-framework-requirements>

The HCA has two separate roles. First, it funds and facilitates the construction of new social housing developments. Secondly, it is the official regulator of Housing Providers in England, and issues guidance on housing policy that all Housing Providers are required to follow. These roles are operated largely independently of each other by separate teams and committees within the HCA. The HCA Regulatory Framework forms part of the HCA's role as regulator of Housing Providers.

4.2. WHAT ARE THE REQUIREMENTS OF THE HCA FRAMEWORK?

As outlined above, the HCA Framework is made up of:

- Regulatory requirements (including Regulatory Standards);
- Codes of practice; and
- Regulatory guidance.

The Regulatory Standards are the core part of the HCA Framework, and are divided into Economic Standards and Consumer Standards. The Economic Standards cover governance rules for Housing Providers, regulations governing how much rent Housing Providers can charge for tenanted properties, and a requirement that Housing Providers deliver "value for money" in procurement. The Consumer Standards deal with Housing Providers' engagement with their tenants, and include guidance on tenant involvement and empowerment, minimum standards in respect of the quality of tenanted accommodation, requirements in respect of repairs and maintenance of tenanted properties, and guidance on developing neighbourhood and communities.

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Housing Providers are required to comply with all UK laws and regulations, and also to communicate in a timely manner with the HCA on material issues that relate to compliance. Housing Providers who fail to follow the Regulatory Standards can receive a low governance rating from the HCA, which may affect their credit-worthiness and have knock-on consequences (eg on the terms of any loan agreement with the private sector). The HCA is empowered to intervene and supervise under-performing Housing Providers.

4.3. FULFILLING THE REGULATORY STANDARDS VIA SOCIAL VALUE INITIATIVES

The Value for Money Standard requires Housing Providers to take a robust approach when making decisions on the use of resources to deliver the Housing Provider's objectives. This includes understanding the implications of strategic decisions, the return on assets and the costs and outcomes of delivering services.

Social value can be used as a tool to demonstrate compliance with the Value for Money Standard, by showing that added value has been achieved through the procurement of one of its contracts and delivered to tenants in a cost-effective way. This Toolkit, together with the HACT Value Calculator, enables a Housing Provider to attach values to social value outcomes and demonstrate the positive impact of any social value initiatives developed in procurement exercises.

The Consumer Standards require Housing Providers to provide choices, information and communication that is appropriate to the diverse needs of their tenants. This standard can be met through consideration of which social value outcomes would deliver the most relevant value to tenants and they can, for example, be involved in the market consultation process (see below, paragraph 5.3).

The Consumer Standards also require Housing Providers to consider the quality of the social housing being provided. In particular, the Neighbourhood and Community Standard requires Housing Providers to keep neighbourhoods clean and safe. The HACT Value Calculator provides means of measuring the quality of housing and neighbourhoods, and can be used to demonstrate achievement in these areas via procurement exercises.

5. Running a social value-friendly EU procurement process: Best practice guidance

5.1. INTRODUCTION

This Section sets out a suggested route for running an above-threshold tender process in compliance with the Regulations, so as to maximise the opportunities for considering and pursuing social value.

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This advice is not intended to be a comprehensive guide to the Regulations and will not cover every aspect of a contracting authority's obligations in respect of procurement. Housing Providers should seek legal advice as to their obligations under the Regulations in respect of a specific procurement exercise.

5.2. STRATEGIC PROCUREMENT DECISIONS

Before advertising any above-threshold Works, Services or Supplies contract, Housing Providers must consider certain key points which will inform the structure and scope of the procurement exercise.

5.2.1. What is being procured?

Housing Providers should identify its need for particular works, services and/or supplies being procured, and identify the scope and value of the contract. The type of works, services and/or supplies required will determine whether the contract needs to be advertised in accordance with the Directive and the Regulations, or whether the procurement can be conducted by alternative means (e.g. referral to a closed list of pre-approved contractors).

5.2.2. What is the total estimated value and duration of the procurement?

When calculating the value of a contract for threshold purposes, Housing Providers must take into account the total potential value of the contract, including any possible extensions to the contract term. For example, a contract advertised for an initial value of 3 years with an extension at the client's option of a further 2 years must be treated as a 5 year contract for EU procurement purposes. If the value of the requirement exceeds the EU threshold for the particular type of contract, then the Housing Provider must run a procurement process in accordance with the Regulations, unless one of the express exemptions applies.

The duration of a contract is of particular importance, as it will affect the value of the contract and how it should be advertised. Housing Providers should consider the commercial implications of advertising a short – versus a long-term contract. Bidders may be more likely to commit to delivering social value objectives under contracts with a longer duration, where the costs of social value initiatives can be spread over a longer period of time. Housing Providers may wish to engage with the market prior to advertising a contract to get a sense of the market's response to different contract terms.

5.2.3. Contract or Framework Agreement?

Contracts procured via the Regulations can run for any length of time agreed by the parties, provided that the Housing Provider states the maximum possible term of the contract in the initial advertisement (Contract Notice).

Alternatively, Housing Providers may advertise their requirements via a Framework Agreement. Frameworks are arrangements whereby one or more contracting authorities select a closed list of contractors, to whom any of the contracting authorities may award contracts during a period of up to 4 years. The Framework Agreement contains the terms and conditions that will govern any contract awarded during that time, including the conditions of contract, and the prices that each contractor will charge for any works, services or supplies being provided. Unlike a simple contract, there is no requirement on contracting authorities to award any work under a Framework, or guarantee a minimum spend to the Framework contractors.

Frameworks are most suitable for contracting authorities who have an ongoing requirement for Works, Services and Supplies, but who are unsure of the exact

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volume or timing of those requirements and wish to have flexibility as to the award process. The Regulations stipulate that Frameworks can have a maximum term of 4 years, though individual contracts awarded during the term of the Framework may be able to extend beyond the 4 years. However, contracts should not be awarded under a Framework with the intention of avoiding the scope of the Regulations.

Frameworks offer Housing Providers considerable flexibility, but their commercial benefits may be limited by their relatively short time-span. Some contractors may be reluctant to commit to Frameworks as they have no guarantee of work, and this commercial risk may be reflected in higher tender prices. By comparison, simple contracts require Housing Providers to commit to awarding a certain value of work over a specified period. While simple contracts give less flexibility to Housing Providers, they are generally more palatable to contractors, who may be more willing to commit to investing in social value initiatives when they are assured of an award of work and for a potentially longer duration than 4 years.

5.2.4. Which EU procedure should be used?

The Regulations set out a number of prescribed procedures for use by contracting authorities in above-threshold procurements. Contracting authorities have some discretion over the choice of procurement procedure, though the choice should be appropriate to the scope and value of the contract:

- (a) The Open Procedure is a single-stage procedure, under which the contracting authority advertises its requirements and invites bidders to respond within 30 calendar days of the initial advertisement. Contracting authorities are required to assess all valid tenders submitted. Bidders may not be excluded, except where an invalid tender is submitted or where the bidder falls within one of the mandatory or discretionary categories for exclusion. Bids must be assessed in accordance with the award criteria set out in the tender documents, and no negotiation is permitted with the bidders. The Open Procedure is most appropriate for procurement exercises with a limited number of bidders in the market, and for "off-the-shelf" contracts that can be awarded without the need for further negotiation.
- (b) The Restricted Procedure is a two-stage procedure. Contracting authorities advertise their requirements and invite bidders to respond within 30 calendar days of the initial advertisement. Bidders are initially assessed in terms of their technical and professional ability: this assessment is "backwards looking" and focuses on the bidders' past experience performing similar contracts. The contracting authority assesses all valid PQQ responses received, and prepares a shortlist of applicants who are invited to submit a tender. The Regulations require a minimum of 5 bidders to be invited, unless there are an insufficient number of valid tenders received to make up that number. The tender assessment is "forward looking", focusing on the bidders' proposals to deliver the specific contract. Tenders must be assessed in accordance with the award criteria set out in the tender documents. No negotiation is permitted with the bidders: contracting authorities can raise "clarifications" with bidders about aspects of their tenders, provided that the principles of proportionality, equality, transparency and non-discrimination are adhered to.

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The Restricted Procedure is useful for procurement exercises with a higher number of bidders in the market, so that the contracting authority can shortlist a smaller number (not less than five (5), should numbers allow) to invite for tender so as to reduce the time and resource spent reviewing potentially many tenders. As with the Open Procedure, the Restricted Procedure should be used for "off-the-shelf" contracts that can be awarded without the need for further negotiation.

- (c) The Competitive Dialogue Procedure is designed for procurements where contracting authorities wish to engage with bidders before finalising its requirements. The advertisement and pre-qualification stages of the Competitive Dialogue Procedure run in the same way as the Restricted Procedure. After the tenders are received, contracting authorities may shortlist a minimum of 3 bidders to participate in structured Dialogue sessions. The purpose of the Dialogue is to discuss the contracting authority's requirements, and for Participants to propose delivery solutions. Dialogues can be structured to allow a reduction in the number of Participants. Following the end of Dialogue, the contracting authority finalises its requirements and the remaining Participants are invited to submit a final tender on this basis.
- (d) The Competitive Procedure with Negotiation allows contracting authorities to enter into formal negotiations with shortlisted bidders following an initial tender stage. Following the conclusion of the negotiations, bidders are invited to submit a final tender, which must not be subject to further negotiation. The following procedures are also available for use, though are much less commonly used than the procedures listed above:
- (e) Innovative Partnerships Procedure: This procedure is relatively new and was introduced in the Regulations. It is designed to be used for procurements where contracting authorities wish to develop a bespoke product or service not currently available in the marketplace and who need to combine the research and development of the product or service with the ultimate procurement of the same. Bidders are shortlisted as per the Restricted Procedure, and may be further shortlisted to develop innovative products for assessment. The contracting authority is able to work with bidders to develop any innovative product, before making the final assessment and contract award. It is not anticipated that this Procedure will be suitable for most Housing Providers.
- (f) Dynamic Purchasing Systems: Bidders are invited to apply for membership of a Dynamic Purchasing System (DPS), by demonstrating that they meet the contracting authority's pre-established criteria. Contracting authorities then run competitions for the award of contracts to all the current members of the DPS, in a similar manner to a Framework Agreement. There is no limit on the number of bidders who can apply for membership of a DPS.

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This Toolkit anticipates that most procurement procedures that will be considered in tandem with securing social value will be under the Restricted or Competitive Dialogue Procedures or the Competitive Procedure with Negotiation, all of which allow an initial shortlisting stage. It is possible for Housing Provider to use the Open Procedure for contracts most likely to be identified as suitable to promote social value, but the lack of ability to pre-select bidders or negotiate with the bidders may make the procurement process more onerous for both the Housing Provider and the bidders, so may be best avoided.

5.2.5. Use of Lots

The Regulations encourage contracting authorities to sub-divide contracts into Lots. Each Lot within a single procurement must be evaluated separately and may be awarded to a separate contractor. Contracting authorities can specify if bidders are required to apply for all Lots, or if they are restricted to applying to a limited number of Lots. Contracting authorities may also reserve the right to restrict the total number of Lots that a single contractor can win, so that a project is awarded to, say, a minimum of two contractors.

The intended purpose of encouraging Lots is to make procurement exercises more accessible to Small and Medium Enterprises (SMEs), who might not have the capacity or experience to undertake large contracts, but who may be able to undertake a smaller part of the same contract. Contracting authorities should consider the advantages of utilising Lots as a way to engage with SMEs and local supply chains, versus the economic benefits of amalgamating their requirements into a higher value package of work which will be more attractive to larger contractors.

5.2.6. Award criteria

Contracting authorities must specify the award criteria to be used to assess the tenders, and award the contract or framework to the bidder(s) who has submitted the Most Economically Advantageous Tender (MEAT). The main criteria are usually comprised of some combination of Price and Quality. The scores or relative weightings of the main criteria must be set out either in the Contract Notice/PIN (or in the tender documents where these are being made available to bidders at the date of publication of the Contract Notice/PIN).

Contracting authorities should consider carefully the relative weighting of Price and Quality as this will affect the content and quality of tenders received. Tenders weighted heavily towards Price will encourage bidders to focus on delivering the lowest price possible, and may discourage focus on social value and other 'quality' considerations.

5.3. PRELIMINARY MARKET CONSULTATION

The Regulations allow Housing Providers to engage with the market before advertising a contract. This is a good opportunity for Housing Providers to discuss their requirements and see how the market is likely to respond to the proposed contract. Market consultation can be useful for identifying alternatives that a Housing Provider may not have considered, and to benchmark current market prices.

In the context of social value, preliminary market engagement allows the Housing Provider to identify how the market might be able to deliver specific social value initiatives, and how the structure and scope of the proposed contract might affect the outputs the market is willing to provide.

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Housing Providers can use information gained from preliminary market consultation to revise its procurement strategy or the procurement procedure. For example, as the result of a consultation, a Housing Provider may decide to increase the term of the contract, add or remove certain elements of the works, services or supplies being procured, amend the process of the procurement procedure, or amend the content of the contract documents and specification/brief.

The Regulations provide that any use of information gained in a preliminary market consultation must not have the effect of distorting the subsequent competition or violate the principles of non-discrimination, equal treatment and transparency. For example, a contracting authority cannot restructure a procurement exercise with the intention of making the competition more favourable to a particular contractor or group of contractors where it would be otherwise unfair to do so. Likewise, a contracting authority should not disclose any additional information to a particular market participant that is not going to be disclosed during the competition.

Contracting authorities are required to take appropriate measures to ensure that the competition is not distorted by the participation of any contractor who may be a potential bidder. The Regulations state that contracting authorities must circulate the results of any market consultation to bidders once the competition is underway, so that there is complete transparency about the results of the market consultation. It should be made clear to market participants that any information they disclose during a consultation will be circulated to the bidders as part of the tender process, so that participants can control the level of detail they wish to be circulated.

The Regulations are concerned with ensuring that potential bidders can participate freely in market consultation, without worrying that their chances of bidding for and/or winning the contract will be lessened by their involvement. With this in mind, the Regulations provide that contracting authorities can only exclude a market participant from bidding in the competition where there are no other means to treat all bidders equally. Prior to any such exclusion, the participants in question must be given an opportunity to demonstrate that their involvement in the consultation process will not distort competition at tender stage.

5.4. PIN NOTICES

An additional form of pre-market consultation is for the contracting authority to publish a Prior Information Notice (PIN). A PIN notifies the market of the contracting authority's intention to advertise a contract or framework in advance of the formal advertisement. Publication of a PIN also allows contracting authorities to shorten the number of days required in a procurement process.

(See the flowcharts attached in Tool 5 for further details).

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5.5. ADVERTISING THE CONTRACT

All above-threshold contracts and frameworks must be advertised via publication of a notice in the Official Journal of the European Union (OJEU). These notices are called Contract Notices (also referred to as "OJEU Notices"). A Contract Notice sets out essential details of the procurement, including:

- The name and address of the contracting authority;
- Any additional contracting authorities for whom the contract is being procured;
- Whether the procurement is a contract or a framework agreement;
- The scope and type of the requirements (Works, Services or Supplies), described in more detail via use of Common Procurement Vocabulary (CPV) codes;
- The location of the Works, Services or Supplies being procured
- The term of the contract, including any extensions (framework agreements are not subject to extension);
- The estimated total value of the contract, or the total estimated value of contracts to be awarded via the framework agreement;
- Details of where to access the procurement documents (see Section 5.6 below);
- Deadlines for the return of expressions of interest (or tenders, in the case of the Open Procedure);
- Any particular objectives that the contracting authority wishes to advance in the procurement, including social value initiatives.

Alternatively, a contracting authority may issue a PIN as a call for competition, which will operate in place of a Contract Notice.

Please see Tool 6 for example wording for a Contract Notice (or PIN where this is used as a call for competition).

5.6. ELECTRONIC AVAILABILITY OF PROCUREMENT DOCUMENTS

Regulation 53 requires that contracting authorities make all "procurement documents" available to bidders, free of charge and in electronic form (eg., via an internet portal) from the date of publication of the Contract Notice. "Procurement documents" is defined broadly to mean any document produced or referred to by the contracting authority to describe or determine elements of the procurement or procedure, including the Contract Notice (or PIN where it is used as a call for competition), the technical specifications, the descriptive document, proposed conditions of contract, formats for the presentation of documents by bidders, information on generally applicable obligations and any additional documents.

In September 2015, the Crown Commercial Service published a guidance note "Guidance on Electronic Procurement & Electronic Communication", adopting what it called a "purposive" interpretation of Regulation 53. In the guidance, the CCS states that the meaning of "procurement documents" changes based on the different stages of a procurement process that have been reached. As the procurement and competition becomes more crystallised, the CCS stated that it

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would expect more of the documents falling within the definition of "procurement documents" to be generated and supplied, whereas at "very early stages", fewer if any documents would be included. The Guidance does not explain whether "very early stages" means the date of publication of the Contract Notice or PIN, nor does it define exactly what should be published at advertisement stage.

The CCS Guidance should be useful for contracting authorities running Competitive Dialogue Procedures or Competitive Procedures with Negotiation, in which the contracting authority's requirements may not be clear at the start of the procurement and may only "crystallise" after initial tender or Dialogue/Negotiation stages have been completed. In these circumstances, contracting authorities should be able to rely on the CCS Guidance to delay issuing finalised procurement documents (e.g. the specification or contract conditions) until later in the procurement, and this confirms the position evident in the Regulations. It is unclear whether the same strategy applies to Open or Restricted Procedures, which do not allow negotiation and where contracting authorities should be able to specify their requirements at the point of advertisement.

