

Industry Briefing note on Social Value

1. Purpose

This document has been compiled on behalf of the Supply Chain Sustainability School’s Social Value Special Interest Group, which includes Aggregate Industries, BAM, Balfour Beatty, Interserve, Kier Group, Morgan Sindall, National Grid, Sir Robert McAlpine, Skanska, Taylor Woodrow, Willmott Dixon and VINCI Facilities. It is intended to:

- Explain to School members what social value means in the UK and why it matters within the built environment
- Share the different approaches of School Partners to social value, to help members work more effectively with those Partners and any tools that they are using
- Help increase the social impact of School Partners’ activities

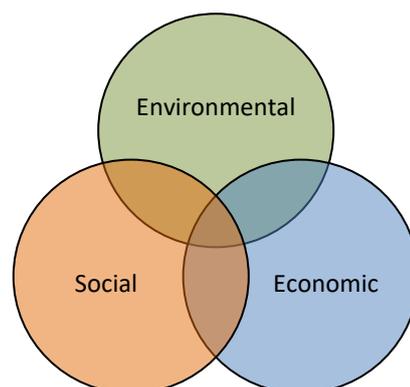
2. What is ‘social value’?

2.1 Definition

Social value is not a new concept. Companies have been generating it for many years, and procurers have sought to achieve it by asking for ‘community benefits’. Since the arrival of the Public Services (Social Value) Act 2012, though, the concept has a specific name and an increased profile.

There is no legal definition of “social value”, even within the 2012 Act. ‘Social value’ can be considered an alternative name for ‘social sustainability’. “Social” is one of the three dimensions of sustainability, alongside ‘economic’ and ‘environmental’. There are areas of overlap between the three; so social value is also related to environmental and/or economic issues.

Diagram 1: *The 3 dimensions of sustainability*



Some stakeholders are developing more nuanced definitions. For example:

“Social value” is a way of thinking about how scarce resources are allocated and used. It involves looking beyond the price of each individual contract and looking at what the collective benefit to a community is when a public body chooses to award a contract.

Social value asks the question: ‘If £1 is spent on the delivery of services, can that same £1 be used, to also produce a wider benefit to the community?’

