

PRACTICE NOTE FM NUMBER 1  
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# Including Social Value in the NEC Facilities Management Contract (FMC)

## OVERVIEW

This practice note is written to highlight the importance of Social Value, particularly in UK public sector contracts. It sets out the principles and purpose of Social Value and describes the National Themes, Outcomes and Measurement (TOMs) methodology which can be used to seek Social Value in facilities management (FM) contracts.

This part of the document should be read in conjunction with the National TOMs FM Plug-In guidance which can be found on the IWFM Sustainability Hub, under National TOMs FM Plug-In or [here](#).

This practice note then explains how this would be included into an NEC FMC. However, Social Value has importance across more than FM contracts, and while this practice note describes the requirements in relation to an NEC4 FMC, Social Value could easily be incorporated into other NEC contracts when applicable.

## INTRODUCTION

Social Value is an increasingly significant aspect of public and private sector procurements:

- All Central Government Departments, their Executive Agencies and Non-Departmental Public Bodies must seek Social Value in procurements above the relevant threshold ([PPN Thresholds 2020](#)) as set out in the public procurement regulations.
- A majority of all other public sector authorities seek Social Value as a requirement in their procurements.
- Many private sector organisations also seek Social Value in their procurements, either to engage subcontractors to assist with the delivery of Social Value to public sector organisations, or to meet organisational Corporate Social Responsibility (CSR) objectives or the requirements of ethical investors.

## SEEKING SOCIAL VALUE

### What is Social Value?

Social Value refers to the wider financial and non-financial value created by an organisation through its day-to-day activities in terms of the wellbeing of individuals and communities, social capital created and the environment. For real estate Social Value may be defined as the wider contribution that a development creates for society through how it is constructed and managed. This includes the economic returns to the local economy, the wellbeing of individuals and communities as well as the benefit to help the environment.

Social Value is defined through the Public Services (Social Value) Act 2012 ('the Social Value Act') which came into force in January 2013 and requires all public sector organisations (and their suppliers) to look beyond the financial cost of a contract and consider how the services they commission and procure might improve the economic, social and environmental wellbeing of an area. The Social Value Act has transformed the public sector by raising the importance

of Social Value and placing it alongside quality and price as an equal consideration in supplier engagement. This is leading to a more responsible and engaged supply chain.

In December 2020 the Government published Procurement Policy Note ([PPN 06/20](#)) - *Taking account of Social Value in the award of central government contracts* - that sets out how to take account of Social Value in the award of central government contracts by using the Social Value Model described in the PPN. This now sets a duty on all central government departments and agencies to evaluate Social Value as a part of all procurements, with a stand-alone evaluation weighting of 10%. At the same time the Government published the [Sourcing Playbook](#) that sets out key policies and guidance for how public works projects and programmes are assessed procured and delivered.

Typically, organisations seek Social Value in contracts which exceed a value of £100K.

### The Benefits of Social Value

There are many benefits for including Social Value in contracts:

- Societal value - this allows organisations to articulate the broader contribution that they bring to society and the local area. It places an emphasis on delivering those activities (and measures) that help solve specific needs, making an impact that can be measured and monitored.
- Investor requirements - investors are increasingly interested in understanding the wider impact of their investments on society, including how assets are managed during occupation and how they contribute to the broader wellbeing of communities, for example how they contribute to the UN Sustainable Development Goals.
- Supply chain engagement - there should be a focus on spending locally, not only with local suppliers and SMEs (small and medium-sized enterprises), but also in building local capabilities and ensuring that the supply chain is diverse and reflects the cultural mix of the location. This will help to build the local economy and in turn will lead to improving local services.
- Positive environmental impact - rewards mitigation, adaption, collaboration and investment to drive behavioural change and implement operational improvements in support of a collective global agenda to achieve net zero targets.

### Why Social Value is important for facilities management

It is recognised that there is a clear link between the working environment, wellbeing and the success of an organisation and its people. Workplace and FM professionals also have an important role to play in delivering benefits to local communities and wider sustainability objectives.

A strategy for seeking Social Value should be supported by a Social Value Policy and the FM team should look to develop a Social Value Action Plan (SVAP) based on an analysis of local needs and opportunities, updated at least every two years to reflect the changing nature of communities. However, many suppliers will be providing services in different areas with differing priorities so, although it is possible to adopt an overarching strategy, as the outputs are aligned to localised requirements, the delivery mechanisms may vary at different sites or for different customers.