Even where contracting authorities opt to rely on the CCS Guidance and not publish all procurement documents at the point of advertisement, they must ensure that bidders receive sufficient information about the scope of the contract or framework to make an informed decision as to whether to bid.

5.7. PRE-QUALIFICATION STAGE

Contractors who are interested in bidding for a contract (applicants) are required to respond to the Contract Notice or PIN, indicating their interest in being considered for the proposed contract or framework.

In the two-stage procedures such as the Restricted and Competitive Dialogue Procedures, contracting authorities will provide applicants with a document or questionnaire (usually referred to as a "pre-qualification questionnaire" or PQQ), which sets out the criteria by which applicants will be evaluated and shortlisted to be invited to tender. In the Open Procedure, the shortlisting process is not required and the tender documents are simply made available to all interested applicants. The remainder of this Section 5 focuses on the process for two-stage procedures.

The evaluation criteria at PQQ stage is required to be "backward looking", and focusing on their prior experience on similar contracts, their financial standing and technical and professional ability, and their eligibility to tender for the contract or framework. Questions relating to how applicants will deliver the proposed project should not be asked at this stage.

The Regulations require that certain categories of applicant must be excluded from competition, usually where the applicant has been convicted of criminal offences (e.g. fraud, non-payment of taxes, breach of international laws). The Regulations also list criteria that contracting authorities may use to exclude applicants, including evidence of contractor insolvency, and poor performance on prior public sector contracts leading to early termination or damaged being levied. Applicants can also be asked to explain how their organisations and sub-contractors comply with key legislation not already covered by the mandatory and discretionary criteria.

As part of the assessment of past experience, Housing Providers can ask applicants to indicate their experience of implementing social value initiatives and programmes on previous projects or frameworks similar to the contract being

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procured, and to describe the process by which those initiatives were achieved. Applicants can also be required to explain how their sub-contractors and supply chains are required to participate in or contribute to social value initiatives. Applicants are required to complete and return the PQQ, together with any supporting documentation required by the contracting authority, by the deadline specified in the Contract Notice or PIN.

The Regulations require that contracting authorities allow applicants to self-certify evidence of any financial standing or technical and professional expertise, via use of a form called the European Single Procurement Document (ESPD). As the ESPD is a template form for use on all procurements, it does not make explicit reference to past experience of delivering social value initiatives, though it does ask about "supply chain management and tracking systems" and "environmental management measures". Housing Providers should specify that applicants opting to use the ESPD must also respond to any specific social value questions set out in the PQQ documents.

The Housing Provider then evaluates the PQQs submitted by the applicants in accordance with the evaluation criteria set out in the PQQ. The contracting authority prepares a shortlist of applicants who satisfy the evaluation criteria, and who are invited to tender for the contract.

Please see Tool 7 for example PQQ wording.

5.8. TENDER STAGE

Following the publication of the tender shortlist, contracting authorities invite the shortlisted applicants (now referred to as bidders) to submit a tender response and any required supporting information by a specified deadline.

The tender document is usually accompanied by details of the proposed contract, including any specification/brief, template pricing documents that bidders are required to populate, and the contract conditions. The tender document needs to set out the price and quality criteria that will be used to assess the tender responses and award the contract or framework.

A section should be included within the tender documentation setting out the social value requirements of the contracting authority for the proposed contract or framework agreement. The relevant information should provide a clear outline of what the project or framework is expected to be able to support in terms of social value outputs and should include any minimum requirements, benchmarks and related Key Performance Indicators, as well as the relevant evaluation criteria allocated to the responses to the social value aspects of the tender.

The pricing documents should require bidders to state the price of delivering the social value requirements. Housing Providers authorities should provide as much information about their proposed social value initiatives as possible, so that bidders understand what minimum requirements are and can include the price of implementing these requirements in their tender response.

Tender questions should also explore how bidders' sub-contractors and supply chain will comply with the requirements of the tender and contribute to any social value initiatives.

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The tender documents and draft conditions of contract should specify the Housing Provider's minimum requirements for delivering social value initiatives, expressed as contractual commitments. These may be subject to further

discussion or negotiation if the Competitive Dialogue Procedure or Competitive Procedure with Negotiation is being used.

Please see Tool 9 for example wording to be inserted in the Invitation to Tender.

5.9. DIALOGUE/NEGOTIATION

Under the Competitive Dialogue Procedure and the Competitive Procedure with Negotiation, Housing Providers may shortlist a minimum of 3 bidders and invite them to participate in Dialogue/Negotiation. Housing Providers are required to set out their proposals for the content of any Dialogue/Negotiation sessions, and bidders are invited to propose solutions or present their commercial position for further discussion. Tenders can have more than one round of Dialogue/Negotiation meetings and these may be structured to allow for a reduction in the number of bidders to be invited to the next stage of the procurement process.

Dialogue and Negotiation are excellent opportunities for Housing Providers to discuss the details of any social value initiatives they wish to advance, and discuss how these initiatives will be finalised in terms of contractual obligations. It is important for Housing Providers to set out their minimum requirements in respect of the proposed contract, so that bidders understand the parameters of any Dialogue/Negotiation.

At the conclusion of the Dialogue/Negotiations, Housing Providers are required to finalise their requirements for the contract. This may require redrafting the tender documents, amending details of the award criteria and/or revising the brief/specification and conditions of contract. The tender and contract documents should contain clear and unambiguous statements as to any social value commitments that will be contractual obligations.

The remaining bidders are then invited to submit a final tender based on the revised documents; this constitutes the bidders' best and final offer and is not subject to further negotiation.

5.10. EVALUATION OF TENDERS AND AWARD CRITERIA

The Housing Provider evaluates the valid tenders received in accordance with the award criteria set out in the tender documents. The contracting authority is required to award the contract to the bidder offering MEAT in line with the award criteria.

All award criteria must be related to the subject matter of the contract, must ensure effective competition, be non-discriminatory and allow responses to be verified. Critically, the award criteria cannot confer unrestricted freedom of

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choice on the Housing Provider to choose whichever bidder it likes; the award criteria must be defined clearly so that the MEAT tender(s) wins the contract/framework.

Please see Tool 10 for example evaluation criteria/scoring criteria.

5.11. STANDSTILL

Following the conclusion of the evaluation criteria, the Housing Provider is required to write to all the bidders and Bidders, notifying them of the award decision and the name and score of the winning bidder(s) and feedback about the characteristics and relative advantages of the winning tender(s). Housing Providers must observe a 10 calendar day standstill period from the issue of the award notification letters before entering into contract with the selected bidder(s).

5.12. FINALISING THE CONTRACT

The Housing Provider's finalised social value requirements should be included as contract conditions in the contract or framework agreement, together with the successful bidder's finalised proposals for delivering the social value initiatives. There should also be contractual requirements for the contractor's performance to be subject to regular review against agreed Key Performance Indicators.

Most contracts will provide for variations or changes to the scope of the contract, which may cause an increase or decrease in the contract sum. Where this increase or decrease is substantial, this may affect the scope and level of social value delivered and impact on the benchmarks and/or any related KPIs and Targets. Housing Providers should ensure that the conditions of contract provide for any social value outputs. The contractor's performance against the KPIs and Targets should be reviewed by both parties during the term of the contract or framework.

Please see Tool 17 for draft/example contract clause wording.

5.13. KEY PERFORMANCE INDICATORS (KPIs)

Housing Providers should consider the status of any KPIs and Targets to be set for the contractor to achieve any social value objectives. Decisions need to be made as to any financial and contractual consequences that will apply where the contractor meets or exceeds the KPI Targets (e.g., incentive or bonus payments, payments of variable profit, an extension of the contract term, etc.). Likewise, the parties should consider any processes or contractual remedies that might apply in the event of KPI or Targets not being met.

In all cases, Housing Providers should consider what is proportionate and reasonable. Contracts that seek to enforce penalties against contractors for poor performance may dissuade bidders from tendering for the contract, or encourage

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bidders to quote additional contingency sums to cover their costs in the event that penalties are enforced or the term of the contract is cut short.

Continuing support by key individuals within the Housing Provider and ensuring that the budget-spend under the contract is consistent with that indicated at tender stage will play an important role in ensuring the initiative's success. Success should be acknowledged and celebrated. Failure to deliver the agreed outputs should be addressed in a timely manner and could be taken into account when rewarding performance and when awarding future projects or additional work under a framework.

Please see Tools 8 and 17 for example KPIs, benchmarks and review wording.

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Pricing



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Introduction

Housing Providers should carefully consider how they would like contractors to price social value within their bids. These considerations should be undertaken as part of the scoping phase as the choice of commercial model needs to be fully aligned with the objectives of social value within the procurement.

Irrespective of which pricing model is adopted for the procurement, it is imperative that the contractor understands that its social value offer is a contractual obligation and as such all costs relating to the delivery of its bid (including any additionality it has offered) will be borne within its delivery costs.

As covered elsewhere in the toolkit, the use of the Social Value Requirements Plan and Method Statement (see Tools 15 and 16) to convert the contractor's offer into a contractual obligation and checklist is an effective method of providing complete clarity on what has been offered by the contractor and how its delivery will be monitored by the Housing Provider.

Whilst the authors of this Toolkit do not mandate a certain approach, there are three primary options Housing Providers can consider when incorporating social value into their procurement processes:

- **Option 1: Inclusive Price** – the contractor provides a fixed 'all-in' price to deliver the service or works including the social value offer with no breakdown/visibility of the social value elements;
- **Option 2: Inclusive Price (Extracted)** – this is a 'middle ground' option whereby the contractor provides a fixed 'all-in' price (as per option 1) but the social value delivery cost is extracted as one total figure from the offer and provided with related detail in a separate document; or,
- **Option 3: Separate Price** – the contractor provides a complete breakdown of its prices in relation to delivering social value as part of its bid, i.e. in the same way it would provide detail on the labour and material prices, it provides a detailed breakdown of its social value 'prices' (i.e. the cost to the contractor to provide the social value to the Housing Provider).

For the costs that may be involved in delivering social value, see Tools 11, 13 and 14.

Fundamentally, Housing Providers will want to assure themselves (as they would with any other element of the contract) that the social value offer is deliverable against the price bid by the contractor – whether that is the whole contract price or is more detailed.

As noted above, one option is not recommended above the others. A number of considerations may influence the Housing Provider's decision. Likewise, Housing Providers may opt to use different options for different procurement processes.

Irrespective of which option a Housing Provider adopts they must ensure that all bidders are fully aware of the commercial requirements around pricing and these should be clearly defined within the pricing document. A simple way to do this is to provide a table within the commercial model that clearly sets out where individual prices should be included within bidders' submissions. For example,



the Housing Provider should indicate whether the price for a specific social value intervention should be included in:

- Labour or Unit Rate (SOR);
- Site Overheads; or
- Central Office Overheads.

Commercial Models and Considerations

A Housing Provider needs to consider what commercial model pricing option it would like to use and the level of detail it would like to see at tender stage regarding each bidder’s pricing. A key consideration is transparency. Housing Providers will need to be comfortable that each contractor has included all aspects of its social value offer within its tendered price.

More detailed commercial models result in more transparency for the Housing Provider on where (and how) the contractor has included the cost (to it) of delivering the social value offer.

The table below lists a number of the pricing options open to Housing Providers when procuring and suggests which pricing option (as described further below) could be considered for that model.

Model	Option considerations			Notes
	Option 1	Option 2	Option 3	
Traditional schedule of rates SOR	✘	✘		All-in +/- risk based model with no visibility
Hybrid SOR i.e visibility on overheads/ profit		✘	✘	As above but allows access to overhead and profit
Archetype pricing (all in rates)	✘	✘		As with the SOR an all-in pricing model with no access to costs
Archetype pricing (build up)		✘	✘	As above but allows access to overhead and profit
Open book model	✘	✘	✘	Open book process can be applied to any model and allow full access to all actual costs incurred

*An archetype is a defined all-in cost for a defined component (e.g. bathroom or kitchen)

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Housing Providers will also need to consider carefully how they capture any additionality the bidder offers over the baseline social value requirements set out in the tender documents and how the costs of these additions should be set out.

Where leaseholders are recipients of the service(s) being procured, careful consideration will also need to be given (and legal advice sought) on how the cost of the social value offer impacts on the recovery of service charges and this could influence which of the three options highlighted below are selected (i.e. will leaseholders be prepared to be 'charged' for any costs that the contractor directly incurs in their social value delivery and/or does the lease agreement allow such costs to be recovered in the first place?).

As just one example, if a Housing Provider is considering introducing a 1% levy from the contractor for a training academy (or suchlike) and this is *included* within the tender sum as a visible line of the contractor's delivery cost the Housing Provider will need to consider whether they can (or should) be able to recover this from a leaseholder as part of their charge to undertake the works. In the scenario where the contractor is providing the Social Value *within* its fixed cost (i.e. there is no visibility) it may be less of an issue. As noted above, detailed advice should be sought in any case concerning the recoverability of such charges from leaseholders.

OPTION 1 – INCLUSIVE PRICE

In this option the contractor will provide a lump-sum ('all-in') price that is inclusive of all its costs in relation to delivering the service (i.e. a single price that includes all labour, materials, overheads and profit as well as any social value requirements). In this model there is no visibility on how the contractor has built up its price and as such there will be no understanding of the price it is charging the Housing Provider in delivering the social value offer.

The often-perceived benefit of this model is that a contractor will offer the social value requirements as part of its existing central office overhead and as such the social value offer is provided as 'free' by the contractor as part of its delivery model. However, it is likely that the social value interventions will have been costed and included in enhanced central office overheads by the contractor ahead of submitting its price. Housing Providers must therefore satisfy themselves as to whether, within the context of the service or works they are procuring, that although not visible, the social value costs will be included somewhere within the contractor's submission.

Under this option Housing Providers must satisfy themselves that the contractor is very clear on the exact conditions of the Social Value Requirements Plan, as there will be no way to validate that the contractor has priced its requirements into its bid due to the lack of visibility of the model. The evaluation of the tenders under this model will generally be on the bottom line price, which can have the effect of incentivising contractors to exclude such additional costs from the price submitted as part of their bids. This risk can be mitigated by the Housing Provider by ensuring they make it clear at tender stage that the performance of the social value requirements document will be a contractual obligation and form part of the delivery of the contract.

The final point to consider with this option is the requirement to measure the cost of delivering the social value requirements against the benefits they deliver. It will be difficult, if not impossible, to measure the net value of the benefit that the

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social value drives as the cost of delivering the social value as separate from the cost of delivering the works/services will not be available.

OPTION 2 – INCLUSIVE PRICE – EXTRACTED

This option follows the principles of Option 1 and can be used with any lump sum or schedule of rates contract. The contractor's submission will still be based on an 'all-in' price to deliver the service(s) or works being procured.

However, alongside the contractor's all-in, price its social value offer can be priced as a separate document that forms part of its bid (i.e. the social value delivery cost is effectively extracted from its all-in price). This will give Housing Providers full visibility on the contractor's prices for the various social value interventions. However, it will not give Housing Providers details as to how the delivery of the social value interventions impacts on the contractor's final price (i.e. how it recovers these costs within its model).

The benefits of this approach are two-fold. Firstly, it will ensure that contractors are fully aware of the Housing Provider's social value requirements and consider the costs to them to deliver it. Secondly, it will provide a tangible value that Housing Providers can evaluate the input cost (i.e. price) of social value against the benefits delivered.

Housing Providers are also able to request this separate social value extract either as a scored part of the contractor's submission (i.e. the social value price (although extracted) is still evaluated as part of their tender price) or unscored part of their submission (i.e. for information only).

OPTION 3 – SEPARATE PRICE

The third option will be used where the commercial model adopted requires a full breakdown of costs against the various elements of the tender price (e.g. labour, overhead, overheads and profit). In this option, bidders will be provided with a detailed pricing spreadsheet that will list the social value requirements in which they will then place their prices for delivering those aspects.

A sample spreadsheet for how the social value costs could be captured at tender stage is provided in Tool 14. The pricing spreadsheet can be highly detailed and prescriptive against the core requirements set out in the tender documents, but (especially if the approach adopted by the Housing Provider allows for or requests additionality) should also allow the tenderer to demonstrate any additional value they are wishing to add through their model. This spreadsheet could also be used for Option 2.

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Reporting social value outcomes

The option selected above will ultimately affect how social value is reported, and how social value reporting for contracts aligns with broader organisational approaches to social value measurement should be considered. If a Housing Provider wants to be able to produce a ratio (cost to social value generated), it will need to understand the value or level of benefit delivered *and* the cost to them (e.g. the price quoted by the contractor) for delivery of the social value elements.

HACT provides a method to ascertain a transparent and standardised value of the benefit of social value through Wellbeing Valuation and the Value Calculator; to generate a ratio, the price charged by the contractor for delivering social value interventions must be identified separately. If this is required, then a compatible approach to social value measurement across contracts should be selected. If a Housing Provider does not take this approach more generally, then selecting an approach whereby the social value generated will be reported, without reporting on price would be sufficient.

Housing Providers have two primary ways in which they can report their social value:

1. Figure of total social value generated (a simple total of £x of social value created); and
2. A ratio of cost to social value generated (for every £1 spent, £x of social value created).

