National
Social Value
Standard

Key changes to the National Social Value Standard

Purpose

- This document provides an overview of the key changes to the latest version of the National Social Value Standard (SVS).

Headline changes

- A more complete and diverse range of metrics and valuations developed – with over 800 metrics and 90% of those monetised.
- All valuations, outcomes, and additionality factors reviewed and updated – using the latest data, academic/government thinking and new measures. Creating a more robust and accurate measurement framework that is further aligned with the HM Treasury Green Book.
- GVA and LM3 deemed as overclaiming and removed from social value totals, though kept as optional measures.
- Metrics restructured and renamed in order to improve the user experience.

Why change

The National Social Value Standard is at the forefront of an ever-changing social value world and in order to stay there, regular updates need to be made. Specific reasons behind this latest set of changes:

- Social value methodologies and understanding is maturing. Whether that is new methodologies being developed or a more sophisticated and tailored use of existing approaches. All aimed at increasingly the robustness and accuracy of forecasts and estimates.
- For example, included in the new HM Treasury Green Book wellbeing guidance that was released in July 2021 was a new measure – the WELLBY. This opened a new standardised approach for measuring social value across many domains. The WELLBY measure has now been embedded in many of the valuations in this measurement framework.
- Research and data are regularly published and updated. This new information comes from a variety of sources including, academic, public sector and non-profit institutions. An example comes from the updated wellbeing survey data – this creates opportunities for new metrics and valuations to be developed and also requires updates to existing calculations that rely on the data or literature.
- Feedback from users of the framework and key stakeholders in the industry has been listened to and their inputs have led to a number of changes.
- This is the most significant update to the framework in recent times, with the large number of changes made now allowing for fewer changes in future iterations.

Total values may decrease with the combined impact of the updates

- To manage expectations, it is anticipated that most projects will see a decline in their total social value.
- Although there are a large number of new metrics and valuations, and some previous values have been revised upwards – most valuations have seen a decrease in value in order to increase robustness and accuracy, including the removal of GVA and LM3 from the social value totals. Reasons for changes to GVA and LM3 will be explained in more detail below but because of their oversized impact on previous totals this is a key reason for overall values declining.
- Making these adjustments is necessary for the credibility of both the SVS and social value in general. Resulting in a more robust framework and outputs that users can have confidence in.
- Where there has been doubt or uncertainty in metrics or valuations the more conservative option has been taken in order to mitigate the risk of overclaiming.

Restructuring and renaming

- The pillars of social value have been rationalised into Social, Environmental and Economic impacts – in order to bring it in line and improve alignment with areas such as Sustainability, and also to simplify and make more linear the user experience.
- The metrics have been grouped under five headings to add more structure and improve navigation, especially with the total number of metrics increasing:

  - Jobs, apprenticeships and placements

  - Workforce wellbeing, training and skills

  - Supply chain

  - Community, charity and other stakeholders

  - Environmental
- Many of the metrics have also been renamed or consolidated in order to improve consistency and make them more user friendly.

Groupings of outcomes reviewed

- In most cases, each monetised metric is underpinned by a grouping of outcomes deemed likely from the intervention or change the metric represents.
- Each of those outcomes has its own valuation, which are aggregated together to form the overall value attached to each monetised metric.
- Every outcome and every grouping of outcomes were reviewed in line with the latest academic and government thinking and updated accordingly.

Valuation methodologies

- A full view of valuation methodologies can be found in other SVS materials but the key new approach in this version of the framework was the WELLBY.
- The introduction of the WELLBY by HM Treasury in its July 2021 Green Book wellbeing supplement allowed it to replace other approaches taken in existing valuations in many cases and led to the possibility of further valuations being developed robustly.
  - The WELLBY stands for a 'Wellbeing-adjusted Life Year' and is defined as a change in life satisfaction of 1 point on a scale of 0 to 10, affecting one person for one year.
- Increased use of methodologies such as QALYs.
- Continued use of a variety of methodologies including stated preference and revealed preference, dependant on the context and data available for each valuation.