An important starting point is to consider how facilities can create Social Value through the life cycle as set out in this table:

TABLE A: HOW FACILITIES CAN CREATE SOCIAL VALUE THROUGH THEIR LIFE CYCLE		
PROJECT STAGE	ACTION	POTENTIAL OUTCOMES
Initiation	Stakeholder consultation	Communities feel engaged via co-creation
Design	Set targets, community outreach	Accessible high-quality places and educating the community
		Apprenticeships created, improved skills, job creation and community projects delivered
Procurement	Local: economy, training, skills	A boost to the local economy via the use of local suppliers and increased supply chain opportunities
Construction	Delivery of Social Value Action Plan	Providing opportunities throughout the entire supply chain to work on the project
Operation/In Use	FM team engaged	More local employment and skills, inclusive growth, community wealth building, more resilient and healthier communities, less environmental damage.
	Occupiers engaged	
	In use Social Value Action Plan	Targets for FM Team and occupiers
End of life	Building re-use and recycle plan	Look to re-use materials for re-use, employment for local people in upcycling and demolition

### Overview - National Themes, Outcomes and Measurement (TOMs) mechanism

Sponsored by the Local Government Association (LGA) and supported by the [Social Value Portal](#), the National Social Value Task Force developed and published the National Social Value Measurement (National TOMs) Framework in 2017. The framework is designed to help organisations to identify and measure the Social Value being delivered through a contract by providing a minimum reporting standard. The 2021 National TOMs can be found here: [National TOMs 2021 Updates](#)

The National TOMs are structured around 5 Themes, 20 Outcomes and 48 Measures that a supplier could provide in addition to the delivery of the core service for which they are being engaged. Typically, this might mean jobs for those furthest from the job market, spend with local SMEs, opportunities for voluntary organisations, environmental improvements and volunteering in the community. Each opportunity is given a proxy value that reflects the fiscal and economic benefits for the community and allows organisations to report their total contribution to society through the contract they are delivering.

The 5 Themes that the National TOMs are structured around (see diagram A below) are as follows:

- **Jobs: Promoting Skills and Employment:** to promote growth and development opportunities for all within a community and ensure that they have access to opportunities to develop new skills and gain meaningful employment.
- **Growth: Supporting Growth of Responsible Local Businesses:** to provide local businesses with the skills to compete and the opportunity to work as part of public sector and big business supply chains.
- **Social: Creating Healthier, Safer and More Resilient Communities:** to build stronger and deeper relationships with the voluntary and social enterprise sectors whilst continuing to engage and empower citizens.
- **Environment: Decarbonising and Safeguarding our World:** to ensure the places where people live and work are cleaner and greener, to promote sustainable procurement and secure the long-term future of our planet.
- **Innovation: Promoting Social Innovation:** to promote new ideas and find innovative solutions to old problems.

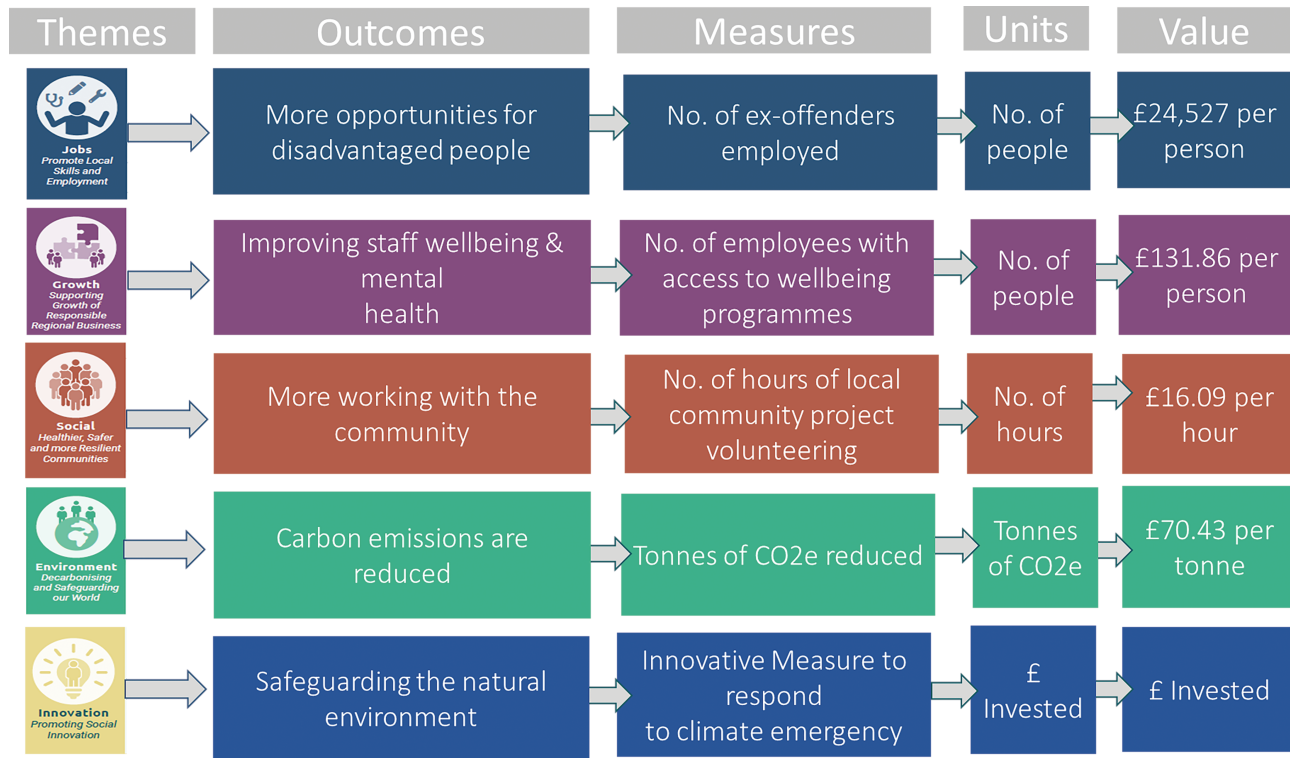


Diagram A Overview of National TOMs measurement system

*What are the benefits?*

The principal benefits of using the National TOMs methodology as the reporting standard are that it:

- provides a robust, transparent, and defensible solution for assessing and awarding tenders
- provides a consistent approach to measuring and reporting Social Value during the contract duration
- allows for continuous improvement
- allows organisations to compare their own performance by sector and provides industry benchmarks to understand 'what good looks like'
- promotes collaboration and innovation
- reduces the uncertainty surrounding Social Value measurement for businesses, allowing them to make informed decisions based on robust quantitative assessments and hence embed Social Value into their corporate strategies
- assists Small and Medium Enterprises (SMEs) and Voluntary Community and Social Enterprises (VCSEs) to understand what is required by organisations seeking Social Value
- provides a range of options for suppliers to leverage their organisational competencies, capacity and capabilities to develop a competitive edge.

## FM TOMs Plug-In

The National TOMs were specifically designed to be sector agnostic, but with the ability to adapt them to meet the specific opportunities of different sectors. The framework is being widely used within public sector procurement to build stronger and deeper relationships with suppliers to deliver more local jobs, provide new skills and training to residents, build community resilience and protect our environment; or put differently, to achieve better outcomes in economic, social and environmental areas at local level.

The National TOMs [FM Plug-In](#) is a starting point for the development of a Social Value strategy and should be viewed as a menu of opportunities and activities that could be adopted by FM managers. The FM Plug-In considers the specific needs of the FM sector because of the importance of the sector and its innate potential to have a big impact in terms of Social Value. You can start using the FM Plug-In by [registering for a free account with Social Value Portal](#).

## Including Social Value requirements in the NEC FM contracts

(Note that in this section, the NEC terminology and use of capitals and italicisation is adopted.)

*Client* organisations can tailor the National TOMs methodology described above to meet their requirements and to set out the Social Value measures that they wish their suppliers, the *FMC Service Providers*, to achieve. These may be measures that the *Service Provider* has proposed in its submissions, alternatively they may be measures the *Client* has proposed, as part of the *service* to be provided. In either case, these measures and the expected or required values need to be included in the final documentation forming the contract.

These measures or targets may be in the form of key performance indicators, or specific values or requirements to be achieved. However they are expressed, if there is any impact on the *Service Provider*, positive or negative, these measures must be clearly stated, unambiguous, and demonstrably and accurately measurable.

The FMC will place this information in the Scope or in the Performance Table, or both, depending on the degree of obligation that is placed on the *Service Provider* to achieve these measures and the way achievement or non-achievement of the targets is rewarded.

The Scope is defined in the FMC (clause 11.2(14)) as

**“information which**

- **specifies and describes the *service* or**
- **states any constraints on how the *Service Provider* Provides the Service.”**

The Performance Table. as defined in the FMC (clause 11.2(10)),

**“states the target the *Service Provider* is to achieve in Providing the Service and sets out the adjustment to payment if a measured performance is higher, the same or lower than the target.....”**

In which of these two documents the measures and their targets are detailed depends on the obligation or otherwise of the *Service Provider* to achieve the targets for these measures, and the recompense the *Client* wants for a failure to do so.

The *Service Provider* is obliged to Provide the Service in accordance with the Scope (clause 20.1), not the Performance Table, and a failure to provide any element of this *service* as defined in the Scope is a Service Failure. Where it is possible to correct a Service Failure, the *Service Provider* is required to do so, or the *Client* can recover the cost of having the failure corrected from the *Service Provider*. Where it is not possible to correct the Service Failure, the *Client* either does not pay for the *service* or recovers the cost of failed work from the *Service Provider*. This is separate from any financial adjustment detailed in the Performance Table, which depends on what performance is achieved when compared to the target.

It follows that the measures to achieve may be stated in both the Scope and, possibly by reference, in the Performance Table, depending on whether or not a failure to achieve the measure could be corrected. The financial impacts of failing to achieve the targets, or benefits of exceeding the targets, will be stated in the Performance Table.

Some targets and measures may only be aspirational, i.e. these are the measures the *Client* would like to achieve, but there is no mandatory requirement to achieve them. These measures would be detailed in the Performance Table only, and not the Scope. Targets would be set for the *Service Provider* to achieve, and these may have a financial impact, although this will commonly be weighted more to, or entirely to, positive incentivisation. Alternatively, they can just be measured and recorded, but with no financial or other impact attached.

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[Find out more about the TOMS](#) at Social Value Portal