A decision on the preferred option for reporting the social value relates to the three pricing options as follows:

- **Option 1: Inclusive Price** – Here, the input cost for social value generated will be the whole contract price, as no further input costs are defined other than the total price. (A ratio would not be appropriate in these circumstances, as the total value of the contract will almost certainly vastly outweigh the social value generated.)
- **Option 2: Inclusive Price – Extracted** – In this option, separating out the total price for social value allows for that identified cost to be used to generate a general ratio of cost to social value generated.
- **Option 3: Separate Price** – Here, the specific costs identified for each area of activity can be added together for inclusion within an organisation-wide SROI analysis, whilst retaining a detailed understanding both of where social value was generated and the price to deliver it.

In determining which approach is appropriate, Housing Providers need to consider compatibility with the broader approach within their reporting structure. For example, if the Housing Provider publishes an SROI each year, then they need to feel comfortable that combining the input cost from all social value activities within procured services with the input cost from the other work of the Housing

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Provider is possible (i.e. generating a general figure). Option 3, with a detailed breakdown of costs, may be the only way that compatibility can be assured, if other areas of reporting within the Housing Provider's business require a detailed cost breakdown. If Housing Providers can provide a breakdown of costs in contract delivery this could resolve all issues (the open book approach).

Use of Variable Profit

In many commercial models the Housing Provider will have the opportunity to line the contractor's profit to its performance and this has been common practice within the sector for many years, particularly with those models where the contractor has a defined amount declared within their delivery cost for variable profit (i.e. an amount that is set aside to be linked directly to performance on the contract delivery).

Historically the variable profit figure has tended to be linked to key contract delivery outputs, such as customer satisfaction and right first time delivery, but as the delivery of social value becomes more critical to Housing Providers, many are now linking this variable profit to the performance against the stated social value objectives.

There are several ways in which this can be achieved:

Defined Social Value Delivery KPI.

In this option the Housing Provider sets a prescribed minimum level of acceptable performance (MLAP) and target for the delivery of the contractor's offer. This is often undertaken as a measure of the percentage of the objectives it has delivered. For example, a contractor may have 10 objectives to deliver within its social value offer. This KPI would measure (usually annually) how many of these have been delivered. If the target was set at 100% and the MLAP at 80% the contractor would need to achieve at least 8 out of its 10 objectives in the target (i.e. 80%) to achieve MLAP and deliver all 10 (i.e. 100%) to reach the target. For example, if a nominal £1000 variable profit was linked to the social value KPI the contractor would receive no payment unless it exceeded 80% (MLAP) and if it achieved between MLAP (80%) and target (100%) it would get the proportion the variable profit calculated as the % achieved between MLAP and the target (i.e. if it is halfway between MLAP and target it would get half the variable profit (i.e. £1000 x 50% = £500 in this instance). A worked example is provided later in this section.

'Fundamental' KPI.

This is an option whereby the variable profit is not solely linked to the performance on social value targets (i.e. it is linked to other service KPIs as well) but if the contractor falls below the MLAP for the social value KPI (which would be defined as a fundamental KPI) it automatically loses all of the variable profit figure, irrespective of how well it is performing on the other KPI measures.

The amount of variable profit can be prescribed by the Housing Provider at the tender stage and it is not uncommon for Housing Providers to state that the variable profit must be at least 50% of the contractor's total declared profit. For example, if a contractor was declaring an 8% total profit at least 4% would need to be variable.



In commercial models where there is a lump sum tender (i.e. the profit is included within the total cost with no declared amount and/or visibility) Housing Providers can still utilise a variable fee approach by top-slicing the total value and releasing this amount back to the contractor only if it achieves the stated KPIs. For example, a contractor provides an all-in cost of £1m to deliver a planned works project. In this example the Housing Provider (as long as they state it clearly in the tender documents) could deduct 2% of the £1m (£20k) and link this to the contractor’s KPI performance.

However, wherever the linking of profit to KPIs is being considered it is imperative that the KPIs are clearly defined so the contractor is fully aware of the impact to its bottom line of not achieving the stated targets. There should also be clear guidance in both the procurement documents and KPI suite on how the KPI mechanism operates and who is responsible for collecting and reporting the data.

DEFINING VARIABLE PROFIT ALLOCATION

As described in the previous section when a Housing Provider includes a variable profit element within their commercial model this amount will link directly to performance against the KPIs the Housing Provider prescribes within its suite of KPIs.

It is for a Housing Provider to decide which KPIs it links to the variable profit but these should reflect the importance they attach to each measure. Some Housing Providers choose to link the entire variable profit figure to customer satisfaction but the majority will link the variable profit to several areas of performance based on their aspirations for the service or works, which in many instances includes the contractual delivery of social value.

An example by way of illustration is provided below:

1.11 Variable Fee				
1.11.1 Repairs				
<p>Within the open book cost model, Service Providers have a variable fee percentage that is linked to performance against 5 of the Responsive Repairs KPI's as follows:</p> <ul style="list-style-type: none"> • KPI 5: Social Value • KPI R1: Tenant Satisfaction • KPI R3: Percentage of Repairs complete on first visit • KPI R6: Repairs completions within timescales • KPI R8: Repairs Appointments made and kept <p>For each incentivised KPI there will be a Minimum Level of Acceptable Performance (MLAP), below which none of the allocated profit will be paid. There will be a target for each KPI and if the target is achieved, or exceeded, the full amount of profit will be paid.</p> <p>For scores between the minimum level and the target the proportionate amount of profit will be paid (e.g. if 80% is achieved, 80% of the available profit will be paid).</p> <p>The profit allocation for each of the performance KPIs is as follows:</p>				
No.	KPI	MLAP	Target	Profit
R1	Tenant Satisfaction	88%	95%	30%
R3	Percentage of Repairs complete on first visit	80%	85%	20%
R6	Repairs completions within timescales - Emergency	96%	99%	10%
	Repairs completions within timescales - Non Emergency (Days taken to complete repair)	12 days	8 days	20%
R8	Repairs Appointments Kept	96%	99%	10%
5	Social Value Delivery	90%	100%	10%
Total				100%



It is recommended that the KPIs linked to variable profit are set for the first year and then reviewed and reset on long-term contracts to allow the Housing Provider to focus on specific areas of performance as the contract matures and evolves. This is achieved by giving ownership of the KPI suite to the Core Group so it can amend and reissue under the terms of the contract.

Measuring Variable Profit

A worked example (using the above 5 KPIs) and based on the total variable profit available being £8000 is given below (for ease of reference KPIs below MLAP are in red, between MLAP and target in yellow and above target in green).

Example of Variable Profit Calculation:

No.	KPI	Target	Actual
R1	Tenant Satisfaction	95%	93%
R3	Percentage of Repairs complete on first visit	85%	95%
R6	Repairs completions within timescales - Emergency	99%	100%
	Repairs completions within timescales - Non Emergency Repairs	8 days	15 days
R8	Repairs Appointments kept	99%	97%
5	Social Value Delivery	100%	97.5%

Fee is calculated as follows:

- R1 – Target not achieved but above MLAP so paid as a percentage
- R3 – Target exceeded so full amount of Variable Fee paid
- R6 – Emergency – Target met so paid in full
- R6 – Non-Emergency Repairs – Target not achieved and score below MLAP – No Variable Fee paid
- R8 – not met but above MLAP so partial payment made
- 5 – Target not met but above MLAP so partial payment made

This means the following amounts are paid:

No	Target	MLAP	Score	Profit Available	Gross Available	Variable Fee	Notes
R1	95%	88%	93%	30%	£2,400	£1,714	Based on 71% of fee
R3	85%	80%	95%	20%	£1,600	£1,600	Paid in full
R6	100%	96%	100%	10%	£800	£800	Paid in full
	5 days	12 days	14 days	20%	£1,600	£0	Fail – no payment
R8	99%	96%	97%	10%	£800	£267	Based on 33% of fee
5	100%	90%	97.5%	10%	£800	£600	Based on 75% of fee
Total					£8,000	£4,991	

If a contractor achieves the exact MLAP score (e.g. it scores exactly 88% against KPI 1 in the above example) it would be paid no variable profit against that KPI; the payment is only made when the contractor exceeds the MLAP amount. The MLAP is paid as a proportion of the variable profit based on the percentile within the MLAP to target range.

Although MLAPs and KPIs are not currently being widely used to measure performance against social value targets the principles are being used on a large number of contracts to measure other areas of performance.

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Payment of Variable Profit

Social Value is a difficult KPI to measure on anything other than an annual basis as many of the targets will be set on achieving numbers within a defined annual period (e.g. number of apprentices, number of engagements with schools (that are easier at certain times of the year) etc.).

There are two main ways that payment could be made:

1. Stage Payment – payment of the full variable profit fee on a regular (usually quarterly basis) and reconcile at year end
2. Annual Payment – payment of the whole fee as a single lump sum at the end of the year.

The benefit of the first option is that it provides cash-flow to the contractor; the downside is that the Housing Provider could effectively be asking for money back at year end if the contractor fails to achieve targets.

It is suggested that Housing Providers discuss contractors' views on one option over the other as part of the procurement process (where allowable) or undertake pre-market engagement where such a discussion cannot occur during the procurement process. The authors of this Toolkit have worked with both options and either is acceptable: the choice is generally driven by the desire to provide a positive cash-flow to the contractor.

Please consult the Tool Bank for further support:

Tool 8: KPI Template

Tool 11: Social value as part of commercial model

Tool 13: Social value costs checklist for contractors

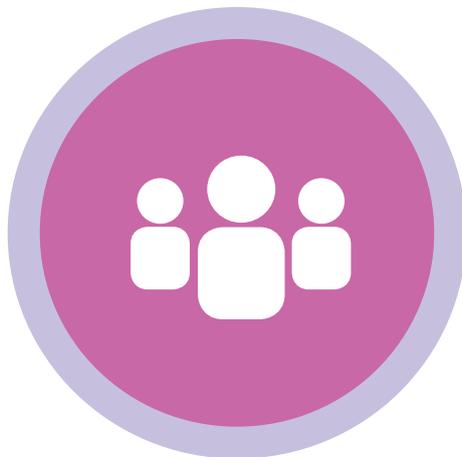
Tool 14: Social value cost collection sheet

Tool 18: Mobilisation plan template

Tool 21: Annual review and reset

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Summary of Wellbeing Valuation Approach



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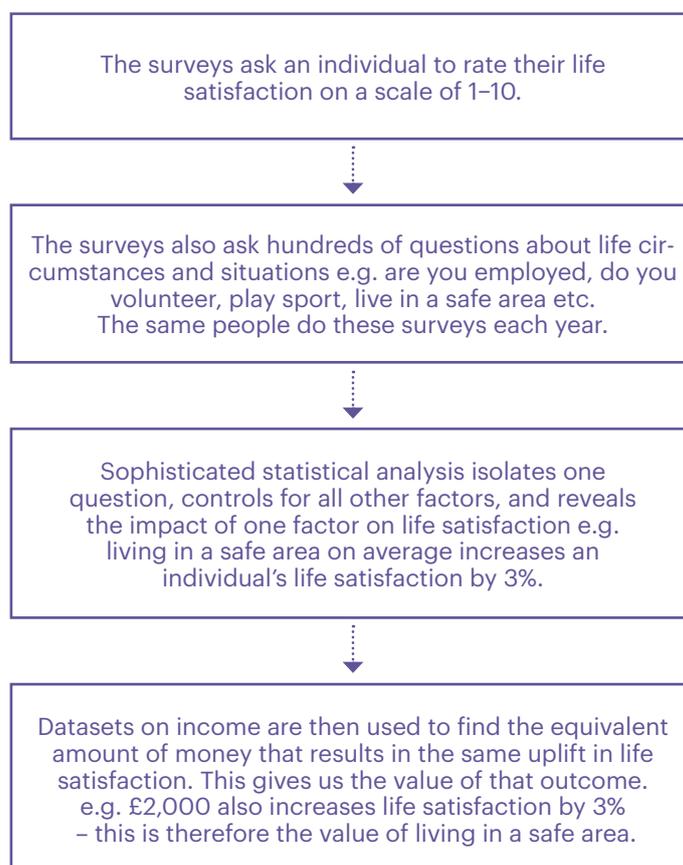
Why measure Social Value?

Market values for outcomes such as membership of a social group or volunteering do not exist because they cannot be bought or sold, therefore you will want to measure the social value that your project creates. You can use this information to demonstrate the impact you have and evidence your work in future procurements, tenders, and proposals.



What is Wellbeing Valuation?

Values for the wellbeing uplift of various outcomes, like being a member of a social group, were generated using vast national data sets. The values generated represent the uplift in wellbeing the average individual experiences from taking part in your activity.



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The monetary value is the amount of cash that you would have to give them to increase their wellbeing by the same amount if they had not participated in the activity. So for each individual attending your Film club on a regular basis, based on the wellbeing valuation outcome of being a member of a social group, you would be generating £1,850 of social value.

How do I apply the wellbeing values?

Although the Wellbeing Valuation Approach uses sophisticated statistical theory to derive values, once calculated they can be applied using simple techniques. In this toolkit we outline how you can use the values, and outline dos and don'ts of applying the values. This can be viewed alongside the more detailed guide, [Measuring the Impact of Community Investment: A Guide to using the Wellbeing Valuation Approach \('the Guide'\)](#).¹

Some values can be applied in a straightforward way using your own records, while to apply other values you will need to carry out a before and after survey of participants or beneficiaries. The questions in these surveys mirror the questions in the British Household Panel Survey so are in line with how the values have been derived, ensuring a robust application of the values.

Activity values are those where the social value is obtained by the person simply undertaking an activity. An example of an activity value might be the 'frequent mild exercise' value: if we run an exercise club we can count that amount of social value for each person who shows up regularly. You are therefore typically able to measure the average amount of social impact delivered through activity values simply by referring to records of attendance.

Outcome values are values that can be applied when we have evidence that something has changed for someone. For some outcomes your records may be enough (e.g. number of people moved into employment) for others, you need to ask participants questions before and after the activity. For example, you might run some budgeting skills sessions with the aim of increasing 'financial comfort'. To apply the value you need to know that they have moved from a state of low financial comfort to higher financial comfort.

The evidence you need to apply each value is described in the Value Calculator. Steps to apply the values:

1. Take a look at the 'Value Calculator' spreadsheet before you begin your activity.
2. Key in the date you are entering the data, type your activity into the Activity column and enter the budget for that activity.
3. Select the values relevant to your activity from the dropdown options in the Associated Outcome/value column. Select the activity value if there is one for your activity, then select the other relevant values. See Descriptions and Evidence tab for more detail. Enter a new row for each outcome.

1. <http://www.hact.org.uk/sites/default/files/uploads/Archives/2014/3/MeasuringSocialImpactHACT2014.pdf?sid=11628>

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4. Check the 'Evidence you need to apply the value' column to see what you need. If relevant, the survey relevant to your activity will appear in the next column.
5. Check the 'Relationships' tab to see if your values can be added together or if that would be double-counting. If you cannot add them, select the most relevant value.
6. Enter the region of the country you are working in.
7. Use your records, or before and after survey data, to enter the number of participants each value applies to.

DOS AND DON'TS

- **Do** apply the values where you have the necessary evidence as stated in the Value Calculator.
- **Do** apply a value to an individual only once e.g. if someone goes on three training courses you only apply one 'training course' value.
- **Don't** add values where it would be double-counting. Check the 'Relationships' tab on the Value Calculator.
- **Do** apply an activity value if there is one for the activity.
- **Do** apply an outcome value based on the surveys, if the surveys show an individual has moved from a 'not valuable' answer before the activity to a 'valuable' answer afterwards.
- **Don't** apply a value if the survey responses show no movement to a 'valuable' answer for an outcome.
- **Do** apply the 'unknown result' if you have no data on what happened to individuals. The amount of social value generated through these 'unknown result' values should be clearly stated in your reports.

PRINCIPLES

Given that this framework is designed to be proportionate it is particularly important that users follow a few key principles if their outputs are to remain robust.

- When you produce a report using this approach it should be a true and accurate record. This means accurately recording the actual number of people that your activity works with or how many experience a change.
- Particular care should be taken not to over claim. The framework includes the option to apply an average measure of deadweight, i.e. the people whose wellbeing would have improved even without your activity, but you should take care not to inflate or overestimate your impact.
- Your report should clearly explain any judgements or assumptions you have made. The Guide and the Value Calculator provide thorough guidance but there will undoubtedly be gaps and you need to make an assumption. In this case, you should provide enough information that the reader knows what you have done.

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GLOSSARY OF TERMS

Intervention: The process by which social value is generated (the specific social value created being the 'outcome' of this process). For example, a training programme intended to help people ultimately gain employment.

Programme: A series of interventions.

Outcome: The outputs that are of interest. For example, the number of people who attend a workshop and gain employment.

Valuation or financial proxy: Outcomes that are not traded in the market do not have prices. When outcomes are not traded in the market, we need to find a way of weighting them depending on their importance. We can do that by monetising them (or valuing them), turning them into financial proxies. They can never be the 'true' value as they are not traded in the market, hence the name 'proxy'.

HACT social value/measure/metric/outcome: The HACT Wellbeing Valuation Approach has researched different outcomes to understand the value they have. In this sense, the HACT outcomes in the Social Value Bank are also financial proxies.

Deadweight: While the Wellbeing Valuation approach provides a robust and reliable estimate of the social value your interventions help to create, it does not provide certainty as to how much your intervention was responsible. To tackle this, we suggest applying a deadweight ('what would have happened anyway') adjustment to prevent over claiming. The deadweight is derived from The Homes and Communities Agency's (HCA) Additionality Guide, January 2014. The HCA guidance draws on research to produce average deadweight estimates dependent on the nature of the programme. Value Insight and the Value Calculator make use of these figures to give deadweight-adjusted calculated values.