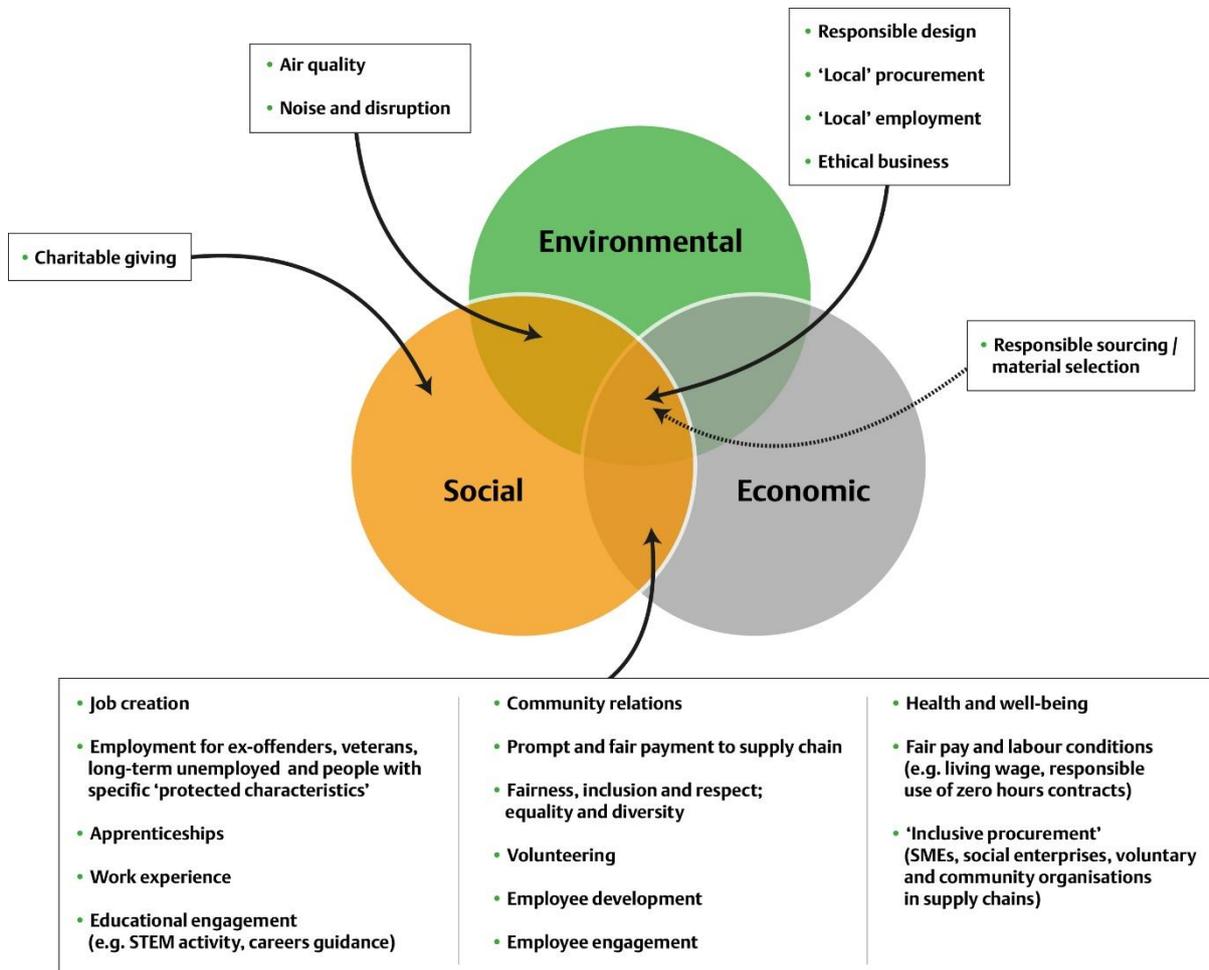
Social Enterprise UK’s [“Public Services \(Social Value\) Act 2012: A Brief Guide”](#)

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2.2 How social value is created

Social value is created through many approaches to doing business. Some of these are mapped in diagram 2.

Diagram 2: *Approaches to doing business that can create social value*



Many of these have been core parts of business operations for many years. The Supply Chain Sustainability School, for example, has provided training, guidance and materials around the themes of “employment, skills and ethics” and “local business and community” since its inception.

2.3 Social impact

Socio Economic Impact Assessments (SEIA) and Social Impact Appraisals (SIAs) are often undertaken as part of the planning process for new buildings or infrastructure. They evaluate the potential socio-economic and cultural impacts of a proposed development on the lives and circumstances of people and communities. They might look at issues such as net productivity gains, net job creation and changes in demographics that will be accrued across the operational life of the asset.

The word “impact” is increasingly being used in a broader sense, though, in relation to social value; it means the benefits to individuals and to society that are gained from activities which are undertaken. Benefits or impacts are also sometimes referred to as “outcomes”.

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Actual impact depends not only on the activity undertaken but also on who is benefitting and the specific impact on that individual or community. For example, a one week work experience placement can be offered to a young person from a local comprehensive school – it will certainly give that individual a better understanding of the world of work but may not make a significant difference to their career plans. However if the placement is offered to someone with learning disabilities it may make the difference between them being able to get a job or not in the future. The impact on the two individuals could be completely different. So it is often the story or the context around the activity that determines its impact.

Contractors and their clients are increasingly interested, therefore, not just in what social value activities are undertaken, but also what depth of impact the activity might have, so keeping a record of case studies / stories as well as numbers (section 6) is important.

2.4 Social value and the environment

Some client organisations (e.g. [Salford City Council](#)) integrate a wide variety of environmental well-being outcomes into their social value agenda.

