



NED Network Briefing

6 December 2021

Set up by [HACT](#) and [PlaceShapers](#), with the support of [Anthony Collins Solicitors](#) and [Badenoch + Clark](#)

HACT- NED Network Fortnightly Meeting “Understanding Social Value as a Board Member”

Chaired by Andrew van Doorn, Chief Executive at HACT
and led by Dr Mary-Kathryn Adams, Director of Strategy, Simetrica-Jacobs; Non
Executive Director, Abri Group

This session explored why understanding social value measurements is important and what it means to scrutinise social value reporting. Attendees heard from Dr. Mary-Kathryn Adams, Director of Strategy at Simetrica-Jacobs and Non-Executive Director at Abri Group.

What is social value?

Social value is a way to quantify how different interventions affect peoples' lives. There is a moral argument to doing good, but it also makes business sense. Board members should ensure robust measuring and reporting on social value to unlock a whole range of benefits. For example, leveraging funding opportunities, customer satisfaction improvements, demonstrating value for money, securing business case approval and investment.

Regulatory environment

- Public Services (Social Value) Act 2012 (the Act): introduced a requirement to consider social value and its impact on the community in the procurement process.
- PPN06/20: published in September 2020, this went a step further, requiring an explicit evaluation of social value rather than a consideration. It introduced a minimum weighting of 10% for social impact in procurement contracts and provides a model for assessing social value (Menu of Model Award Criteria (MAC)). This only applies to central government contracts but signals the future direction that public procurement is taking.
- PPN05/21: published in June 2021, this is even broader in its application, mandating that all contracting authorities should consider creating new businesses, new jobs and new skills, tackling climate change and reducing waste, and improving supplier diversity, innovation and resilience in all their procurement activities. This applies to all public procuring authorities, including housing associations.

Lord Young's Social Value Act Review cites HACT's bank of financial proxies for various wellbeing outcomes and their calculator tool as a model of good practice for such valuations.



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What does good look like?

There is no clear-cut answer. “What are we looking for?” is a better question to start from. Social value is generated or destroyed through any mechanism by which a project influences people’s quality of life.

Actions can have good and bad social value. For example, building a new runway may have a positive impact on a local community, creating better transport links and providing jobs, but it will also have negative impacts, e.g., air and noise pollution. A comprehensive assessment considers the impact across economic, environmental, and social spheres. A robust social value measurement process will consider all key stakeholders, account for the genuine additional impact of a project and consider the impact of the distribution of benefits.

Boards should note that there is no specific golden ratio. This is because we are still not in a space where we can robustly benchmark social value from one organisation to another.

The Green Book

The Green Book is a Treasury guide on how we should evaluate and measure social value. It encourages us to start using nonmarket methods to evaluate. E.g.:

- Revealed preference: inferring the implicit price placed on a good by consumers
- Stated preference: willingness to pay to receive or avoid an outcome.
- Stated preference: willingness to accept compensations for a loss
- Wellbeing responses: to estimate the relative price of non-market growth.

The Social Value Bank can be used to assign a proxy to these measurements

View The Green Book [Here](#)

Read HACT blog 'Measuring Life Satisfaction' [Here](#)

Governance: Key compliance & assurance elements

Checklist:

- What methods were used? Are they Green Book compliant? The person writing the board report must be able to answer this.
- Have we “marked our own homework”? We would not accept an entity generating a report on themselves saying everything is fine. We would expect an internal review.
- Have our social value results been independently verified, assured and/ or certified? HACT provides a service for [Social Value Certification](#).

Is our social value delivery “mission/vision aligned”?

Boards need to consider how their social value delivery (across the business) is designed to improve the wellbeing and quality of life of their residents individually, and to contribute to developing thriving and resilient communities.



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Boards should consider what assurance they have that the business is focussing its social value where it matters the most.

This will involve aiming to target the intersection of (1) what our communities need, (2) what we (or our partners) do really well, (3) what we can (and should) invest in and (4) what we can influence.

Value= quality/cost

Social value can no longer just be something dealt with by the social value team, it should be running through everything we spend, including our supply chains and partnerships.

Q&A session

- It will be important to balance the subjective measurement of social value and the more concrete value of cost. PPN06/20 introduced a 10% minimum weighting; however, a higher weighting could be used. It should be tailored to the specific contract. The social value you ask for in a 15 year development programme will be different to the value you ask for in a 2 year legal services contract. Look at what your partners do, what is realistic and what is proportionate.
- When using a higher weighting it is important that you have the right people to evaluate the social impact offers to get value for money. This might not be your core procurement team as they might have different expertise.
- Social value should be written into contracts with clear KPIs. This should be reviewed regularly with consequences for failure to deliver.
- Boards should consider the role of Audit Committees in verifying social value and consider whether it can be written into the annual work plan.
- Organisations with strong social value expertise should share their knowledge.
- Key question: is the way your organisation measuring social value Green Book compliant? If not, Boards should push back. Consider recruiting members with expertise in this area.
- Social impact reporting has judgements in it but so does financial accounting (e.g. the allocation of overheads) which can result in under and over valuations. The judgements in social value accounting remain more visible due to multiple methodologies so they may be more open to challenge and need to be justified.



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- Social value reporting should become a virtuous cycle.
- Impact can only be delivered in communities if you are delivering things people want. We need to know what is going on in our communities, what they want and how we can work alongside them to deliver change.
- Smaller organisations may be concerned about the resources needed to report on social value. It is better for organisations to capture data on three outcomes robustly than capture data on twenty outcomes poorly. There should be opportunities to integrate existing data into social value reporting.
- Board members should interrogate evaluation methods for social value reporting.
- The risk of challenge from disappointed contractors increases as you increase the social value weighting. Often social value offers are getting people 'across the line' in the procurement process when price and quality are similar. It is incumbent on all housing associations to seek assurance from their advisers or be satisfied that they themselves are measuring this robustly. Housing associations can be held to account by legal challenges to their procurement decisions. Other than a procurement challenge, compliance risks for social value simply come from making the annual compliance statement.

Peter Hubbard and Holly McKechnie
Anthony Collins Solicitors LLP

HACT can support you, wherever you are on your social value journey. Some of the practical tools available are:

- The social value calculator
- The mental health calculator
- The community-led housing calculator
- The community asset transfer calculator

HACT also offer a variety of services from discovery reports to certification, if you'd like to find out more you can email james.williams@hact.org.uk



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Next Meeting: 17th January 2022 [Register here](#)

In Conversation with Kate Dodsworth

We're delighted to be welcoming Kate Dodsworth, Director Consumer Regulation at the Regulator of Social Housing, the non-departmental public body sponsored by the Ministry of Housing, Communities and Local Government.

We'll have the opportunity to hear from Kate and find out what her first 6 months in her new role has brought and ask questions during the session chaired by Rachael Orr, Director of PlaceShapers.

Key Speaker: **Kate Dodsworth, Director of Consumer Regulation at the Regulator of Social Housing**

Book your free place at:

<https://us02web.zoom.us/meeting/register/tZwpfu2tpzkrHtbWruJHbYM6wuKgoviA6EbU>