



Institute for Public Policy Research

# VALUING MORE THAN MONEY

SOCIAL VALUE AND THE  
HOUSING SECTOR

**Tom Hill**  
and **Luke Murphy**

November 2019

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## ABOUT THIS PAPER

This paper forms part of IPPR's housing programme. This work seeks to advance the efficiency of the public services that serve charitable purposes, advance physical and mental health, advance sustainable development, and relieve poverty and other disadvantage.

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# SUMMARY

Public spending creates large markets for goods and services: total UK public procurement amounted to £292 billion in 2018/19, around 14 per cent of GDP or 36 per cent of total government spending (HM Treasury 2019). Standards driving procurement decisions can therefore have a powerful effect in supporting and encouraging good business behaviours.

The Public Services (Social Value) Act introduced in 2012 seeks to use public spending to create value for society. Indeed there is evidence that since the passing of the act, social value is being given greater emphasis in procurement decisions and that engagement within the private sector has also increased.

Despite this progress, at present only a small proportion of current public procurement spending (estimated at about 9 per cent (White 2017) encourages more responsible business practices.

This report finds that a number of challenges must be overcome if social value is to achieve a more transformational role in driving better business decisions across the economy. To achieve this the approach, legislation and measurement surrounding social value needs to be strengthened and made far more robust.

## KEY FINDINGS AND RECOMMENDATIONS

The key findings and recommendations of this report are summarised below.

First, **approaches to measuring social value need to be clearer and more consistent.** A broad selection of guidelines and support material has now been created. These need to be brought together to form a more unified approach, and more support is needed to facilitate collaboration.

- Much of the existing guidance adopts an explicitly valuation-based approach to social value analysis. Most studies would benefit from incorporating a mix of qualitative, quantitative and value-based analysis. The benefits of adopting a hybridised approach to social value appraisal should be articulated more clearly.
- The government should encourage public bodies to explore opportunities for pooling resources and collaborating to deliver social value at reduced cost.
- In its current form, social value appraisal is a complex process that is poorly suited to be bolted-on to existing jobs. Methodologies should either be streamlined and simplified, or practitioners should be provided with additional specialist support and training.
- Current social valuation approaches should be refined to place more emphasis on delivering within local economies. This will enhance support for social value and make the analysis more grounded in local development plans.

**TABLE S1: AN EXAMPLE OF AN OVERARCHING ANALYTICAL FRAMEWORK THAT ORGANISATIONS CAN USE TO ASSESS THE VALUE THAT THEIR ACTIVITIES GENERATE**

Scoping	Define dependencies/ impacts	Define methodology	Collect data	Assess impacts	Value impacts	Interpret results and take action
<p><b>What is the objective of the analysis?</b> ...For reporting purposes, for demonstrating performance, or for identifying opportunities to expand social value? How precise do we need to be?</p> <p><b>Which impacts to include?</b> ...Core performance, economic, environmental and/or social? Over what timeframe, geography, parts of the value chain? Are we outcome- or impact-focussed?</p>	<p><b>How do our activities create value?</b> ...What are our inputs and outputs? How do they create outcomes? Is it additional, or would it have happened anyway?</p> <p><b>Who should we engage?</b> ...How complete is our mapping? Who could help us identify other types of impact/ value?</p>	<p><b>What type of analysis do we want to undertake?</b> ...Do we want it to be discursive, qualitative, quantitative and/or valued? What format of results do we want to present?</p> <p><b>What data do we need?</b> ...What data and information do we need to do our analysis? What sort of data is already available? Do we want case studies? Quantified metrics? Perhaps valuation coefficients?</p>	<p><b>How best should we collect it?</b> ...Who holds this data? How good is it? How will we store it?</p> <p><b>Do we need to 'clean' the data?</b> ...Is it all in the same form, and if not, can it be? How up to date is it? What was it originally collected for?</p> <p><b>How should we plug gaps in the data?</b> ...Do we need to deliver or commission new research? Do we need to supplement with (eg) interviews?</p>	<p><b>Are we concerned with outcomes of impact?</b> ...If impact, what are we comparing it to? What would have happened anyway?</p> <p><b>How do the different forms of analysis fit together?</b> ...Is it mainly qualitative, or quantitative?</p> <p><b>Can they be added?</b> ...Can we add all of the different data strands together? What level of aggregation/ disaggregation is appropriate?</p>	<p><b>What do the valued impacts show us?</b> ...Do the valuations make sense? Are they realistically commensurable? Are they accessible to a broad range of audiences?</p> <p><b>How complete is our analysis?</b> ...What have we left out? Who can review our results? Do we need to undertake any sensitivity analysis?</p>	<p><b>How complete is our analysis?</b> ...Have we considered all aspects of our social value or just some types of social value?</p> <p><b>How should we communicate?</b> ...And how transparent are we being?</p> <p><b>What insights have we gathered?</b> ...What did we learn through the process? And the results? What were the barriers to delivering more social value? What should our priorities be going forwards?</p>

Source: Authors' analysis

Second, **the Social Value Act needs to be strengthened**. While the act has been successful at initiating engagement within the public sector, several improvements are needed to make it more effective. These include the following.

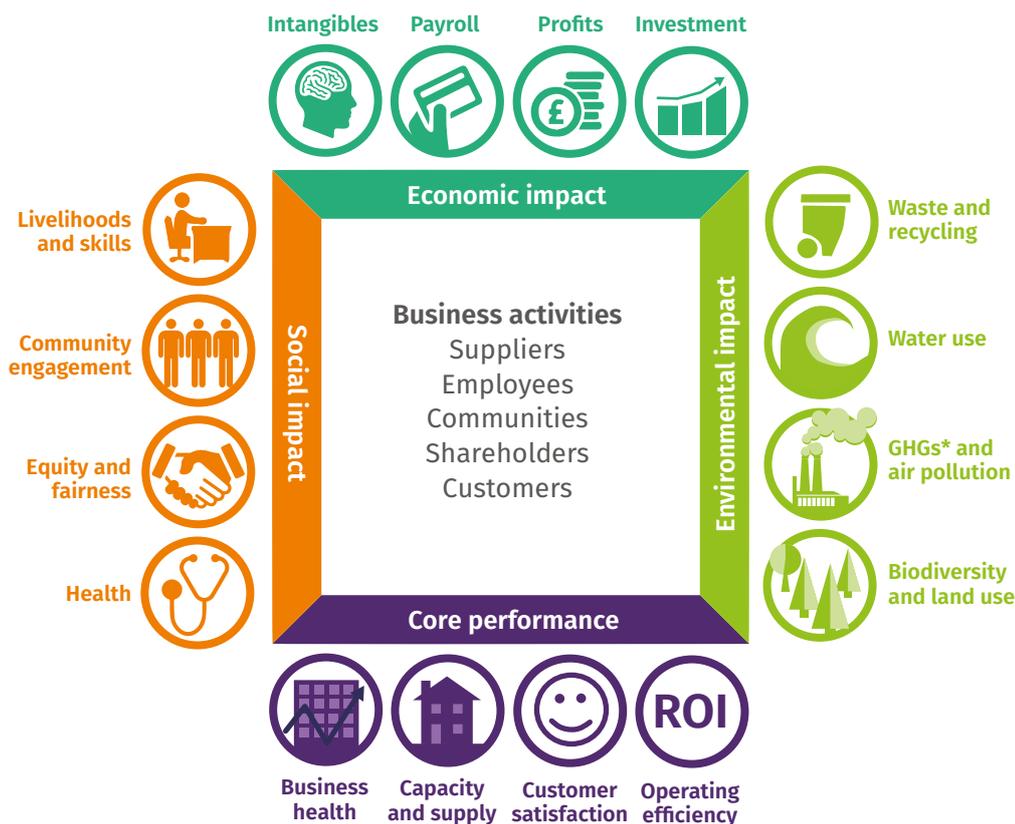
- Extending the scope of the act to include the procurement of works and goods contracts, as well as of service contracts.
- Strengthening the act so that public bodies are required to 'account for' rather than simply 'consider' social value.
- Remove the procurement threshold so that all levels of procurement need to be accounted for. A flexible framework should be maintained so that the depth of review is appropriate to the scale of the procurement activity being undertaken.
- The statutory consultation period should be brought forwards to earlier within the pre-procurement phase. Early engagement will ensure that there is greater opportunity to consider and implement stakeholder feedback.

- Opportunities for stakeholder engagement should be extended through the project lifecycle. This will provide greater opportunity to learn from stakeholder experience.

Third, **the housing sector needs more housing specific guidelines.** The government’s specific expectations of social value within the housing sector should be clarified and sector specific guidance needs to be expanded and streamlined. Ways to do this include the following.

- Guidance that is focussed on the delivery of social value – as opposed to its measurement – should be expanded to cover a fuller range of applications, including retrofit, operation and end of life disposal of housing. This should complement existing guidance for new developments.
- The government should facilitate a process to provide standardised and consistent guidance as to what social value means for the housing sector. This should take into account the range of existing third-party guidelines and fold them into a unified set of official guidelines, perhaps mapped to the Royal Institute of British Architects (RIBA) Plan of Work stages.

**FIGURE S1: AN EXAMPLE OF A VISUAL FRAMEWORK THAT ORGANISATIONS CAN USE TO ASSESS THE VALUE THAT THEIR ACTIVITIES GENERATE**



Source: Authors' analysis, adapted from and modelled on PwC's TIMM framework  
 \*Greenhouse gases

- The modified framework should include case studies, templates and recommended social value 'weightings', so that suppliers and partners experience more consistency in expectations.

# INTRODUCTION

Social value – the value generated for society by a given programme or intervention – has risen up the political agenda since parliament passed The Public Services (Social Value) Act in 2012.<sup>1</sup> Under this act, public bodies are required to consider the social value that a potential contractor might generate as part of the services that they provide to them, whereas previously the only consideration was value for money. The aim of this requirement was to maximise the overall benefits secured through public procurement contracts.

However, despite the progress made as a result of this legislation, there are several reasons why social value remains an under-utilised tool for maximising benefits from business activities and services for the public good.

First, despite the 2012 legislation, the concept of social value is ill-defined and is interpreted in various ways by different organisations. Second, the Social Value Act is limited in its scope; it only applies to a sub-section of public bodies' expenditure, and private companies are only included insofar that they provide services to these bodies. This means that there is little motive for most organisations to consider social value over and above what is required through the usual drivers of business decision-making, such as reputation management, delivery of competitive-advantage, or as part of wider corporate responsibility activities.

Third, even for those bodies that are covered under the scope of the act, its influence over their decision-making is relatively minor. The act only requires that social value is 'considered' during procurement decisions for services, with works and goods-related contracts being excluded from the scope,<sup>2</sup> and the financial pressure that public bodies are under meaning that value for money inevitably remains the overriding concern in most instances.

Nevertheless, despite – or perhaps due to – these constraints, the act is popular and has been hailed as a success by some (NCVO 2014; White 2017). Housing associations and local authorities in particular have integrated its concepts into their decision-making processes, and there is some evidence of it having delivered more positive social outcomes (SVUK, 2019; SVP 2019a). It has also stimulated a significant amount of innovative research into the concept of social value and how best it can be measured.

