Value Toolkit

Introduction to the Value Toolkit

YorHub Webinar

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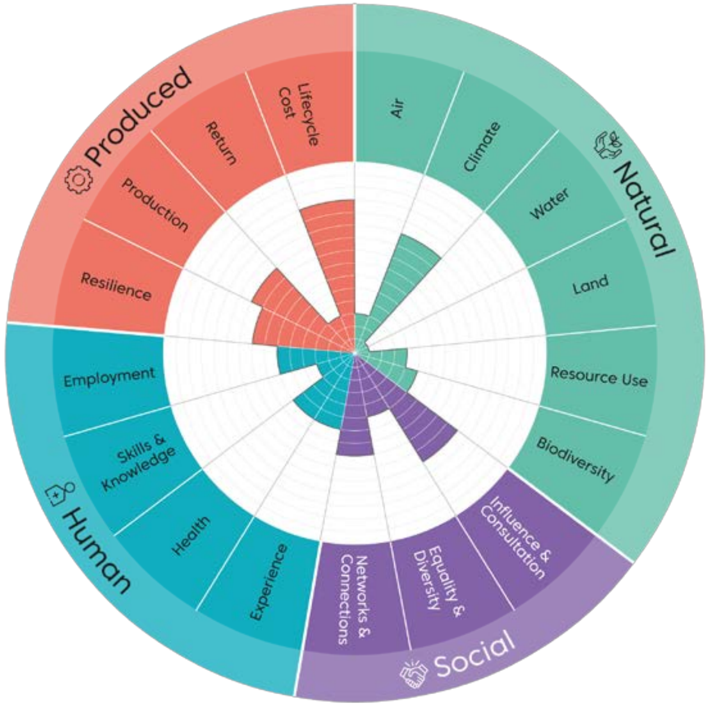
Hub Overview

Born out of the Construction Sector Deal, with £72 million from the UK Research and Innovation's Industrial Strategy Challenge Fund, the Construction Innovation Hub's mission is to be a catalyst for change.

The Hub is a core partner of UK Research & Innovation's Transforming Construction Challenge (TCC) programme, which aims to transform the construction sector, enabling it to produce safe, healthy, efficient building using the latest digital manufacturing techniques.

Our transformative programme is structured around the four core themes of Value, Manufacturing, Assurance and Digital.

Overarching Aim



To drive better social, environmental and economic outcomes through value-based decision-making.

This means better outcomes from *what* we deliver and *how* we deliver it, leading to a more sustainable built environment and a more sustainable model for our industry.

Context

Why now: Pre-Pandemic

Sector action to support construction

Improve the lifetime performance of buildings, through better procurement

- Develop an industry wide definition of value which takes into account more than capital cost.
- Produce a universally applicable methodology for procurement and promote common and consistent standards across industry.

“Develop an industry wide definition of value”

Government action to support construction

Improve the lifetime performance of buildings through better procurement

- Embed ‘procure for value’ approach in public procurement and build capability to do this through the Infrastructure Projects Authority (IPA) and government departments across Whitehall.
- Adopt performance benchmarking in line with strategy outlined in Transforming Infrastructure Performance (TIP)[25] and Transport Infrastructure Efficiency Strategy (TIES)[26]

“Embed ‘procure for value’ approach”

Why **NOW**: Post-Pandemic

"Historically, pandemics have forced humans to break with the past and imagine their world anew. This one is no different. It is a portal, a gateway between one world and the next. We can choose to walk through it, dragging the carcasses of our prejudice and hatred, our avarice, our data banks and dead ideas, our dead rivers and smoky skies behind us. Or we can walk through lightly, with little luggage, ready to imagine another world. And ready to fight for it."

Arundhati Roy, 2020

Construction Leadership Council

Roadmap to Recovery

An Industry Recovery Plan for the UK Construction Sector

Construction Leadershi

Executive Summary

Executive Summary

- Roadmap to Recovery is a strategy to drive the recovery of the construction and built environment sectors, and through them the wider UK economy, following the Covid19 pandemic and economic downturn.
- Construction is uniquely placed to drive the national economic recovery. It operates throughout the UK, employs 3.1m workers, and exports billions of pounds of products and services.
- The strategy aims to increase the level of activity across the construction ecosystem, accelerate the process of industry adjustment to the new normal, and build capacity in the industry to deliver strategic priorities, including: increasing prosperity across the UK; decarbonisation; modernisation through digital and manufacturing technologies; and delivering better, safer buildings.
- There are 3 phases to the plan, to be delivered over two years:
  - Restart: increase output, maximise employment and minimise disrup
  - Reset: drive demand, increase productivity, strengthen capability in t
  - Reinvent: transform the industry, deliver better value, collaboration a
- The outcomes will be a more capable, professional, productive and profit value to clients, better performing infrastructure and buildings, and comp
- Failure to act will miss an opportunity to deliver this, and risks the industr recession, which erodes capability and skills, and leaves a smaller, weak

Reinvent 2: Value – adopting procurement models and approaches across the industry and clients to deliver better value and whole life performance

Adopt procurement and delivery models focused on whole life performance of buildings and infrastructure, and ensuring these are efficient, safe, sustainable and can be adapted and improved.
Improving the energy and heat performance of buildings is critical to responding to climate change and delivering a net zero carbon and climate change resilient economy by 2050. Accreditation schemes, and Energy Performance Certificates (EPCs) support improvements in the energy efficiency of the existing building stock, and encourage individuals to improve the energy efficiency of their homes.

Actions and Owners

- Accelerate the development and rollout of the **Construction Innovation Hub Value Framework** (including CLC procure for value approach) and industry business models work to embed it in projects from September 2020 (**HMG/Industry**).
- Implement TIP and TIES approach to benchmarking (**HMG/Industry**).
- Improve **energy efficiency** through ensuring a sufficient number of financially robust Accreditation Schemes, and an adequate number of assessors (**MHCLG**).
- **Energy Efficiency** - relaunch guidance on gov.uk around undertaking energy efficiency assessments, ensuring that a wide range of stakeholders are aware (**MHCLG**).
- Consider feasibility of virtual assessments (**MHCLG**).

Outcomes & Benefits

- **New procurement models will support the delivery of built assets that perform better over their life cycle, including delivering greater energy efficiency.**
- **Improving the energy efficiency of existing buildings will make a significant contribution to achieving net zero by 2050.**

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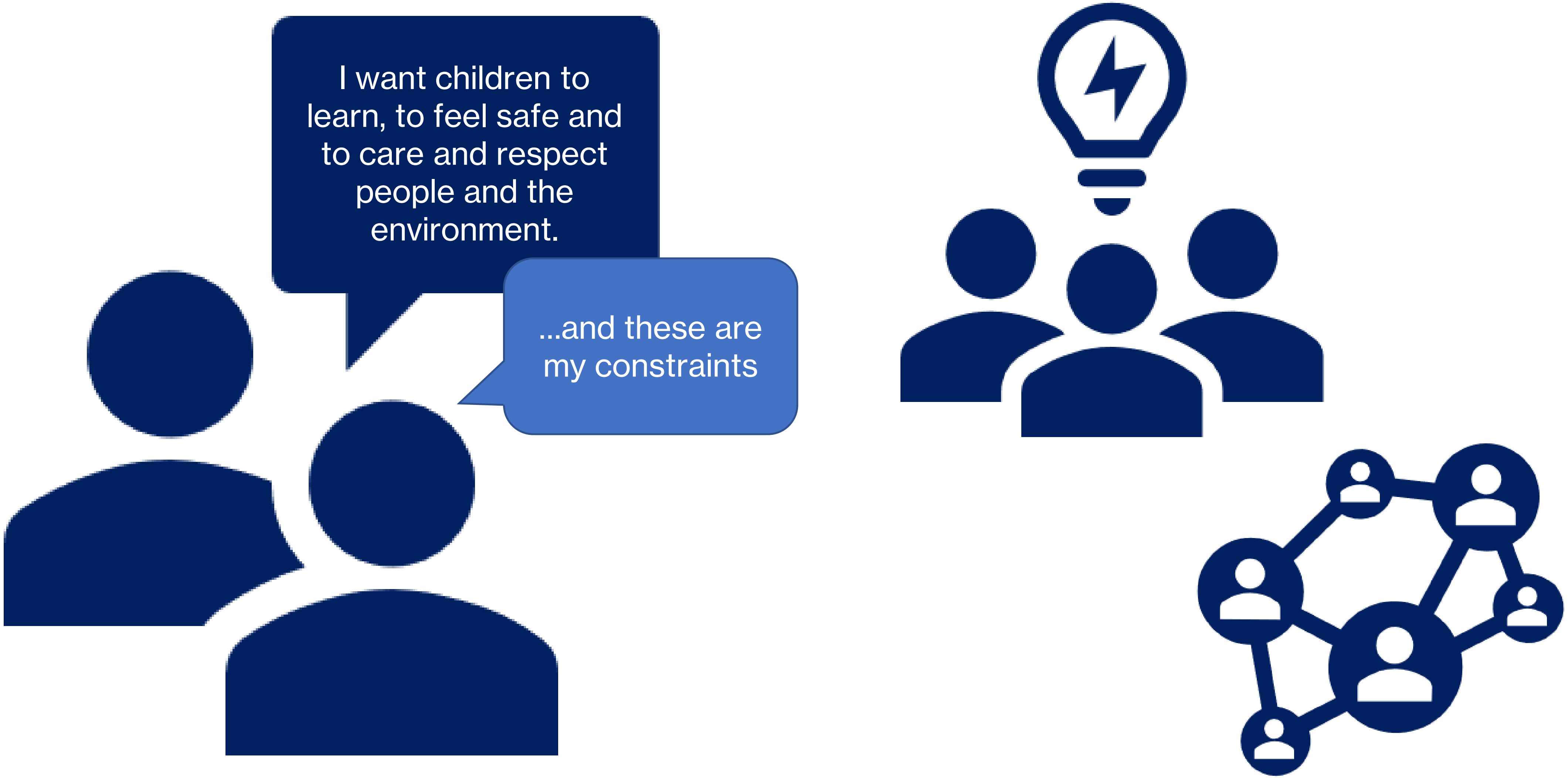
And more significant policy on the way...