Air quality, noise and disruption are, arguably, environmental issues that have a direct and immediate impact on people's health and quality of life. There are many environmental issues that also impact on communities, although perhaps less quickly and sometimes indirectly (e.g. resource efficiency, waste, energy and carbon management, water management) and so are not listed in diagram 2.

Many businesses operating in the built environment have already embedded an approach to addressing environmental issues, directly and explicitly, through use of environmental management systems (e.g. ISO 14001). Where companies are asked by clients to address environmental issues as part of the social value agenda, they might use their EMS to do so. The beneficial outcomes that are generated through effective use of an EMS could contribute to social value.

Eight themes of the Supply Chain Sustainability School are related to environmental issues (e.g. materials), and companies can access an extensive range of guidance from there. The rest of this document addresses explicitly "social" issues that are not environmental.

2.5 Social value "footprint" and the value chain

The term "social value" is primarily applied to benefits created for communities in *this* country (the UK) and sometimes for the wider European Union. Some stakeholders seek to influence their supply chains to generate social value in a distinct geographical area, for example Wales, Scotland or a specific local authority area.

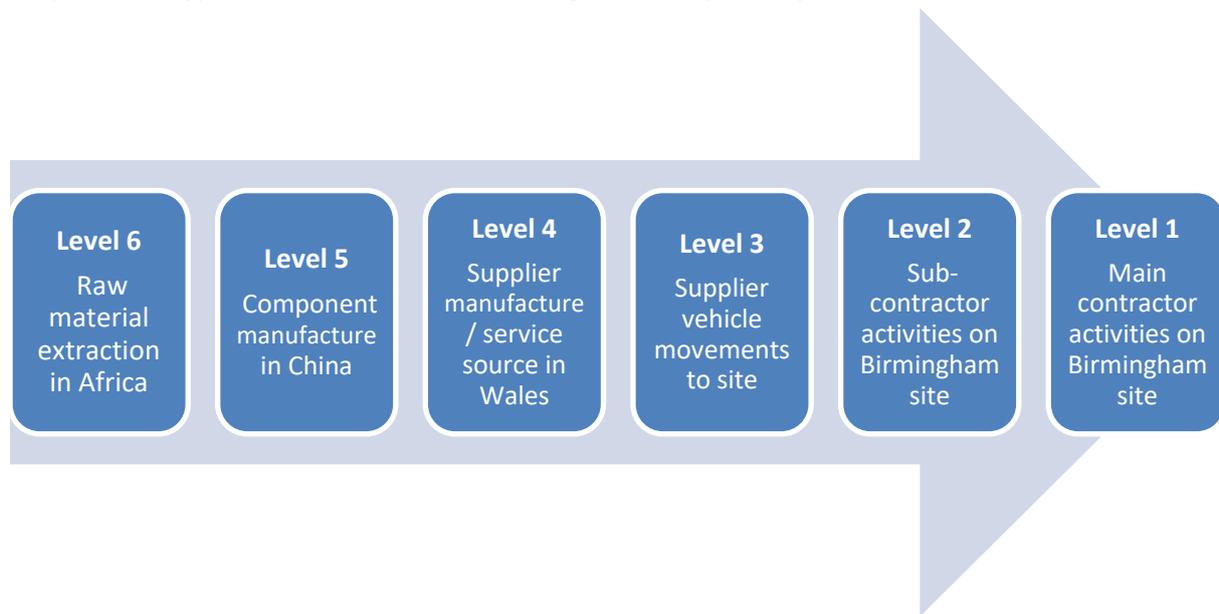
Where activity is being undertaken to create benefits for communities outside the UK and Europe (for example people extracting raw materials in Africa or manufacturing products in factories in China) then these activities generally fall under the heading of 'responsible sourcing'. This is closely related to 'social value' and some clients do include responsible sourcing within their approach to social value – but other clients do not.

