



Social Value in Procurement  
SEC Annual Conference, 7<sup>th</sup> November 2018

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Chief Executive, HACT

[www.hact.org.uk](http://www.hact.org.uk)

Background to Social Value

Wellbeing Valuation and HACT's work

The UK Social Value Bank

Social Value and Procurement

## 14 million people in the UK are in poverty

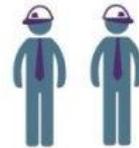
That's...



**200,000**  
more pensioners  
than last year



**100,000**  
more working-age  
adults than last year



**100,000**  
more children  
than last year

Broad definition:

*‘Social impact measurement is concerned with assessing whether an intervention or action was in society’s interest’*

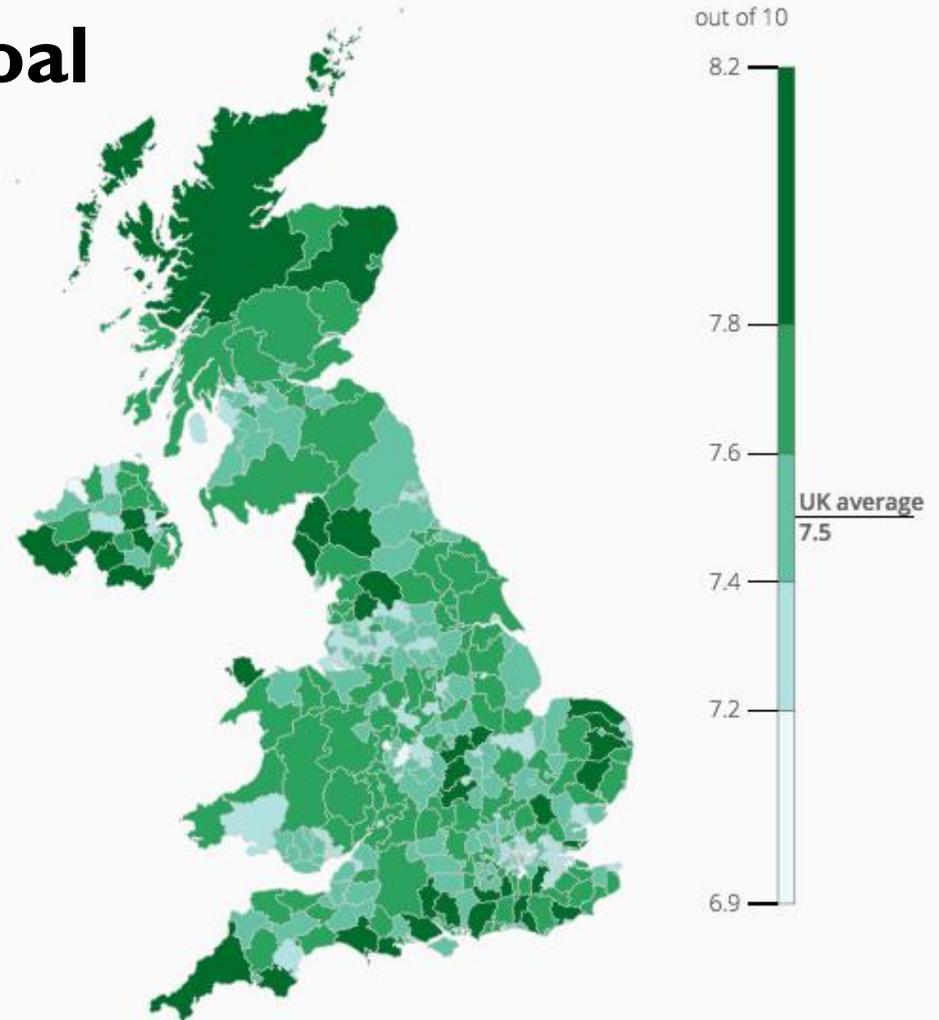
But...how do we define ‘in society’s interest’?

Traditionally, approaches to measure social impact define ‘society’s interest’ as having wellbeing at the centre – called Welfarism.



