National Social Value Standard

National Social Value Standard Guide

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Social Value
Standard

The 55 Group (Holdings) Limited

Contents

Introduction

Purpose of this document

This guide provides an overview of the National Social Value Standard (SVS), which is a measurement framework for the appraisal of social value – at the forecasting, monitoring, and evaluation stages.

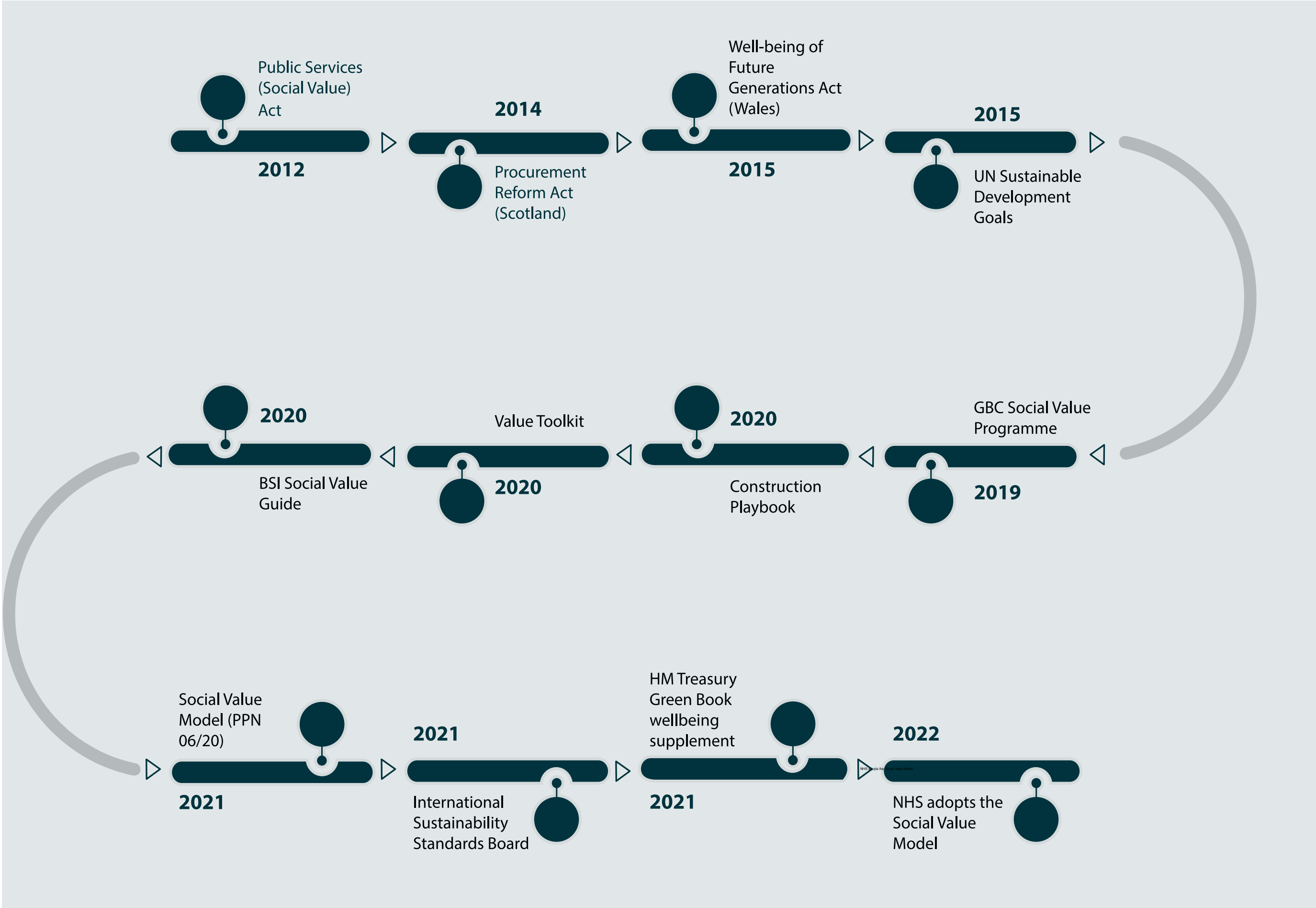
The following topics are covered:

- The context around the framework – the recent history of social value in the UK, how the framework defines social value, and the purpose of the SVS.
- More details on the framework itself – its scope, uses, and alignment with other frame works.
- The principles behind the framework.
- An overview of the metrics – the structure and different types of metrics.
- The monetisation of the metrics – the benefits of monetisation and how the SVS approaches it.
- A full list of the metrics, with definitions.

Context

Recent history of social value in the UK

Some of the key developments in the last 10 years:



The Public Services (Social Value) Act

The Act was passed by Parliament in March 2012 and came into force in January 2013.

It requires individuals who commission public services to consider how they can secure social, economic and environmental benefits.

Before they start the procurement process, commissioners are asked to think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area of stakeholders.

The Act is a tool to help commissioners get more value for money out of procurement.

However, the fact it only requires 'consideration' has limited its impact.

The Social Value Model (PPN 06/20)

Announced in September 2020 and launched in January 2021 the Social Value Model is a government framework which sets out their social value priorities for central government procurement. In April 2022 it was extended to the NHS.

5 Policy Themes

COVID19 RECOVERY | TACKLING ECONOMIC INEQUALITY | PROMOTING EQUAL OPPORTUNITIES | FIGHTING CLIMATE CHANGE | IMPROVING WELLBEING

52 recommended reporting metrics, all non-monetised.

A mandatory minimum weighting of 10% for social value at the tender evaluation stage.

Aims to make it easier for central government departments and the NHS to assess and evaluate the social value offered in tenders and manage what is delivered in contracts – using its buying power to drive greater social value.

The HM Treasury Green Book wellbeing supplement

In July 2021 HM Treasury released supplementary guidance to the Green Book looking at the consideration of wellbeing as part of the Green Book methodology.

It included significant developments such as the introduction of the WELLBY (Wellbeing-adjusted Life Year) measure, which is defined as a change in life satisfaction of 1 point on a scale of 0 to 10, affecting one person for one year.

The supplementary guidance represents the increasing amount of guidance and focus on social value appraisal, and the progression towards a more standardised approach – a process that will still take some time to complete.

The SVS aims to be at the forefront of that journey.

National Social Value Standard's definition of social value

There are a lot of social value definitions in circulation, with differences ranging from just terminology through to fundamental theory. The Green Business Council (GBC) in their framework last year for defining social value in built environment projects listed 24 well-established social value definitions alone. That does not include all the extra definitions from overlapping areas such as ESG (Environmental, Social and Governance), sustainability, CSR (Corporate Social Responsibility), the UN SDGs (United Nations Sustainable Development Goals), and social impact. This all reflects the fact that social value is still an evolving concept and area.

Social Value UK defines social value as "the quantification of the relative importance that people place on the changes they experience in their lives", which is a good starting point. Those changes can be across social, environmental and economic impacts. And it is important to look at both positive and negative impacts, in order to identify true social value. Another key factor is recognising that those impacts and the way they should be captured will vary based on the needs and context of different scenarios and individuals. Therefore, it is important to try and tailor the measurement as much as is possible based on available research and data.

Ultimately social value can also be seen as all culminating in individual and community wellbeing, both current and long term.

The purpose of the SVS

Since 2016 the aim of the SVS has been to provide a broad, robust and accessible measurement framework to help drive greater social value, in the right way.

- A broad and versatile scope that can be used across industries and for a wide range of scenarios.
- A robust approach to monetisation, mitigating overclaiming and other pitfalls, and focusing on outcomes.
- Increasing accessibility to the measurement of social value for all who need it and helping navigate what can be a confusing area.
- Better measurement means better management and therefore the maximising of social value with the resources available.