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A result of this distinction between “social value” and “responsible sourcing”, and differing client considerations, is that different links in the value chain might fall within or outside the scope of ‘social value’ consideration, depending on where activity within that tier takes place.

For example, in the hypothetical value chain in diagram 3, the main contractor might be asked to report social value at tiers 1, 2 and 3 if the client is only interested in social value to Birmingham, down to tier 4 if the client prioritises social value in the UK and down to tier 6 if the client is interested in their global social impact.

Diagram 3: A hypothetical value chain, including location of activity



3. Why Social Value Matters

3.1 To improve well-being

By generating social value we help communities and boost the well-being of people who live and work there, or who just pass through.

Our clients often have remits for particular areas and are keen to boost wellbeing within them. For example, Councils have responsibility for their local authority areas, the UK government and its agencies wish to boost the prosperity of the whole UK, NHS Trusts serve particular communities and developers wish to make the most of their lands and developments.

Different areas and communities have different characteristics, needs and opportunities. Social value is therefore ‘framed’ differently according to client and situation. Ideally, a client will explain their social value objectives for a particular contract or development and the supply chain can then respond.

3.2 To help clients

There are several reasons why clients, at all tiers of the supply chain, are asking companies to specifically address social value. These reasons relate to legislation (e.g. the Public Services (Social

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Value) Act 2012), business objectives or simply wanting to 'do the right thing'. Key client drivers to generate social value are outlined in table 1.

Table 1: Key client drivers to generate social value

Driver	Implications
Public Services (Social Value) Act 2012	<ul style="list-style-type: none"> Legislation requiring public authorities to have regard to economic, social and environmental well-being of a relevant area when letting certain public services contracts "Spirit" of the Act being applied to more procurement processes than required by law
Public Contracts Regulations 2015	<ul style="list-style-type: none"> Legislation allowing 'social aspects' linked to subject-matter of contract, to be included within public contract award criteria (clause 67) Allows public contracting bodies to lay down social or employment-related considerations relating to performance of a contract (clause 70)
Section 106 planning requirements	<ul style="list-style-type: none"> Used by planning authorities to help mitigate negative impact of developments on local communities Some planning authorities using s 106 agreements to require developers to create apprenticeships, [local] jobs, [local] skills and [local] supply chains and/or pay the planning authority £s to enable them to do so
National Skills Academy Targets	<ul style="list-style-type: none"> Some procurers (e.g. of Southern Construction Framework and Education Framework Agreement) use the CITB's "client based approach" (Appendix A1.1) to define employment, skills and training targets based on project type and value
Client policy	<ul style="list-style-type: none"> If client has explicit policy on social value or sustainability, it may be transposed into contract requirements; e.g. Responsible Procurement Policy of Mayor of London / Greater London Authority / Transport for London Often used to stimulate economic opportunities for particular communities
Equality Act 2010	<ul style="list-style-type: none"> Legislation places certain, important obligations on employers¹ and on providers of services. Public Sector Equality Duty requires public sector organisations to "have due regard" to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good community relations by tackling prejudice.
Small Business, Enterprise & Employment Act 2015	<ul style="list-style-type: none"> Will require certain companies to publish gender pay gap information Strengthens aspects of employment law (e.g. fines for failure to pay legal minimum wage, prohibiting use of exclusive zero hours contracts) Legislation opens door to certain companies being required to publish information on payment practices and performance on whistleblowing
Utility Contract Regulations 2016²	<ul style="list-style-type: none"> Legislation enables award criteria to refer to social (as well as environmental) aspects, as long as the criteria relate to the subject matter of the contract (Regulation 67(2)). Criteria will also be able to be linked to any stage of the life-cycle of the works, goods or services (Regulation 82(3)(a)). Codifies existing case law around pre-market engagement (Regulations 58 and 59)
CSR / "right thing to do" / reputation	<ul style="list-style-type: none"> Client CSR principles can be transposed into contract requirements; e.g. Principles driven through RBS' Supplier Diversity & Inclusion Code of Conduct, ESG (environmental, social, governance) objectives of certain City firms Often linked to a company's desire to be top performing in their sector