HOW DO I FIND OUT MORE?

If you are interested in measuring social impact using HACT's Wellbeing Valuation Approach, would like to learn more or would like to go beyond this toolkit please see:

- [Measuring the Social Impact of Community Investment: A Guide to using the Wellbeing Valuation Approach²](#)
- [Social Value Bank: Practice Notes³](#)
- [The Value Calculator⁴](#)
- [Value insight⁵](#)

2. <http://www.hact.org.uk/sites/default/files/uploads/Archives/2014/3/MeasuringSocialImpactHACT2014.pdf?sid=11628>

3. <http://www.hact.org.uk/social-value-bank-practice-notes>

4. <http://www.hact.org.uk/value-calculator>

5. <https://www.valueinsight.org/>

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RECORDING AND REPORTING SOCIAL VALUE THROUGH THE SUPPLY CHAIN

Where the lead contractor makes use of a supply chain, it is important to have clarity on how social value will be recorded and reported throughout the supply chain. The lead contractor should not record itself as having created all the social value within the supply chain. The lead contractor needs to be responsible for monitoring the overall social value generated in the supply chain, and reporting back to the housing association. There are two ways to do this:

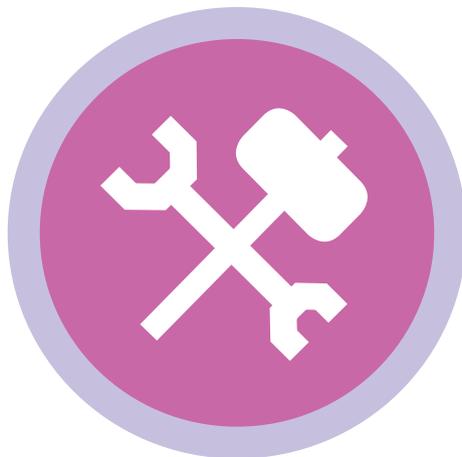
1. **Sub-contractors calculate Social Value** – the lead contractor asks its supply chain organisations to calculate and report back their social value themselves. If doing this, the lead contractor is responsible for ensuring that the supply chain organisations are generating social value in line with the outcomes agreed with the housing association.
2. **Lead contractor calculates Social Value** – the lead contractor asks its supply chain organisations to provide raw figures on interventions and calculates the social value itself. If doing this, the lead contractor needs to ensure that the supply chain organisations provide it with accurate cost data for their interventions.

With both methods, the lead contractor then reports an accurate overall social value measure to the housing association, along with a breakdown of where within the supply it was generated.

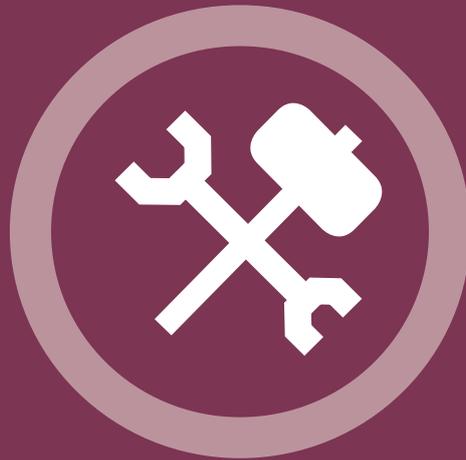
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Tool Bank

These tools are intended for use alongside the guidance contained within the Social Value and Procurement toolkit. The tools in this section are divided into four sections, aligning with section 3, i.e. scoping, procurement, mobilisation and delivery. All of the tools shown here are downloadable as editable Word and Excel files. To download the Tool Bank, please see: www.hact.org.uk/procurement-tools.



Scoping Tools





Tool 1 – Sample community engagement review form

Appendix X – Sample Community Engagement Review Form

The following table provides suggestions for capturing the issues and priorities of residents/communities. For illustrative purposes we have included some examples of what might be captured.

Issue	Who	How	Why	Social Value Initiative	Delivery	Priority Rating
<p><i>Example questions</i></p> <p>What are the issues affecting this area?</p> <p>What do you feel is lacking in this area?</p> <p>What do you feel is a problem in this area/neighbourhood?</p> <p>What are you having difficulty with?</p> <p>What would you like to improve or change?</p>	<p>Which specific group or groups are affected?</p> <p>Does it affect a particular demographic (e.g. older residents or those from a particular ethnic group)?</p> <p>Does it relate to a particular geographical area, or particular group linked by lifestyle or circumstance (for example health, economic standing)?</p>	<p>What is the impact of this issue on individuals/a community?</p> <p>Are there associated other impacts?</p>	<p>What are the underlying issues causing or contributing to this?</p>	<p>What are possible solutions or responses to address the issue?</p>	<p>Who is best placed to lead?</p> <p>Who else needs to be involved?</p> <p>Who else could contribute?</p> <p>How feasible is the initiative – cost/benefit analysis?</p> <p>What would be the timescale for delivery?</p>	<p>How many people stated this as an issue?</p> <p>On a scale, how important an issue is this for people?</p> <p>What was the response to the initiative/solution proposed?</p>
<p><i>Illustrative example</i></p> <p>Anti-social behaviour by 16-25 year olds</p>	<p>Other residents in the area</p>	<p>Fear of crime</p> <p>Dissatisfaction with neighbourhood</p> <p>Youth disenfranchisement</p> <p>Additional Local Authority and Police resource</p>	<p>High level of unemployment</p> <p>High volume of school leavers at 16</p> <p>Lack of local facilities/amenities</p> <p>Economic deprivation</p>	<p>Provision of skills/education opportunities</p> <p>Provision of activities (e.g. youth football)</p> <p>Discounted membership to local facilities</p>	<p>Local Authority</p> <p>Constabulary (PCSOs)</p> <p>Local colleges</p> <p>Job Centre Plus</p> <p>Leisure/community clubs</p>	<p>High</p>

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Tool 2 – Social Value Bank

The following is a list of all the outcomes in HACT's Social Value Bank. These can also be found, along with their respective financial proxies, in HACT's Value Calculator, available at: <http://www.hact.org.uk/value-calculator>.

Having developed a definition of social value by assessing needs and priorities (see Step 3 in Section 3). Housing Providers should use a transparent, independent, robust and consistent approach to defining their social value outcomes.

HACT's Social Value Bank can be used for this purpose. When considering what social value its wants to generate through procurement a Housing Provider should consult this list of outcomes and select those that primarily fit with its social value priorities for this procurement.

Housing Providers should use these outcomes in line with the guidance, which can be found here:

Employment
Full-time employment
Self-Employment
Part-time employment
Government Training Scheme
Secure job
Apprenticeship
Vocational training
Regular volunteering
Regular attendance at voluntary or local organisation
General training for job
Employment training
Employed parent for children (11–15)
Environmental
No problem with teenagers hanging around
No problem with vandalism/graffiti
Not worried about crime
No problem with anti-social behaviour
Police do good job
No litter problems
Able to obtain advice locally
Good neighbourhood
Feel belonging to neighbourhood
Talks to neighbours regularly
Health
High confidence
Relief from depression/anxiety (adult)
Good overall health
Relief from drug/alcohol problems



Smoking cessation
Feel in control of life
Can rely on family
Financial
Debt-free
Afford to keep house well-decorated
Able to save regularly
Relief from being heavily burdened with debt
Able to pay for housing
Financial comfort
Access to internet
Able to insure home contents
Youth
Go to youth clubs
Relief from depression/anxiety (youth)
Improvements in confidence (youth)
Married parents (youth)
Never arrested
Social
Member of social group
Active in tenants group
Sport
Football
Keep fit
Walking
Yoga or Pilates
Dance
Frequent moderate exercise
Frequent mild exercise
Hobbies
Gardening
Hobbies

Housing Providers should initially select outcomes that will be considered baseline or minimum requirements. For example, if the main social value priority for the procurement is improving employment prospects of tenants, the housing provider should select the outcomes it wishes to be achieved from the *employment* section of the social value bank. These will be the outcomes that bidding contractors must agree to deliver.

Subsequently, a Housing Provider could then provide further information about particular areas for contractors to offer 'additionality'. For example, if increasing exercise amongst tenants is not listed as a baseline/minimum requirement, but is a secondary priority, a contractor could opt to select outcomes from the *sport* section.

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A housing provider may draw on the Social Value Bank to develop a table of their requirements. For example:

Baseline requirements			
Outcome	Information	Number of outcomes	Evidence required
General training for job	People aged 16-24	30	Record of those attending
Full-time employment	Unemployed people aged 16-24	4	Record of individuals securing employment
Apprenticeships	People aged 16-24	2	Record of individuals securing apprenticeships
High confidence	People aged 16-24	10	Relevant survey question (refer to the Value Calculator)
Additionality			
Outcome	Specific requirements	Number of outcomes	Evidence required
<i>(Contractors to populate this section as part of their tender)</i>			

Those outcomes selected as baseline requirements and any additionality will be formalised as part of the contract by the Housing Provider by incorporating this into the Social Value Requirements Document (see Tool 4). This will also be reflected in the Social Value Requirements Method Statement and Plan, which the contractor is to complete as part of their bid (see Tools 15 and 16).

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Tool 3 – Soft market testing (social value) – example

The following notes provide an example of consultation undertaken with the market prior to a procurement process starting. This type of soft market testing should be carried out by a Housing Provider once it has established its priorities and key objectives in delivering social value. The aim being to assess the market's view on the feasibility and scale of outcomes that might be delivered via the new contract to be procured (see Step 5 in Section 3).

This example is provided by way of illustration only, and Housing Providers will need to tailor their approach and the questions asked in line with their individual circumstances and priorities.

Notes from Contractor Meeting: Soft Market Testing Social Value

Contractor Name and Meeting Date:

ABC Building Services (ABC)

01/06/2016

Background

ABC was originally founded as a repairs contractor in 1981 and now forms part of the ABC & Friends Group.

With over 750 employees and nearly 40 years' experience specialising in repairs and asset management, the ABC & Friends Group operates from headquarters in Birmingham, with a network of regional offices based in the Midlands. Core Services include:

Response repairs

Void works

Regeneration and redevelopment projects.

Operating Model

Operate UK wide but with activity centred around the Midlands

Specialise in repairs and maintenance but with sub-divisions offering M&E plus gas services

Engaged mainly in public sector and civic projects.

Notes of meeting as follows:

ABC currently deliver a range of contracts in the vicinity of XYZ Housing stock (extract below) for the following organisations:

- DEF Housing – Integrated Asset Management – 10 years – £18m per annum
- GHI Housing – Response Repairs and Voids – 5 years – £5m per annum

By way of background, we are exploring options to deliver social value outcomes through the new contract for repairs and maintenance. Our current preference is to let a partnering contract for 10 years, with an average annual value of £15M. On that basis, we would like to seek your views on what social value initiatives you feel would be appropriate to deliver through the contract and any requirements that would discourage you from bidding for the new contract.

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XYZ: *We would like the successful Contractor to provide full-time employment opportunities to unemployed residents aged between 16 and 24, which aren't apprenticeships. Is this something you provide/have provided elsewhere and how successful has that been?*

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ABC: We already offer work experience placements on a number of our contracts and would be keen to do likewise on this one. We have found that the key to successful placements is engagement with the local Job Centre Plus and also schools/colleges to arrange placements for those about to leave education without a firm follow on plan.

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XYZ: *We would also like to deliver apprenticeships to young people aged 16–24 through this contract. Given the term and estimated annual value, how many apprenticeships do you think you could support/commit to?*

ABC: We'd say that delivering 3 apprenticeships per year would be achievable for this contract – i.e. a maximum of three at any given time.

XYZ: *We would also like the new Contractor to provide general resident training to tenants aged 16–24 to improve their employability and ultimately help get them into employment. We are currently thinking of including a requirement to deliver training to 30 people for each year of the contract. What are your views on this?*

ABC: If delivered as group training, it seems reasonable that we could offer enough staff volunteer days to deliver sessions to 30 people over the year.

XYZ: *Getting young people into training and apprenticeships is not as simple as offering them. Do you have any proposals for how you could ensure you fill the training and apprenticeship places you make available?*

ABC: We regularly attend open days and job fairs, which we could extend to local schools and colleges. In the past we have also hosted site visits and work experience days, which have proven a great way to get sign-ups for work placements and apprenticeships.

XYZ: *An issue we have identified with our young residents gaining employment is not only lack of skills but low confidence levels. Accordingly we would like to include measures to raise the confidence of residents aged between 16–24. Do you have any thoughts on what you might be able to deliver that would achieve this outcome?*

ABC: In our experience the general training and apprenticeships previously discussed will contribute greatly to improving individual's confidence. Beyond this in the past we have run community projects, for which young people can volunteer. In these projects, with the support of our staff, young people are responsible for managing and delivering a project, such as landscaping community gardens or running a local football club. We have found this to have been successful in the past for improving the confidence and self-esteem or participants.

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Tool 4 – Social value requirements document – example

Below is an example of how a Social Value Requirements Document may be constructed and is intended for use by the Housing Provider. This is not intended to be a template and should be amended to meet your specific project requirements. The purpose of the Social Value Requirements Document is to capture the aims of the Housing Provider which have resulted from the scoping process (see Step-by-Step table, above), and the outcomes identified from the Social Value Bank (see Tool 2).

The Social Value Requirements Document should provide background and context to the social value that is being pursued in the procurement. It should set out which of the outcomes are being pursued and what the various targets and Minimum Levels of Acceptable Performance (MLAPs) are.

This document would first be used to advertise to the market what is being sought by the Housing Provider and provides the basis on which the market is to respond. This document would then be amended with the final agreed outcomes and targets and would capture any additionality secured from the procurement process and then form part of the Project Brief (a contract document).

When using a framework, the Document can be produced on the basis that the framework is likely to deliver a certain type and amount of work over its term. The specific social value outcomes can be selected on that understanding and the values can be estimated on the basis that a certain amount of work might be given to a contractor. Alternatively, the Housing Provider can provide tables for each specific type of project/contract that may be let under the framework but it is appreciated that this level of knowledge would not be known in most circumstances.

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A housing provider may draw on the Social Value Bank (see Tool 2) to develop a table of their requirements. This builds a social value programme which the bidders must commit to delivering. For example:

Baseline requirements			
Outcome	Specific requirements	Number of outcomes	Evidence required
General training for job	People aged 16-24	30	Record of those attending
Full-time employment	Unemployed people aged 16-24	4	Record of individuals securing employment
Apprenticeships	People aged 16-24	2	Record of individuals securing apprenticeships
High confidence	People aged 16-24	10	Relevant survey question (refer to the Value Calculator)
Additionality			
Outcome	Specific requirements	Number of outcomes	Evidence required
<i>(Contractors to populate this section as part of their tender)</i>			

Below is an example for XYZ Housing. Details should be amended for each contract.

1. Overarching Objectives

1.1 Promoting jobs, growth and fair pay is a key priority for XYZ Housing. There are 4,500 economically active people in contract area 123 – those in work or seeking work. Of these 3,500 are unemployed and seeking employment, of which 3,000 are actually claiming Jobseekers’ Allowance (JSA). This is a rate of x%, higher than the National Average average of y%.. Unemployment levels remain markedly high. Furthermore, when looking beyond just claimant figures what becomes apparent is that there is a higher number of residents who are ‘workless’; that is of working age but not in employment nor actively seeking employment.

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- 1.2 There is a strong relationship between worklessness, health, ethnicity and housing tenures, with many concentrated in social and private sector housing in our deprived wards. The Contractor will align its activities to support: continued convergence between XYZ Housing and employment averages; increased employment in the identified priority Districts; and achieving the objectives of the wider XYZ Housing Employment and Community Engagement Strategy. It is expected that the Contractor will work with XYZ Housing and existing partners, including the Voluntary and Community sector, to engage with residents.
- 1.3 XYZ Housing is committed to using this contract as an opportunity to maximise employment and training opportunities for people that reside within the contract area 123, particularly those that are furthest from the labour market, including those who could be active in the labour market but currently are not. XYZ Housing is committed to using this opportunity to improve access to employment opportunities for residents who reside in areas of entrenched worklessness.
- 1.4 The Contractor will work closely with XYZ Housing to deliver the objectives set out below in relation to training and employability social enterprises.
- 1.5 If the Asset Management is awarded as a standalone Contract it is a requirement that the Contractor will work collaboratively with XYZ Housing and [Enter other appropriate Contractor details] to develop a joint plan to deliver the Training and Employment objectives and this is likely to include the development of a formal strategic document that will set out the requirements of this collaboration.

2. Employment Opportunities

- 2.1 The Contractor shall offer a minimum of 4 “employment opportunities” for each year of the contract for unemployed residents, prioritising those residents aged 16–24 with a social housing tenancy, a XYZ Housing tenancy or residents who are currently unemployed. The Contractor will endeavour to provide full-time employment and career progression through these placements and will provide a quarterly summary report and annual report on progress against this target.
- 2.2 The Contractor shall liaise with XYZ Housing to fill such employment opportunities. “Employment opportunities” includes, but shall not be limited to, the following:
- Full time paid employment at “Living Wage”
 - Where part-time positions are offered, these opportunities shall be offered as a pro-rata proportion of the full-time equivalent, with the view that over the life time of the contract individuals will be supported to secure full time opportunities.