Scope and uses of the framework

Scope

- A broad and adaptable set of metrics.
- Over 800 metrics, of which 90% have proxy values.
- Cover all social, environmental and economic pillars.
- Used by organisations in private, public, and non-profit industries.
- Separate from the core SVS, bespoke versions of the framework and specific metrics have also been developed for certain users or industries.

Uses

There are a variety of ways in which the SVS can be used, across the themes of forecasting, monitoring and evaluating:

- **Internal strategies or CSR**
    - Can include social value, sustainability, ESG, CSR or general impact strategies.
    - Using the metrics in the framework to help identify goals and initiatives and set targets.
    - Then embedding the framework in the governance and measurement process to evaluate progress against those targets, improving accountability, and feeding the outputs into reporting.
- **Business cases and investment decision making**
    - Using the financial proxy values attached to the metrics to compare investment option impacts like-for-like as a common unit, including seeing return on investment ratios.
    - Therefore, improving investment decision making, building stronger business cases, and ultimately maximising social value.
- **Procurement**
    - Contracting authorities
        - Using the metrics to decide what questions to ask bidders, how those will be measured, and what targets to set.
        - Evaluating and scoring bids using the like-for-like proxy values.
        - Monitoring and managing supplier social value commitments during the contract, improving accountability.
    - Bidding organisations
        - Using the metrics to fully demonstrate social value, including setting commitments and targets, and looking at the best ways to increase the amount of social value generated.
        - Clear monitoring and reporting of social value delivered during the contract using the framework.

- **General stakeholder communication**

    - The common language of financial values and the ability to wrap up all impacts into one figure can support the communication of social value being generated to all stakeholder groups.
    - Those can include investors, local communities, employees, suppliers, contracting authorities or customers.

Alignment with other frameworks

Beyond methodological alignment with guidance such as the HM Treasury Green Book, the metrics are mapped directly to a number of key frameworks. The SVS aims to increasingly become a one-stop shop for users trying to navigate the often-confusing world of endless social value and sustainability frameworks.

Frameworks the metrics are currently mapped to:

- The United Nations Sustainable Development Goals (UN SDGs)
- The Four Capitals
- The Social Value Model (PPN 06/20)
- The National Themes, Outcomes and Measures (TOMs)

The Global Reporting Initiative (GRI) ESG framework will be the next framework to be mapped.

Principles used

Social Value International (SVI) principles

The SVS aligns with SVI's 8 social value principles:

- **Principle 1: Involve Stakeholders**
  - Inform what gets measured and how this is measured and valued in an account of social value by involving stakeholders.
- **Principle 2: Understand What Changes**
  - Articulate how change is created and evaluate this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended.
- **Principle 3: Value the Things That Matter**
  - Making decisions about allocating resources between different options needs to recognise the values of stakeholders. Value refers to the relative importance of different outcomes. It is informed by stakeholders' preferences.
- **Principle 4: Only Include What is Material**
  - Establish the boundaries of what information and evidence must be included in an account of value to give a true and fair picture, and one that is based on the evidence from stakeholders so decisions taken focus on the changes that matter.
- **Principle 5: Do Not Overclaim**
  - Only claim the value that activities are responsible for creating.
- **Principle 6: Be Transparent**
  - Demonstrate the basis on which the analysis may be considered accurate and honest, and show that it will be reported to and discussed with stakeholders.
- **Principle 7: Verify the Result**
  - Ensure appropriate verification of results in line with the decisions being supported. In cases where results are being reported to external audiences and/or are supporting significant decisions, independent assurance is required.
- **Principle 8: Be Responsive**
  - Pursue optimum Social Value based on decision making that is timely and supported by appropriate accounting and reporting.

Overview of the metrics

The National Social Value Standard framework contains over 800 metrics for users to measure their social value with - 90% of those are also monetised.