The problem

Current State:

Race to the bottom

Desired State:



Enter the Value Toolkit...

What is the Value Toolkit?

The overarching aim of the Value Toolkit is to drive better social, environmental and economic outcomes from the delivery and operation of the built environment.

It provides a structured approach to embedding value-based decision-making within projects, programmes and portfolios.

By embracing the Value Toolkit we can make more balanced, more informed decisions, maximising the impact of our investment in the built environment.

The Toolkit contains three core modules:

Value Definition

Client & Market Approach

Evaluation & Measurement

But what does it *look* like?

Digital Platform

The Value Toolkit helps clients to embed Value-based decision-making across the investment lifecycle

Process

A step by step approach to embedding value based decision making in projects and programmes

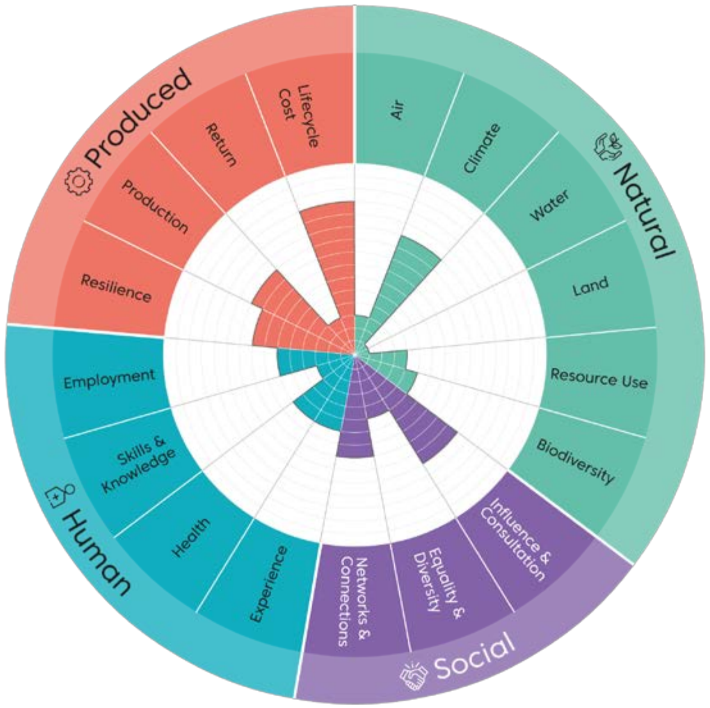
Tools

A suite of tools to facilitate and document execution of the process.