# Wellbeing as a policy goal

- Recognition around the world that traditional economic measures are not capturing what is important, desire to find a 'common currency'
- LSE, under Richard Layard, have been equipping the UK with the tools to measure wellbeing. Now part of the What Works Centre for Wellbeing
- The ONS now recommends every evaluation of a public service should include wellbeing measures



HACT developed a social impact measurement approach that is:

- An off-the-shelf, light-weight but robust framework to model and measure social impact.
- User-friendly yet with a sophisticated method in the background.
- A single and coherent methodological approach to valuation.
- Applicable to anyone working with communities.
- Uses a method at the heart of government decision-making.

**The measurement approach is based on Wellbeing Valuation**

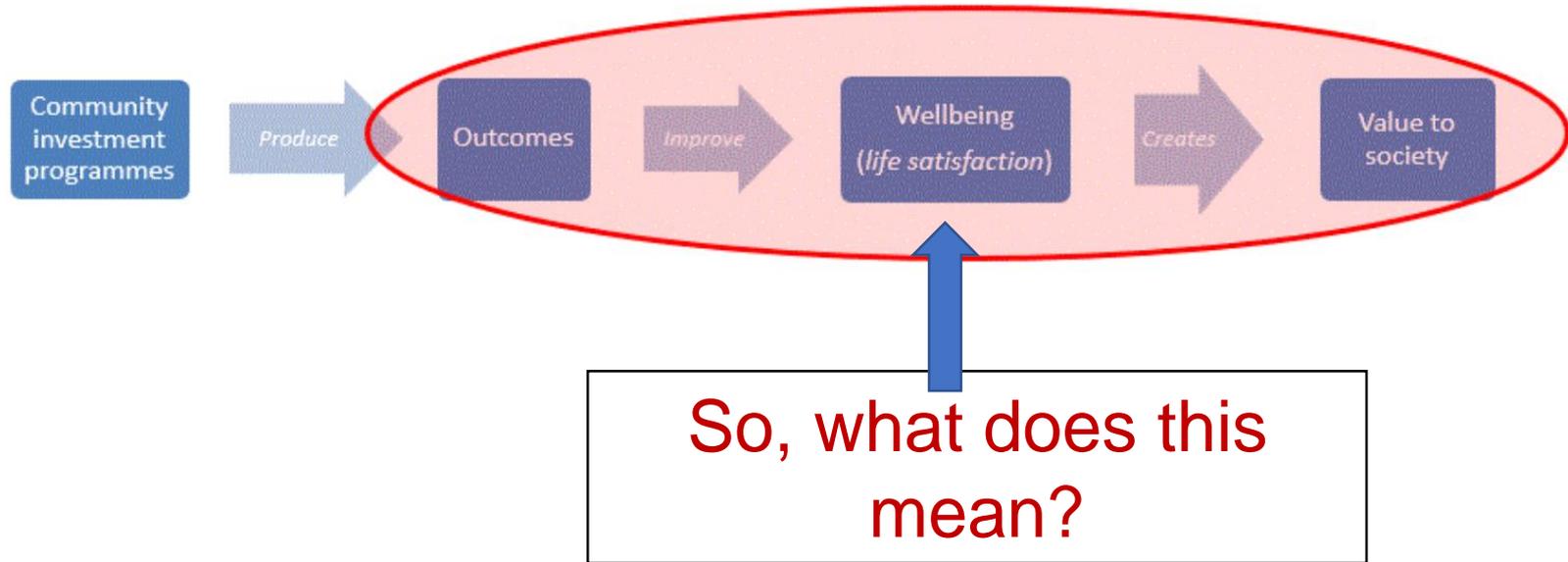


- Wellbeing Valuation = Value to individuals (Primary benefits)
- Social Value Bank deals specifically with wellbeing – life satisfaction