More than half a decade on from the passing of the Social Value Act, now is a good time to consider the merits of the concept of social value, to understand how social valuation is being used and being measured, and to appraise its efficacy. Moreover, in this report we seek to understand what opportunities exist to expand this work further, and whether the scope of social value could be further extended to have a greater impact within the private sector too. This work forms part of IPPR's wider programme which seeks to advance the efficiency of the public services that serve charitable purposes, advance

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1 Referred to as the 'Social Value Act' going forward.

2 'Goods' are physical products purchased or manufactured on request. 'Works' are related to civil works; these include building, construction and engineering related works. 'Services' are often split into consulting services, such as training and development, accountancy support and engineering consultancy, and non-consulting services, such as equipment maintenance, utility management and surveys. For more information see: <https://procurementclassroom.com/public-procurement-categories/>

physical and mental health, advance sustainable development, and relieve poverty and other disadvantage.

To focus our work, IPPR has used the housing sector as a case study to understand how social value is understood, measured and implemented in a particular sector, as well as assessing its impact. In bringing together this report, IPPR undertook an extensive literature review, carried out over a dozen expert interviews, and held two expert roundtables in London and Manchester to test our thinking and policy recommendations.

The report is set out as follows.

- **Chapter 1: Defining social value** – This chapter provides a short analysis of the concept of social value and describes some of the benefits that its consideration provides.
- **Chapter 2: Social value in practice** – This chapter provides an analysis of how social value appraisal is currently being applied in practice and explores the challenges associated with using it.
- **Chapter 3: Social value within the housing sector** – The third chapter builds on the second chapter to explore how social value is being applied within housing and looks at the specific challenges that housing faces.
- **Chapter 4: Strengthening social value in principle and practice** – The final chapter sets out our proposals for improving social value in future.

In addition to the analysis undertaken for this report, we have created a framework for the measurement of social value, including several tools and resources that may be of use for housing providers interested in measuring and documenting social value.

# 1.

## DEFINING SOCIAL VALUE

Social value is relatively ill-defined as a concept. Following the release of The Public Services (Social Value) Act in 2012, the term has increasingly been interpreted as representing the value that is generated for society through a given programme or intervention.

A common understanding of the term involves giving increased regard to ‘non-financial’ aspects of decision-making processes by also considering wider economic, social and environmental impacts. The HM Government Compact defines social value in the following way.<sup>3</sup>

***“Social value encompasses a broad concept of value by incorporating social, environmental and economic costs and benefits. This means that as well as taking into account the direct effects of interventions, the wider effects on other areas of the economy should also be considered.”***

HM Government Compact (2010)

This broad definition allows for a lot of interpretation. For example, some organisations give non-financial forms of social value nominal financial proxy values so that they can be compared on a like-for-like basis with financial considerations (CHC 2017). Other organisations reject this approach, arguing that most forms of social value are inherently infungible, therefore making it necessary to use different measures for different types of social value (ibid). There is a broad consensus, however, that social value is about practical ways to “squeeze the most benefit out of every pound spent” (Arena Partnership 2019). This means that its focus tends to be on how money can be spent more effectively rather than as a means of making a case that more money from government is needed.

In this report, we adopt a broad interpretation of social value that encompasses both of the above perspectives, and allows for different types of valuation approach. This enables us to explore how the concept is being applied across a broad range of sectors and to offer recommendations on how it can be improved.

### BENEFITS OF CONSIDERING SOCIAL VALUE

Arguably, the best means to approach social value would be for the government to legislate so that better social outcomes are required by law or incentivised through economic instruments and prices. However, regulation can sometimes be a blunt instrument, and there is always likely to be a degree of nuance that is difficult to capture through incorporating negative impacts into financial costs. On this basis, there are several reasons why the consideration of social value is useful.

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<sup>3</sup> ‘The Compact’ is a terms of reference document that establishes an agreement between governmental departments and the civil society organisations that they work with. According to its introduction, its purpose is to help the government and Civil Society Organisations to work effectively in partnership to achieve common goals and outcomes for the benefit of communities.

- **It validates the consideration and importance of non-financial value.** A focus on social value broadens internal debate and discussion about the relative merit of different interventions; it encourages organisations and individuals to adopt a ‘best value’ rather than ‘lowest cost’ mindset.
- **Stronger business and commercial models.** By taking a more holistic approach, new opportunities and sources of revenue can be generated within both the private and public sectors. Some public sector contracts allocate significant weighting to social value in their public tenders (Lythgoe 2018).
- **License to operate.** Many large organisations see social value as being an important part of their license to operate. Some of these organisations have begun to incorporate social value-related metrics and communications into their corporate social responsibility reports.
- **‘Doing the right thing’.** A well-designed approach to social value can generate tangible benefits to individuals and communities, sometimes at little or no additional cost to the parent organisation. It makes sense to exploit these opportunities where possible.

A final consideration is, of course, that public bodies are required to consider social value under the Social Value Act.

## 2. SOCIAL VALUE IN PRACTICE

### THE SOCIAL VALUE ACT

A great deal of the activity surrounding social value has been driven by the government's Social Value Act, which came into force under the Coalition government in 2012 (HM Government 2012). The Social Value Act is important because spending creates very large markets for goods and services: in 2018/19, total UK public procurement amounted to £292 billion – around 14 per cent of GDP (HM Treasury 2019)

The Social Value Act is specifically targeted at the procurement of services over the EU procurement threshold<sup>4</sup> (NVCO 2019). Services below the threshold are exempt from the requirements of the act. Specifically, the act applies to services that fall under parts A and B of schedule 3 of the Public Contracts Regulations 2015, but the procurement of 'goods and works' contracts (such as construction or demolition works, or repair and maintenance) are exempt.<sup>5</sup>

The act requires that public bodies in the UK consider the “economic, social and environmental wellbeing” implications of the services that they commission, alongside more traditional criteria around the contract price and quality of services being offered. In doing so, commissioners also have to consider whether they should consult on these issues.

The act is, essentially, a policy instrument designed to encourage public sector commissioners to take a value for money – rather than simply lowest cost – approach to assessing contracts. Private organisations are affected too: as a result of the Social Value Act, private organisations that tender for public sector contracts are required to demonstrate that the services they offer can deliver social value over and above the basic contract requirement. Where applied, the weighting allocated to social value has historically been within in the region of 10 per cent or lower (Churchill 2017).

More recently, however, higher weightings have begun to be applied, with some public bodies allocating up to 30 per cent of the weighting to social value (Lythgoe 2018). This seems to have been driven by strong communities of practice, such as the Manchester Social Value Network,<sup>6</sup> and practitioners' increased familiarity and experience with the concept.

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4 Thresholds vary according to the specifics of the procurement. For example, since January 2018 the threshold for social and other specific services has been £615,278. The Social Value Act advises practitioners to consult with their Commercial teams to find out the threshold for their project. For more information on EU thresholds for public contracts see: <https://www.ojec.com/>

5 Specifically, the act applies to services that fall under part B of schedule 3 of the Public Contracts Regulations 2015, as well as those that fall under part A (Gov.uk 2019a). The act applies to contracting authorities, which are defined as the state, regional or local authorities, bodies governed by public law, or associations formed by one or more such authorities or one or more such bodies governed by public law and central government authorities (Legislation.gov.uk 2019). While goods and works contracts are technically exempt, the act does make it clear that procurement professionals are encouraged to consider social value more broadly, even where they are not technically required to do so.

6 See: <https://www.manchestercommunitycentral.org/policy-and-influence/gm-social-value-network>

## SOCIAL VALUE WITHIN THE PRIVATE SECTOR

Outside of the public sector and the private businesses that supply them, engagement with social value tends to be intertwined with other corporate social responsibility activities, such as energy management and material recycling.

This engagement often manifests itself in the form of an annual report that describes the social and environmental impact that the business has had over the course of the previous year. For example, it might include claims about reductions in energy consumption or the number of hours of voluntary staff time donated to charitable causes.

In addition, some businesses are also using social metrics to support their decision-making processes and to assess the performance of their business operations or services. For instance, Legal and General Investment Management has been working with Social Value UK to develop a 'social value score' that tracks and compares the social value of its investments (LGIM 2018). These scores can be used alongside financial numbers to provide decision-makers with a more holistic view of the impact that an investment decision will have. They can also provide a way for the business to communicate with its stakeholders and provide a tool through which their decisions can be held to account.

There is quite a lot of variation in how different businesses approach impact measurement. In some instances, contributions are converted into financial figures so that they can be aggregated together and compared in a common format. In other situations, the contribution will be descriptive, or presented in the forms of case studies. These approaches are growing within the private sector as an increasing number of organisations recognise the need for inclusive growth.<sup>7</sup>

### EXAMPLES OF SOCIAL VALUE BEING APPLIED IN PRACTICE

**Legal and General Investment Management** takes a quantified approach to social value. For example, its *Investing in a sustainable society* report tracks the number of jobs created and charity funds raised (LGIM 2018b). It also has a social value charter, which defines a long-term, upfront, public commitment to deliver positive community impact to the future population within a specific named place and project. The organisation measures its social value in monetary terms, and by specifying the assets being created for the community's benefit (LGG 2017).

**Landsec's** 'sustainability update' also provides a good example of a hybridised approach to measuring and communicating the organisation's impact. It has valued the contribution of its community programmes as being worth £3.2 million, while the metrics about the renewable electricity generation and biodiversity initiative are presented in quantified – but not valued – terms (for example, 30,000 kWh of solar-generated electricity and 600m<sup>2</sup> of "insect friendly and biodiverse" planting) (Landsec 2019).

<sup>7</sup> Inclusive growth is economic growth that is distributed fairly across society and creates opportunities for all. For more information, see: <https://www.oecd.org/inclusive-growth/#introduction>

## THE IMPACT OF THE SOCIAL VALUE ACT

Two recent reviews of the Social Value Act found that it has driven a tangible uplift in the delivery of social value.

In 2015, two years after the introduction of the Social Value Act, Lord Young undertook a review to determine how well it was performing across the whole of the public sector (Young 2015). This review found that, where it was taken up, it had a positive effect on procurement, delivering a diverse range of benefits both to local areas and at the national level. Furthermore, it documented that a broad range of businesses organisations (not just the voluntary sector, but also commissioners and businesses big and small) had engaged with the concept and could see its value.

***“Where the act is being used, it has a positive impact and that the variety of organisations that support the act is quite striking.”***

Lord Young, Social Value Act Review (Young 2015)

Lord Young’s review noted that the following three limitations were precluding the act from reaching its full potential.

1. Awareness and take-up of the act is a mixed picture.
2. Varying understanding of how to apply the act can lead to inconsistent practice, particularly around:
  - knowing how to define social value and how and when to include it during the procurement process
  - applying social value within a legal framework and procurement rules
  - clarifying its use in pre-procurement.
3. The measurement of social value is not yet fully developed.

The review found that, when applied well, the act was not necessarily bureaucratic. However, it also noted that poor practice did run the risk of turning the act from a useful procurement tool into something that adds bureaucracy without adding much value in return. It suggested, therefore, that the range of tools that were available at the time be brought together to create a best practice methodology.