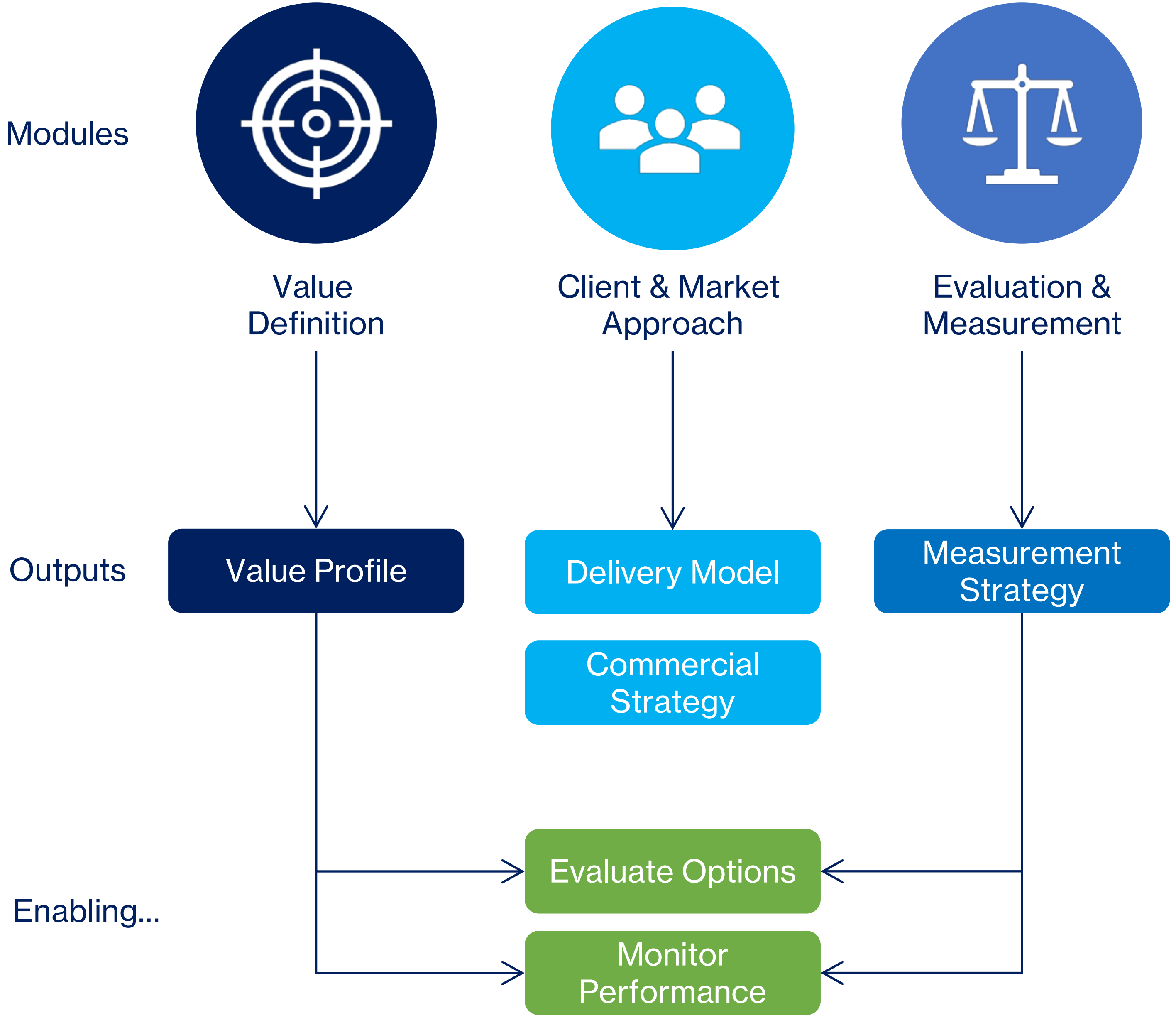
Guidance

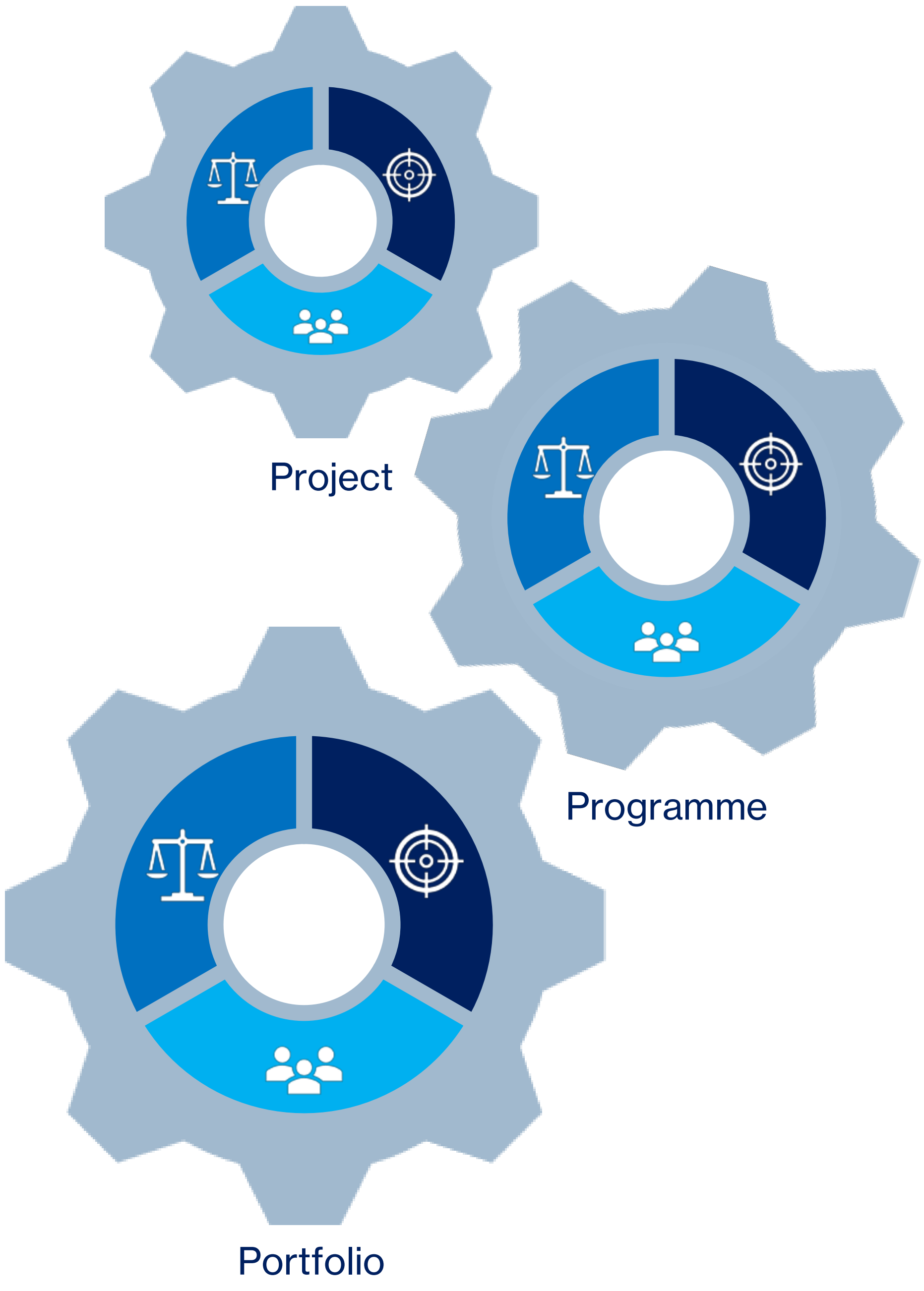
Clear guidance and training to help with implementation of the toolkit.

Key Outputs



Example Value Profile





Benefits of using the Value Toolkit

The Value Toolkit can be applied in three different settings:

Project

Applied to individual projects, the Value Toolkit maximises the outcomes that can be achieved by embedding value-based decision-making across the project lifecycle.

Programme

Where applied to wider programmes of work, the Value Toolkit drives consistency across multiple projects while allowing flexibility to account for local needs and priorities.

Portfolio

The Value Toolkit can also be used to support strategic planning and capability development within an organisation, embedding and continuously improving value-based decision-making across a portfolio.

Value Definition

The Value Definition module facilitates clear and consistent articulation of the value drivers that will underpin client decision-making. This empowers the market to respond with business models and solutions focused on the creation of value rather than minimisation of cost.

- Step 1: Identify Strategic Value Drivers
- Step 2: Develop Outcome Statements
- Step 3: Prioritise Outcome Statements
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The first step of Value Definition is to identify the Strategic Value Drivers.

The Strategic Value Drivers provide a thorough and balanced account of the National, Organisational and Regional policies that need to be reflected in the client's value definition.

The Strategic Value Drivers are used to inform creation and prioritisation of the project-, programme- or portfolio-specific outcome statements developed in step 2.

Find out more...

Procurement Policy Note – Taking Account of Social Value in the Award of Central Government Contracts

Action Note PPN 06/20 September 2020

Issue

1. This Procurement Policy Note (PPN) launches a new model to deliver social value through government's commercial activities. Central government organisations should use this model to take account of the additional social benefits that can be achieved in the delivery of its contracts, using policy outcomes aligned with this Government's priorities.

Action

2. Social value should be explicitly evaluated in all central government procurement, where the requirements are related and proportionate to the subject-matter of the contract, rather than just 'considered' as currently required under the Public Services (Social Value) Act 2012. Unnecessary burdens should not be placed on commercial teams or suppliers.

3. In scope organisations must:

- Familiarise themselves with the social value model at Annex A, including the menu of priority policy themes and outcomes that can be applied in new procurements.
- Ensure all those involved in commercial activity in the organisation complete the e-learning on social value which can be accessed via the Government Commercial College.

4. Further detailed guidance on applying the model will be published on GOV.UK. Procurements related to construction, capital investment and infrastructure projects above £10m should use the priority themes and outcomes in applying the Balanced Scorecard for Growth (PPN 09/16) and the guidance on this will be updated.

Dissemination and Scope

5. This Procurement Policy Note (PPN) applies to procurements covered by the Public Contracts Regulations 2015, and applies to all Central Government Departments, their Executive Agencies and Non Departmental Public Bodies. Together these are referred to in this PPN as 'In-Scope Organisations'. Please circulate this PPN within your organisation, drawing it to the attention of those with a commercial and procurement role.

Timing

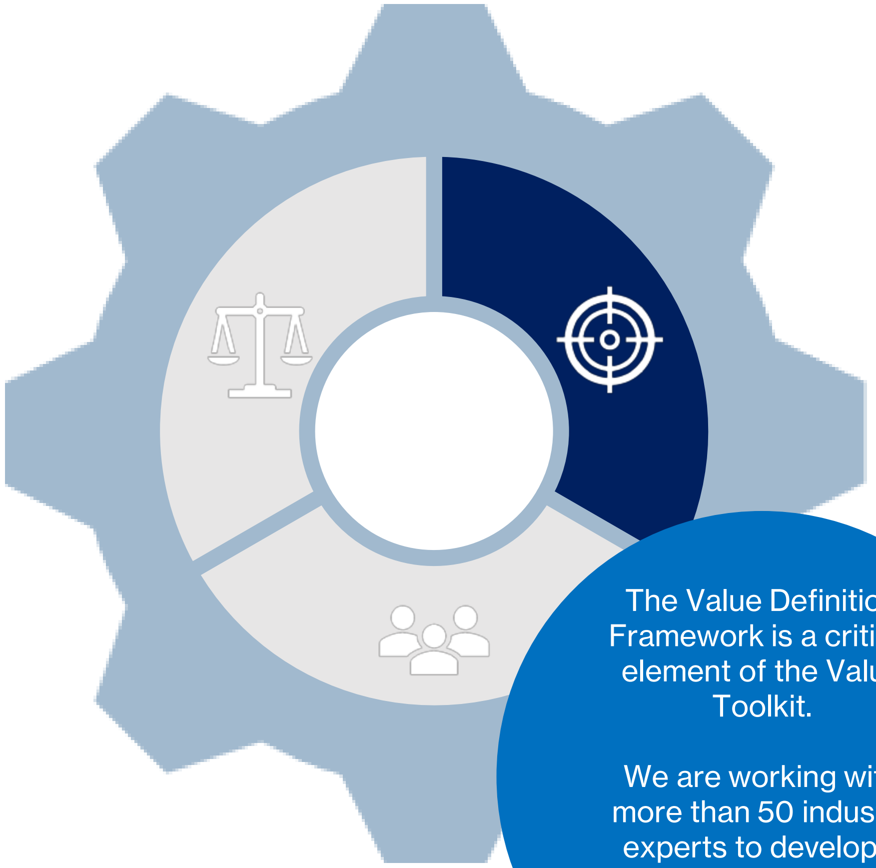
6. This PPN is effective from the date of publication. The social value model should be applied to all new procurements from 1 January 2021.