# HACT Value

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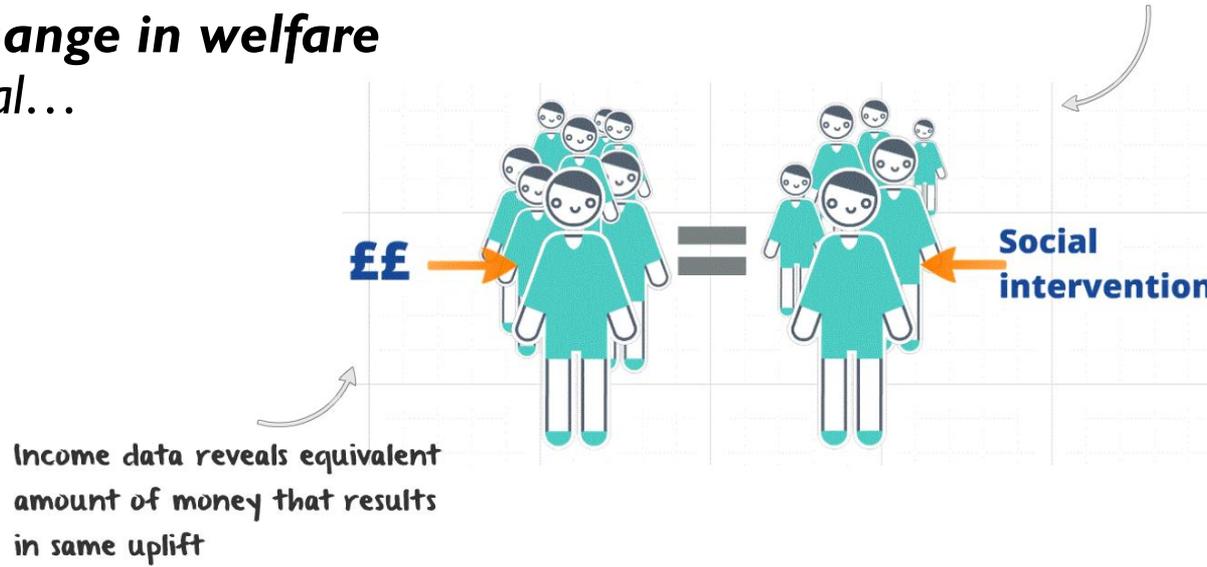


# HACT Value

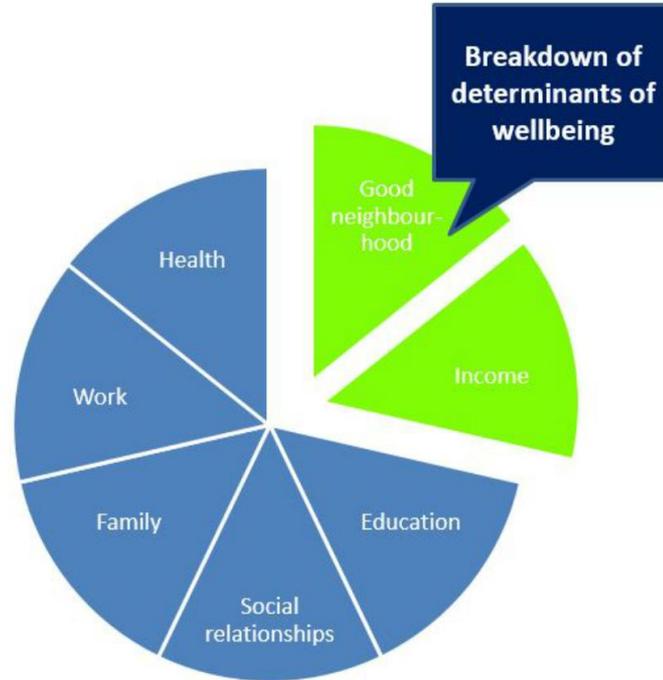
# Wellbeing Valuation

It's about the **amount of money** that would **induce the equivalent change in welfare** for the individual...