Negative values are now included

- Allowing users to use both metrics that generate a negative value, such as the 'Made redundant/ Dismissed' metric, and enter negative inputs for certain metrics, such as CO2e emissions, is a key step towards measuring a more net and therefore accurate view of social value. This supports the SVS's push to further mitigate overclaiming.

Additionality analysis and economic treatments updated

- Formerly referred to as 'impact metrics'.
- The additionality analysis that is conducted on every monetised metric has been reviewed and strengthened across the following factors:
  - Deadweight
  - Attribution
  - Displacement
  - Duration
  - Drop off
- A new factor – the marginal utility of income has been added.

- Recommended by the HM Treasury Green Book, this takes 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.

- In line with the Green Book, the economic treatments of inflation and discounting have also been updated with the latest forecasts.

New metrics and valuations

On top of all the changes to existing metrics, a number of new metrics and valuations were developed, these are some examples from each of the metric groupings:

- **Jobs, apprenticeships and placements**
  - More metrics within the jobs/apprenticeships/placements created metrics, honing in on what the alternative situation would have been if the intervention did not result in those changes – looking at whether that individual was previously employed, unemployed, long-term unemployed or it is their first full time job.
  - Monetised metrics to reflect individuals being made redundant or dismissed have been developed in order to capture negative social value as well as positive.
  - The monetised work placement metrics have been expanded to include areas such as year-in industry placements, paid internships and work trials.
  - Monetised metrics have been introduced to capture both improvement and decline in job quality – across 11 indicators such as job security and being overworked.
  - A specific monetised Modern Methods of Construction (MMC) productivity metric has been developed.
  - Over 20 non-monetised metrics have been added, ranging from the percentage of under-represented groups in the workforce to how many staff are local.
- **Workforce wellbeing, training and skills**
  - Monetised mentoring metrics were created, looking at both the impacts on mentors and mentees.
  - A specific monetised MMC health risks metric was also calculated.
  - 10 new non-monetised metrics have been added, ranging from the percentage of under-represented groups on training schemes to inclusive design features.
- **Supply chain**
  - A new monetised metric estimates the additional social value that is generated through the supply chain when certain types of suppliers are chosen over others – for example, SMEs or non-profits.
  - 35 new non-monetised metrics have been added, ranging from the number of contract opportunities awarded to SMEs to the percentage of suppliers that are local.

New metrics and valuations (cont)

- **Community, charity and other stakeholders**

  - Monetised metrics have been developed to reflect the impacts of engagement in different types of sport and cultural activities or hobbies. Likewise with a monetised metric looking specifically at engagement in youth groups and other activities for young people.

  - Changes to the level of 15 types of crime can now be reported on, each with a different monetised outcome.

  - A monetised metric for food waste has been added, as have ones for food banks and homelessness.

  - Monetised metrics to reflect the wellbeing impacts of flooding incidents and roadwork incidents have been created, with different values for urban, rural or general.

  - Monetised metrics to capture the impact of increased access to green space have been added, with different values across a number of scenarios.

  - A monetised metric has been developed to look at the benefit to society from expected income from UK investors– isolated using marginal utility of income to average shareholders.

  - 6 new non-monetised metrics have been added, ranging from the number of green spaces created to the number of community learning intervention hours delivered.

- **Environmental**

  - Monetised air quality metrics were created, with different values for nitrogen oxides, sulphur dioxide, ammonia, volatile organic compounds and particulate matter.

  - A noise pollution monetised metric has been added, with a specific MMC option for changes to on site noise.

  - The monetised travel/transport metric has been expanded significantly, with 36 different values available based on different changes to mode of travel/transport.

  - A reduction in electricity consumption monetised metric has been added, based on the carbon footprint.

  - A monetised output valuing changes in water consumption.

  - The monetised waste metrics have been significantly built out, with changes in waste treatment between all levels of the waste hierarchy leading to specific values – 39 in total.