Background

7. Whilst the overarching objective for the Government's commercial activities will remain achieving the best commercial outcome, it is right that the Government applies its

Annex A - Themes and Outcomes

Theme	Policy Outcome	Delivery objectives - what good looks like
COVID-19 recovery	**Help local communities to manage and recover from the impact of COVID-19**	Activities that, in the delivery of the contract: - Create employment, re-training and other return to work opportunities for those left unemployed by COVID-19, particularly new opportunities in high growth sectors. - Support people and communities to manage and recover from the impacts of COVID-19, including those worst affected or who are shielding. - Support organisations and businesses to manage and recover from the impacts of COVID-19, including where new ways of working are needed to deliver services. - Support the physical and mental health of people affected by COVID-19, including reducing the demand on health and care services. - Improve workplace conditions that support the COVID-19 recovery effort including effective social distancing, remote working, and sustainable travel solutions.
Tackling economic inequality	**Create new businesses, new jobs and new skills**	Activities that, in the delivery of the contract: - Create opportunities for entrepreneurship and help new, small organisations to grow, supporting economic growth and business creation. - Create employment opportunities particularly for those who face barriers to employment and/or who are located in deprived areas. - Create employment and training opportuni industries with known skills shortages or in l - Support educational attainment relevant to schemes that address skills gaps and result - Influence staff, suppliers, customers and c of the contract to support employment and s growth sectors.
	Increase supply chain resilience and capacity	Activities that: - Create a diverse supply chain to deliver th businesses and entrepreneurs, start-ups, SI - Support innovation and disruptive technol chain to deliver lower cost and/or higher qu - Support the development of scalable and f modernise delivery and increase productivit - Demonstrate collaboration throughout the responsible approach to working with suppl the contract. - Demonstrate action to identify and manag delivery of the contract including in the supp - Influence staff, suppliers, customers and c of the contract to support resilience and cap
Fighting climate change	**Effective stewardship of the environment**	Activities that: - Deliver additional environmental benefits in the performance of the contract including working towards net zero greenhouse gas emissions. - Influence staff, suppliers, customers and communities through the delivery of the contract to support environmental protection and improvement.
Equal opportunity	**Reduce the disability employment gap**	Activities that: - Demonstrate action to increase the representation of disabled people in the contract workforce. - Support disabled people in developing new skills relevant to the contract, including through training schemes that result in recognised qualifications. - Influence staff, suppliers, customers and communities through the delivery of the contract to support disabled people.
	Tackle workforce inequality	Activities that: - Demonstrate action to identify and tackle inequality in employment, skills and pay in the contract workforce. - Support in-work progression to help people, *including* those from disadvantaged or minority groups, to move into higher paid work by developing new skills relevant to the contract. - Demonstrate action to identify and manage the risks of modern slavery in the delivery of the contract, including in the supply chain.
Wellbeing	**Improve health and wellbeing**	Activities that: - Demonstrate action to support the health and wellbeing, including physical and mental health, in the contract workforce. - Influence staff, suppliers, customers and communities through the delivery of the contract to support health and wellbeing, including physical and mental health.
	Improve community integration	Activities that: -Demonstrate collaboration with users and communities in the codesign and delivery of the contract to support strong integrated communities. - Influence staff, suppliers, customers and communities through the delivery of the contract to support strong, integrated communities.



The Value Definition Framework is a critical element of the Value Toolkit.

We are working with more than 50 industry experts to develop a common framework for defining value in the built environment.

Value Definition

The Value Definition module facilitates clear and consistent articulation of the value drivers that will underpin client decision-making. This empowers the market to respond with business models and solutions focused on the creation of value rather than minimisation of cost.

- Step 1: Identify Strategic Value Drivers
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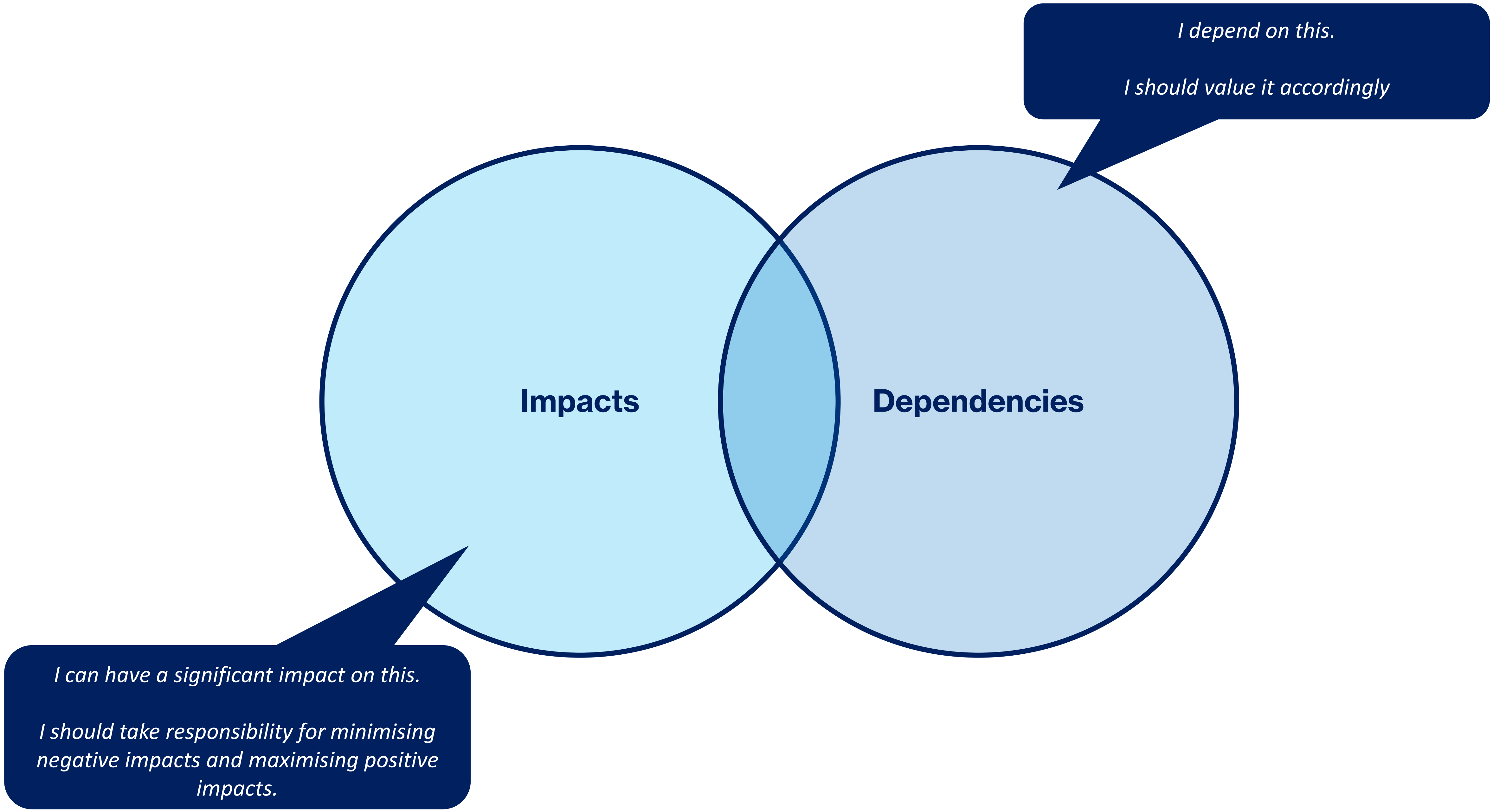
The Strategic Value Drivers are mapped against the Value Definition Framework and detailed outcome statements are developed for each corresponding value category.