In 2017, a subsequent review was conducted by Chris White MP – the originator of the Social Value Act – in conjunction with Social Enterprise UK. White’s review documented that significant progress had been achieved since the Young Review. In particular, he noted that several changes to EU and UK law have given procurement specialists more flexibility and impetus to consider social value – including the introduction of the ‘balanced score-card’ approach, which has been designed to drive better procurement. White also claimed that improvements to understanding and measurement tools have also been delivered, with the *Procuring for good* (2016) report finding that “a third (33 per cent) of councils are making good use of the Social Value Act, routinely considering social value in their commissioning and procurement activity, and that one in four (24 per cent) had a social value policy in place” (ibid). The White Review claims that, in 2017, the Social Value Act is “already shaping £25 billion worth of public sector spend”, which equates to about 9 per cent of total public sector spending.

## TOOLS TO CONSIDER SOCIAL VALUE

Social value appraisal is a complex and specialist skill that draws on a range of tools and resources. Most practitioners' first attempts at social value appraisal involve the use of a framework such as the Social Value Portal's National Themes, Outcomes and Measures (TOMs) framework. These frameworks typically provide a system that outlines how practitioners should consider social value together with 'valuation coefficients' that they can use to place a nominal financial value on different forms of social value. For example, under the National TOMs Framework, employing an 18–24-year-old ex-offender is calculated to deliver £2,387.02 of economic, fiscal and wellbeing value to society as a result of avoided reoffending (SVP 2019).

In addition to these standard frameworks, social value appraisal will typically also involve the use of more generic appraisal tools such as theory of change mapping and impact pathways. Proxy databases, such as the NHS Reference Cost Database and the New Economy Unit Cost Database, provide value coefficients that can sometimes be used to supplement the standard frameworks. Feedback from experts gathered during the research for this report suggests that many practitioners start off using one of the specialist frameworks and then go on to amend or extend them to create an approach that is more tailored to the needs of their organisation. Annex A expands on this section to provide a more detailed list of the types of tools that are available. In addition, in the next chapter, other tools and frameworks are considered that are specifically relevant to the housing sector.

## HOW MUCH PROGRESS HAS BEEN MADE?

The Young Review's central recommendation was that the three barriers identified (set out above) be addressed, and that a further review be undertaken again within two years.

In bringing together this report, IPPR undertook an extensive literature review, carried out over a dozen expert interviews and held two expert roundtables in London and Manchester to test our thinking and policy recommendations. Our findings suggest that, while progress has been made, the barriers that Lord Young identified have not been overcome. This applies both in terms of those organisations that are directly subject to the act and those who are interested in social value more broadly.

### *Awareness of social value is still a mixed picture*

Another way to consider the findings of the *Procuring for good* report is that, as of 2016, about two-thirds (66 per cent) of councils were still not making good use of the Social Value Act, and three-quarters (75 per cent) had yet to establish a social value policy. Our research suggests that some additional progress has been made since then, but many public bodies are still yet to engage with social value and many of those that have are only doing so in a cursory way.

Within the private sector, take-up and interest in social value is increasing, although thinking on the subject is still slightly less well-established than similar concepts within the environmental sphere,

such as Natural Capital Accounting.<sup>8</sup> As evidenced by companies like Legal and General Investment Management and Landsec, many businesses are tending to report their contribution to social value alongside their environmental performance metrics.

### ***Understanding of social value and its importance is still variable***

Organisations continue to define social value differently, with a broad range of different types of social good being considered during its appraisal. The scope of analyses varies between organisations, with some organisations choosing to consider the marginal impact rather than their overall contribution,<sup>9</sup> leading to a somewhat confused reporting environment.

The Social Value Act's requirement that social value is only 'considered' during procurement decisions has led to a degree of ambiguity and confusion. After almost 10 years of austerity and the financial pressure that it has put on many public bodies, this ambiguity leaves lots of scope for value for money considerations to be ignored when set against more immediate, bottom-line concerns.

### ***Measurement of social value is still developing***

The tools that are available to consider social value have been further developed since the Young Review. Existing tools such as the National TOMs Framework have been expanded, and high-quality new guidance such as the Green Building Council's guidance on social value in new developments has been released. However, inexperienced practitioners find it difficult to identify the right resources and use them effectively.

Across both the public and private sectors, there appears to be some variation in whether organisations understand social value as a predominantly 'measurement' or a 'management' exercise.<sup>10</sup> The organisations that are achieving most with the concept generally seem to see it as a management tool or mechanism first and foremost, and then as an opportunity for measurement later. Where social value is principally conceived as being a measurement tool, it can be less clear as to whether any real change in social value is actually being delivered.

## **SUMMARY: KEY CHALLENGES THAT REMAIN FOR SOCIAL VALUE**

There are several key challenges that remain and that need to be overcome.

- **Limited scope and coverage of the Social Value Act:** The principle driver for action has historically been the 2012 Social Value Act. This only formally applies to public bodies and the private organisations that provide services to them beyond the EU procurement threshold.
- **Limited awareness and variable understanding of social value:** The lack of awareness and inconsistent interpretation of the concept has led to a confused environment. This applies to both those organisations subject to the Social Value Act and to the concept of social value more generally.

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8 According to the Ecosystems Knowledge Network, natural capital refers to "the elements of the natural environment which provide valuable goods and services to people. For example, a woodland can be regarded as a natural capital asset, from which flows valuable benefits, or ecosystem services, such as flood risk reduction and carbon capture." See more here: <https://ecosystemsknowledge.net/resources/resources-theme/natural-capital-introduction>

9 Within this context, 'marginal impact' means the additional impact or benefit associated with a decision or activity. The 'overall contribution' refers to the total contribution or benefit associated with the activity. To provide an example, following the delivery of a recycling programme a company might recycle 10 tonnes of waste (its overall contribution), but this might be just one tonne more than it was already doing (the programme's marginal impact).

10 'Measurement' is about mapping-out and calculating what is happening; 'management' is about using that information to inform decision-making processes. While these two aspects are obviously linked, organisations tend to vary in terms how much emphasis they place on each side.

- **Measurement is not consistent:** In part due to the variable understanding of social value, the way it is measured is highly inconsistent.
- **Stakeholder engagement on social value is too often delivered in a way that is too little too late:** Stakeholder engagement is important for making sure that the approaches proposed for delivering social value are suitable and that opportunities are not being missed. Leaving the stakeholder engagement process too late limits the ability and likelihood that social value opportunities will be realised. For example, an organisation may decide to consult on whether to install a slide or a swing in a play area it has started constructing. However, when asked, the community might say that they don't actually want a play area and would prefer a flexible sports area that children of different ages can use.

### 3.

## SOCIAL VALUE WITHIN THE HOUSING SECTOR

This chapter provides an assessment of how social value appraisal is currently being applied within the context of the housing sector as a case study, exploring how it is working and whether opportunities are being missed.

As with other sectors, most of the discourse around social value within the housing sector is largely driven by the Social Value Act. For this reason, the housing sector has primarily focussed its social value activity on procurement – though, in many cases, practitioners have expanded their analysis beyond a narrow focus on services to also include goods and work.

Some housing associations, for instance, are integrating the concept into their decision-making processes and there is evidence that they are doing so to a greater extent than many public bodies. For example, only 33 per cent of councils have been found to be making good use of the Social Value Act (SEUK 2016), while a separate report by Community Housing Cymru (the trade body for housing associations in Wales) found that 79 per cent of its member organisations were integrating the concept of social value into their operational strategies and working practices (CHC 2017). This does, however, also demonstrate that a significant minority of housing associations are not engaging with the act, despite it being a regulatory requirement for them to do so.

There is evidence to show that considerations of social value have encouraged the delivery of more positive social outcomes (Young 2015; BCHG 2017). These are sometimes pitched in terms of being a win-win for society and for the delivery organisation. For example, if a housing association provides services that help support its tenants to get back into work, then this can improve their financial situation and reduce the risk of them falling into arrears.

Evidence gathered within the roundtables and stakeholder interviews for this project also suggested that the concept is gaining increasing traction within private sector organisations that service the housing sector. This is largely driven by the increased weighting that is being given to social value within some public tenders. For instance, subject matter experts in our roundtables reported that Greater Manchester Combined Authority is allocating 30 per cent of the credit that it awards in its tenders to the delivery of social value; this is a significant proportion of the overall weighting and therefore has the potential to heavily influence the outcome of a procurement process.

Outside of those companies that directly supply public bodies, progress is a little patchier and more disparate. Some organisations have adopted a leadership role, by setting out how they intend to account for social value and outlining how it will be applied to their projects. Legal and General Homes, for example, has developed a social value charter to monitor and communicate how much value its developments produce for the benefit of the local community (LGG 2017). There is also some evidence that changes in the market, such as the shift from ‘build-to-sell’ to ‘build-to-rent’, is focussing

attention on how to make developments better places to live.<sup>11</sup> However, it is debatable whether this is motivated by a desire to increase social value for its own sake or actually just a pre-requisite to successfully make a profit on build-to-rent developments and therefore just a reflection of developers adjusting their business models to changing market circumstances.

Social value in its broadest sense will actually be considered in a wide range of situations, without it actually being considered or described as being 'social value'. For example, many architects consider that the purpose of their work is to help people live healthier, happier lives, but they do not necessarily associate their work with the delivery of social value per se. Where the link is more explicit, the framing is usually within private companies' corporate social responsibility disclosures, where contributions to social value are communicated alongside sustainability related performance and metrics.

### **SOCIAL VALUE APPRAISAL TOOLS THAT ARE SPECIFICALLY RELEVANT TO THE HOUSING SECTOR**

This box considers several tools that can be specifically used to consider social value within the context of housing. Each entry includes a short description of what the tool in question does, its relative advantages and disadvantages and how it compares to what else is available.

#### **The National TOMS Framework**

The National TOMS Framework is a sector agnostic tool that provides a framework for assessing social value, and a database of financialised values that can be used to undertake an assessment. Practitioners can use these figures to provide a valued estimation of the social value of a project or activity.

The principle benefit of the National TOMs database is that the figures that it includes tend to focus on direct benefits such as an increase in people's earnings. Many practitioners that we engaged with reported that the TOMs framework was the first tool that they encountered when starting to consider social value.

The figures provided often come in different types of measure – such as 'input', 'output', 'outcome' and 'impact' – and this can sometimes make them difficult for practitioners to compare. For example, an 'input' value might refer to the total additional salary generated as part of a contract, while an 'outcome' measure might refer to the marginal increase in income that results from moving from unemployment into work. These differences mean that the figures should not be aggregated without significant care and attention.

#### **HACT Social Value Bank**

The Housing Associations Charitable Trust's (HACT) Social Value Bank (SVB) is another framework and database which is specifically targeted at the housing sector. The SVB takes a wellbeing approach that tracks the change in subjective wellbeing associated with different interventions. An example

11 For instance, people buying a flat or house are often content to move into a development that has vacant shops that have yet been occupied. People who are renting reportedly have more immediate expectations regarding their time horizons, and so want the development to have a diverse range of shops and facilities already in place. This switch from a selling towards provision of the service changes the nature of the relationship between the developer and its end customer, thereby resulting in different expectations regarding the provision of social value.

of an SVB measure might be the monetised equivalent<sup>12</sup> uplift in wellbeing associated with living in an area that is not exposed to graffiti.