¹ Full details of the requirements placed on employers by the Equality Act 2010, and equality legislation in Wales, Scotland and Northern Ireland, can be found in the e-learning modules of the [Fairness, Inclusion and Respect Toolkit for Construction](#)

² These comments are based on the consultation version of the UCR 2016, issued in late 2015. The final regulations are likely to be published in April 2016 and are not anticipated to be significantly different from the consultation

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There is separate and additional legislation relevant to social value in Scotland and Wales.

As a result of these drivers, companies operating in the built environment are increasingly being asked to:

- Explain how they will generate social value, in planning applications and in responses to invitations to tender
- Monitor and report the social value they are generating
- Push whatever social value requirements they work to, through to their supply chain Partners .

When companies respond to social value requirements in an invitation to tender, their responses are often scored and considered as part of contract award decision-making. Clients generally used a balanced scorecard approach for this, with the weightings allocated to social value responses varying between clients. Some contractors are taking particular care when preparing their responses to social value questions, to create competitive advantage. Most clients hold successful bidders to their social value commitments and some retain final payments until they are achieved.

3.3 To achieve business benefits

There are benefits to businesses when they work to generate social value, for example it:

- Improves workforce satisfaction and engagement – boosting retention and performance
- Enhances company's reputation - making the company a supplier, employer and of choice
- Improves relationships with communities amongst which a company works, making it easier to pre-empt and address any problems
- Helps to win new business; past performance and scored submissions around social value now contribute to companies winning (or losing) tenders

4. Social Value Tools

As the concept of social value matures, tools are emerging that help planning bodies, clients, developers, construction companies and supply chain Partners to define requirements and monitor and report achievements. Not all are in the public domain and there is a cost to using some.

Not all clients or contractors use tools. And those clients and contractors that do use tools use different ones. This section explains the types of tools that are available; specific examples of each are listed in Appendix 1.

4.1 Tools to define developer, contractor or supply chain requirements

The drivers to include social value in procurement, supply chain management and contract management are strong, but complex legislation means that procurers and commissioners often seek help to achieve it in a legally compliant way.

Appendix 1 (A1.1) includes sources of guidance. It also examples of specific materials that contracting authorities have put together to encourage or mandate their supply chain Partners to generate social value.

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4.2 Tools to collect and report social value data and information

Supply chain Partners might wish to collect and analyse social value data and information to:

- Report progress to clients (e.g. as part of wider contract management activity)
- Report internally
- Report achievements in annual company reports

Historically, much information has been collected and shared on excel spreadsheets. New Tools are emerging, however, that enable data and information to be collected, reported and aggregated across teams, projects and tiers of the supply chain. Some of these are listed in appendix 1 (A1.2).

4.3 Tools to Benchmark social value performance

It can be useful to clients, contractors and supply chain Partners to be able to benchmark social value processes and performance against peers. A number of tools are in use to achieve this. Some of these are listed in Appendix a (A1.3).

4.4 Tools to monetise social value

Not all social value can be monetised, some of it is in the stories and the context.

Financial savings or value figures can be attached to *some* social value outputs, outcomes and impacts. For example, when people gain employment there are quantifiable savings to the public purse through reduced benefit payments, improved health and less contact with the criminal justice system. These figures have long been calculated by governments and used when making public policy decisions. This process is known as “monetisation” and the financial savings or value figures are known as “proxies”.

Some clients – particularly those who are responsible for spending public money - are choosing to monetise their social value outputs and outcomes. It is a way of demonstrating to their stakeholders that they are delivering maximum value for the public purse.