3. Apprenticeships

- 3.1 XYZ Housing expects to see progression route for apprentices over the lifetime of this contract and therefore expects to see how the Contractor will support apprentices move into substantive paid employment on completion of their apprenticeship.
- 3.2 The employment opportunities will therefore include a minimum of 2 work experience opportunities per year for the duration of the Term for unemployed persons aged 16–24

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- 3.3 All employment opportunities relating to the Contract and any other suitable employment opportunities within the Contractor's business, must be advertised locally.

4. Resident Training

- 4.1 The Contractor will provide training for a minimum of 30 residents per year of the contract. This training will be provided at a site within contract area 123 and will be open to anyone aged 16-24 who is a social housing tenant, a XYZ Housing tenant or is currently unemployed. There will be a cap of 10 people at each session. The topics for these sessions will be developed during mobilisation and scheduled over the first year.
- 4.2 Where the Contractor is unable to meet a particular training need of the trainee/recruit, the Contractor shall liaise with XYZ Housing to arrange such training. XYZ Housing shall provide such training to the trainee/recruit wherever reasonably possible to do so or source this training for them. The cost of XYZ Housing providing the training shall be borne by the Contractor.
- 4.3 The Contractor will nominate a lead individual to work with XYZ Housing to provide information to evidence the Contractor's adherence to these objectives.

5. Higher Confidence

- 5.1 The Contractor will work closely with XYZ Housing to run projects that will help increase the confidence of residents aged 16-24.
- 5.2 Through these projects the Contractor will help 10 residents aged 16-24. achieve high confidence per year of the Term.
- 5.3 The Contractor will be required to evidence individuals achieving high confidence where they did not before the project and the number doing so.

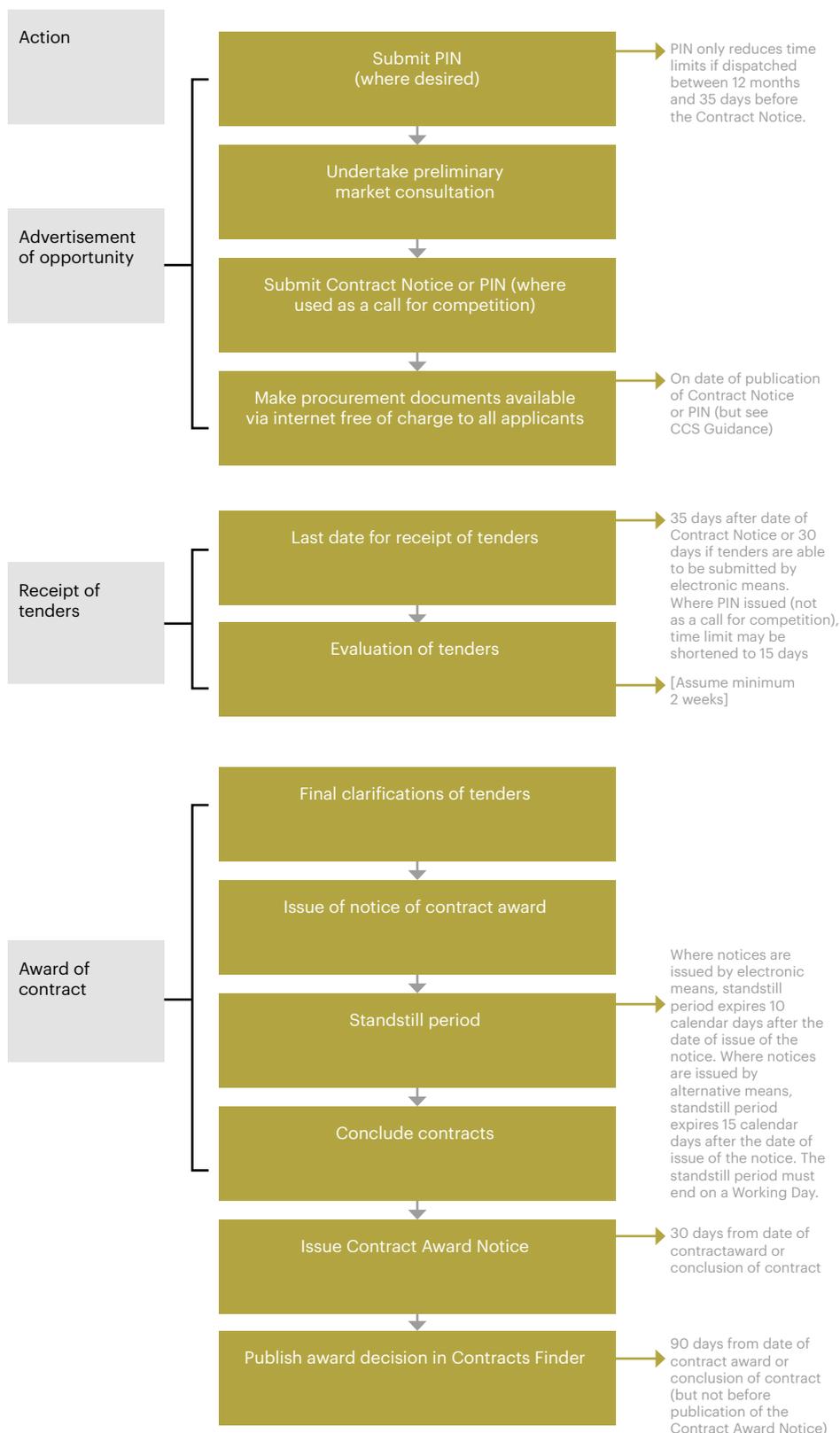
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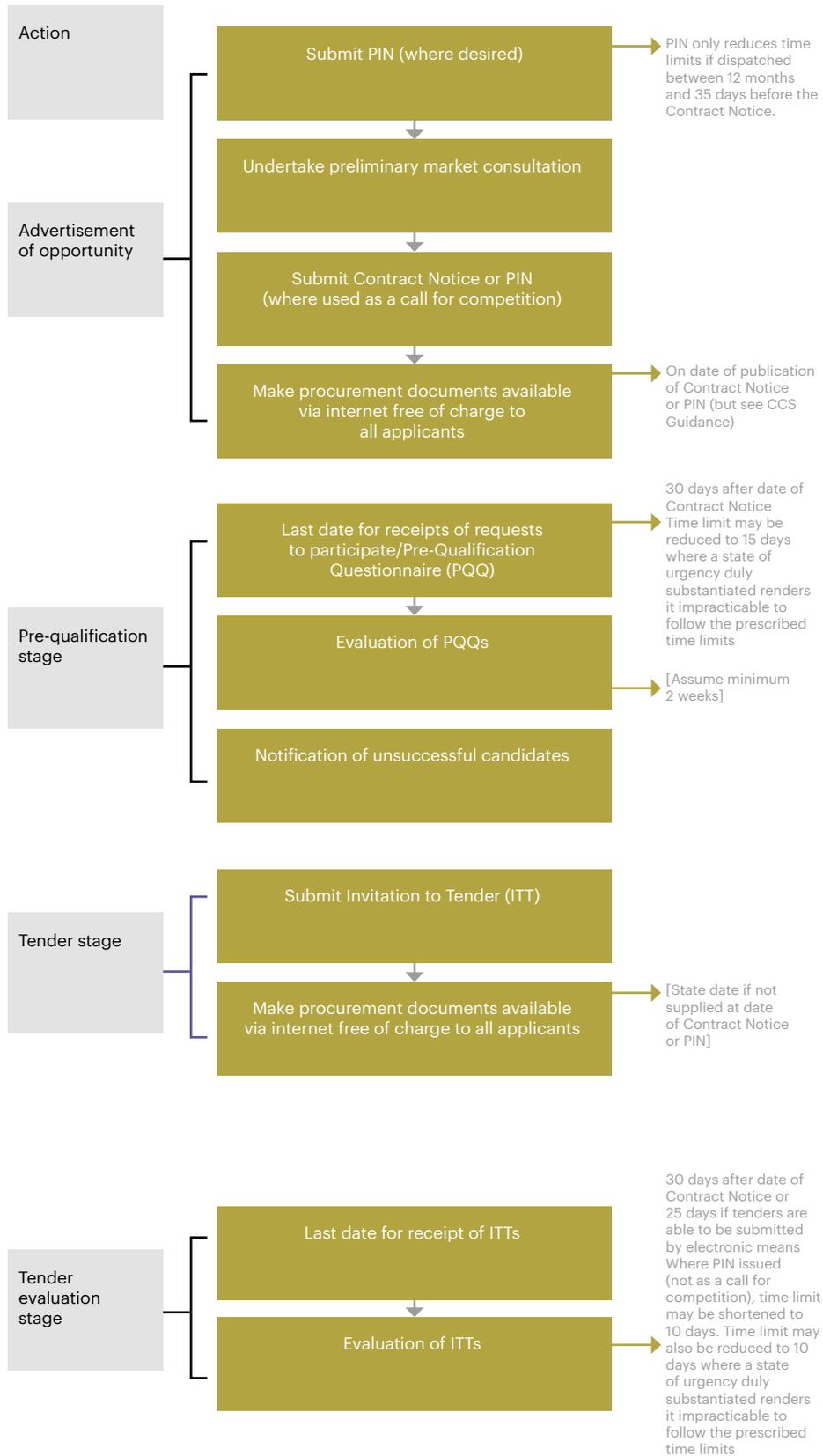
Tool 5 – Procurement processes

TIMETABLE FOR OPEN PROCEDURE



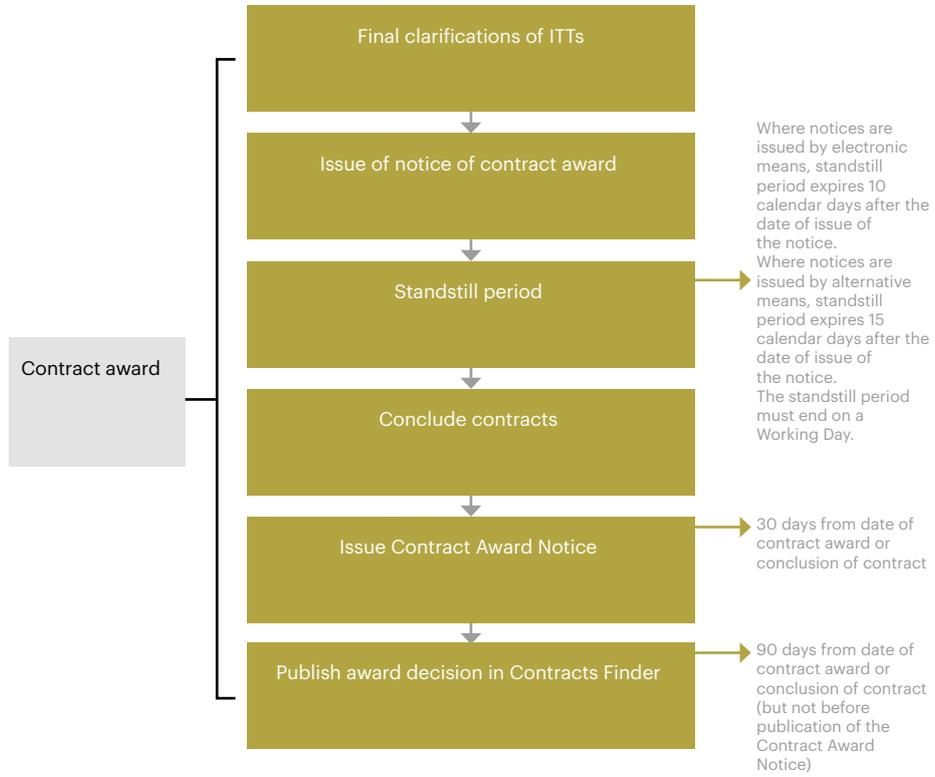
TIMETABLE FOR RESTRICTED PROCEDURE

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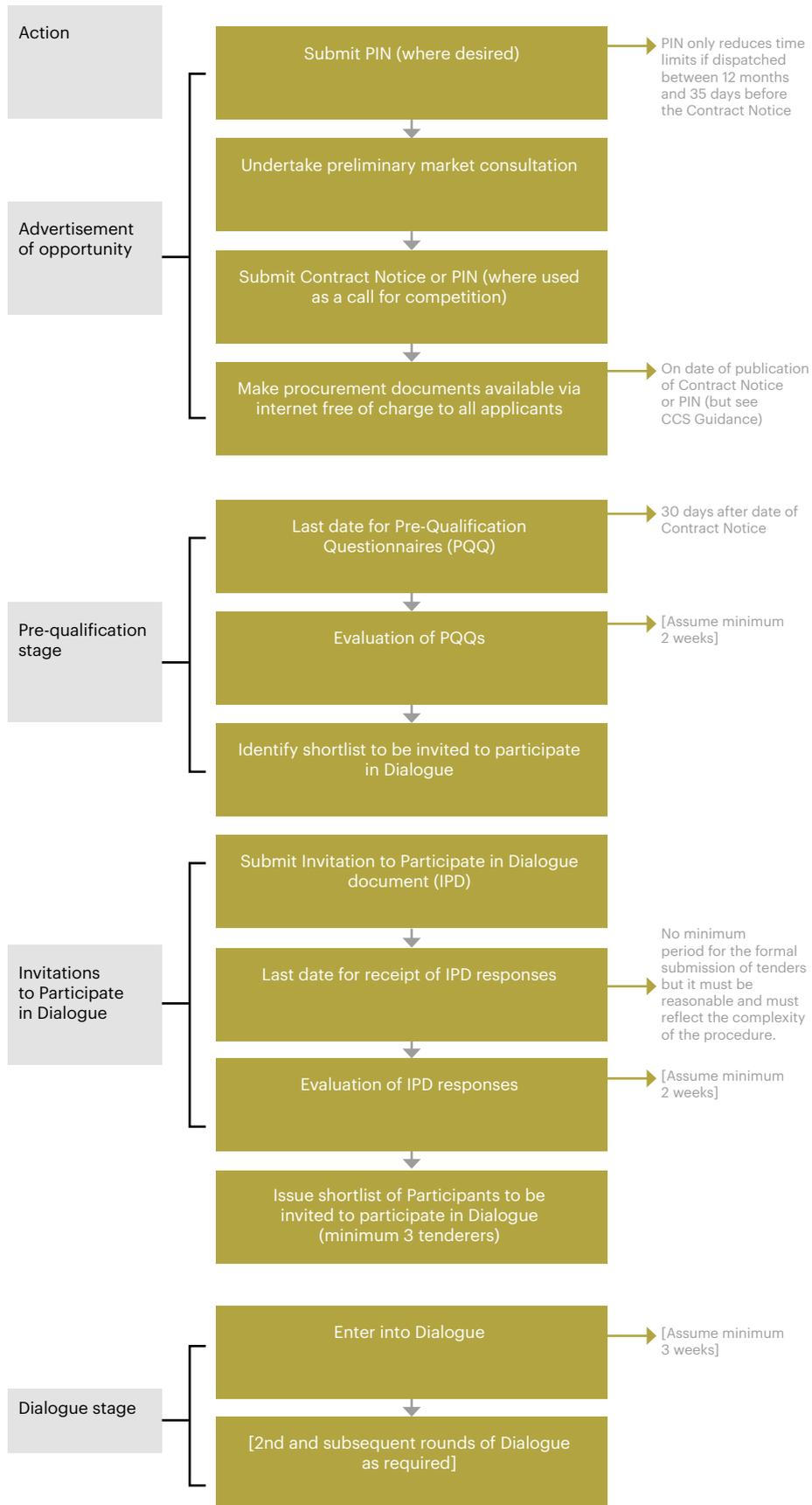
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TIMETABLE FOR RESTRICTED PROCEDURE



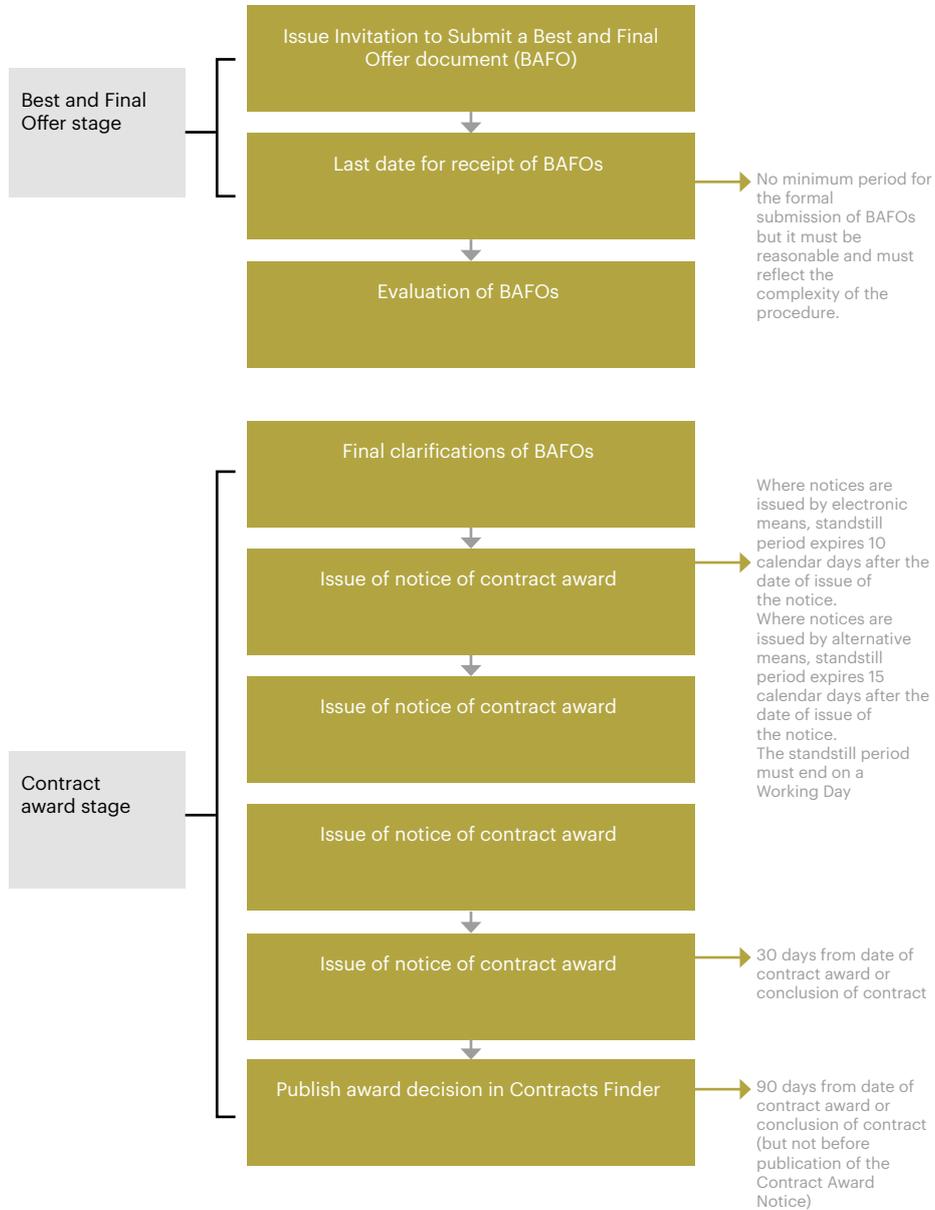
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TIMETABLE FOR COMPETITIVE DIALOGUE PROCEDURE