- **Metrics:** a measurement of value, which can be monetised or non-monetised. An alternative way of describing metrics could be indicator.
- **Monetised metrics**: monetising social value is the process of attaching a proxy financial value to an outcome. That value represents the relative importance of that change to those impacted. It does not show an actual financial return. See the monetisation section below for more details.
- **Non-monetised metrics**: metrics which are quantified but do not have a monetary value attached to them. For instance, the percentage of people from under-represented groups employed in the workforce.

The metrics cover all social, environmental and economic pillars, which form the foundation of social value.

- **Social:** these are impacts on individual or community wellbeing. For example, the change in mental health to an individual after moving from unemployment to employment.
- **Environmental:** refers to impacts that directly relate to the environment, such the level of carbon emissions or biodiversity impacts.
- **Economic:** impacts on public spending or economic output and productivity.

The metrics are grouped into five key areas:

- Jobs, apprenticeships and placements
- Workforce wellbeing, training and skills
- Supply chain
- Community, charity and other stakeholders
- Environmental

It is important to support the use of the framework's metrics with both qualitative and quantitative evidence where possible.

That evidence could include for example:

- Anonymised workforce data
- Carbon footprint data/certifications
- Evidence of events/initiatives
- Pictures and testimonials
- Training qualifications

Different types of evidence could be recorded at each of the forecast, monitoring and evaluation stages.

Please note that there will be double count risks in the use of the metrics.

- As part of mitigating any overclaiming of social value, it is important that impacts are not counted twice against multiple metrics. Particularly when it comes to monetised metrics, as the value is aggregated.
- There are cases where multiple metrics could be appropriate for the same impact and a decision has to be made on which to choose. The descriptions for each metric try to highlight where there are potential double count risks. Some examples:
    - Employment example: for instance, an apprenticeship being created should not be reported as both a job being created and an apprenticeship being created - instead just as an apprenticeship created, which is a job.
    - Health example: an intervention which was designed to improve people's mental health should not be recorded against both mental health and general health, just the mental health metric.
    - Learning interventions example: the learning intervention hours metric should not also be used for learning interventions that led to a qualification, as the hours that went into obtaining that qualification are already captured in those separate qualification metrics.

Also worth highlighting is the use of Full-Time Equivalents (FTEs) in the framework.

- This is the unit of measurement equivalent to an individual working full-time. It is simply converting someone's hours into a full time equivalent.
    - For example, if the standard contracted full time working hours of the organisation are 40 hours a week (2,080 a year). Assuming a part time employee works 20 hours a week, the calculation would be 20/40 = 0.5 FTE.
    - For the total FTEs you can just sum the standard hours of each worker, divide by the standard weekly full-time hours (40 hour example), which will give you the total FTEs of your organisation.
    - The above examples are based on people who are expected to work the full duration of the reporting period which is normally a year.
- For people who have an expected shorter duration you would need to specifically account for this change of duration. This can be done by changing the duration of employment for these individuals OR altering the FTE calculation to reflect the reduced employment over the year and leaving the duration set to a year.
    - For example, a part time employee who has an FTE of 0.5 is adjusted because they are only expected to work for a month, so 0.5 x 1/12 = 0.04 and this 0.04 FTE is recorded over the full year.
    - Alternatively, you could record 0.5 as an FTE but adjust the duration for this individual to 1 month. Both cases will result in the correct attributed value.

A set of Modern Methods of Construction (MMC) specific metrics have been developed to capture the additional social value generated by MMC approaches, looking at areas such as increased productivity, reduced health risks and reduction in noise.

Monetisation of the metrics

A key strength of the National Social Value Standard measurement framework is its large bank of monetised metrics.

Monetised metrics: monetising social value is the process of attaching a proxy financial value to an outcome. That value represents the relative importance of that change to those impacted. It does not show an actual financial return.