Some contractors and supply chain Partners are also choosing to monetise their outputs and outcomes. A contractor might monetise social value achievements to demonstrate the “added value” that has been achieved through delivery of a particular, large contract. Some companies and clients are even piloting use of monetisation during a tender process, to calculate the social value that a company commits to deliver should they win a contract and include this within value for money decision-making.

Some contractors, though, do not use monetisation techniques. Reasons provided include:

- It is not part of the core expertise of most companies
- The client and/or their key stakeholders are generally the beneficiaries and it is more appropriate for them, therefore, to undertake any monetisation
- Monetisation techniques can’t take full account of context (section 3.3) or the ripple of benefits through a community, and so can never accurately capture true impact. Stories, including context, are a better gauge of impact
- There is subjectivity and error associated with all monetisation techniques

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Should a supply chain Partner wish to monetise social value, there are a range of different methods, tools and proxies available to help (Appendix 1, A1.4). Methodologies vary enormously. Applying different tools to one set of social value data will almost invariably result in different £ figures.

To summarise, monetisation is currently one of the most controversial and complex aspects of social value. Tools are available to help address it – and opinion is divided on their accuracy and usefulness.

5. Examples of social value activity and reporting

There are few specific regulatory requirements around how companies report social value.

Here are some examples of where and how social value has been reported:

- The Wilmott Dixon Foundation [2015 Annual Report](#) – particularly pages 8 and 9 – and their video “[10,000 young lives improved by 2020](#)”
- Sanctuary Group Social Value Report [2013/14](#) and [2014/15](#)
- The [Crown Estate Total Contribution Report](#)

6. Example Social Value Metrics and Indicators

Clients and stakeholders often seek evidence of what social value has been generated. It is helpful, therefore, for companies to collect:

- Social value data
- Information about ‘context’ (section 2.3)
- Case studies

Supply chain Partners can find data collection difficult. Ideally, the collection of social value data should be integrated into wider reporting process (e.g. health and safety). Clients should be mindful of the potential bureaucratic burden of data collection and require it only so far as it can be used to track progress in achieving specific social value objectives, relevant to the contracts / projects in question.

Where supply chain Partners are asked to report data by a client, they should use evidence from their business to collect the data. This evidence need not be submitted with the data, but it should be retained internally. Clients might ask third parties to visit the supply chain Partner to check, verify and even audit data, by looking at the evidence trail, sometimes a year or more after the data was provided to the client.

The accompanying spreadsheet (appendix 2) lists social value metrics and indicators that:

- Have been requested by clients (e.g. Transport for London, local authorities)
- Have been recommended for use by School Partners who have particular specialisms (e.g. FIR - Fairness, Inclusion and Respect)
- Align with the approaches to business detailed in diagram 2
- Can each be categorised as one of the following:

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- Management / process indicator or metric
- “Input” indicator or metric
- “Output” indicator or metric
- “Outcome” indicator or metric (e.g. of sort that could be used in a Social Return on Investment analysis) and that can indicate, at least to some extent, impact, particularly when supported by case study or information about context.

There is no suggestion that any client asks – or should ask – their supply chain addresses *all* of the metrics and indicators listed in appendix 2. The table is intended to provide help in determining what metrics and indicators might be adopted for specific projects. Some clients might use indicators and metrics that are not included in this table. As the social value agenda evolves, new metrics and indicators might come into use.

Table 2 proposes a basket of indicators (extracted from appendix 2) that supply chain Partners could use if they wish to be considered ‘best in class’. These indicators:

- Demonstrate value they are delivering to communities
- Demonstrate progress towards becoming an increasingly socially sustainable business