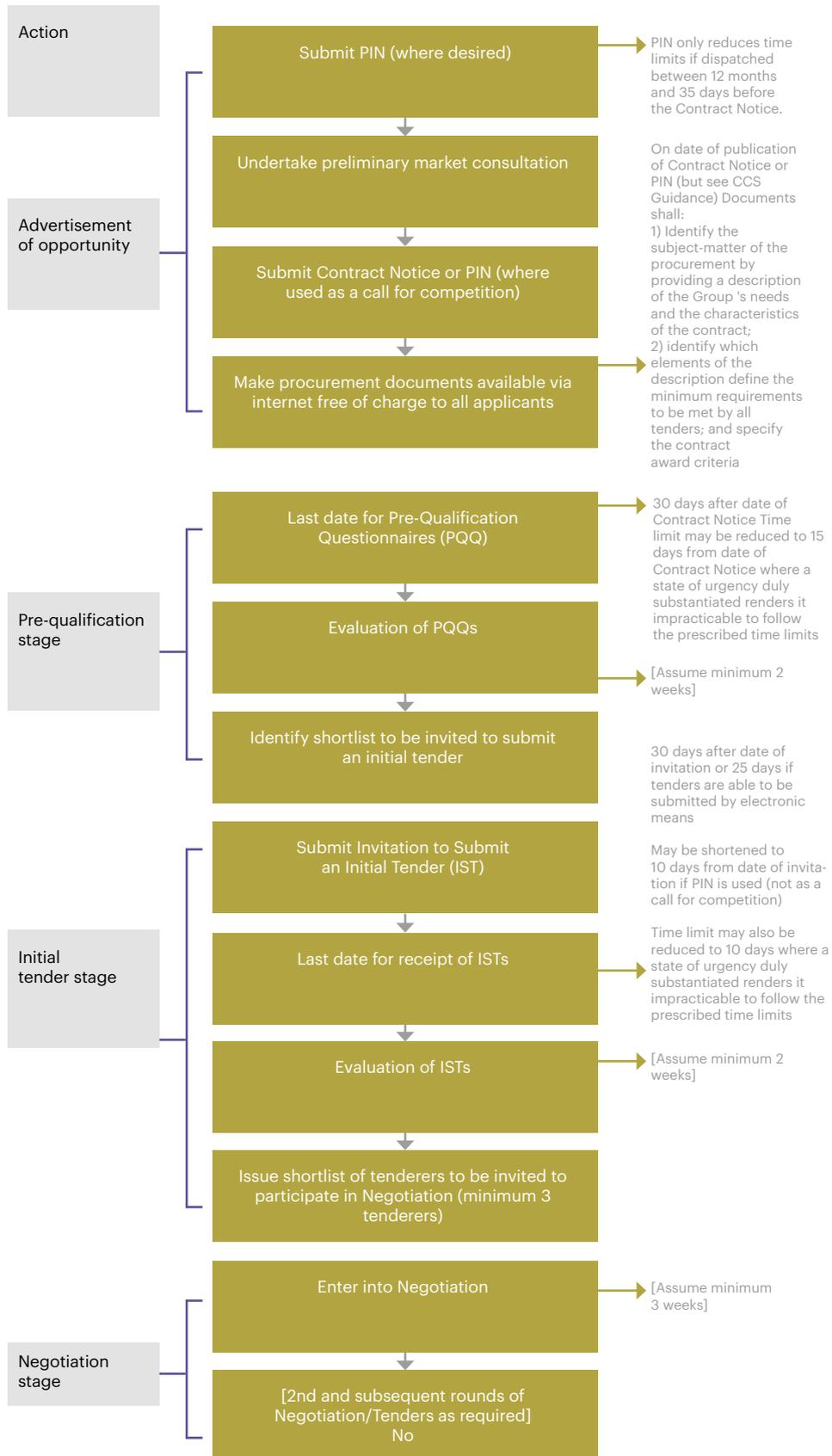
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TIMETABLE FOR COMPETITIVE DIALOGUE PROCEDURE



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TIMETABLE FOR PROCEDURE WITH NEGOTIATION



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TIMETABLE FOR PROCEDURE WITH NEGOTIATION



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Tool 6 – Example wording for the Contract Notice/PIN

The following is an example of the wording that can be inserted in the Housing Provider's Contract Notice/PIN when pursuing a social value programme in the procurement.

The Public Services (Social Value) Act 2012 requires Contracting Authorities to consider their obligations under that Act. Where this is applicable, the following wording should be inserted into Paragraph VI.3 – Additional information:

“Under the Public Services (Social Value) Act 2012 the contracting authority must consider:

- a. *How what is proposed to be procured might improve the economic, social and environmental well-being of the area where it exercises its functions; and*
- b. *How, in conducting the process of procurement, it might act with a view to securing that improvement.*

Accordingly, the subject matter of the contract has been scoped to take into account the priorities of the contracting authority relating to economic, social and environmental well-being. These priorities are described in the procurement documents [and are reflected in environmental and social characteristics in the evaluation criteria for the award of the contract].”

In addition, the following should be added to Paragraph III.2.2

“Under this [project] [contract] [programme] the [contractor] and its supply chain will be required to actively participate in the achievement of social and/or environmental policy objectives relating to recruitment and training and supply chain initiatives. Accordingly the contract performance conditions may relate in particular to social and environmental considerations.”

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Tool 7 – Example wording for a Pre-Qualification Questionnaire

The following questions can be inserted in the Housing Provider's Pre-Qualification Questionnaire. The Housing Provider should include questions relating only to those Social Value Requirements which are being included in the procurement. This means the questions you ask and the experience you require is relevant. These should assist in assessing a contractor's technical ability in relation to the skills needed to deliver the Social Value Requirements for the proposed project:

"Please detail your Organisation's previous experience in implementing [SELECT RELEVANT INITIATIVES: skills development, employment, apprenticeship or training schemes, working with schools/colleges/other education establishments to educate and mentor pupils/students, developing and implementing social regeneration schemes, working with communities to foster good relationships, working with communities to encourage good health, setting up or running sports programmes, implementation of the same through your supply chain] on similar programmes or projects. Please provide details of the value and scope of any such initiatives in relation to the value of these programmes or projects. Please also indicate if you are able to provide Housing Provider references for these initiatives, and if so, relevant contact details (eg name, address, job title, phone number and email address).

Provide details of how your Organisation achieved and implemented each initiative on a project specific basis whether pursuant to contractual commitments or otherwise and how you measured and evidenced your performance. Have you failed to meet any agreed targets or commitments relating to any of the above and, if so, why?"

Guidance can be issued alongside questions to demonstrate how an excellent response should look. (Please also see Tool 12.) An example is provided below: "An excellent answer is one that shows that the organisation has direct and relevant experience of delivering and implementing successful programmes of [detail relevant initiatives] of a similar value and scope to the proposed contract and has implemented initiatives in accordance with its contractual obligations and met all its agreed targets."

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Scoring grids should also be provided to explain how each standard is to be scored. An example is provided below:

Comment	Judgement	Marks available
Meets the expectations as to experience fully and exceeds the standard in some or all aspects.	Excellent	5
Meets the expectations as to experience fully but does not exceed them.	Good	4
Meets the expectations as to experience in the majority of aspects but not all.	Satisfactory	3
Meets some of the expectations as to experience but fails to meet the majority.	Unsatisfactory	2
Significantly fails to meet the expectations as to experience	Poor	1
Does not meet the expectations as to experience at all	Failed	0



Tool 8 – KPI Template

This tool sets out an example of how a Housing Provider and Contractor might measure and monitor the performance of the Contractor against the agreed social value requirements and targets within the procured Contract. It should be included, at least in draft form and along with all other proposed KPIs, within the tender documents and be finalised as part of the mobilisation process once the Contract has been awarded. Footnotes contained within this table provide additional guidance on where Housing Providers should reference other guidance and/or internal documents.

KPI (x)	Social Value
Purpose	To assess the effectiveness of the Contractor to deliver the Social Value requirements set out in the Contract. ¹
Strategic Objective	Delivering the Social Value Targets ²
Definitions	To measure the performance of the Contractor against the various initiatives and targets set out in the social value requirements as included in the Social Value Requirements Documents. ³
Method	<p>At the end of the quarter, the Contractor will provide <<Housing Provider>> with a summary report of progress against all the initiatives and targets set out in <<Appendix x>> and at the end of the year will provide a detailed report showing specific performance against each initiative and target.⁴</p> <p>The data will then be entered as a percentage of compliance against each target as follows:</p> <p>The measure will be the average of the individual performance measures for each target.</p>

1. Define your purpose for social value.
2. Link to your corporate objectives.
3. Cross reference to social value requirements in tender documents.
4. Link to specific requirements of your project.



Example	<p>At the end of the year the Contractor reports performance against the initiatives and targets as follows:⁵</p> <p>Training for people aged 16-24 target = 30 Number of outcomes = 27 Performance = 90%</p> <p>Full time employment for unemployed residents aged 16-24 target = 4 Number of outcomes = 4 Performance = 100%</p> <p>Apprenticeships target = 2 Number of outcomes = 2 Performance = 100%</p> <p>Improvements in confidence target = 10 Number of outcomes = 9 Performance = 90%</p>
Target	100% compliance with targets ⁶
MLAP	90% compliance with targets ⁷
Measurement	Scored annually but tracked quarterly ⁸
Scorer	Scored by Contractor ⁹
Variable Profit	<p>xx% –</p> <p>Variable Profit is to be reconciled with annual performance¹⁰</p>

5. Always show a worked example.
6. Define your target.
7. Agree the minimum level of acceptable performance you are prepared to accept.
8. Define measurement period.
9. Define scorer.
10. Link to variable profit payment if applicable.

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Tool 9 – Example wording for invitation document

The example clauses provided below can be inserted into an Invitation to Tender (e.g. Restricted Procedure). When using Dialogue-based/Negotiated procedures, please note that these can also be used in Invitations to Submit Outline Solutions and Invitations to Submit Final Tenders, but they should be tailored so that they reflect the specific the requirements of each stage of the iterative process.

The clauses below are based on the various outcomes that the Housing Provider may have selected from the Social Value Bank (see Tool 2) and the outcomes that should appear in the Social Value Requirements Document (see Tool 4).

The terms used in these clauses rely on the structure of the procurement documents being as set out in the Toolkit. As a brief summary, the Social Value Requirements are structured as follows:

- the Social Value Requirements Document (Tool 4) sets out the project-specific Social Value Requirements (each an outcome) which must be met (e.g., people in work);
- against each Social Value Requirement there is an outcome, which is the specific number/amount/level/etc. to be achieved (e.g. 10 people in work);
- Bidders must sign up to meeting this in a Social Value Requirements Method Statement, which acts as their promise to meet the Social Value Requirements Document and can be built into the contract. Bidders can exceed the outcomes and the Housing Provider may reward this in accordance with the evaluation criteria. Bidders can also be asked to add further Requirements. ('Additionality');
- Bidders must then explain when they are to meet/adhere to their Social Value Requirements Method Statement by producing a Social Value Requirements Plan. This is used to demonstrate the timing of the delivery of the various outcomes as set in the Social Value Requirements Method Statement.

"Bidders are required to set out a Social Value Requirements Method Statement and Social Value Requirements Plan which unequivocally confirms that the Bidder will comply with the Social Value Requirements Document and which includes any additionality the Bidder is offering."

Tender Action Point 1: Social Value Requirements Method Statement

Bidders are required to provide a detailed Social Value Requirements Method Statement setting out how they intend to implement the Social Value Requirements Document (including any additionality propose by the Bidder). The Social Value Requirements Method Statement should cover the following:

- Who in the organisation will be responsible for managing the delivery of the relevant social value outcome(s)?
- Which third party providers (if any) are to be involved in delivering the outcome(s)?
- [How will your results against the outcome(s) be measured?]
- How will you ensure you achieve or exceed the outcome(s)?

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- How is your supply chain going to be involved in the delivery of the outcome(s)?
- How will health and safety issues be managed?
- Set out your proposals in respect of any further outcomes to be delivered in relation to the Project? Please provide details of specific proposed outcomes and their values (calculated in accordance with the HACT Wellbeing Valuation Approach).

Details about the benchmarks for delivery are provided in the Social Value Requirements Document and set out the minimum outcomes for the Social Value Requirement Method Statement to address. Bidders are to use their own judgement as to what additional outcomes they consider are achievable in relation to the Project.

Tender Action Point 2: Social Value Requirements Plan

Bidders are required to complete a Social Value Requirements Plan covering the Social Value Requirements which are to be delivered as part of the Project. Bidders should ensure this is in line with their Social Value Requirements Method Statement. Bidders should also ensure that the Plan details the delivery, timing and milestones of each outcome both as set out in the Housing Provider’s Social Value Requirements Document and the Contractor’s additionality offer as detailed in their Social Value Method Statement.

Bidders should detail the timing of delivery in their Social Value Requirements Plan on a [weekly/monthly/quarterly] basis.

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Tool 10 – Example tender evaluation criteria

The following is an example tender quality evaluation process. Housing Providers should develop or amend this example as necessary to reflect the specifics of their tender and their commercial objectives.

“The successful Tender Proposal will be chosen as the one that achieves the best overall scores. The Tender Proposals will be assessed according to the criteria set out below and in proportion to the following weighting:

(a) **Quality – []%**

A maximum of []% of the marks available will be allocated to the qualitative submissions. The criteria and weightings are set out below.

(b) **Commercial – []%**

A maximum of []% of marks available will be allocated according to the information submitted in the financial submission.

Quality Question Number	Description of criteria and sub-criteria	Weighting
1.	Acceptance of contract terms and conditions	Pass/Fail/[]% score
2.	Acceptance of the Social Value Requirements Document	Pass/Fail/[]% score
3.	Proposes further social value outcomes which are in addition to those set out in the Social Value Requirements Document (by either delivering more of the stated social value outcomes or delivering additional social value outcomes) These should be set out in the Social Value Requirements Method Statement and Plan.	[]% split as follows: [Housing Provider to consider how to evaluate additionality. This must be structured so that responses can be evaluated in a like-for-like and transparent manner. A possible method would be to set out in the Social Value Requirements Document a £amount of additional social value which the Housing Provider would like to gain; the scoring (0–5, as below) can then be aligned to how much of this additional value they offer (e.g. up to £100,000 additional value, 0 = no additional value, 1 = £0-£20,000, 2 = £20,001-£40,000, 3 = £40,001-£60,000, 4 = £60,001-£80,000, 5 = £80,001-£100,000.) Method Statement: []% Plan: []%

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Each of the Quality evaluation criteria set out above (except where marked on a pass/fail basis) will be marked out of 5, using the scoring scale noted [below] and will then be weighted in accordance with the percentage weightings noted above.