The benefits of monetisation

- **The actual impact:**
  - By using counterfactuals, additionality analysis and economic treatments a truer estimate of the actual impact can be created, compared to stopping at the output stage like ESG and other impact frameworks.

- **A communication tool:**
  - Monetisation creates a common language that local communities, staff, investors, customers, contracting authorities and other stakeholders can understand and get an intuitive sense of scale.
  - It also enables greater discussion, bringing in stakeholders who aren't experts into the conversation and decision-making process.

- **Improved decision-making:**
  - By translating impact into a common unit it is possible to compare like-for-like and therefore maximise social value.
  - For example, when assessing investment options the holistic value and impact can be compared, with social value put alongside costs and financial returns.
  - Another example is the comparison and scoring of bids during the procurement process.

- **Greater accountability:**
  - Supports more effective monitoring of initiatives and commitments and, holding both suppliers/contractors and internal operations to account – traditionally a challenging area in social value.

The caveats

If monetisation isn't approached in a robust manner then it can lead to misleading figures and overclaiming. It requires the right expertise and use of the latest best practice guidance and research. This includes accepting that not all impacts can be monetised robustly and that a certain standard of data and methodology is required. It also relies on a number of assumptions about the nature of impacts and those that are impacted, though tailoring to individual's different contexts can be built in. It is important to note that the social value world is a fast-moving space that requires regular iteration as data improves and monetisation approaches mature and develop.

Key steps in the monetisation process

1. Identifying outcomes

a. Qualitative research to identify the social, environmental or economic outcomes of specific interventions and changes.

b. Most metrics have multiple outcomes grouped together and each of their individual valuations aggregated.

c. For example, the wellbeing impact on an individual moving from unemployed to employed, the changes to economic output, and the public spending impact.

2. Assessing methodologies

a. Assessing the most robust valuation methodology for each outcome.

b. For example, a WELLBY for wellbeing impacts, income levels analysis for changes to economic output, and public sector costs for their spending impacts.

3. Finding the data

a. Collating the best quality data to support each valuation approach.

b. For example, academic studies for WELLBY life satisfaction data, ONS data for income levels, and the GMCA Unit Cost Database for public sector costs.

c. Lack of quality data can result in a change in valuation methodology or it being judged that an outcome cannot currently be robustly monetised.

4. Conducting additionality analysis and applying economic treatments

a. Applying a number of additionality factors, multipliers and economic treatments to every valuation, tailoring their levels.

b. For example, deadweight, attribution, displacement, duration, drop off, discounting, inflation, marginal utility of income.

The sections below expand on these steps.

Theory of Change (ToC)

The theory of change (similar to a logic model) demonstrates the importance of trying to monetise at an outcome level. A ToC model is the connection between inputs and impacts and looks at the causal relationships between each element. By identifying these cause-and-effect elements it improves the effectiveness of measuring and evaluating the impact interventions and changes have. Therefore, monetising the outcome or impact is preferable to the input or output as it leads to a greater representation of the full consequences of the intervention. Where this cannot be achieved robustly, input or output values can be used but are often limited to just equating costs to benefits at a one-to-one ratio. The National Social Value Standard has managed to monetise the vast majority of its values at the outcome or impact stage.

Inputs	Activities	Outputs	Outcomes	Impacts
What is used	What is done	What is produced	What is achieved	What is it for
Resources invested in the intervention.	Actions completed to deliver the intervention.	The tangible products which result from the intervention.	The change stakeholders experience as a result of the intervention.	The longer term and broader consequences of the intervention that derive from an accumulation of outcomes.
For example,				
The facilities, equipment, staffing and funding required to deliver a training programme.	The set up and delivery of a training programme for a group of stakeholders.	10 training sessions, 100 stakeholders completing training.	An increase in self-esteem and purpose and therefore wellbeing for stakeholders who completed training, as well as an improvement in their earning potential and therefore economic output.	Long term and sustained wellbeing impacts on stakeholders, contributing towards closing a national skills gap, or impacting wider societal aspects such as wealth or regional inequality.