Because all the figures used in the SVB essentially track changes in social welfare, they can be compared on a like-for-like basis. This means that they can be aggregated a little more easily than the values identified through the National TOMS Framework. However, feedback from our stakeholder interviews suggest that quite a large number of people find the concept of applying a financial value to well-being rather obscure and are sceptical that it is a legitimate way to measure wellbeing.

### Comparing the proxies contained in the National TOMs with those found in the Social Value Bank

Annex C contains a brief comparison of the types of values found in the National TOMs with those found in the Social Value Bank, and an extract of this is shown below. The purpose of this comparison was to try to compare figures from the two databases that appear intended for similar purposes. However, the variations in emphasis and methods being used mean that the two sets of figures are very different.

In general, the Social Value Bank is noticeably more focussed on what has changed (thereby making it useful for an analysis of net impact), whereas the National TOMs are more focussed on valuing what is happening (and thereby on gross outcome).

**TABLE 3.1: EXTRACT FROM TABLE IN ANNEX C, WHICH COMPARES FIGURES FROM THE NATIONAL TOMS DATABASE WITH THOSE IN THE SOCIAL VALUE PORTAL**

National TOMs proxy value		Comparison from the Social Value Bank	
The figures shown below apply to employing 18-24-year-old ex-offenders specifically. Figures are marginal, excluding base salary. <sup>13</sup>		HACT does not provide specific figures for ex-offenders. The nearest equivalents are for the well-being uplift associated with getting paid or secure work, both of which are shown below.	
£12,138.03	The value to the individual from entering the labour market (annualised increase in lifetime earnings).	£13,446	Uplift in well-being associated with getting a full-time job <25.
£1,331.82	The fiscal value to the NHS resulting from average reduction in health care costs associated with being out of work.	£10,871	Uplift in wellbeing associated with getting a secure job <25.
£2,387.02	The economic, fiscal and wellbeing value to society from preventing reoffending.		

Source: Authors' analysis. Underlying data sourced from the Social Value Portal's National TOMs framework and HACT's Social Value Bank datasets.

The two databases combined provide 178 distinct proxies, and the ability to adjust or use variants of the figures mean that, in reality, there are many times more. Most analyses should be able to find some data points that are relevant or useful to their analysis. Despite this, many types of

<sup>12</sup> These are derived using complex econometric techniques - the analysis of which is beyond the scope of this report. Interested readers may wish to refer to HACT methodology papers for more information: <https://www.hact.org.uk/social-value-publications>

<sup>13</sup> The guidance says that a localised median salary value can be added on top if applicable. For the UK, the median salary is £28,758.00, which would take the total annualised value to the individual to £40,896.03.

social value fall outside of the scope of these databases, so it seems unlikely that the proxies developed so far are sufficient for providing a comprehensive analysis of a project or organisation's total social value. These opportunities and limitations will be explored in detail over the course of the next chapter.

### **Other notable tools and resources**

#### ***The Green Building Council's Guide to social value in new developments***

While not a framework or tool per se, the Green Building Council's *Guide to social value in new developments* document provides a very accessible overview of how the concept of social value can be applied beyond the procurement process through the whole of the process of creating a new development (UKGBC 2018).

It does not provide specific metrics or values, but it does suggest some impacts that should be considered. It also provides a useful list of resources that practitioners can use for investigating different types of social value in more detail.

## **EXPERT OBSERVATIONS ON SOCIAL VALUE**

This section discusses some observations about the barriers of applying social value within the housing sector which were identified during our roundtables and stakeholder engagement process.

The barriers that were identified during the engagement process fell into two broad categories: 'structural barriers' that prevent social value from being relevant to a broader range of actors, and 'implementation barriers' that make it difficult for those that are involved to engage effectively. These are explored in more detail below.

### ***Structural barriers that prevent social value from being relevant to a broader range of actors***

Housing provides a very wide range of benefits to society, ranging from basic shelter, to facilitating financial security and enabling people to live healthy, more sustainable lives. Lots can be done in terms of reforming procurement processes and housing policy that would deliver more social value, but these are huge topics that could lead to many reports within themselves. For example, setting a mandatory target for the delivery of zero-carbon homes is more likely to deliver on that objective than simply forcing organisations to consider whether this is something that they should do.

While many organisations within both the public and private sector are engaged in activities that deliver social value, in some cases their activities are typically seen as being 'part of the job' rather than specifically being about social value. For instance, architects involved in the design of a development will be faced with decisions that impact on social value on an almost daily basis.

The Social Value Act's focus on procurement means that many of the wider housing-specific considerations related to, for example, investment, planning decisions, procurement of construction works, land asset disposal and the operational phase of a development, are technically out of scope. Practitioners are of course free to consider the social value of their work in these areas, but the absence of a regulatory requirement means that research and activity is generally less well-established outside of procurement.

In order to extend the application of the concept further, participants felt that it needs to be better integrated into housing- and construction-related timelines and processes. One suggested way to do this, for example, would be to tie social value considerations into the RIBA Plan of Work Stages. In addition to broadening the scope of social value, this approach would also make the concept more relevant to private sector audiences. It was noted that the Green Building Council has produced some useful and interesting guidance that frames social value within the broader context of a new development (UKGBC 2018) in a way that is useful; going forward, this approach could be extended to consider existing developments, and perhaps even the operational phase once construction has been completed.

A design constraint of the concept is that capacity to deliver lots of extra social value for free is likely to be limited. Feedback suggested that achieving significantly better social outcomes almost always incurs additional cost. This additional investment may well be worthwhile and justifiable under a value for money approach, but will obviously be subject to the same types of budgetary concerns that all types of financial decisions involve.

Finally, it was also noted that many private companies have little incentive to consider social value instead of prioritising monetary profits. However, it was recognised that there are some drivers of business decision-making such as reputation management, delivery of competitive-advantage, or ‘doing the right thing’ that do provide some motivational force, but they tend to be best exhibited by the outlier high-performing and resource-rich companies, rather than less well-resourced competitors. Small companies reportedly often find it difficult to articulate the contribution that they make to social value, even where it is a core part of their service offering (Young 2015).

#### ***Methodological barriers that make it difficult for those that are involved to engage effectively***

**Understanding of social value and its importance is still variable.** Despite some progress, there remains a lack of consistency in how the concept of social value is being interpreted within the housing sector; the term is used relatively interchangeably with related terms such as ‘social impact’ and ‘community benefits’ (CHC 2017). This makes comparing the findings of different studies very challenging, because they are essentially considering different things. A clear and easy to understand definition of social value is more likely to be picked up by the private sector than the fragmented mix of interpretations that is currently available. Many of the social value frameworks that have been mentioned in this report are robust, but they are somewhat disparate and not necessarily capable of being linked together or compared.

The quality of social value appraisal also varies considerably. At its best, well-designed social value analysis can help organisations to identify genuinely new opportunities for delivering value that they may otherwise not have considered. At its worst, misinterpretation of the requirements of the Social Value Act – and of the concept of social value more generally – can lead to confused, bureaucratic reports that place too much emphasis on measuring what is happening rather than delivering more value.

Under the Social Value Act, public bodies are required to consider whether they should engage citizens or the users of their services during the pre-procurement phase of the procurement process. From the housing sector’s perspective, this requirement is often applied too late; there is a significant difference between consulting when practitioners are first considering procurement (when all options are possible) than towards the end of the pre-procurement stage (when many

major decisions have already been made). Consulting late in the process means that fundamental changes can't be made without entailing significant cost. This perspective also echoes the best practice recommendations from the UK Green Building Council's (UKGBC) guidance document which encourages practitioners to engage broadly and early.

All analysis of social value are simplifications of reality and therefore partial. For example, many important but seemingly small and commonplace forms of social value (such as an employee's daily 'hello' to a lonely resident) will almost certainly be omitted from any analysis. Many of these aspects of social value are inherently difficult to measure accurately either quantitatively or in a financial sense.

**Measurement of social value is still developing.** Most of the practitioners that we engaged with as part of this research were broadly supportive of efforts to deliver more social value and recognised the need to measure it more effectively. However, there was some frustration at what was perceived as an overly technical approach advocated by some of the tools, with many practitioners preferring to adopt simpler bespoke approaches that involve quantification but not valuation.

Legitimate variations in scope make standardisation within a single project (such as several different companies' responses to a single tender) much easier to achieve than standardisation between studies (such as different companies' responses to different tenders). A fully standardised approach to social value that can be applied in any situation will always be difficult because different comparisons are relevant to different projects.

Our roundtables identified some frustration regarding the complexities of placing a nominal financial value on social value, with some participants expressing scepticism about the figures being derived this way. For instance, respondees pointed to examples where suppliers are claiming that their contract will deliver levels of social value that exceed the actual value of the contract by several multiples. While this may, in part, be due to inaccurate applications of the methodologies – such as inappropriate attribution and double counting – it does highlight the difficulties that practitioners and their suppliers are facing.

One of the drivers of these problems seems to be that the skills required to deliver social value are typically different from those that are required to measure it. In many cases, projects that are doing well in terms of delivering additional social value have found measuring this work very challenging. Conversely, there are also a number of projects that are well-measured but have arguably achieved limited social impact. Organisational structures mean that the people tasked to manage and deliver social value are often different people to those who have the decision power capable of influencing social value delivery. Feedback from procurement experts also suggests that there is sometimes a disconnect between organisations that are capable of delivering a high-quality service and those capable of delivering additional social value (and vice versa).

Finally, highly specialist analyses of social value can use jargon and calculations that make them inaccessible to non-specialist audiences. In particular, social value expressed in numerical terms (such as monetary or job multipliers) can sometimes be received less critically than that which is expressed in qualitative ways. It is important that numerical terms are transparent and supported by clear explanations of how they were derived and what they mean.