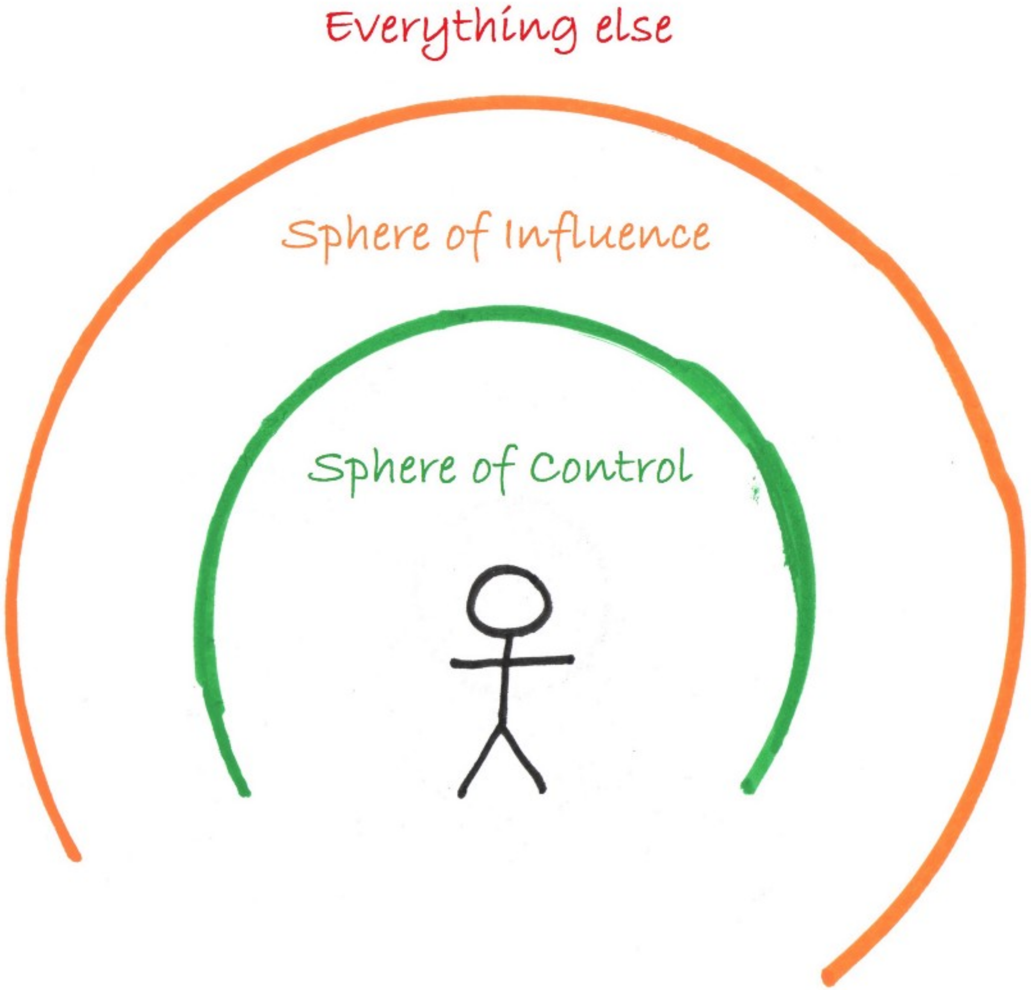
The outcome statements set out the specific outcomes that are to be targeted through the project or programme of work.

The Value Toolkit provides clear guidance on the development of clear and measurable outcome statements in addition to a library of examples.

Find out more...

Capital	Capital Definition	Category of Issues	Category Description
Natural Capital	Natural Capital is defined as the stock of renewable and non-renewable resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people. [Ref 1] In the context of the built environment, Natural Capital values the natural environment, addresses solutions to climate impacts and provides benefits to society throughout the full life cycle of the built assets.	Air	Providing clean air to breathe Assuring superior air quality for people and their surroundings throughout the lifecycle of the built asset.
		Climate	Supporting zero carbon emissions Adapting asset delivery and operations to minimise global climate change. This includes: whole life carbon emissions attributable to products, construction process, use and end of life of the built asset.
		Water	Recognising the value of clean water Supporting the provision, quality and management of water throughout the lifecycle of the built asset and it's environm[illegible]
		Land	Providing quality land for a range of uses Provisioning quality land for nature, wellbeing for inhabitants and economy throughout the lifecycle of the built e[illegible]ment. This category also covers the mix of land uses derived from the built environment investment, including recreation and culture.
		Resource Use*	Using materials efficiently and reducing waste Monitoring resource consumption during the construction and operation of built assets and attention to [illegible]ular econ[illegible]rinciples to promote resource efficiency and waste reduction.
		Biodiversity	Valuing nature protection Protecting the indigenous species and habitats throughout the lifecycle of the built environme[illegible]he intention is to promote [illegible]ervation and the best possible interactions between people and nature.
Human Capital	Human Capital is defined as the knowledge, skills, competencies and attributes embodied in individuals that contribute to improved performance and wellbeing.[Ref 1] In the context of the built environment, Human Capital encompasses employment opportunities, skills development, individual health and wellbeing as well as an assets' capacity to influence these factors.	Employment	Providing well paying work opportunities to the community Generating quality employment for those involved in project delivery and in the vicinity.
		Skills and Knowledge	Providing skill development and training Offering high quality training to support skills development for betterment of those involved i[illegible]elivery of the project and in the community.
		Health	Improving the physical and mental health of the community Supporting and empowering the physical and mental health of those in[illegible]ed i[illegible]t delivery and [illegible]rrounding community.
		Experience	Creating a positive experience for all Being attentive to the experience of the creation of the built asset for all re[illegible]ant st[illegible]olders[illegible]ng aspects such as avoiding disruption during development and enjoyment in use after completion.
Social Capital	Social Capital is defined as the networks together with the shared norms, values and understanding that facilitate cooperation within and among groups.[Ref 1] In the context of the built environment, Social Capital refers to influence and consultation, equality and diversity, networks and connections as well as the changes people experience in these areas as a result of built assets.	Influence and Consultation	Enabling those involved a say in the constructi[illegible]rocess Allowing people to have their voice heard d[illegible]g the decision-m[illegible]ing process [illegible]l stages of the project lifecycle, through consultations with the community, stakeholders, workforce, labour relations[illegible] The intention is to produce an asset that is[illegible]boratively d[illegible]t delive[illegible] superior experience, availability and accessibility to the relevant stakeholders over the life of the asset.
		Equality and Diversity	Supporting equal opportuniti[illegible]al access Covering equal access to[illegible], trans[illegible] in emp[illegible] relations, access to the supply chain and investment in the betterment of deprived communities. Includes provisions for margina[illegible], disadvantag[illegible] disabled[illegible]ps that wouldn't normally be able to access the asset.
		Networks and Connections	Supporting the orga[illegible]on through the netwo[illegible] Enhancing the strengt[illegible]he networks that th[illegible]ganisation engages with; ensuring that the supply chain, communities and workforce are supported.
Produced Capital	Produced Capital is defined as the man-made goods as well as all financial assets that are used to produce goods and services consumed by society. [Ref 1] In the context of the built environment, Produced Capital encompasses a combination of capital cost, operational cost and revenue, thereby covering the whole of the direct monetary spend on the project over its whole life. The man made elements include indicators of the efficiency and quality of design, construction and operational processes.	Life Cycle Cost	Making allowances for prese[illegible]d future c[illegible] Taking into consideration the c[illegible]natio[illegible] capital and operational costs. Capital cost is defined as the acquisition and construction cost of an asset or building including the design costs. It is t[illegible]ice payable for work normally included in contracts to construct a building or civil engineering works. Operational cost is defined as the cost to operate the a[illegible]t during its life including maintenance and repairs over an agreed timescale.
		Return	Generating a profit on the asset Calculating the rate of return on the investment, using standard defined terms and measures, is critical in attracting initial capital. This category includes profits and income generated through the whole life of the asset, for both the investors and stakeholders.
		Production	Striving for both efficiency and high quality Successfully integrating the pace, quality and design of construction enhances the life span of the built asset and saves future maintenance costs.
		Resilience	Adapting to changes and responding to future challenges Appraising the resilience of the asset to external threats (related to environmental impacts or security issues) and the ability to adapt to changes in the future provides an insurance policy to stakeholders.


I depend on this.
I should value it accordingly
Impacts
Dependencies
I can have a significant impact on this.
I should take responsibility for minimising negative impacts and maximising positive impacts.



Tangible Objectives

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Strategy & Policy

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Each outcome statement is now examined to determine a priority rating.

A question-set is provided to ensure an objective and evidence-based approach to this exercise.

Once all the outcomes statements have been rated, the relative weighting of each corresponding value category can be established.

Find out more...

Outcome Statement:

Operational carbon emissions to be net-zero.