Statistical analysis reveals effect on life satisfaction



- Living in a good neighbourhood increases LS by 1 index point.
- What is increase in income needed to also increase LS by 1 point? (£1,747)
- Then the value of living in a good neighbourhood = £1,747



HACT Value

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**Social Value Bank**

# HACT Value

# Evolution of the Social Value Bank



Outcome	Unknown	<25	25-49	>50
◆ Full-time employment	£14,433	£13,446	£15,354	£13,865
◆ Self-employment	£11,588	£13,157	£11,952	£10,538
◆ Part-time employment	£1,229	£737	£1,824	£1,966
◆ Government training scheme	£9,447	£11,903	£5,668	£12,817
◆ Secure job	£12,034	£10,871	£12,148	£11,969
◆ Apprenticeship	£2,353	£1,861	£2,948	£3,090
◆ Vocational training	£1,124	£1,124	£1,124	£1,124
◆ Regular volunteering	£3,249	£2,895	£2,742	£3,324
◆ Regular attendance at voluntary or local organisation	£1,773	£1,901	£1,064	£1,064
◆ General training for job	£1,567	£2,507	£1,437	£2,507
◆ Employment training	£807	£484	£887	£940
◆ Employed parent for children (11-15)	£1,700	£1,700	#N/A	#N/A

Outcome	Average value	<25	25-49	>50
Energy efficiency improved by one EPC band	£217	£293	£130	£348
Resolution of problems with litter, rubbish or dumping	£449	£471	£299	£578
Resolution of problems with graffiti	£439	£379	£465	£390
Resolution of problems with vandalism	£299	£478	£320	£179
Resolution of problems with scruffy gardens/ landscaping	£379	£228	£234	£498
Resolution of problems with scruffy/ neglected buildings (NB: Definition excludes dwellings)	£449	£270	£439	£482
Resolution of problems with dog or other excrement	£401	£412	£241	£498
Resolution of problems with condition of dwellings	£336	£255	£299	£331
Resolution of problems with condition of road, pavements and street furniture	£196	£158	£117	£299
Rectification of serious condensation/ mould growth	£770	£1,232	£462	£1,212
Rectification of penetrating (higher level) damp	£674	£404	£482	£876
Rectification of ceiling fault	£266	£426	£160	£426
Rectification of floor fault	£754	£1,206	£615	£786
Rectification of wall fault	£390	£401	£234	£514
Rectification of door faults (interior doors)	£578	£347	£347	£903

# HACT Value

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**PROCUREMENT**

Community investment programmes

Produce

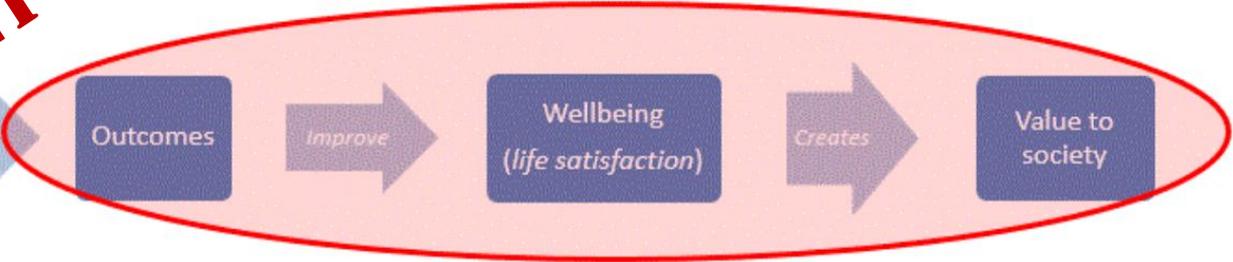
Outcomes

Improve

Wellbeing  
(life satisfaction)