**TABLE 3.2: SUMMARY OF THE STRUCTURAL AND METHODOLOGICAL BARRIERS IDENTIFIED DURING THE ROUNDTABLES AND STAKEHOLDER ENGAGEMENT**

Structural	Methodological
<p>Lots of activity that generates value to society is not explicitly seen being 'social value'.</p> <p>Wider housing-specific considerations of social value (eg related to investment, planning decisions, operations) are often left out of scope.</p> <p>The capacity to deliver lots of extra social value for free is often limited. There are usually trade-offs between social value and cost.</p> <p>Private sector organisations have only limited incentives to consider social value.</p> <p>While there is a decent amount of guidance about how to <i>measure</i> social value within housing the guidance on how to <i>deliver</i> more social value is limited.</p>	<p>The quality and depth of social value appraisals varies considerably. There is also little consistency in terms of scope and intent within the studies.</p> <p>The variation and complexity associated with social value means that developing a comprehensive and unified approach capable of comparing all studies on a like for like basis is unlikely to be achieved.</p> <p>The various different frameworks that are used to measure social value within housing are disparate and have little overlap with one another.</p> <p>Social value appraisal is a specialist skill, and has often been imposed on practitioners with little training.</p> <p>Many social value analyses, and particularly the financialised ones, use technical jargon that is inaccessible to many audiences.</p>

Source: Authors' analysis

**In summary, there are a number of key challenges that remain and that need to be overcome if social value to become more effective within the context of housing:**

- **Social value is less well-established within non-procurement aspects of housing.** The tools and resources that are available are generally focussed upon procurement. Tools and resources need to be developed to make social value relevant to a broader range of audiences and across a broader range of applications within housing.
- **A disparate mix of guidelines and recommendations make the assessment and communication of social value confusing.** The patchwork approach to social value has led to a confused environment for companies and organisations. A lack of clarity about what a 'best practice' approach to social value looks like means that people's expectations about projects are often not aligned.
- **Social value methodologies often place more weight on the measurement of social value than the generation of social value.** This can result in highly technical discussions that sometimes deviate away from how additional social value can be delivered. It also tends to mean that social value becomes synonymous with social valuation in the financial sense.
- **Collaborative working is underdeveloped.** This means that opportunities to develop common approaches and achieve economies of scale are being missed. Evidence from the roundtables we conducted suggests that the areas in which different housing bodies are working together are delivering the best results and learning from one another.
- **Practitioners need more support and training.** Social value appraisal is a specialist skill and the agenda is still at an early stage of its development. A more streamlined process for considering social value considerations would make it easier to roll-out and the provision of more training and support would be useful.

## 4.

# STRENGTHENING SOCIAL VALUE IN PRINCIPLE AND PRACTICE

Following on from the research in this report, our recommendations for improvement focus on three main areas. These consider the concept of social value in general, specific improvements to the Social Value Act, and the ways in which the application of social value within the housing sector could be improved.

In summary, we recommend the following.

- 1. Approaches to measuring social value need to be clearer and more consistent.** A broad selection of guidelines and support material has now been created. These need to be brought together into a more unified approach and more support is needed to facilitate collaboration.
- 2. The Social Value Act needs to be strengthened.** While the act has been successful at initiating engagement within the public sector, several improvements are needed in order for it to be more effective.
- 3. The housing sector needs more housing specific guidelines.** The government's specific expectations of social value within the housing sector should be clarified and sector specific guidance needs to be expanded and streamlined.

### RECOMMENDATION 1: IMPROVING SOCIAL VALUE MEASUREMENT

Approaches to measuring social value need to be clearer and more consistent. A broad selection of guidelines and support material have now been created. These need to be brought together into a more unified approach and more support is needed to facilitate better collaboration. Several suggestions on how to do this are described below.

#### *Practitioners of social value need to be upskilled*

Social value appraisal is highly skilled work, and some practitioners lack the experience and training to analyse it comprehensively. To be more effective, the approach will either need to be further professionalised (with skilled staff being employed to focus on social value specifically) or the approach will need to be further streamlined and simplified so as to make it more accessible to people working across a range of areas.

#### *The benefits of adopting a more hybridised qualitative and quantitative approach should be more clearly articulated*

Social value appraisal is complex; trying to map-out and apply financial values to all aspects of a project or programme will be time-consuming and can lead to unnecessary complication. One way to streamline it for more novice practitioners would be to start by simply mapping-out how social value is created as comprehensively as possible.<sup>14</sup> Once this is done, practitioners can then move on to quantifying and then financially valuing the impacts that are most relevant to them and their organisations.

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<sup>14</sup> For more information on this, see the impact pathways discussion in annexes A and B.

This process is likely to provide a ‘hybridised’ result that provides a mix of descriptive, quantified and valued measures of social value. For example, a study might involve some qualitative case studies about housing quality, some metrics about health and safety improvements and a valuation of the benefits of the most significant improvements that have been achieved.

Taking this approach would enable practitioners to choose whether to initially focus on breadth of coverage (considering all impacts) or depth of coverage (exploring one or two forms of social value in a lot of detail). For example, table 4.1 provides a simple framework that practitioners can use to consider the social value that their activities generate. Under this approach, organisations that are primarily interested in breadth of coverage should prioritise steps one and two, while organisations that are more interested in depth of analyse should focus on taking one or two forms of social value through the full seven steps. As practitioners gain knowledge and experience, more forms of social value can be explored in more detail. For more information please see annex B.

**TABLE 4.1: AN EXAMPLE OF AN OVERARCHING ANALYTICAL FRAMEWORK THAT ORGANISATIONS CAN USE TO ASSESS THE VALUE THAT THEIR ACTIVITIES GENERATE**

Scoping	Define dependencies/ impacts	Define methodology	Collect data	Assess impacts	Value impacts	Interpret results and take action
<p><b>What is the objective of the analysis?</b> ...For reporting purposes, for demonstrating performance, or for identifying opportunities to expand social value? How precise do we need to be?</p> <p><b>Which impacts to include?</b> ...Core performance, economic, environmental and/or social? Over what timeframe, geography, parts of the value chain? Are we outcome- or impact-focussed?</p>	<p><b>How do our activities create value?</b> ...What are our inputs and outputs? How do they create outcomes? Is it additional, or would it have happened anyway?</p> <p><b>Who should we engage?</b> ...How complete is our mapping? Who could help us identify other types of impact/ value?</p>	<p><b>What type of analysis do we want to undertake?</b> ...Do we want it to be discursive, qualitative, quantitative and/or valued? What format of results do we want to present?</p> <p><b>What data do we need?</b> ...What data and information do we need to do our analysis? What sort of data is already available? Do we want case studies? Quantified metrics? Perhaps valuation coefficients?</p>	<p><b>How best should we collect it?</b> ...Who holds this data? How good is it? How will we store it?</p> <p><b>Do we need to 'clean' the data?</b> ...Is it all in the same form, and if not, can it be? How up to date is it? What was it originally collected for?</p> <p><b>How should we plug gaps in the data?</b> ...Do we need to deliver or commission new research? Do we need to supplement with (eg) interviews?</p>	<p><b>Are we concerned with outcomes of impact?</b> ...If impact, what are we comparing it to? What would have happened anyway?</p> <p><b>How do the different forms of analysis fit together?</b> ...Is it mainly qualitative, or quantitative?</p> <p><b>Can they be added?</b> ...Can we add all of the different data strands together? What level of aggregation/ disaggregation is appropriate?</p>	<p><b>What do the valued impacts show us?</b> ...Do the valuations make sense? Are they realistically commensurable? Are they accessible to a broad range of audiences?</p> <p><b>How complete is our analysis?</b> ...What have we left out? Who can review our results? Do we need to undertake any sensitivity analysis?</p>	<p><b>How complete is our analysis?</b> ...Have we considered all aspects of our social value or just some types of social value?</p> <p><b>How should we communicate?</b> ...And how transparent are we being?</p> <p><b>What insights have we gathered?</b> ...What did we learn through the process? And the results? What were the barriers to delivering more social value? What should our priorities be going forwards?</p>

Source: Authors' analysis

***Current social value approaches should be refined to place more emphasis on delivering within local economies***

In addition to making it easier for practitioners to engage with social value, more emphasis should be placed on understanding social value in the context of local public spending and investment within local businesses. This could be done in relatively simple ways to begin with, such as by tracking what proportion of orders come from SMEs and where these SMEs are have their headquarters. It could also evolve to include figures for local jobs generated and local economic impact by drawing on some of the economic modelling tools described in annex A. Taking a more localised approach will generate better outcomes locally, enhance support for the organisations undertaking activity on social value, and help integrate activity in local development plans.

**RECOMMENDATION 2: STRENGTHENING THE SOCIAL VALUE ACT**

The Social Value Act has found its way into the work processes of many public bodies. Despite this, it is not yet being implemented to its full potential. To make the act more effective, the following recommendations should be considered.

***The act should be strengthened so that public bodies are required to ‘account for’ rather than simply ‘consider’ social value***

The requirement to ‘consider’ social value is very weak and means that some public sector bodies can get by with almost no engagement on social value. Central government contracts are already requiring that social value is ‘accounted for’, and this should also be applied to local government and other public sector commissioners.

***The act needs to be extended to include goods and works, as well as services***

Accounting for social value beyond services and into goods and works contracts would generate better outcomes across a wider range of areas. It could also generate long-term savings for the taxpayer and make it make the procurement process for contracting authorities more streamlined and consistent.

***Post-Brexit, the government should remove the EU procurement threshold clause***

Eradicating this entirely would provide a clear signal that a consideration of social value should apply to all public procurement contracts, not just the largest ones. The potential bureaucratic risk associated with having to account for social value even within very small contracts could be alleviated by adopting a tiered matrix approach that applies different levels of scrutiny to different levels of spending (a simple ethical procurement policy might suffice for stationery orders, for example). This matrix should be agreed with stakeholders during the statutory consultation period.

***The statutory consultation period should be brought forward***

The earlier the consultation period the more flexibility there is to accommodate the views of different stakeholders. Left too late, it can be difficult and expensive to make changes to procurement plans. Therefore, the consultation period should be brought forward so that there is some initial engagement right at the start of major procurement projects. This would increase the likelihood of stakeholders’ views being considered and significantly reduce the costs associated with accommodating their requests.

***Opportunities for feedback and stakeholder input should be embedded beyond procurement to throughout the project life cycle***

Procurement processes should incorporate mechanisms to get feedback on post-procurement outcomes once decisions have been made. This would ensure public bodies learn from stakeholders’ experiences and that their approach to social value generation is adaptable to change.

### Raising awareness of the Social Value Act

Finally, alongside general tightening of the act, continued effort at raising awareness and knowledge about social value will be required for it to gain further traction and for the proposed changes to be effective.