Table 2: *Sustainability issues and recommended indicators*

School Issue	Business activity	Indicator	Possible supporting evidence
Employment	“Local” employment	% hours worked by local workforce	Timesheets / site access records Postcodes of places of permanent residency (e.g. from site inductions or HR records) Case study / context
	Fairness, inclusion & respect; equality & diversity	[Trends in] % participation of people of different protected characteristics (women, BAME, disabled, LGB & T, different ages, different religions etc.) at each different phase of the HR cycle (interview, recruitment, training promotion, redundancy, retirement etc.)	Diversity monitoring forms Analysis of aggregated HR data Case study / context
		% workers that have received equality and diversity/Fairness Inclusion and Respect training (e.g. a half hour Toolbox Talk)	Training records Case study / context
	Employee engagement	[Trends in] % of responses to specific employee engagement questions in employee engagement surveys and activity	Employer engagement survey Analysis of aggregated survey responses Case study / context
	Health & well-being	% of workers having health surveillance checks over and above statutory minimums	Health centre records Case study / context
	Fair pay & labour conditions	% of workers employed through PAYE	HR records, procurement records, terms and conditions of contract, communication with providers of labour, case study / context

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		% workforce paid at least relevant Living Wage (according to Living Wage Foundation definition)	HR data on number / roles of people being paid less than £10 ³ per hour in last payroll period and the hourly rate paid to each Case study / context
Skills	Apprenticeships	% hours worked by apprentices	Timesheets / site access records Training records Induction forms Apprenticeship Completion Certificates Case study / context
	Graduate development	% hours worked by graduates (those on an official company graduate programme)	Timesheets / site access records Training records Case study / context
	Employee development	Average number of hours of training/ development provided to all workers (e.g. per annum)	Training records Training plans Copies of Completion Certificates for NVQs Case study / context
Ethics	Ethical business	% suppliers with ethical code of conduct meeting or exceeding minimum requirements	Supplier surveys/ questionnaires Suppliers' ethical codes of conduct Case study / context
		% of workers that have received anti-bribery and corruption training	Training records Case study / context
	Responsible design	Number of [external] stakeholder engagement exercises undertaken and results fed into design(s)	Meeting notes Sign-in sheets Photographs Case study / context
	Prompt & fair payment to supply chain	Average number of days for invoice payment (between receipt and payment)	Accounting system records Case study / context
["Local"] business	Inclusive procurement	% spend with small and medium enterprises (SMEs)	Procurement system records Accounting system records Case study / context
	"Local" procurement	% local spend	Procurement system records Accounting system records Case study / context
Community	Charitable giving	Total £ contributed through charitable / community giving	Payment records Case study / context
	Volunteering	Total number of volunteer days during paid working hours	HR records Case study / context

³ This was the figure used in a 2015 data verification exercise, when the London Living Wage was

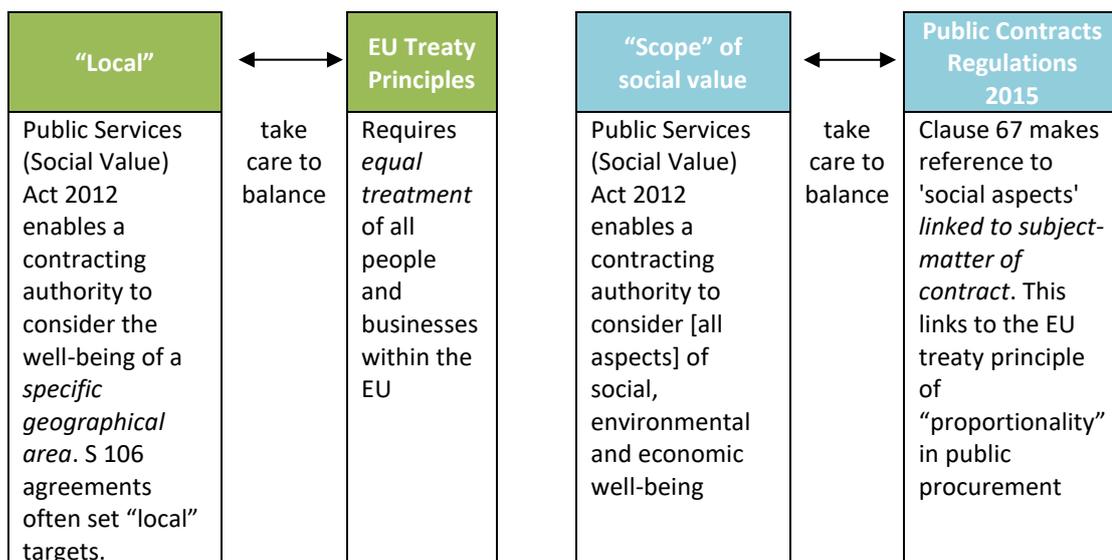
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7. Tips on Generating Social Value