Creates

Value to society



**SOCIAL  
VALUE &  
PROCUREMENT**

A TOOLKIT FOR  
HOUSING PROVIDERS  
& CONTRACTORS

Step by step guidance

Legal guidance

Pricing guidance

Tool Bank



# SOCIAL VALUE & PROCUREMENT

A TOOLKIT FOR  
HOUSING PROVIDERS  
& CONTRACTORS



**Download the toolkit:**  
[www.hact.org.uk/procurement-toolkit](http://www.hact.org.uk/procurement-toolkit)

Thank you

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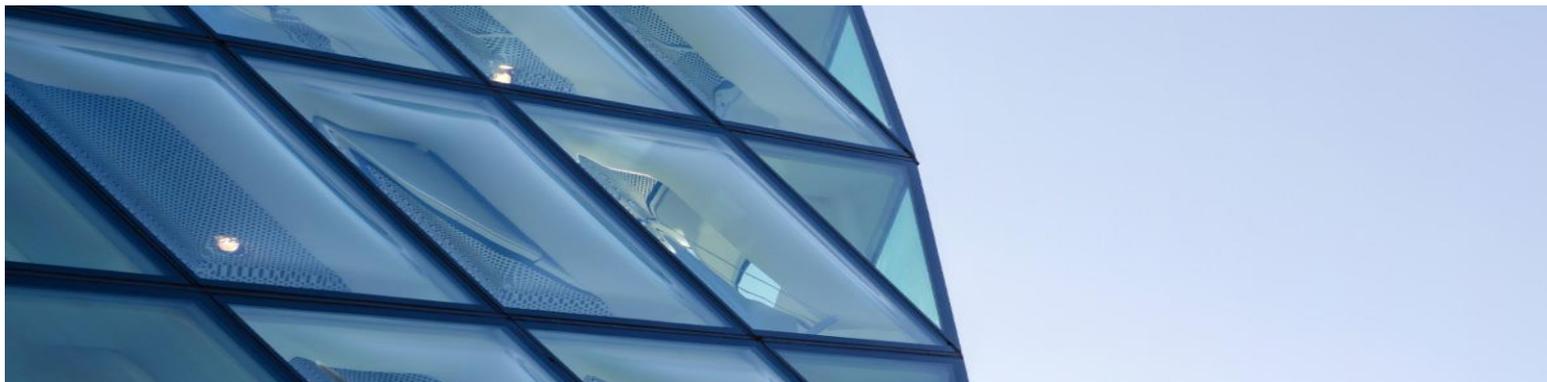
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Presentation 7 November 2018

# Securing social value in public sector procurement

John Forde, Managing Associate, Trowers & Hamblins LLP

Pioneering — Bahrain — Construction — Public sector — Energy — Real estate — London — Tax — IT — Dubai — Manchester —  
Connecting — Knowledge — Pragmatic — Malaysia — Exeter — Thought leadership — Housing — Agile — Creative — Connecting — Private equity —  
Local government — Manchester — Environment — Focused — Islamic finance — Projects — Abu Dhabi — Corporate finance — Passionate — Team v  
Employment — Regulation — Procurement — Expertise — Specialist — Planning — Investment — Committed — Delivery — IT — Governance  
IP — Corporate — Infrastructure — Value — Development — Private wealth — Oman — Governance — Birmingham — Corporate finance —  
Dynamic — Pensions — Dispute resolution — Insight — Banking and finance — Arbitration — Diverse — Regeneration — Care — Communication

# Agenda

1. Why do social landlords have to think about Social Value?
2. Selection stage – the CCS Selection Questionnaire
3. Evaluation and Award stage – setting the criteria
4. Routes to procurement
5. Converting promises to commitments

Pioneering — Bahrain — Construction — Public sector — Energy — Real estate — London — Tax — IT — Dubai — Manchester —  
Connecting — Knowledge — Pragmatic — Malaysia — Exeter — Thought leadership — Housing — Agile — Creative — Connecting — Private equity —  
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# The need to address Social Value

- Housing sector encouraged to look at social value in their procurement activity pursuant to:
    - HCA Regulatory Framework
    - Public Services (Social Value) Act 2012
    - Public Contracts Regulations 2015
  - May be guided by Crown Commercial Service (PPNs 09/16, 14/15, 06/15. Guidance on social and environmental aspects of public procurement (2 November 2016)
  - May also have specific internal rules:
    - Contract Procedure Rules
    - Financial Regulations
    - Commitments in transfer documents/management agreements
-

# How should Social Value be addressed?

- Organisation-specific: one-size unlikely to fit all
- Plenty of flexibility to explore social value at all stages of the procurement process:
  - Market consultation and/or soft market testing
  - Advertisement in OJEU/Contracts Finder
  - Assessment of bidders / short-listing process
  - Tender and bid evaluation
  - Selection of preferred bidder
  - Contract implementation and performance management