Comment	Judgement	Marks available
Meets the standard in all aspects and exceeds the standard in some or all of those aspects	Excellent	5
Meets the standard in all aspects but does not exceed it	Good	4
Meets the standard in the majority of aspects but fails some	Satisfactory	3
Fails to meet the standards in the majority of aspects but meets in some	Unsatisfactory	2
Significantly fails to meet the standard	Poor	1
Completely fails to meet the standard	Failed	0



Tool 11 – Social value as part of the commercial model

Bidder Name:		XYZ Building Services		
Social Value				
<p>The entries given below are examples only and would be modified to reflect the requirements of the Project Brief plus any 'additionality' proposals being made by each Bidder. Clarification would be required as to whether the tender values entered here are additional to the other tender rates and prices being submitted by each Bidder (i.e. their rates to deliver the contract works/services/supplies) or if the costs below should already be included in the other tender prices and are therefore for information only in order to quantify social value outputs against inputs.</p>				
Section	Description	Detail	Tender Value (Annual Price) £	Supporting Details Provided
A	Social Value	Training Academy - financial contribution	0.00	Include direct and indirect costs
		Training Academy - other resources	0.00	Include direct and indirect costs
		Non-apprenticeship training opportunities (X per annum)	0.00	Include direct and indirect costs
		Support disadvantaged unemployed residents (X per annum)	0.00	Include direct and indirect costs
		Work experience for (X) residents for up to (X) weeks per annum	0.00	Include direct and indirect costs
		Apprenticeships (X per annum)	0.00	Include direct and indirect costs
		Pre-apprenticeships (X per annum)	0.00	Include direct and indirect costs
		Engagement with schools and colleges (X per annum)	0.00	Include direct and indirect costs
		1:1 mentoring service (X pupils per annum)	0.00	Include direct and indirect costs
		School/college site visit(s) (X per annum)	0.00	Include direct and indirect costs
		Attend (enter number) business/educational/community/resident forums	0.00	Include direct and indirect costs
		Exhibition/sponsorship costs at careers events (X per annum)	0.00	Include direct and indirect costs
		Resident training (X days per annum)	0.00	Include direct and indirect costs
		Engage with and utilise local supply chain; report back to Client	0.00	Include direct and indirect costs
		Meet the Buyer' event(s) (X per annum)	0.00	Include direct and indirect costs
		Additional Proposal 1	0.00	Include direct and indirect costs
Additional Proposal 2	0.00	Include direct and indirect costs		
Additional Proposal 3	0.00	Include direct and indirect costs		
Total carried forward to Tender Summary			0.00	

NB: For illustrative purposes only. Please consult the Excel sheet in the downloadable Tool Bank.

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Tool 12 – Responding to tenders: Guidance for contractors

1. It is important that that contractors carefully consider how they can respond to a Housing Provider's social value requirements. Given that any social value proposals made by a contractor will become contractual obligations in the event of being awarded the contract, it is vital to make sure that proposals are realistic. Contractors must make sure that they are not overpromising: proposed social value creation needs to be considered in relation to contract length and value, alongside a contractor's specific expertise, capacity and resource.

Capacity and resource must be considered not only for the delivery of social value but for measuring and evidencing it. There are a wide range of things contractors could propose to deliver social value, however measuring the social value of some will undoubtedly be tougher than others. For example, if HACT's Wellbeing Valuation Approach is being used there are certain outcomes that require a survey to be carried out to evidence the social value created, whilst others simply require records of attendance (see Section 6 – Wellbeing Valuation). A contractor would have to consider whether it has the resource and capacity to carry out these surveys and take this into consideration when deciding what social value outcomes it proposes to achieve.

2. A contractor needs to ensure it complies with, and has understood, whatever methodology a Housing Provider has indicated it wishes to use for measurement and reporting of social value. If the Housing Provider has asked the contractor to use HACT's Wellbeing Valuation, Section 6 offers an explanation of the methodology, with fuller explanation available if desired in the [Wellbeing Valuation Guide](#).¹¹

The most important point to note for contractors responding to social value requirements is to focus on *outcomes* rather than the projects themselves. It is not the projects that are valuable to housing providers, but the benefits they create for individuals and the community.

This applies particularly if using Wellbeing Valuation, which values only social value outcomes achieved, not the process to achieve them. If the Housing Provider has asked for 100 volunteering days, the contractor should value what benefit that volunteering will give to the community, *not* the volunteering itself. For example, a contractor may propose to use its offered volunteer days run a local football club for young people because ASB is a significant issue in an area. The value offered by this is not in the volunteering, but in the addressing of ASB and getting the participants involved in an activity, so this is what should be measured.

11. www.hact.org.uk/measuring-social-impact-community-investment-guide-using-wellbeing-valuation-approach

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In other cases, the immediate outcome of an intervention may not be measurable using the Social Value Bank. For example if a contractor set up an initiative offering free childcare to single parents, there is no childcare value to be claimed within the methodology. Once again, the contractor should think what the actual advantage of this project is to the housing provider. In the case of a childcare scheme, it is not the childcare itself, but what the single parents are able to do with the free time this offers them. For example, being free up from childcare may allow an individual to attend training or start a part time job. These are the outcomes that are valuable to the Housing Provider, and therefore these are what should be claimed as social value generated by the contractor.

Moving to a more outcome-focused measurement approach should offer contractors more scope to differentiate their social value offer. In particular with regards to volunteer days, a very common ask from a housing provider. For example, a contractor that has really considered its expertise may offer to use its volunteer days to provide cv workshops, skills workshops, football sessions or a whole range of valuable things. This contractor's social value offer would therefore likely be much higher than a competitor that is proposing the traditional model of using volunteer days to plant community gardens or paint community buildings, which do not necessarily take advantage of staff expertise.

3. A contractor may be requested by a Housing Provider to deliver things that are not measurable within certain approaches. For example, if using the Social Value Bank, coffee mornings would not be a measurable outcome. In these situations a contractor should still include any such projects in their bid. This is where it is important to develop a narrative around the social value offer, that incorporates both measurable and non-measurable things and explains how the offer as a whole offers value and how the various elements fit together and will benefit the community.

Another common ask that may not be immediately measurable is local economic impact. Many Housing Providers may stipulate that they would like a contractor to commit to using local suppliers and labour as far as possible (although they are unable to do this under an EU-regulated/above threshold procurement). Subscribers to HACT's Value Insight tool can use the 'Local Economy' feature to generate figures for their investment in the local economy, whilst there are a range of other methodologies that could be used to capture the benefit of this. Once again, whilst this may not be a measurable social value impact, it should nonetheless be incorporated into bids, with the previously mentioned narrative tying together the various strands of what is being proposed.

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Checklist

- Complied with and understood the Housing Provider's suggested measurement methodology.
- Considered the resource required to measure the outcomes proposed.
- Considered specific expertise, resource and capacity to develop a realistic and deliverable offer and to avoid 'overpromising'.
- Considered the value to the community of proposed projects and selected outcomes accordingly.
- Made intelligent use of staff expertise in proposed projects, particularly with regard to volunteer days offered.
- Included any non-measurable outcomes and proposed local economic impact.
- Created a coherent narrative around the social value offer as a whole and the benefits it will bring to a) the community and b) the Housing Provider.
- Considered the cost of delivery of social value (see Tools 13 and 14).
- If requested to show detail on costs and/or prices for delivering specific social value interventions, consider cost of delivery, price quoted to the client and how that relates to the value generated.

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Tool 13 – Social value costs checklist for contractors

This checklist is for bidding contractors to ensure they have included relevant elements in their calculation of the cost of delivery, where they have been required to do so.

There are a variety of costs a project could incur. Some of these are direct costs, such as salaries for staff directly involved in the delivery of a project. Others are indirect costs, such as administration costs that are normally spread over many projects, and these costs will need apportioned to the delivery of the specific project (or element of a project) when reporting on social value generated. The costs listed below are divided by these direct and indirect costs for the purposes of aiding in the calculation of the cost of delivery.

Where contractors are required to supply the costs of the delivery of social value elements by Housing Providers, if they are requested to do so using the detailed model ([option 3, see section 5](#)), the cost of delivery will need to be broken down by each outcome (e.g. employment opportunities, apprenticeships, youth clubs). Also see the Cost Collection Tool ([Tool 14](#)) for further information.

Contractors have a responsibility to do so as accurately and realistically as possible. This list is *not* exhaustive and could include many more elements. Particularly when working alongside multiple organisations and delivery partners, it is expected that there will be an element of estimation, particularly around pro-rata calculations.

DIRECT COSTS

These costs can be completely attributed to the production of specific goods or services. Direct costs refer to materials, labour and expenses related to the production of a product or delivery of a service.

- Staff Salaries** – salaries for staff involved in the intervention (pro-rata for those who spend a proportion of their working week on activities not related to the project)
- Staff overheads** – National Insurance, annual leave, sick pay, health and life insurance pension costs, and any other staff benefit for these staff (again pro-rata for staff who do not work full-time on the project).
- Staff Travel and Subsistence** – particularly important for staff involved in outreach activities.
- Material, supplies and equipment**
- Partnership funding** – joint projects must include the full budget (rather than just the bidder's contribution)
- Partner staffing** – partner staff costs (pro-rata for staff who do not work full-time on the project)
- In kind** – for example free space (can be assessed by using information on venue hire costs and then multiplying by these costs by the amount of time projects will use the venue)

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- Subcontractors** – the cost of subcontractors you hire to perform specialist tasks, such as a consultant, electrician or plumber
- Rental costs**
- Volunteer staff time** – it is recommended that the bidder uses Volunteering England’s advice on how to value the time given by volunteers to a project.

INDIRECT COSTS

These are more difficult to assign to a specific good or service and are therefore considered to be in-direct costs.

- Administration**
- Office resources**
Repairs and maintenance
- Overhead costs** – rent and utility costs, non-temporary space rented (this can be calculated by an average percentage addition to total staff costs)
- Management costs** – a portion of the salaries of upper managers and staff who provide admin duties (pro-rata for staff who do not work full-time on the project)
- Volunteer management costs** – volunteer management time and resources (pro-rata for staff who do not work full-time on the project)

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Tool 15 – Social value requirements plan

The Social Value Requirements Plan is the document provided by the contractor which puts timescales for the implementation of the Social Value Requirements Document (Tool 4) as detailed in the contractor's Method Statement (Tool 16) (eg it is a timetable/programme that reflects the delivery timescales set out in the Method Statement).

The contractor should identify key milestones in the project and indicate when relevant actions need to be taken.

If targets have been set for each month/year/etc. then the contractor should set out what these are and when these targets are going to be achieved.

This can be presented as a table with each of the social value requirements set out as rows and relevant time periods as columns (e.g. month 1, month 2, etc.).

When using a framework agreement, the Plan is indicative of what the contractor would set out to achieve, based on basic facts about the type of projects/contracts which might be called-off/awarded under the framework. Upon a call-off or direct award of a contract, a specific plan for that project should be produced.

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Tool 16 – Social value requirements method statement

The Social Value Requirements Method Statement is the document provided by each Bidder which sets out the details and mechanics around how the outcomes in the Housing Provider's Social Value Requirements Document are going to be achieved. This document will be developed and refined from the one provided at tender stage to ensure that all information regarding the delivery of the Housing Provider's Social Value Requirements is included therein.

When using a framework agreement, a project-specific Social Value Requirements Method Statement should be produced for each individual project, which will be derived from a generic Social Value Requirements Method Statement developed for the entire framework programme.

The specific content shall change to suit each procurement but could include the following:

- A commitment from the contractor that they are to meet the objectives as set out in the Social Value Requirements Document
- Detail (eg name, job title and contact details) of who in the Contractor's organisation will be responsible for managing delivery of the Social Value Requirements and overseeing the proposals?
- Which third party or in-house providers (if any) will be involved with the delivery of the Social Value Requirements (e.g. training providers)?
- What specific types of the different Social Value Requirements (e.g. training) are expected to be offered (i.e. traditional, specialist, shared, advanced, etc.)?
- How will the targets, as set out in the Social Value Requirements Document, be delivered?
- How will health and safety issues be managed?
- What actions will be taken to ensure the support of trade contractors and sub-contractors working on the project?
- How will compliance be managed (and monitored) with respect to organising trade contractors and subcontractors?

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Tool 17 – Example terms of contract

The clauses below are examples only and are not designed to be used as templates. They should be reviewed carefully and amended to suit the needs of your specific project requirements. We strongly recommend you seek legal advice. The authors cannot accept any liability for their use.

Example terms and conditions of contract

Note on Framework Agreements: if a framework is being used, the drafting may need to be adjusted and the definitions added to. In the case of a framework, the Social Value Requirements Document, Method Statement and Plan would have two layers – a framework layer and a call-off/project-specific layer. The framework layer would be submitted as part of the original tender process and built into the framework and would set out a social value programme for the framework. This programme would be made more specific for individual call-offs (see the Social Value Requirements Document, Method Statement and Plan Tools, above, for notes on framework versions). As part of the call-off process, the project-specific layers would be tendered and should be in line with the framework-specific layers. In the case of direct award, there should be a pre-agreed process which determines what these project-specific layers should include; in the case of competitive call-offs ('mini-competition') they can be tendered competitively against pre-set award criteria.

For inclusion in the project contract. The contract is referred to as the "Agreement" below.

Definitions:

"Core Group" shall comprise the following representatives from the [Client / Housing Provider] and the [Contractor][and any other relevant organisation, such as sub-contractors]:

[] (the [Client / Housing Provider] Representative)
 [] (the Contractor Representative)
 []

"KPIs" means the key performance indicators, set out at Appendix [], which comprise the targets of performance of each social value outcome, as set out in the Social Value Requirements Plan;

"MLAP" means the minimum level of acceptable performance against each social value outcome as set out in Appendix [] (KPIs);

"Social Value Data Form" means the forms set out at Appendix []¹²;

"Social Value Requirements Document" means the document setting out the [Client / Housing Provider]'s preferred social value outcomes for the [Project] forming part of the [Project Brief];

"Social Value Requirements Method Statement" means the method statement produced by the Contractor and forming part of this Agreement, which sets out in detail how the [Contractor] shall implement the Social Value Requirements Document;

12. It is assumed that these are the forms included in the HACT Value Calculator.

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"**Social Value Requirements Plan**" means the plan and timetable produced by the [Contractor] forming part of this Agreement which shall be used by the [Contractor] to implement the Social Value Requirements Method Statement;

["**Term**"] means the duration of this Agreement;¹³

"**Variable Profit**" means the percentage of profit allocated to the targets of achievement of all or any one of the KPIs above the relevant MLAP for each relevant outcome as calculated in accordance with [the price framework];

"**Project**" means the project (including all incidental activities) as described in this Agreement;

"**Project Brief**" means the brief provided by the [Client / Housing Provider] in relation to the Project as set out in Appendix [] which includes the Social Value Requirements Document;

"**Working Day**" means Monday to Friday inclusive but not any public holiday;

Operative clauses:

Incorporation of Social Value Requirements Document, Social Value Requirements Method Statement and Social Value Requirements Plan into the contract terms

- 1 The [Contractor] shall deliver on the Social Value Requirements Document in accordance with the Social Value Requirements Method Statement and the Social Value Requirements Plan. If there are any discrepancies between the Social Value Requirements Document, Social Value Requirements Method Statement and the Social Value Requirements Plan, the priority of the documents shall be as follows:
 - (a) Social Value Requirements Document;
 - (b) Social Value Requirements Method Statement;
 - (c) Social Value Requirements Plan.

Review of performance/KPIs

- 2 The Core Group members shall continuously review the performance of the [Contractor] against the KPIs during the Term.
 - 2.1 The Core Group shall assess the performance of the [Contractor] by reference to the KPIs on a quarterly basis at a Core Group meeting (each a "Review").
 - 2.2 The [Contractor] shall provide to the Core Group, no less than five (5) Working Days in advance of each Review, data set out in a Social Value Data Form to demonstrate their progress against the KPIs for the period of one quarter, starting from the day after the latest day of data submitted for the preceding Review.
 - 2.3 If as part of any Review the [Contractor] is found to have failed to achieve all or any one of the KPIs or has failed to satisfy all or any one MLAP the [Client / Housing Provider] Representative shall, within ten (10) Working Days from the date of the relevant Review, issue to the [Contractor] and the [Client / Housing Provider] a report of the outcome of the Review notifying those failures in performance by the [Contractor].
 - 2.4 Within ten (10) Working Days from the issue of a report by the [Client / Housing Provider] Representative, the [Contractor] shall, in any case other

13. This is applicable to Term works.

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than failure to satisfy all or any one MLAP, submit to the [Client / Housing Provider] and the [Client / Housing Provider] Representative an action plan setting out how the [Contractor] intends to rectify the notified failures within a [one] ([1]) month period.

2.5 The [Client / Housing Provider] and the [Client / Housing Provider] Representative shall consider such proposals and amend or clarify them as appropriate and the [Client / Housing Provider] Representative shall issue the agreed finalised proposals as an emergency action plan (each an "Action Plan") and the [Contractor] shall implement the Action Plan forthwith.

2.6 Where the [Contractor] has achieved the relevant MLAP, the [Contractor] shall be entitled to payment of the allocated Variable Profit as calculated in [the price framework].¹⁴

2.7 In the event that:

2.7.1 the [Contractor] has failed to satisfy all or any one MLAP; or

2.7.2 the [Contractor] does not submit a draft Action Plan for review when required; or

2.7.3 the [Contractor] does not implement the Action Plan forthwith;

or

2.7.4 the Action Plan is implemented but at the end of [] month[s] from the date the Action Plan is issued by the [Client / Housing Provider] Representative, the [Contractor] is still failing to then the [Client / Housing Provider] may in its sole discretion [shorten the Term¹⁵] or [reduce the scope of works and services/omit certain works and services] or terminate the appointment of the [Contractor], in each case subject to the [Client / Housing Provider] giving the [Contractor] ten (10) Working Days prior written notice.

2.8 In the event the [Client / Housing Provider] issues a notice in accordance with paragraph [2.6] above in relation to [a shortening of the Term or a reduction in the scope of works and services], the [Client / Housing Provider]:

2.8.1 may choose not to issue [work] or may issue less [work] during the remainder of the Term and any guaranteed minimum value or number of [work] stated in the Project Brief shall no longer be applicable; and/or

2.8.2 shall be entitled to complete the [work] no longer to be carried out by the [Contractor], using others.¹⁶

2.9 In the event of the [Contractor] failing to meet all or any one MLAP in respect of any social value outcome, the [Client / Housing Provider] shall (provided that the [Client / Housing Provider] Representative has issued a notice of such failure in writing to the Contractor Representative and no less than ten (10) Working Days in advance) be entitled either to:

2.9.1 require the Contractor to pay to the [Client / Housing Provider] liquidated and ascertained damages at the rate stated for each KPI for the period in which the MLAP has not been met and the [Client / Housing Provider] may recover the same as a debt; or

2.9.2 deduct or withhold from monies otherwise due to the Contractor liquidated

14. There are a number of ways a Housing Provider can implement Variable Profit, which are explained in the Pricing section in this Toolkit. Advice should be sought on the implementation of these options.