Gross Value Added (GVA)

What is GVA?

- At the level of a business, simply put it is the value of the goods or services sold minus the costs of all inputs that are part of this production.

Why GVA has been removed GVA from social value totals?

- Headline: issues with the economic theory underpinning its use and the double-counting of social value means it should not be used in the social value context.
- In the past the way GVA has been captured in this and other frameworks is by multiplying employment. In effect the input measure is not directly relating to the outcome of the amount of GVA, as it assumes some consistent relationship between employment and GVA which will vary across businesses and industries. This measure has been included with little precision in the overall estimate which unfortunately makes up a substantial portion of value in social value measurements currently made across the industry.
- To count all GVA would be to take account of all economic activity of the business and completely attribute it to the business and label all this economic activity as social value.
- In general, there is growing criticism of GVA as a measure of productivity, with both the European Union (EU) and Organisation for Economic Co-operation and Development (OECD) arguing that it should not be used in policy-making as an indicator of regional productivity.
- To include GVA in the way it has been done in many social value frameworks would also not conform with best practice from the HM Treasury Green Book and more established frameworks such as Cost Benefit Analysis. Quoted from the 2022 version of the Green Book:
  - "6.6 Therefore, changes to Gross Domestic Product (GDP), or Gross Value Added (GVA) or the use of Keynesian type multipliers arising from different options cannot provide useful information for choosing between options within a scheme and are therefore not part of the Green Book appraisal process."
- Traditionally in formal Cost Benefit Analysis (CBA) these evaluations have been dominated by the estimated broad economic outcomes. This is part of the reason for the push to social value because it looks to balance those economic impacts with the social and environmental impacts that are often ignored or not fully measured. By broadly counting in an imprecise way the amount of GVA it would continue to dominate those other social value impacts and under-represent their relevance.
- Additionally, following the latest changes to the employment metrics and introduction of other metrics which capture the equivalent value there would be an increased risk of double-counting the same social value if GVA continued as a measure.
- However, GVA is still available as an optional measure for now for those who rely on it, but it will not feed into the social value totals and the framework does not endorse GVA as representing social value.

Local Multiplier 3 (LM3)

What is LM3?

- LM3 measures how spending entering a local economy then circulates within it, across three 'rounds' of spending. Therefore, it reflects how far an initial financial investment travels in a local network of relationships and the impact that has on the economic wellbeing and resilience of a region.

Why LM3 has been removed from social value totals?

- Headline: it still has its uses as a measure but issues with the economic theory underpinning its use and the double-counting of social value means it should not be used for measuring increases in social value.
- In valuation and social value, all benefits are compared to all spending, therefore why would spending also be counted as a benefit? This is a fundamental methodological problem with many of the social value methodologies in that they are including costs as benefits essentially. Other existing methodologies continue to create a 'double dipping' scenario by taking credit for additional benefits through employment, GVA, plus all other benefits created from the reporting business and separately taking credit for the spending as a benefit through LM3. If compared to a methodology such as Cost Benefit Analysis, then costs or spending would not be counted as benefits.
- LM3 is measuring spending and taking account of multiple rounds of it. The nature of LM3 is not part of, or compliant with, HM Treasury Green Book guidance. Quoted from the 2022 version of the Green Book:
    - "6.6 Therefore, changes to Gross Domestic Product (GDP), or Gross Value Added (GVA) or the use of Keynesian type multipliers arising from different options cannot provide useful information for choosing between options within a scheme and are therefore not part of the Green Book appraisal process."
- Additionally, the social value outcomes of that spending will already be captured through other metrics and therefore using both creates double-counting - the updated employment metrics and new supply chain metrics are key to capturing those social value impacts.
- What LM3 is useful for is understanding how local spending does spread locally. This therefore is not a problem with the measurement itself which can have a lot of legitimate uses (particularly for local authorities and the localisation agenda), but it fundamentally should not be part of measuring increases in social value. Therefore, it is still an optional measure in the framework but will not feed into the social value totals.