### RECOMMENDATION 3: DEVELOPING SPECIFIC SOCIAL VALUE GUIDELINES FOR THE HOUSING SECTOR

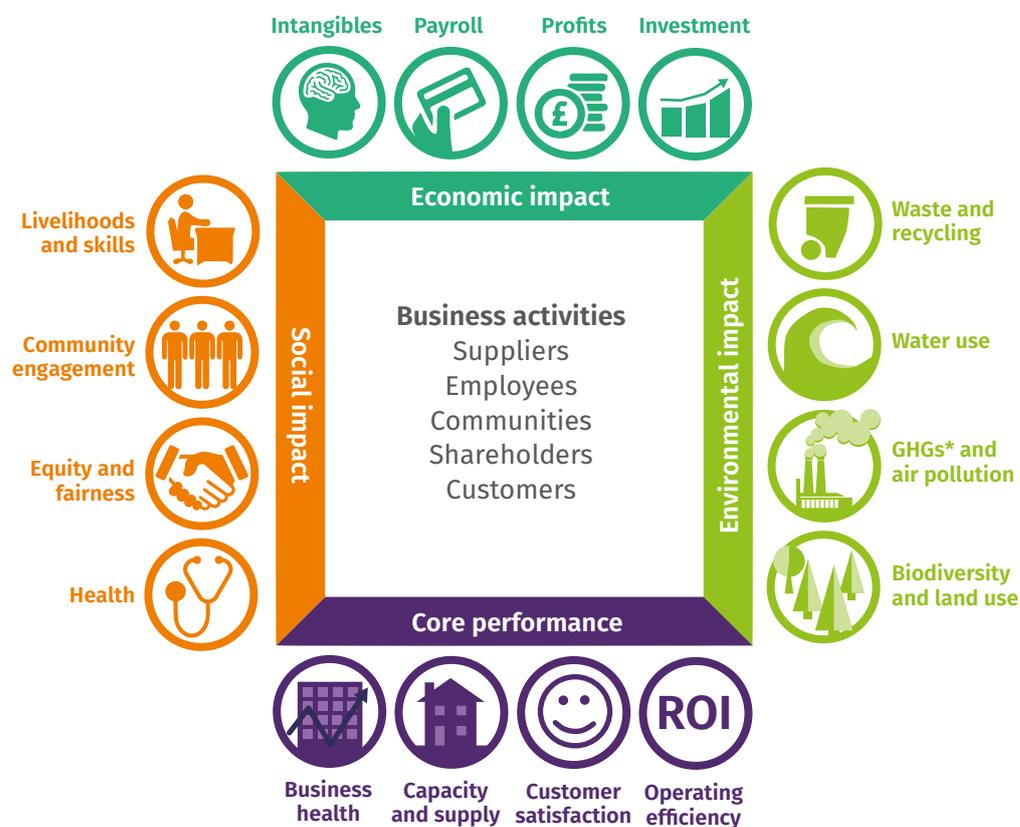
The housing sector is one of the most active sectors focussed on the delivery of increased social value. Despite this, the quality and extent of social value appraisal varies considerably across different organisations within the sector. In response, the government should look to help standardise the guidance being provided for social value within housing, and provide support mechanisms for greater collaboration across the sector.

Key opportunities in this area include the following.

*The government should facilitate a process to provide standardised and consistent guidance as to what social value means for the housing sector*

The current patchwork approach to social value means that it has led to a confused environment for companies and organisations. For housing, the government should clearly back a single, unified approach for appraising social value. This should incorporate the best aspects of the current tools and be capable of being scaled up and down in terms of complexity.

**FIGURE 4.1: AN EXAMPLE OF A VISUAL FRAMEWORK THAT ORGANISATIONS CAN USE TO ASSESS THE VALUE THAT THEIR ACTIVITIES GENERATE**



Source: IPPR 2019

\* Greenhouse gases

Roll-out could be modelled on a simplified version of the Webtag approach that is used by government to appraise infrastructure projects (Gov.uk 2019b). An illustrative example of what this framework could look like is briefly summarised in figure 4.1, and expanded on in more detail in annex A. This has been adapted from and modelled on PwC's TIMM framework (PwC 2019).

Taking this approach, the housing organisation's core activities sit within the centre of the box, while the ways in which it impacts upon society sit around the outside. Example metrics that could be used to measure core activities include local economic impact (for communities), greenhouse gas (GHG) emissions saved and the annualised uplift in lifetime earnings achieved as a result of training (for livelihoods and skills). Depending upon the type and depth of the analysis required, the assessment of the impacts may be purely descriptive, quantified, notionally valued or a mixture of all three. More details of how this could work are provided in annex B.

***The modified framework should include case studies, templates and recommended social value weightings***

'Best practice guidance' should also be provided to help shape social value assessments and to support decision makers' interpretation of the results.

***More guidance should be created about how to deliver more social value within the housing sector, rather than simply on how to measure it***

The current guidance is disproportionately focussed on how to measure social value, with relatively little emphasis being placed on how more social value could be delivered. Sharing more evidence and case studies on how social value is being delivered would improve awareness and could lead to more value being generated.

***Encourage greater collaboration to deliver social value***

The Manchester Social Value Network described in our roundtables demonstrated the benefit of working together to develop a common approach to social value within a local area. Local authorities and councils should encourage the formation of equivalent groups in other areas to help facilitate faster learning and a more unified approach to social value delivery and weighting.

***The government should encourage public bodies to explore opportunities to pool resources and collaborate to deliver social value at a reduced cost***

Building on the recommendations above, some forms of social value are likely to be more easily delivered at scale rather than on a per organisation basis. A national social value facilitation programme could be established for the housing sector to facilitate collaboration and support the pooling of resources in order to deliver greater social value at reduced cost. This could be modelled on the pre-existing approach used by the National Industrial Symbiosis Programme, which facilitates a process through which organisations can collaborate to reuse waste materials (NISP 2019). Housing bodies are constrained by limited resources. However, duplication often exists and typically there is limited collaboration to identify where social value could be jointly delivered.

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# ANNEX A

## TOOLS FOR CONSIDERING AND MEASURING SOCIAL VALUE

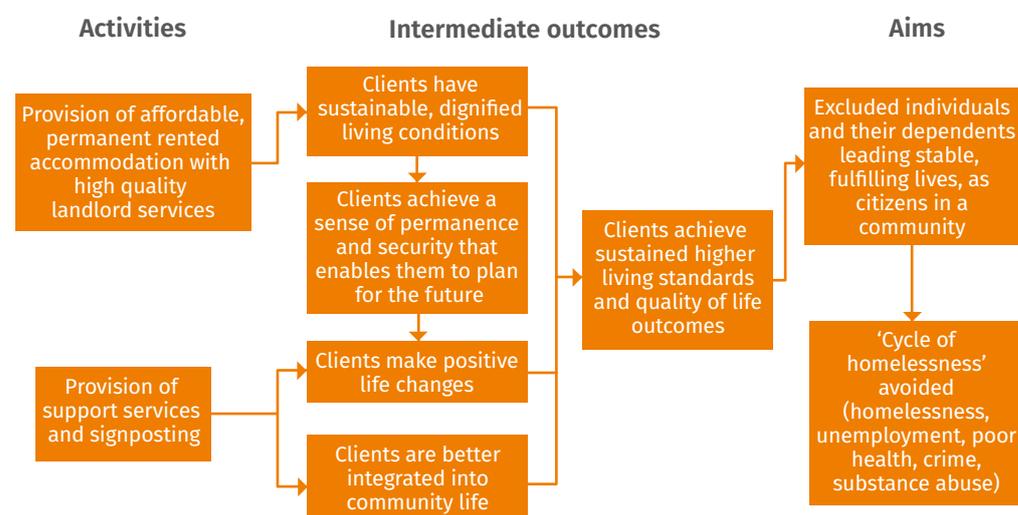
This annex sets out a broad overview of the types of resources that are currently available for considering social value, and examines several examples that are particularly relevant in the context of housing.

### THEORETICAL FRAMEWORKS

Interpreted simply, asking housing providers to ‘consider social value’ can be seen as a call for them to adopt a wider perspective on the impacts that they have.

On this basis, theoretical frameworks such as the well-known ‘theory of change’ concept,<sup>15</sup> provide a good place to start. In essence, theory of change frameworks are intended to provide a comprehensive description and illustration of how and why a desired change is expected to happen in a particular context. A consideration of social value is usually implicit in this, but can be brought out more explicitly. An example from the charity Action Homeless<sup>16</sup> is shown in figure A1.

**FIGURE A1: AN EXAMPLE OF A THEORY OF CHANGE MAP FROM ACTION HOMELESS**



Source: Action Homeless (2018)

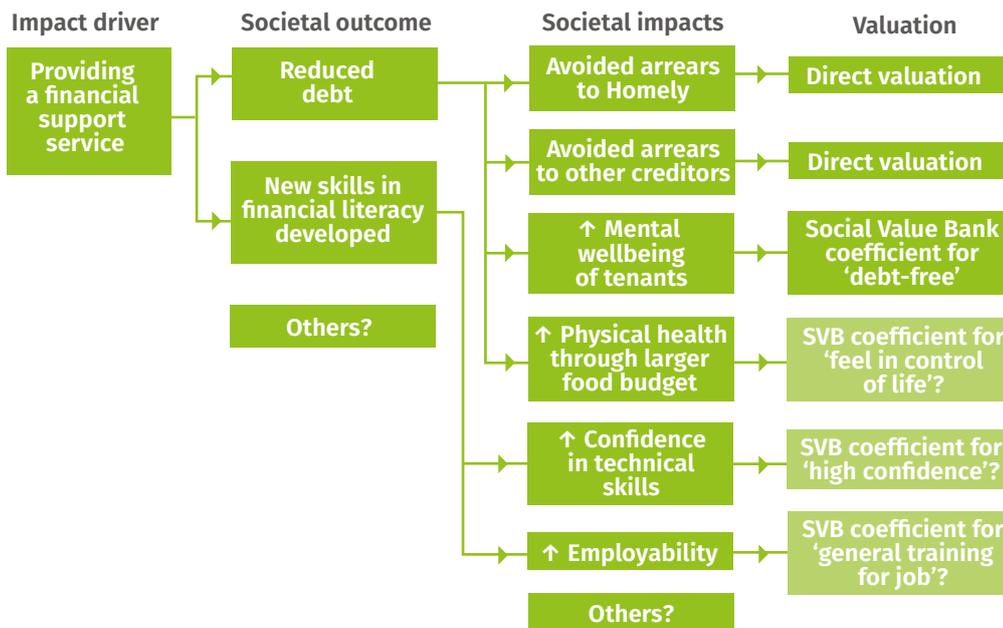
15 See: [https://en.wikipedia.org/wiki/Theory\\_of\\_change](https://en.wikipedia.org/wiki/Theory_of_change)

16 See: <http://actionhomeless.org.uk/about-us/>

## IMPACT PATHWAYS

A useful variant of the theory of change concept is ‘impact pathways’. This tool is explicitly designed to provide the link between the ‘impact drivers’, ‘societal outcomes’ and ‘societal impacts’. An example of a simple impact pathway for one type of impact driver (providing financial support to tenants) is shown below.

FIGURE A2: AN EXAMPLE OF AN IMPACT PATHWAY



Source: IPPR 2019

## PROXY DATABASES

These are databases of valuation coefficients that can be used to provide the basis of an analysis of social value (for example, money saving through the employment of a disadvantaged individual). Examples include the National Themes, Outcomes and Measures (TOMs) calculator, the Social Value Bank, the New Economy Unit Cost Database,<sup>17</sup> and the NHS Reference Costs database.<sup>18</sup> Equivalent databases also exist for the valuation of environmental impacts.

The use of proxy databases requires particular care as the values cited tend to be context-specific and relevant only to certain applications. For example, in the TOMs database, values are categorised into inputs, outputs, outcomes and impacts, with the values provided split in terms of who they accrue to (such as individuals, the government and/or the wider community). They also tend to be partial, only considering a subsection of the impacts that an organisation has. Despite these challenges, open-source proxy values are often the first step that practitioners take when looking to place a financial value on social impact.

17 See: <http://www.neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database>

18 See: <https://improvement.nhs.uk/resources/reference-costs/>

## VALUATION METHODOLOGIES

In order to be useful, the proxy values described above need to be aggregated together in some sort of cohesive whole. One way that this can be done is through cost benefit analysis (CBA) – a tool that can be used to assess the impact of different options on social welfare. Social CBA looks at the full costs and benefits of a particular project, and evaluates its full impact in relation to the inputs needed. Well-designed social CBA are rigorous; good practice is that all relevant costs and benefits are valued in monetary terms – unless they are insignificant or is not possible to do so, in which case they are presented in as clear and comparable form as possible.<sup>19</sup>

Social return on investment (SROI) is a variant on social CBA. It generally places less emphasis on the specificity and technical rigour of the analysis, but more on the degree of stakeholder involvement in the process.<sup>20</sup> This can have an impact on the way that values and results are presented; with SROI, the outcomes are valued from the perspective of the stakeholder rather than the government. Such values might be generated by using economic techniques such as revealed preference, stated preference, or (more recently) wellbeing valuation techniques.