Scoring Criteria

- ❑ Is this outcome critical to the achievement of a National Strategic Objective?
- ❑ Is this outcome critical to the function or utility of the asset?
- ❑ Is funding dependent on this outcome being achieved?
- ❑ …

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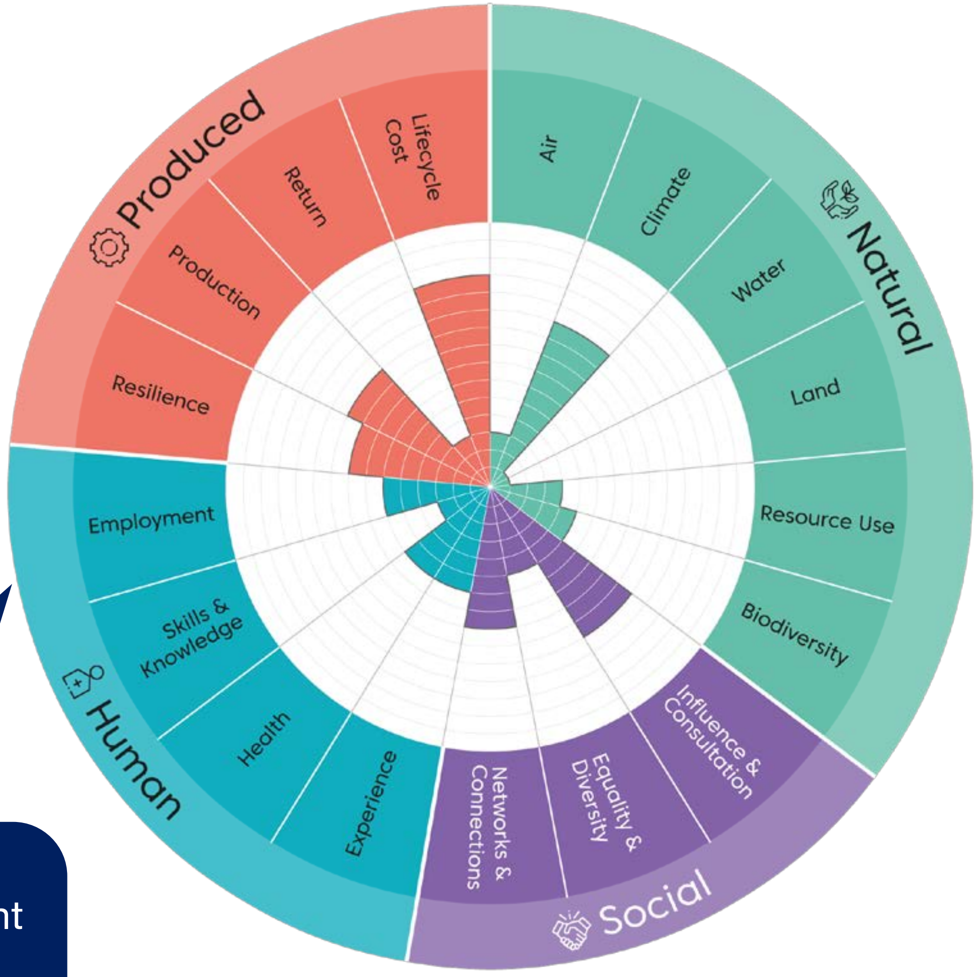
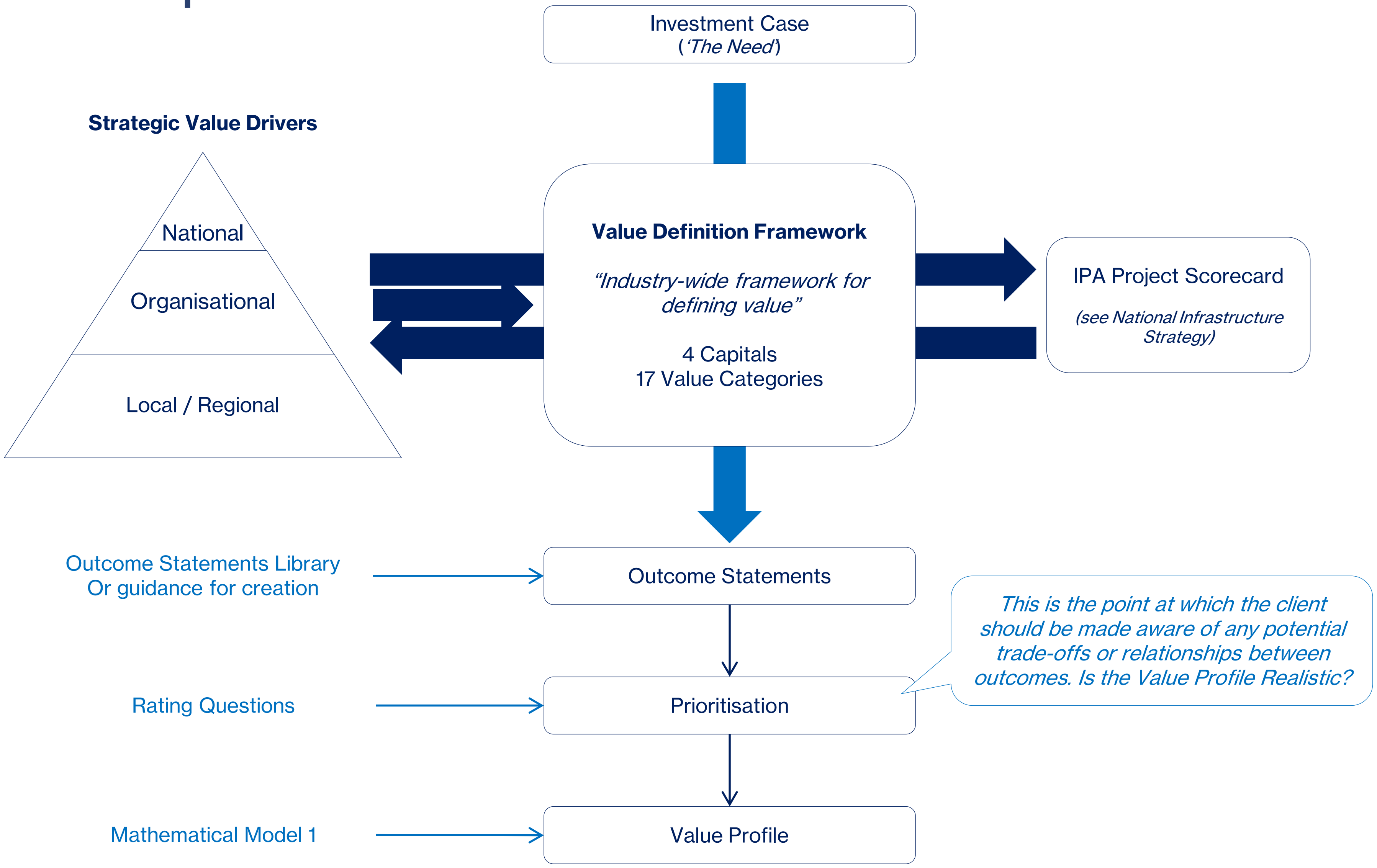
A Value Profile can now be generated, providing a clear and evidence-based articulation of the client's value drivers.

Find out more...



A clear and consistent articulation of the value drivers that will underpin client decision-making, empowering the market to respond with business models and solutions focused on the creation of value rather than minimisation of cost.

Module 1 Recap:



Client & Market Approach

The Client & Market Approach module facilitates optimisation of delivery models and commercial strategies to maximise value and outcomes

Delivery Model Selection

Step 1: Establish Risk Profile

Step 2: Establish Client Profile

Step 3: Identify Market Factors

Commercial Strategy Development

Step 4: Develop Commercial Model

Step 5: Set Payment Structures

Step 6: Set Contract Incentives

The first step of the Client and Market Approach module is to consider potential threats to the realisation of the client's value profile.

Using the Risk Profiler tool and in consultation with the market, the full range of potential opportunities and threats – or risks – are considered. This allows the development of a detailed risk profile.

This exercise requires the client to take broader view of risk, transcending the typical boundaries of time and cost and actively involving their organisation in its management.

Find out more...

Current Approach:

What is the risk of not delivering on time and on budget?

How can I minimise <u>my</u> exposure to this risk?

Paradigm Shift:

What are the risks associated with not achieving my desired outcomes?

How can I place those risks with those most able to manage them?

What is <u>my</u> role in managing these risks?

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With a risk profile established, the client must now assess their own capabilities and constraints to understand the role they should play in realising the desired outcomes.

This is done by assessing client characteristics (organisational structure) and exploring client choices (preferences and cultural attitudes).

Find out more...