# Public Services (Social Value) Act 2012

- Act applies to all contracting authorities in England covered by PCR 2015
- Covers provision of services contracts and mixed contracts containing services
- Before advertising a contract or awarding a contract under a framework agreement, the authority must consider:
  - How what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and
  - How, in conducting the process of procurement, it might act with a view to securing that improvement (provided that this is relevant to the procurement and proportionate in the circumstances)
- Authority must also consider whether to undertake any consultation
- Requirements of Act may be disregarded if there is an urgent need to procure (not caused by authority's undue delay)

# Extension of Social Value Act?

- In June 2018, David Lidington, Minister for the Cabinet Office, said the Social Value Act would be extended:
  - providing social value will be an express requirement of central government contracts to the private and third sectors
  - public sector commissions must publish data and provide action plans to show how they intend to tackle gender pay inequity, ethnic minority representation and modern slavery practices
- Extension will not cover local government or other public sector organisations
- Watch this space...

# CCS Selection Questionnaire

- Contracting authorities must use SQ on all works, services and supplies contracts
- **Parts 1 and 2**
  - equivalent to the ESPD and cover basic information and mandatory/discretionary exclusion grounds – cannot be amended
  - Must exclude applicants for breach of terrorist, child labour and human traffic related offences
  - May exclude applicants for breach of social, labour or environmental conventions (see Annex X of the Public Contracts Directive 2014/24/EU)

# CCS Selection Questionnaire (2)

- **Part 3**
  - includes “Selection Questions” and can be amended:
    - PAS91 can be used/adapted for Works contracts
- Can include questions on past performance of securing social value objectives in similar sized programmes/projects, provided they are:
  - Proportionate
  - Related to the subject matter of the contract
  - Non-discriminatory
- Evidence-based responses (references, outcomes, legacy)
- Score applicants against this criteria or set a pass/fail standard
- Example wording included in HACT Toolkit

# Evaluating tenders

- Regulation 67(2) Public Contracts Regulations 2015:  
*“best price-quality ratio ... shall be assessed on the basis of criteria such as qualitative, environmental and/or **social** aspects, **linked to the subject-matter** of the public contract in question”*
- Regulation 67(3)(a):  
*“such criteria **may comprise ... social, environmental and innovative characteristics**”*
- Regulation 67(5):  
*“award criteria will be considered to be **linked** to the subject-matter of the public contract **where they relate to the works, supplies or services** to be provided under that contract in any respect and at any stage of their life cycle”*

# Award criteria

- Price/Quality criteria and scores/weightings/sub-scores should be included in procurement documents
- Example wording/criteria for social value questions in HACT Toolkit
- Consider use of tools such as the HACT Social Value Calculator and HACT Well-Being Evaluation approach
- All evaluation tools and aids should be made clear
- Evaluation panel guidance: who should sit on the panel/who should evaluate the social value element of the tender?
  - *Aquatron* case: Evaluation panel must understand their EU obligations and be qualified/experienced
  - How to price the social value initiative/link to the pricing document – look at pricing criteria to see whether this should be included in price (three options in HACT Toolkit)

# Choice of procurement procedure

- Contracting authorities have choice of procedures in PCR 2015, which allow incorporation of social value to varying degrees
  - Open Procedure:
    - Single stage, bidders must respond to past experience and tender questions at once
    - Paper-based assessment - limited scope to interrogate responses
  - Restricted Procedure:
    - Two-stage procedure with separate SQ
    - Tends to be paper-based assessment though may include site visits and interviews
  - Competitive Dialogue Procedure:
    - Structured Dialogue with shortlisted bidders
    - More scope to interrogate bidders' responses
  - Flow charts included in the HACT Toolkit
-

# Converting promises into commitments

- A promise does not mean much unless agreed and committed to in contractual terms
- Contractor/Supplier must be able to clearly understand their obligations
- Contracting authority must be able to monitor the delivery of the social value outcomes and have a mechanism to reward or hold the Contractor/Supplier to account
- Social value outcomes work best when linked to risk/reward structures/KPI measurements

## Contact

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