It is good practice for valuation methodologies to comply with the Treasury's guidance in the Green Book, which provides an official position on best practice appraisal and evaluation techniques as used by central government. Amongst other topics, chapters in the Green Book include descriptions of how to scope out a project, value the costs and benefits involved and present the results generated.<sup>21</sup>

## COMPLEMENTARY TOOLS AND SERVICES

Several tools and resources are often discussed in conjunction with social value but that are not explicitly about it. These are described below.

### *Core performance metrics*

Several tools exist that help organisations to measure the quality of their core functions and operations. Within the context of housing, a good example is the Housing Sector Scorecard.<sup>22</sup> This is a tool that sets out a series of best practice metrics that housing associations can use to benchmark their performance and check that they are providing value for money. Example measures include operating margin, customer satisfaction and occupancy rate. While such metrics are obviously important, they are more closely related to core functions rather than social value.

### *Economic impact assessment*

There are a wide range of tools available that are designed to help organisations measure the economic impact of their activities. In the context of housing, the two most notable are the National Housing Federation's Local Economic Impact Calculator and the New Economic Foundation's (NEF) Local Multiplier 3 (LM3) tool.

The Local Economic Impact Calculator is a free tool that helps housing associations to calculate their contribution to the productivity of local areas.<sup>23</sup> It can be used to estimate the economic impact of building new affordable homes, a housing association's direct day-to-day activities,

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19 See: <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

20 See: <http://www.socialvalueuk.org/sroi-and-cost-benefit-analysis/>

21 See: <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

22 See: <http://www.sectorscorecard.com/>

23 See: <https://www.housing.org.uk/resource-library/browse/local-economic-impact-calculator/>

and the wider activities that they engage in within a given area. It requires simple-to-obtain data (like the number of homes managed) and can produce results at the local or national level.

NEF's LM3 is a tool designed to help organisations better understand their local economic impact.<sup>24</sup> It uses spend data to calculate the economic multiplier effect; this describes the impact that spending has in the economy by taking into consideration re-spending and knock-on effects. Access to the tool is chargeable, though is heavily subsidised for small non-profits.

### ***Chargeable services***

Several companies offer chargeable services designed to make it easier for organisations to calculate their social value by undertaking their calculations for them. These services vary in terms of scope of impacts (such as social, environmental and economic) and in terms of how standardised or bespoke they are. There are also a wide range of peripheral services that consider social value more generally, such as training to help organisations to develop a theory of change. The offer that is most relevant to the housing sector is probably the Social Profit Calculator,<sup>25</sup> although NEF, the 'big four'<sup>26</sup> consultancies and various other boutique consultancies also offer similar services.

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24 See: <https://www.lm3online.com/>

25 See: <https://www.socialprofitcalculator.co.uk/>

26 Namely PwC, Deloitte, EY and KPMG.

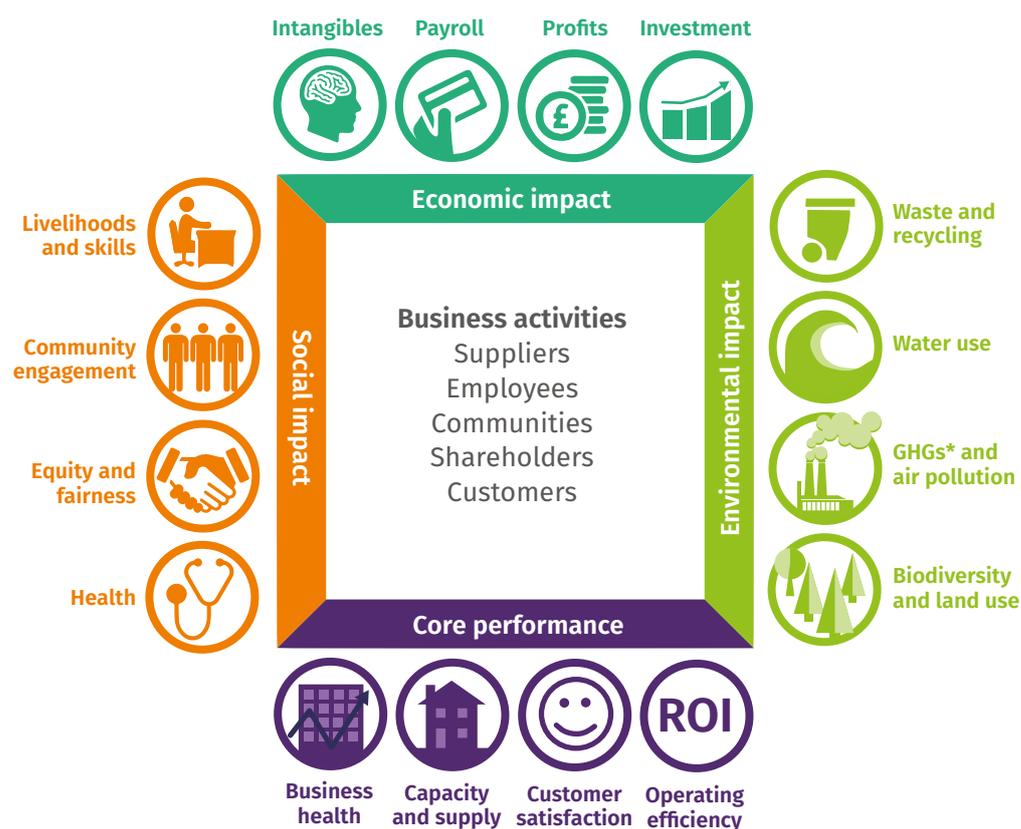
# ANNEX B

## AN EXAMPLE OF A HIGH-LEVEL FRAMEWORK THAT COULD BE USED TO CONSIDER SOCIAL VALUE

### METRICS AND INDICATORS

Figure B1 illustrates a range of indicators that housing organisations could use to assess their operational performance, alongside their economic, environmental and social impact.

**FIGURE B1: ILLUSTRATIVE GRAPHIC THAT PROVIDES EXAMPLES OF DIFFERENT FORMS OF SOCIAL VALUE WITHIN HOUSING.**



Source: Authors' analysis  
\* Greenhouse gases

Table B1 provides some examples of the types of metrics that could be used to measure these indicators. In reality, the most appropriate metrics will vary significantly depending upon the precise type of activity being undertaken and the purpose of the study. Quantification of non-financial indicators can be challenging and will involve getting a detailed understanding of the project's activities.

Valuation of non-financial indicators is even more challenging, and typically involves the use of either a valuation coefficient or provision of technical support from a specialist economist. The impact pathways on the following pages provide some examples of how impacts might be valued.

**TABLE B1: SAMPLE METRICS THAT COULD BE CONSIDERED AS PART OF A SOCIAL VALUE ANALYSIS WITHIN THE HOUSING SECTOR**

Indicator	Example metric(s)	Example units
<b>Business health</b>	operating margin (overall)	£
	operating margin (social housing lettings)	£
	EBITDA MRI <sup>27</sup> (as % interest)	%
	reinvestment	£
<b>Capacity and supply</b>	new supply delivered: absolute (social and non-social)	nominal value
	new supply % (social and non- social)	%
	gearing	ratio
<b>Customer satisfaction</b>	customer satisfaction	scaled value
	investment in communities	£
<b>Effective asset management</b>	return on capital employed (ROCE)	% ROCE
	occupancy	%, nominal values
	ratio of responsive repairs to planned maintenance	Ratio
<b>Operating efficiency</b>	headline social housing cost per unit	£/unit
	rent collected	£
	overheads as % adjusted turnover	%
<b>Payroll</b>	payroll costs	£
	distribution by decile	£ by decile
<b>Profits</b>	profits	£
	distribution by decile	£ by decile
<b>Investment</b>	investment in physical assets	£
<b>Intangibles</b>	investment in intangible assets	£
<b>Livelihoods and skills</b>	jobs created	nominal value
	skills, by level of qualification	nominal value, by qualification
<b>Community engagement</b>	volunteering hours	hours volunteered
	resources donated	eg space donated to community groups
	stakeholder engagement processes	variable, depending on what changes
<b>Equity and fairness</b>	vulnerable people employed: rehabilitated young offenders unemployed people	people employed

27 Earnings before interest tax and amortisation major repairs included.

<b>Health</b>	Provision of services that support mental health: financial advice programmes loneliness outreach programmes  Provision of exercise facilities: children's play area on-site gym support to remove damp mould	people engaged  hours of play enabled  hours of exercise enabled houses treated
<b>Greenhouse gases (GHG) and air pollution</b>	GHG emission metrics: operational energy consumption domestic energy consumption embodied energy consumption  Air pollution metrics: dust generated in construction air emissions from vehicles	kgCO <sub>2</sub> e  kgCO <sub>2</sub> e PM10, PM2.5 NO <sub>x</sub> , SO <sub>x</sub> , N <sub>2</sub> O, PM10, PM2.5
<b>Water use</b>	Water consumption metrics: operational water consumption domestic water consumption embodied water consumption	m <sup>3</sup> water
<b>Waste and recycling</b>	Waste generation metrics: hazardous waste generated non-hazardous waste generated  Domestic waste metrics: waste generated quantity material recycled quantity material composted	tonnes hazardous waste tonnes non-hazardous waste  kg waste kg material recycled kg material composted
<b>Biodiversity and land use</b>	Biodiversity metrics: species richness land set aside for biodiversity	species/m <sup>2</sup> m <sup>2</sup>

Source: Authors' analysis

## SOCIAL VALUE FRAMEWORK

The table shown below provides an overarching framework that organisations can use to assess the value that their activities generate. Depending on what is defined in the scoping phase, the framework can be used to analyse a broad range of value – from that associated with core organisational performance through to wider environmental, economic and social impacts.