This is quite complicated; you'll need my help.
I know what I need and I've done it a thousand times...
I know what I need but I don't know how to get there...
I don't know what I need...

Home

Find out more...

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Through engagement with the market, the client must now understand any critical factors shaping supplier selection and choice of delivery model including capability, capacity and availability and timing of key market participants.

This exercise leads to the selection of one of the defined delivery models. The delivery model establishes the relative roles and responsibilities of the client and the market.

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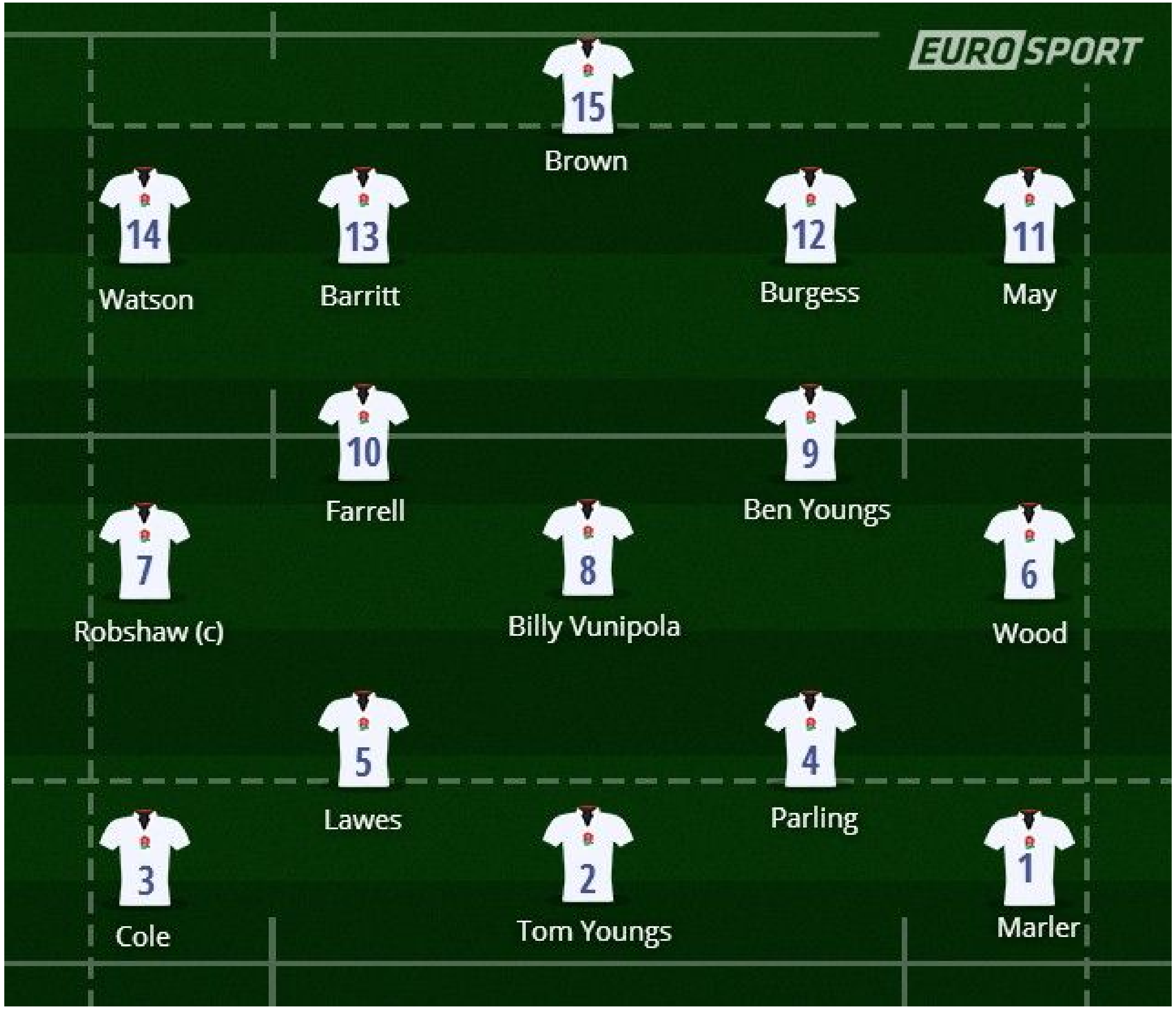
With the relative roles of the client and the market established, the commercial model can now be developed.

This step identifies the optimal way in which the selected delivery model is contractually defined and how suppliers should be engaged to deliver it.

The commercial model considers the packaging structure, approach to dealing with risk, level of scope definition, remuneration and the selection of contractual vehicles.

Find out more...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Burgess
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Farrell
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Ben Youngs
7
Robshaw (c)
8
Billy Vunipola
6
Wood
5
Lawes
4
Parling
3
Cole
2
Tom Youngs
1
Marler

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Find out more...

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The fifth step optimises the way in which the contractual payment mechanism is structured for each work package and the client's approach to Intellectual Property Rights (IPR)


RED HERRING
ALERT
IPR


Ice Cream

Home

Client & Market Approach

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Commercial Strategy Development

Step 4: Develop Commercial Model

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Step 6: Set Contract Incentives

The final step of the client and market approach module optimises the way contractual incentives are structured and aligned across the work packages.

This exercise maximises the likelihood of the clients desired outcomes being realised.

Find out more...

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Evaluation & Measurement

The Evaluation and Measurement module helps clients to develop a robust approach to the evaluation of options and measurement of performance to support informed decision-making.

- Step 1: Establish Measurement Principles
- Step 2: Select Metrics
- Step 3: Set Performance Ranges & Targets
- Step 4: Create Value Indices
- Step 5: Compare Options
- Step 6: Monitor Performance

The first step of the Evaluation and Measurement helps clients to establish a series of Measurement Principles which will underpin the way in which options are evaluated and performance measured.

The Measurement Principles will help clients to articulate their preferred to approach to aspects such as data collection, roles & responsibilities and assurance.

Find out more...

Measurement Principles:

- ❑ Existing measurement constraints
- ❑ Existing access to data
- ❑ Roles & Responsibilities
- ❑ Data sources
- ❑ Approach to assurance
- ❑ …

Home

Find out more...

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Metrics are now selected for each of the Outcome Statements developed in the Value Definition Module.

The chosen metrics should drive collection of data that helps the client to make a decision and be aligned with the measurement principles.

The Value Toolkit includes a Metrics Library to support identification and selection of appropriate metrics.

Driving common datasets **VS** Collecting the right data

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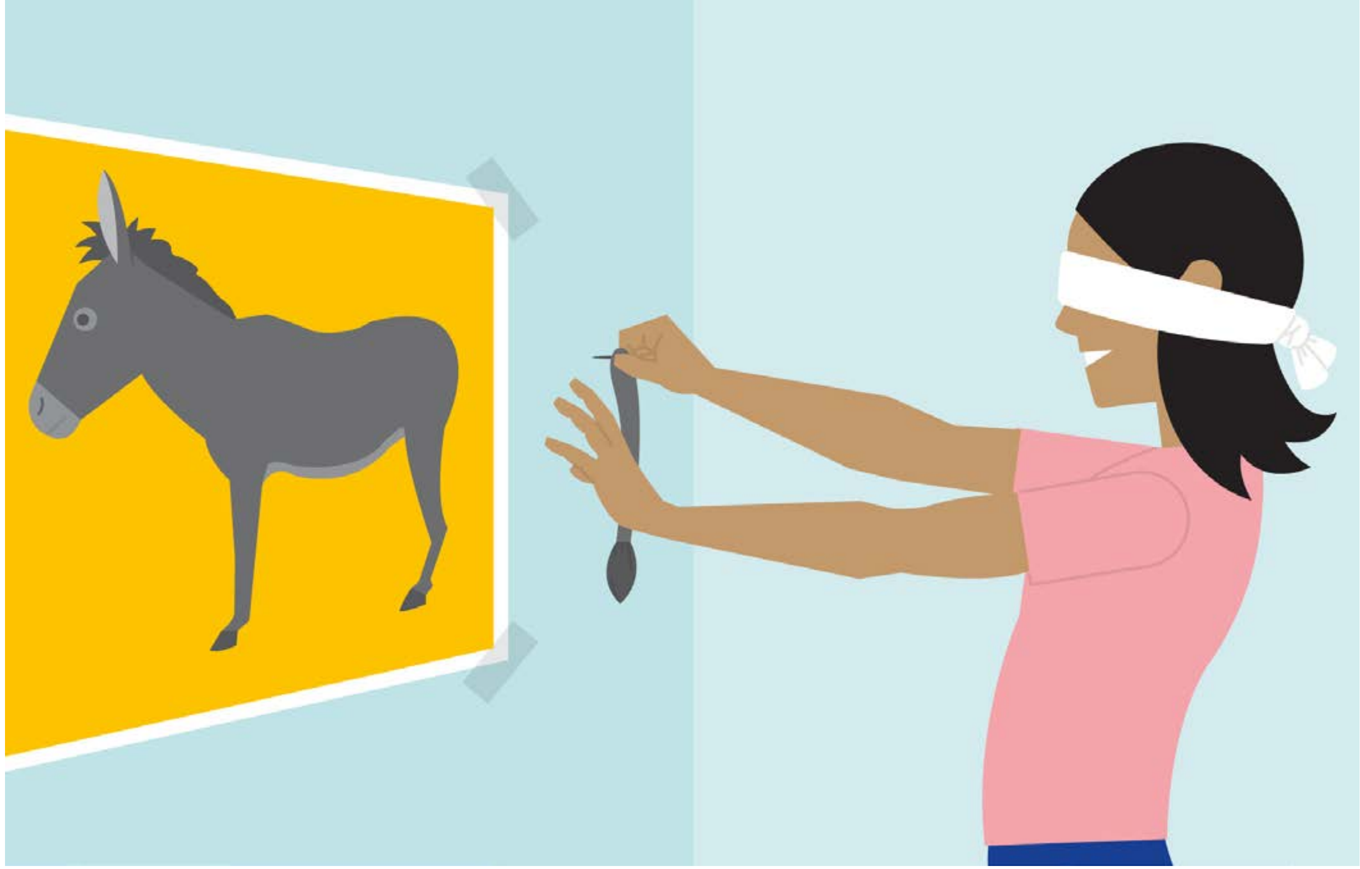
Performance ranges and targets must now be established for each metric.