15. This may only be relevant for term works rather than specific projects

16. Parties to consider the allocation of any increase in the cost of extra work

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and ascertained damages at the rate stated for each KPI for the period in which the MLAP has not been met.¹⁷

2.10¹⁸ Any liquidated and ascertained damages payable under clause [2.9] shall be payable [weekly] in arrears [and clause 2.10A shall apply].

[2.10 A Any sum due to the [Client / Housing Provider] from the [Contractor] (other than pursuant to [the final payment clause]) which the [Client / Housing Provider] does not deduct and/or withhold from sums due or to become due to the [Contractor] shall be due for payment on receipt of an application from the [Client / Housing Provider] by the [Contractor]. In such application the [Client / Housing Provider] shall specify the sum it considers to be due on the payment due date and the basis on which that sum is calculated. Within five (5) days of the payment due date the [Contractor] shall issue a notice confirming the sum that it considers to have been due on the payment due date and the basis on which that sum is calculated. If the [Contractor] fails to serve such notice the [Client / Housing Provider]'s application shall be treated as the payment notice. The final date for payment for any such sum applied for shall be the later of twenty (20) Working Days from the payment due date and fifteen (15) Working Days from the date of receipt by the [Contractor] of any required VAT invoice from the [Client / Housing Provider] in the same amount as the payment price.]

2.11 In the event of any termination pursuant to clause [2.7] or exercise by the [Client / Housing Provider] of its discretion [to reduce the scope of works and services/omit certain works and services] in [2.7/2.8] above, the [Contractor] shall not have a claim against the [Client / Housing Provider] (whether under contract, statute, tort or otherwise) in respect of any consequential loss or indirect loss or any actual or expected loss of profit, loss of revenue, loss of goodwill, or loss of opportunity other than payment for works already completed in accordance with the [contract].

2.12 *[The Core Group shall seek to agree and recommend for [Client / Housing Provider] approval such incentives, additional to any described in the Agreement, as may be appropriate to encourage the [Contractor] to maximise their efforts, pursuant to the Agreement, for the benefit of the Project.]*

Review of Social Value Requirements Document¹⁹

3 Every [12] months, the Core Group shall meet to discuss the social value outcomes as set out in the Social Value Requirements Document (each an "Outcome Review").

3.1 The Core Group shall share their views on whether the outcomes are delivering social value in line with the requirements of the [Client / Housing Provider]'s community. In assessing this, the Core Group may have regard to:²⁰

3.1.1 The social value strategy of the [Client / Housing Provider];

17. These figures **must** be set out if you wish to use this option. The £per day figure should be worked in accordance with the value of meeting each social value outcome (to the level of MLAP) which is devised by the HACT Value Calculator. For example, if the Social Value Outcome MLAP is 2 people in full-time work and that is worth £20,000 in a given year, and this MLAP is missed by 1 person for a quarter, the damages would be £2,500 (£10,000 per person, per year divided by 4 = £2,500)

18. The revised Construction Act (Housing Grants, Construction and Regeneration Act 1996) applies to all payments due under a construction contract and therefore the Housing Provider will need to ensure that any clauses allowing it to deduct amounts under the contract are compliant with the Act. Specialist legal advice should be sought prior to using this example clause.

19. As a general note, the risk of being challenged on a review/variation of a contract is higher towards the start of the term. This should be considered when undertaking a risk analysis when considering the use of this clause.

20. Housing Providers should give consideration to the factors which are relevant to them. For example, do they have a Social Value strategy, has this been shared with the Contractor?



- 3.1.2 Changes to the demographic of the community; and
- 3.1.3 The performance of the [Contractor] against the outcomes and KPIs.
- 3.2 If the Core Group concludes that the social value outcomes in the Social Value Requirements Document are no longer fit for purpose, then they shall submit a proposal for amending the outcomes (a "Social Value Change Proposal").
- 3.3 The Proposal can either:²¹
 - 3.3.1 Amend the targets for the outcome;
 - 3.3.2 Remove all or any one of the outcomes; and/or
 - 3.3.3 Create new outcomes provided that the amendments to the outcomes do not result in the social value wellbeing value, as calculated by the HACT Value Calculator, decreasing or increasing by more than [%] of the original value of the social value outcomes as agreed in the Social Value Requirements Document, Social Value Requirements Method Statement and Social Value Requirements Plan, as calculated by the HACT Value Calculator.²²
- 3.4 If the [Client / Housing Provider] Representative and the Contractor Representative are unable to agree the amendments to the outcome(s) at an Outcome Review, then the parties shall apply the decision hierarchy in the following sequence (each level of the hierarchy having five (5) Working Days to agree a solution, failing which the conflict is referred to the next named individuals in the sequence):

Client	Contract

- 3.5 If the decision hierarchy does not agree a solution acceptable to the parties, the [Client/Housing Provider] shall notify the [Contractor] of its required amendments to the Social Value Outcomes. In asserting its required amendments, the [Client/Housing Provider] shall act reasonably and without undue delay.
- 3.6 Termination of the appointment of the [Contractor] shall not affect the mutual rights and obligations of the [Contractor] or [Client / Housing Provider] accrued at the date of termination and the ongoing rights and obligations of the [Contractor] or [Client / Housing Provider] under clauses [] and [].²³

21. The parties should consider the allocation of costs of any changes.

22. The rules around variation of contracts are subject to the EU Regulations. Legal advice should be sought as to how far any individual social value outcome/KPI can be varied. The amount to which it can be varied depends on, inter alia, the relative weight it was given in the procurement and the effect of any change. If the social value outcome was particularly important when awarding the contract (i.e. was a major award criterion) then changing this could affect the "overall nature of the contract" and could prompt a challenge from any of the unsuccessful bidders in the original procurement.

23. Specific attention should be given to survivorship. Clauses such as liability, intellectual property and confidentiality should usually survive termination and the Housing Provider may therefore choose to include such clauses in its chosen form of contract.

Mobilisation tools



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Tool 19 – Guidance for the Core Group

The expectation is that the works/services that are being delivered will have some form of strategic governance such as a 'Core Group').

The Core Group will have a role under the contract to ensure the contract (including the social value offer) is delivered in accordance with the objectives set out in the contract. One of the roles should focus on the delivery and development of the social value offer.

It is suggested that the Core Group has defined terms of reference that are agreed by both the Housing Provider and contractor. The Core Group should comprise key stakeholders responsible for the delivery of social value from both the client organisation and the contractor as well as any other stakeholders directly involved in the delivery of social value (such as Job Centre Plus, Colleges, Local Authority leads, etc).

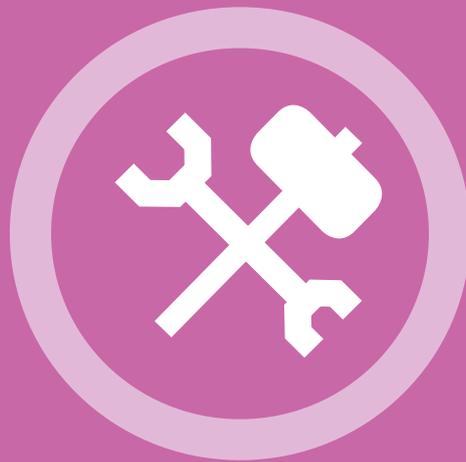
The Core Group should develop its own specific tasks and it is recommended the group should meet quarterly and provide a formal progress report after each meeting. In addition the Core Group should facilitate an annual review of how well the social value has been delivered plus the value added. The outputs of this review should inform the social value offer for the subsequent year of the contract.

Standing agenda items for the Core Group could include the following:

- **Delivery of Proposals** – close monitoring of delivery of social value offer in accordance with contractual offer
- **KPIs** – development and measurement of performance against stated social value KPIs
- **Collaboration** – ensuring that all parties are working together to deliver an integrated social value offer
- **Third party engagement** – identification of additional third parties that can add social value to the project (this could include inviting such organisations to attend Core Group meetings)
- **Initiatives** – all parties will be encouraged to bring new initiatives to the group
- **Risk** – development and management of a risk register in relation to delivery of the social value offer

Housing Providers may also want to consider cross-learning from their contract by arranging joint meetings of their Core Group with other organisations' Core Groups to develop joint learning and benchmarking with other organisations focussed on delivering social value.

Delivery tools





Tool 20 – Core Group example agenda

SOCIAL VALUE GROUP MEETING - DD/MM/YYYY

AGENDA

- 1.0 Introductions/apologies

- 2.0 Social Value Group Terms of Reference
 - Core purpose
 - Core activities/responsibilities
 - Group membership (including any co-optees)
 - Decision making

- 3.0 Review Social Value Offer
 - Agree/review baseline requirements
 - Agree/Review added value/additional offer

- 4.0 Progress Report
 - Review of actions from last meeting
 - Social Value Implementation Plan

- 5.0 KPI Review
 - Agree/review suite of KPIs
 - Agree/review target outcomes/performance
 - Measures for improvement

- 6.0 Risk Management
 - Develop/Review Risk Register

- 7.0 New Initiatives

- 8.0 Summary of Actions and Decisions

- 9.0 Any Other Business and Date of Next Meeting
 Actions from Social Value Group [Date]

Ref	Action Point	By Whom	Target Date
SV1			
SV2			
SV3			
SV4			
SV5			
SV6			
SV7			

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Tool 21 – Annual review and reset

The annual review should use the stated objectives and targets for social value as a checklist against which performance against delivery targets and the delivered benefits of each output should be collected and discussed by all parties to inform the subsequent year's social value targets.

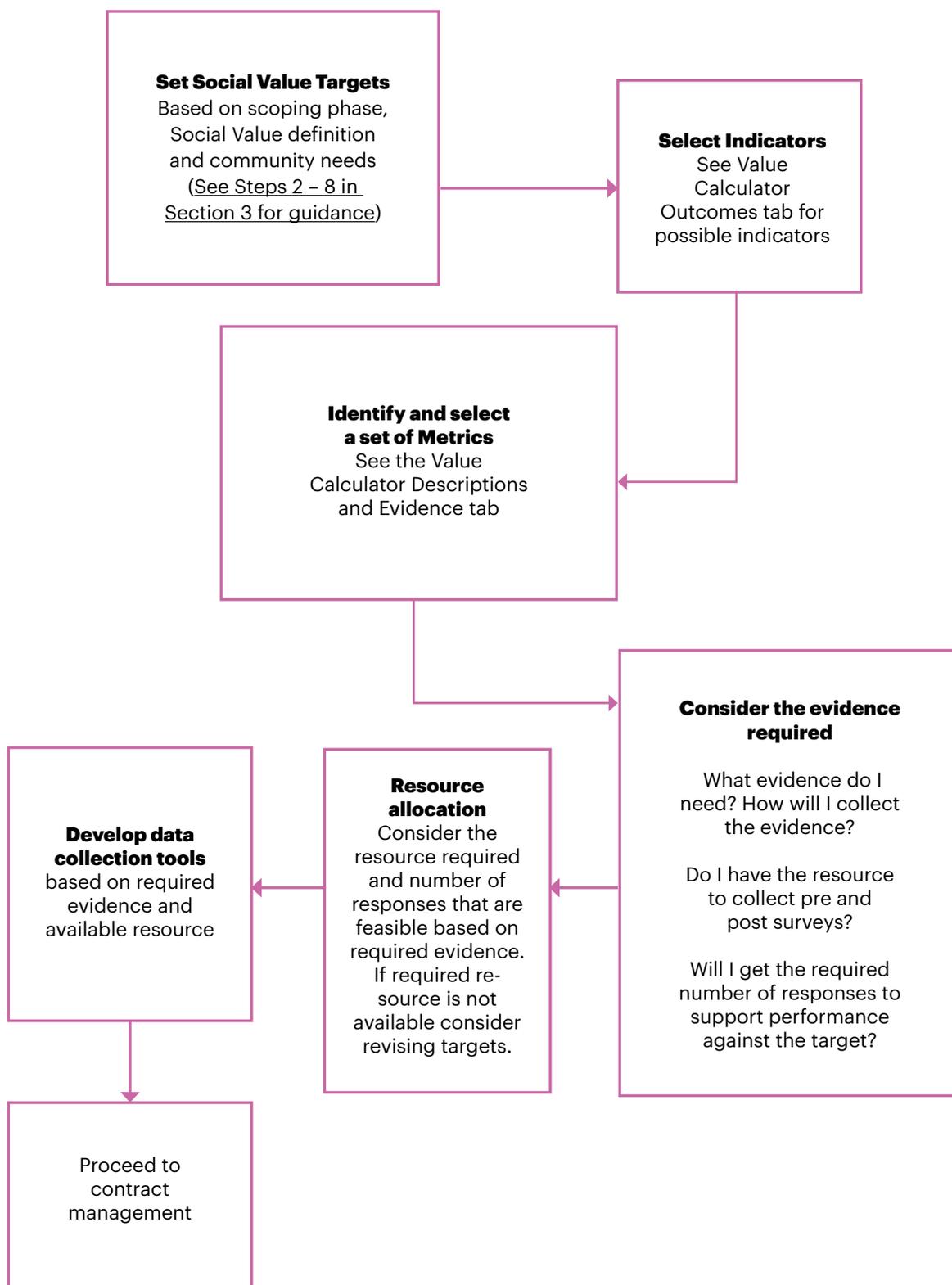
The checklist should be developed specifically against each client's stated objectives but should, as a minimum set out the objective, the target for delivery, the actual amount delivered and, where possible, the 'benefit' of this objective (for example the output cost less the input costs).

The following table is a suggested template for capturing the social value outputs at the end of the year to inform an annual review. For illustrative purposes we have include a line of dummy data.

Social Value Objective	Year 1 Client Target	Contractor Offer	Actual Delivery	Input Cost	Value Add	Social Value Gain	Comments
Provision of Apprentices	10	12	15	£200,000	£210,000	£10k	11 Apprentices delivered through main contractor. 4 through sub-contractors. All paid at living wage.

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Tool 22 – Measuring social value





Tool 23 – Social value reporting checklist

This checklist provides the minimum requirement for consideration when publishing or sharing your social value results using HACT’s Wellbeing Valuation Approach. The list contained here follows the checks that are carried out by HACT during the certification process. Housing Providers and contractors should use this checklist whilst producing their social value reports.

Targets or Results statement – please indicate:	Targets/Results	
Initial comments/thoughts on use of the values:		
Is there a signed and dated declaration at/near the start?	Y/N	
General		
The budget for each activity is stated	Y/N	If no, it must be detailed in the Notes why records are not available.
The activities have been adequately described	Y/N	If no, need to clarify
The values associated to each activity are reasonable and realistic	Y/N	If not, need to clarify
The values added together are permissible according to Relationships tab	Y/N	If not, the most relevant value should be used
The necessary evidence has been collected for each value being applied	Y/N	If no, have unknown results etc been used as advised
The same value has not been applied to an individual more than once	Y/N	
Surveys		
Surveys have been carried out where necessary	Y/N	If no, this has been addressed appropriately and detailed in the

- 1
- 2
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- 7

The values were applied based on the exact wording of the questions as stated in the guidance	Y/N	
There is no reason to suspect values have been applied to individuals other than those who moved from 'non-valuable' to 'valuable' answers	Y/N	
Where the necessary evidence hasn't been collected, it has been made clear where the 'unknown results' has been used and this is clearly stated in the 'Notes'	Y/N	
Overclaiming		
Deadweight has been applied in line with the Homes and Communities Agency Additionality guidance?	Y/N	If not, has it been explained why not?
There is no reason to believe that values have been applied to individuals who have been involved in an activity for less than two months	Y/N	
Values have not been applied for more than one year	Y/N	
There is no reason to suspect that any observed negative value has been deliberately ignored	Y/N	
If 'Never Arrested' has been used, the details of the counter-factual assessment has been included in the Notes.	Y/N	
Any sampling techniques have been thoroughly explained and sufficient information provided to discern whether it has been done robustly.	Y/N	
Social value has not been artificially inflated or overestimated	Y/N	
The Guide and Practice Notes have been followed	Y/N	
Any assumptions or judgements have been addressed and explained in the Notes	Y/N	

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Tool 24 – Social value reporting – certification process and checklist for contractors

Before you share or publish the social value generated through the procurement process, it is important to ensure you have applied the approach in accordance with the guidance and practice notes. Therefore, there are a number of items for consideration such as:

- You have clearly described your social purpose/defined social value, who was involved in providing the social value generated and for whom
- You have adhered to HACT's guidance and practice notes for Wellbeing Valuation
- You have included a budget
- You have defined a reporting period
- You have explained your approach to data collection

A full social value reporting checklist can be found in Tool 16.

HACT offers a certification service to give you assurance that the approach has been followed correctly and identify areas for improvement. Once certified Housing Providers and contractors will be able to confidently report the social value generated through the procurement and delivery of the contract.

SOCIAL VALUE & PROCUREMENT

A TOOLKIT FOR
HOUSING PROVIDERS
& CONTRACTORS