Valuation methodologies

A number of economic valuation techniques are used, varying case to case based on what is most appropriate for the impact and context, and all aligned to HM Treasury Green Book guidance. They aim to capture the total social, environmental and economic value.

Methodologies to measure that value can fall under both Social Cost Benefit Analysis (SCBA) and Social Cost Effectiveness Analysis (SCEA) and include:

- **Market prices**
    - Prices from the relevant market or a closely comparable market.
    - For example, using transferable prices or public spending.
- **Revealed preference**
    - Techniques which involve inferring the implicit value placed on a good by people by examining their behaviour in a similar or related market.
    - For example, using hedonic pricing or the travel cost method.
- **Stated preference**
    - Research studies using surveys to learn how much people value something, and their willingness to pay for or accept changes.
    - For example, using willingness to pay (WTP) or willingness to accept (WTA).
- **Subjective wellbeing**
    - Use of direct wellbeing-based responses to estimate relative value of non-market goods.
    - For example, life satisfaction data or WELLBYs.

Data sources

The data sources vary valuation to valuation and can include a combination of the following areas:

- **Academic literature**
    - For example, life satisfaction or QALY (quality-adjusted life-year) studies.
- **Public sector reports**
    - For example, the Office for National Statistics' (ONS) Index of Multiple Deprivation (IMD), the UK Data Service or the Greater Manchester Combined Authority's (GMCA) Unit Cost Database.
- **Non-profit and industry research**
    - For example, WRAP (Waste & Resources Action Programme) or the Centre for Mental Health.

Additionality analysis

A key step in mitigating overclaiming is conducting robust additionality analysis on every valuation within the metrics in order to isolate what level of change the intervention is actually responsible for. Factors within that include:

- **Deadweight**
  - Allowing for outcomes that would have taken place without the intervention, comparing with business as usual (BAU) or the 'do nothing' scenario.
- **Attribution**
  - Taking into account the impact other organisations or stakeholders could have had in contributing to the social value generated.
- **Displacement**
  - The degree to which an increase in social value is offset by reductions elsewhere, for example where a job being created in a specific area stops a job being created in a neighbouring area.
- **Duration**
  - The duration of the outcomes resulting from interventions, these can be different to the duration of the intervention itself.
- **Drop off**
  - Where the impact of interventions that last more than one year can reduce over time, for example at 10% a year.
- **Marginal utility of income**
  - Taking into account that the value of an additional pound of income is higher for a low income recipient and lower for a high income recipient.

As an example, a business has hired someone in the relevant reporting period:

- Would this person have found employment in any case (deadweight)?
- The business that is hiring new people, how much have they influenced the employment market (attribution)?
- Has that job being created in this area stopped a job from being created in the neighbouring area (displacement)?
- Do the people that receive this increased income from employment gain higher utility per pound of the income received from employment (marginal utility of income)?
- How long will that the benefits of that new job impact that person (duration)?
- If the impacts experienced by that individual extend beyond a year do they start to have less of an effect over time (drop off)?

Economic treatments

The final stage is ensuring the appropriate Green Book recommended economic treatments have been applied to the valuations, and include:

- **Inflation**

    - Inflation is the impact of the value of money declining over time (on average) and therefore average prices rising. The framework takes account of inflation by adjusting the base prices to the relevant base year of valuation.

- **Discounting**

    - A technique that converts future values occurring over different periods of time to a present value. The framework uses the relevant discount rates recommended by the HM Treasury Green Book. These Social Time Preference Rates (STPR) account for:

        - The human preference for value now rather than later.
        - Taking account of the certain catastrophic risks the future brings.
        - The growth in the amount of consumption per person expected in the future and how much 'utility' people get out of this increase in consumption.

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List of Metrics

For our full list please click here