**TABLE B2: AN EXAMPLE OF AN OVERARCHING ANALYTICAL FRAMEWORK THAT ORGANISATIONS CAN USE TO ASSESS THE VALUE THAT THEIR ACTIVITIES GENERATE**

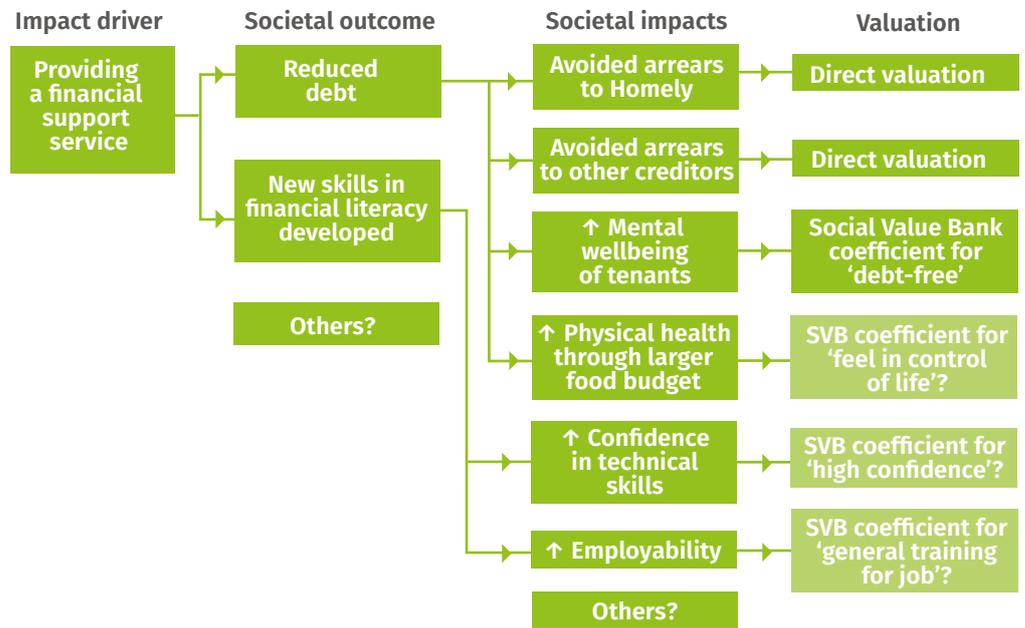
Scoping	Define dependencies/ impacts	Define methodology	Collect data	Assess impacts	Value impacts	Interpret results and take action
<p><b>What is the objective of the analysis?</b> ...For reporting purposes, for demonstrating performance, or for identifying opportunities to expand social value? How precise do we need to be?</p> <p><b>Which impacts to include?</b> ...Core performance, economic, environmental and/or social? Over what timeframe, geography, parts of the value chain? Are we outcome- or impact-focussed?</p>	<p><b>How do our activities create value?</b> ...What are our inputs and outputs? How do they create outcomes? Is it additional, or would it have happened anyway?</p> <p><b>Who should we engage?</b> ...How complete is our mapping? Who could help us identify other types of impact/ value?</p>	<p><b>What type of analysis do we want to undertake?</b> ...Do we want it to be discursive, qualitative, quantitative and/or valued? What format of results do we want to present?</p> <p><b>What data do we need?</b> ...What data and information do we need to do our analysis? What sort of data is already available? Do we want case studies? Quantified metrics? Perhaps valuation coefficients?</p>	<p><b>How best should we collect it?</b> ...Who holds this data? How good is it? How will we store it?</p> <p><b>Do we need to 'clean' the data?</b> ...Is it all in the same form, and if not, can it be? How up to date is it? What was it originally collected for?</p> <p><b>How should we plug gaps in the data?</b> ...Do we need to deliver or commission new research? Do we need to supplement with (eg) interviews?</p>	<p><b>Are we concerned with outcomes of impact?</b> ...If impact, what are we comparing it to? What would have happened anyway?</p> <p><b>How do the different forms of analysis fit together?</b> ...Is it mainly qualitative, or quantitative?</p> <p><b>Can they be added?</b> ...Can we add all of the different data strands together? What level of aggregation/ disaggregation is appropriate?</p>	<p><b>What do the valued impacts show us?</b> ...Do the valuations make sense? Are they realistically commensurable? Are they accessible to a broad range of audiences?</p> <p><b>How complete is our analysis?</b> ...What have we left out? Who can review our results? Do we need to undertake any sensitivity analysis?</p>	<p><b>How complete is our analysis?</b> ...Have we considered all aspects of our social value or just some types of social value?</p> <p><b>How should we communicate?</b> ...And how transparent are we being?</p> <p><b>What insights have we gathered?</b> ...What did we learn through the process? And the results? What were the barriers to delivering more social value? What should our priorities be going forwards?</p>

Source: Authors' analysis

## IMPACT PATHWAYS

A hypothetical impact pathway is shown in figure B2. In this example, 'Homely' Housing Association offers its tenants the opportunity to receive independent guidance and support on how to manage their finances. This service entails a cost to the housing association, but has been demonstrated to improve the financial wellbeing of its tenants as well as reducing their risk of arrears. The impact pathway shows 'impact drivers', which describe the activity that leads to 'societal outcomes'. The change in societal outcome is represented by 'societal impacts', and these can theoretically be valued using valuation coefficients.

**FIGURE B2: EXAMPLE IMPACT PATHWAY TAILORED TO THE HOUSING SECTOR**



Source: Authors' analysis

Mapping impacts is a challenging task. Many organisations typically fall into the trap of only measuring inputs or outputs, and then get stuck when attempting to convert this into a valued impact. Some example inputs, outputs, outcomes and impacts are shown in figure B3 – it is interesting to note how the corresponding metrics that they provide are not comparable.

**FIGURE B3: AN EXAMPLE OF 'INPUTS, OUTPUT, OUTCOMES AND IMPACTS FRAMING RELEVANT TO THE HOUSING SECTOR**

	Inputs	Outputs	Outcomes	Impacts
<b>Social</b>	Independent advice service	Advisor undertakes 50 consultations over one year	Post-consultation surveys document evidence of: - tenant escaping debt and acquiring a financial buffer - tenant develops new numerical literacy and technical skills	Analysis finds evidence for following impacts: - improvement in mental health, through increased financial resilience - improved physical health through having increased food and exercise budget - avoided arrears accruing to third parties - increased confidence in technical abilities
	Staff time associated with managing the service	Advisor develops bespoke support programmes for 15 of the tenants with advice on: - mental health and wellbeing - income/expenditure - debt management	Tenant is up to date with payments to the Homely Housing Association	Reduction in arrears accruing to Homely Housing Association
<b>Core</b>	£ cost of independent advice	Number of consultations	Average reported wellbeing of tenants	Improvement in reported wellbeing of tenants
	Hours of staff time	Number of support programmes Completed surveys	Total arrears accruing to Homely	Reduction in arrears accruing to Homely

Source: IPPR 2019

\* This improvement in wellbeing could be valued using a coefficient from the Social Value Bank's database.

## ANNEX C

### A COMPARISON OF SEVERAL SOCIAL VALUE PROXIES TAKEN FROM THE SOCIAL VALUE BANK PROMOTED BY HACT AND THE SOCIAL VALUE PORTAL'S NATIONAL TOMS FRAMEWORK

This annex provides some comparisons between the values found in the Social Value Bank – as used by the HACT wellbeing approach – and those found in the Social Value Portal's (SVP) National TOMs framework. The two sets of figures interpret social value differently and take different approaches to measurement and valuation. This list is non-exhaustive and is intended only to illustrate the type of values available and show how they differ in style.

**TABLE C1: IPPR COMPARISON OF HACT SOCIAL VALUE BANK AND SVP NATIONAL TOMS PROXY VALUES**

Example social value drivers	HACT proxy values from the Social Value Bank		SVP proxy values from the National TOMs	
Employing or rehabilitating ex-young offenders (18–24-year-olds)	HACT does not provide specific figures for ex-offenders. The nearest equivalents are shown below.		The figures shown below apply to employing 18–24-year-old ex-offenders specifically. Figures are marginal, excluding base salary. <sup>28</sup>	
	£13,446	Uplift in wellbeing associated with getting a full-time job <25.	£12,138.03	The value to the individual from entering the labour market (annualised increase in lifetime earnings).
	£10,871	Uplift in wellbeing associated with getting a secure job <25.	£1,331.82	The fiscal value to the NHS resulting from average reduction in health care costs associated with being out of work.
No of site visits for school children or local residents	No relevant values or metrics provided in the SVB.		£2,387.02	The economic, fiscal and wellbeing value to society from preventing reoffending.
	-	N/A	£59.20	

<sup>28</sup> The guidance says that a localised median salary value can be added on top if applicable. For the UK, the median salary is £28,758.00, which would take the total annualised value to the individual to £40,896.03.

Providing security of tenure	SVB wellbeing figures for moving from temporary accommodation to secure housing shown below. Values for being relieved from rough sleeping are also available.		No relevant values or metrics provided in the National TOMs.		
	£8,019	Wellbeing uplift from moving from temporary accommodation to secure housing (no dependent children)	-	N/A	
	£8,036	Wellbeing uplift from moving from temporary accommodation to secure housing (with dependent children)			
Improving the look of an area	Several well-being uplift figures are provided related to improving the look of an area. These include:		The National TOMs figures are only loosely related to this type of value driver. The nearest equivalent is shown below.		
	£449	Resolution of problems with scruffy/neglected buildings (ex-dwellings).	£14.80	Voluntary time dedicated to the creation and management of green infrastructure, to increase biodiversity or keep green spaces clean.  This proxy reflects the replacement cost for the wage of the individual volunteering, based on ONS figures.	
	£336	Resolution of problems with condition of dwellings.			
	£196	Resolution of problems with condition of roads, pathways and street furniture.			
	£449	Resolution of problems with litter, rubbish or dumping.			
	£439	Resolution of problems with graffiti.			
	£299	Resolution of problems with vandalism.  (Average figures provided for persons of unknown age and unknown location by about +/- 50%.)			
	The SVB provides a range of figures for the uplift in well-being associated with improvements to people's financial stability, split by geographic location and age).				The National TOMs provides values for improving the skills and opportunities of different actors, but not for financial stability specifically.
Improving people's financial stability	£8,917	Wellbeing uplift associated with an improvement in financial comfort.  (Average figure provided for persons of unknown age and unknown location. More specific values vary from £6,910 to £10,378.)			-
Providing play facilities	No direct value provided. Some loosely related values are shown below.		No relevant values or metrics provided in the National TOMs.		
	£2,180	Wellbeing uplift associated with keeping fit, <25 years old from unknown location.  (Values for other ages and locations range from £1,002 to £2,532.)	-	N/A	

Providing adequate warmth	Wellbeing uplifts associated with improved energy efficiency are shown below.		The Real Estate Plug-in recommends that metrics for energy efficiency are documented (eg kWh/m2) but does not provide proxies for warmth.	
	£217	Wellbeing uplift associated with improving energy efficiency by one band.		
	£651	Wellbeing uplift associated with improving energy efficiency by three bands.		
	£1,302	Wellbeing uplift associated with improving energy efficiency by five bands.  (A range of values are provided according to age group, location and level of improvement. Values range from £127 to £2,088.)	-	N/A
Improving biodiversity on the estate	No relevant values or metrics provided in the SVB.		The National TOMs figures are only loosely related to this type of value driver. The nearest equivalent is shown below.	
	-	N/A	£14.80	Voluntary time dedicated to the creation and management of green infrastructure, to increase biodiversity or keep green spaces clean.  This proxy reflects the replacement cost for the wage of the individual volunteering, based on ONS figures.
Providing cycle storage facilities	No direct value provided. Some loosely related values are shown below.		No relevant values or metrics provided in the National TOMs.	
	£2,180	Wellbeing uplift associated with keeping fit, <25 years old from unknown location.  (Values for other ages and locations range from £1,002 to £2,532.)	-	N/A

Source: Authors' analysis



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