These should set out minimum acceptable performance, good practice - or target - performance and maximum performance - the point at which improved performance no longer adds value.

The Metrics Library will provide default ranges and targets where such information is available but appropriate guidance, benchmarking data and modelling may also be used.

Find out more...



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Evaluation & Measurement

The Evaluation and Measurement module helps clients to develop a robust approach to the evaluation of options and measurement of performance to support informed decision-making.

- Step 1: Set Measurement Principles
- Step 2: Select Metrics
- Step 3: Set Performance Ranges & Targets
- Step 4: Create Value Indices
- Step 5: Compare Options
- Step 6: Monitor Performance

With metrics selected, performance ranges and targets set and weightings extracted from the Value Profile, a series of Value Indices can now be established to aid decision-making.

Two value indices are generated by default within the Value Toolkit:

Total Value Index – an aggregated score across all metrics.

Design Value Index – an aggregated score across metrics relating to design quality.

Find out more...

Outcome Statement	Metric	Total Value Index	Design Value Index	Custom Value Index
Net zero operational carbon	*KgCO2/m2/yr*	✓	✓	✓
20% local employment during delivery	% within 10 mile radius	✓		✓
[Outcome Statement]	[Metric]	✓	✓	✓
[Outcome Statement]	[Metric]	✓	✓	
[Outcome Statement]	[Metric]	✓		
[Outcome Statement]	[Metric]	✓	✓	
[Outcome Statement]	[Metric]	✓		✓

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Using the Value Indices, the client can now make more informed decisions.

For example, the client may need to evaluate and compare concept design options, to make decisions on technical solutions or to review tender submissions.

The Value Toolkit helps clients to compare multiple options and to evaluate which option most closely aligns with their value profile.

Find out more...

Tender	Total Value Index	Design Value Index	Regional Value Index
Baseline	*1000*	*250*	*450*
Tender 1	**1200**	200	400
Tender 2	950	190	200
Tender 3	1100	**300**	**475**

Same data, different lenses.

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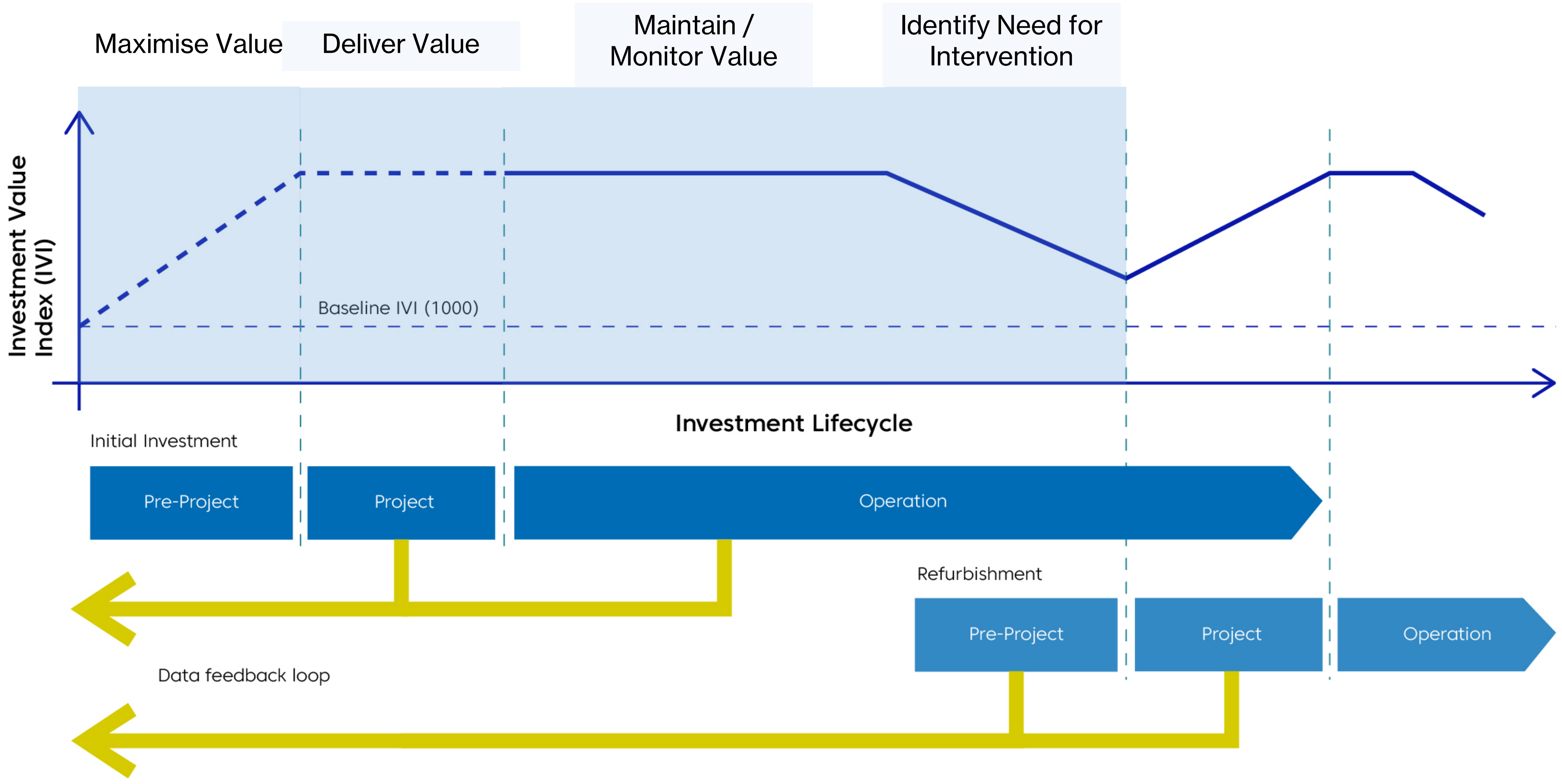
Following the initial capital investment decision, the Value Toolkit helps clients to measure the value delivered during the construction phase and to monitor operational performance.

Ongoing measurement throughout the lifecycle of the asset helps to inform all decisions, from operations and maintenance through to refurbishment and end of life. This also establishes a powerful feedback loop for future investments.

Find out more...


Maximise Value
Deliver Value
Maintain / Monitor Value
Identify Need for Intervention
Investment Value Index (IVI)
Baseline IVI (1000)
Investment Lifecycle
Initial Investment
Pre-Project
Project
Operation
Refurbishment
Pre-Project
Project
Operation
Data feedback loop

As a sector, we must take seriously the responsibility we have to leverage better outcomes for all.

#ValueToolkit

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