7.1 Tips for clients / procurers / commissioners / planning authorities

This paper is intended for supply chain Partners . In compiling it, however, tips for clients, procurers, commissioners and planning authorities emerged. These are captured below.

- State objectives around social value, including expected outcomes and impacts
- Explain the evidence base behind the social value objectives (e.g. levels of unemployment in different areas, size and structure of local business base)
- Where there is a policy around social value, it should be linked to achieving optimum whole life cycle value
- Consult before setting requirements/ targets; the marketplace might have great ideas about what social value can be delivered and how – don't be afraid to have open and honest conversations
- Look at the whole development landscape. Where there are to be several developments, consider throughput of skills etc. across the series of projects
- Explain social objectives early; it's more difficult to introduce them once a price has been agreed and contract signed
- Make requirements/ targets appropriate to risk and nature of works/ contract. Companies, (and smaller ones in particular) might be put off bidding for contracts if they are being asked to address complex issues that are not directly related to delivery of the contract
- Being aware of potential extra cost of requirements/ targets. Most supply chain Partners will look to recoup the cost of any activity that goes beyond 'good business as usual', somehow
- Be aware of tensions in the legal structure around social value; there is currently inadequate case law to indicate how they should be addressed. These relate to the extent to which "local" targets can be set and how closely or otherwise social requirements should relate to the [core] subject-matter of a contract. Legal advice should be sought.



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- Be aware of challenges around "local" targets, particularly when based on a relatively small geographical areas (e.g. the boundaries of a single London borough) because:
 - They may be very unrealistically difficult for developers, contractors and supply chain Partners to work to. For example, there might not be enough currently unemployed people who want a job in construction, and who live in one local authority area, to meet all the targets around "local employment" that the relevant Council imposes on developers and supply chain Partners
 - They might not deliver benefits to the communities that most need the socio-economic boost
- Don't assume that because a company commits to deliver a certain number of social value outputs (e.g. new jobs for currently unemployed people) they can or will actually do so. Ask for – and evaluate – SMART action plans explaining how social value would actually be delivered and achieved. Hold companies to their commitments.

7.2 Tips to developers, contractors and supply chain Partners

- Prioritise, deliver and evidence
- Offer only activity, outputs and outcomes that you are confident you can deliver
- Work out ways to create social value as part of 'business as usual'. For example, publicly advertise all your job opportunities through Job Centre Plus
- Seek out and work with Partners e.g. Local Enterprise Partnerships, employment brokerage services, shared apprenticeship schemes such as those operated by CITB
- Monitor, measure and report. Share good practice and case studies
- Provide supporting evidence of achievements
- Some contracting authorities are aware that they should not, themselves, set "local" social value targets – but during a tender process they might look to bidders to propose their own targets, which could then become contractually binding. Propose only targets that you are confident that your company – and your supply chain – can actually achieve
- If your client or a planning authority proposes setting social value targets (e.g. "local" employment, "local" procurement) that you consider unachievable, collect evidence and discuss / negotiate. Be aware that the client or planning authority might expect changes / improvements to business process in order to meet targets – for example, for your company to advertise job vacancies through an employment brokerage service, not just through established friends and family networks. Such changes can be good for the long-term viability of your business.

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[Appendix 1: Social Value Tools](#)

[PDF of word document accompanying this document]

[Appendix 2: Social Value Metrics & Indicators](#)

[PDF of spreadsheet accompanying this document]