

Social Value Wording

- A Comprehensive Glossary

With the introduction of the Social Value Act in 2012 and the Social Value Model in public procurement since January 2021, we have seen significant adoption of social value within businesses across the UK in the last two years.

With no clear definition of social value and confusion around CSR, ESG, and sustainability, it can be challenging to understand what it is and where it fits within the fabric of businesses. To effectively measure and manage social value, it is vital to understand its key terms and concepts.

With this glossary, you will better understand the language of social value and be able to communicate more effectively about your own social value and with others.

You can read more about the [history of social value and its development since 2012](#) if you want to understand how all this developed and where we have come from.

What is Social Value?

Social value means the sum total of all the positive effects deriving from an activity, project, or intervention of any kind. This goes beyond the direct economic impact that a project has (i.e. the income/revenue it generates minus the cost of completing it) to factor in:

- **Indirect economic benefits** - e.g. money recirculating through local supply chains, the upskilling of workforces, job creation
- **Environmental benefits** - e.g. reductions in carbon emissions, the restoration of natural environments and preservation of biodiversity
- **Wellbeing benefits** - e.g. measures to support the physical and mental health of workforces and communities, providing well-paid, meaningful work
- **Social benefits** - e.g. provision of communal amenities like libraries, playgrounds, and community spaces, support for and involvement with community groups

There is a deliberate connection between what “counts” as social value in UK government policy and the UN Sustainable Development Goals which the UK committed to in 2015. So much so, the relevant SDGs are listed under each policy outcome in the Model.

That’s why in this glossary, we’ll look at a lot of official documents - to show you where current thinking comes from. Plus, there is not one, single, universally-agreed way of calculating social value, so this explainer will explore some of the most important.

Social Value Essentials

Having said all that, anybody venturing into the waters of social value will need to know about the following. They all touch upon social value to some extent or another, but many are major topics in their own right not exclusively concerned with it.

[Procurement Policy Note 06/20](#) - In September 2020, the government issued PPN06/20, which made it mandatory for all central government departments, executive agencies, and non-departmental public bodies to give at least 10% weighting to social value considerations in awarding contracts from January 1, 2021. See our [full PPN06/20 explainer blog](#) for more

[Social Value Model](#) - In December 2020, the government published 32 pages of guidance for bodies putting PPN06/20 into practice called the "Social Value Model". It sets out the objectives that social value is intended to serve and provides examples, award criteria, and sample questions and metrics. While a big improvement on the details in PPN06/20 itself, the Social Value Model doesn't provide an approved methodology for turning raw data into reportable figures. Plus, it introduces a lot of jargon - which we explain later in this [blog](#)

[Procurement Policy Note 06/21](#) - While PPN06/21 doesn't talk about social value directly, it has a huge impact on how it needs to be understood in practice and feeds into the Social Value Model themes. From September 30, 2021 - all bidders on new central government contracts worth £5 million or more need a Carbon Reduction Plan published, setting out how they will achieve Net Zero emissions

Corporate Social Responsibility (CSR) - CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and hold themselves accountable by reporting in public on performance. Over the years, CSR has gone from a largely internal self-regulatory approach to one that is increasingly mandated by governments and international bodies

Environmental, Social, and Governance (ESG) - An approach to measuring a business's impact on society, the environment, and how transparent and accountable it is

Historically, ESG has been concerned primarily with harm reduction and come from a financial perspective, while social value is about positive good done - but the two approaches are converging, [as explained by our CEO Neil Macdonald here](#)

Net Zero - A situation where the total greenhouse gas emissions of a body (up to and including the UK) are equal to or less than the emissions it removes from the environment

Carbon Reduction Plan - The Carbon Reduction Plans demanded by PPN06/21 have to (i) confirm a contractor's intention to achieve Net Zero by 2050 at the latest, (ii) detail current greenhouse gas emissions, and (iii) spell out control measures that will be taken to reach Net Zero. A template was published along with PPN06/21, [which can be found here](#)

Embodied Carbon - The amount of carbon emitted during the construction of a building (including the extraction of raw materials, the manufacturing and refinement of materials, transportation, installation and disposal of old supplies, etc.)

Carbon Offsetting - In the context of measuring net carbon emissions, offsetting is the practice of using emissions reductions in one area to “compensate” for continued emissions in another. Offset schemes allow individuals and companies to invest in environmental projects (e.g. tree planting) in order to balance out their own carbon footprints

Scope 1, 2, 3 Emissions - The [Greenhouse Gas Protocol](#) - the world's most widely-used accounting tool for assessing emission levels - splits carbon emissions into three scopes:

- **Scope 1** - Emissions from sources that an organisation owns or controls directly
- **Scope 2** - emissions that a company causes indirectly when the energy it purchases and uses is produced
- **Scope 3** - emissions that are not produced by the organisation itself, and not the result of activities from assets owned or controlled by them, but by those that it's indirectly responsible for, up and down its value chain

Employer Supported Volunteering (ESV) - Allowing employees the opportunity to volunteer during working hours or take paid leave to do volunteer work - either their own choice or one selected by the employer

Social Enterprise - A business that aims to make a profit, but which reinvests or donates them to create positive social change

Measurement Framework - Measurement frameworks are sets of methodologies, metrics, and (frequently) proxy values that are used to quantify and measure the impact of social value activities. No framework has official status as the definitive “right” way of measuring social value. Each has different strengths and areas of focus

Social Return on Investment (SROI) - As defined by social value UK, SROI is “a system of accounting for all of the social and environmental value of your activities”. It is sometimes used interchangeably with social value - but SROI has a more narrowly quantitative, financial focus

Social and Total Economic Value (STEV) - A metric which expresses total amount of social value generated, including the local and non-local economic benefit from supply chain spend, as a percentage of total project value

Social and Local Economic Value (SLEV) - An alternative to STEV, which only includes social, environmental, and local economic benefit created - expressed as a percentage of total project value. Unlike STEV, SLEV omits non-local economic benefit

Cost Benefit Analysis (CBA) - An exercise to identify the Fiscal, Economic and Socio-Economic costs and savings to government and taxpayers

- **Fiscal** - Relating to government revenue, especially taxes
- **Economic** - Relating to the change in the amount of goods and services produced per head of the population over a period of time
- **Social** - Relating to wider gains to society such as improvements to health; educational attainment, access to transport or public services, safety, reduced crime, etc

Gross Value Added (GVA) - GVA measures economic productivity in the form of the contribution to an economy that is made by each individual producer, industry or sector

Local Multiplier 3 (LM3): A methodology used by companies, government, and community organisations to measure how their spending generates local economic impact and benefit to communities and where changes need to be made to improve that impact

Quality Adjusted Life Years (QALY) and Wellbeing Year (WELLBY) - QALY and WELLBY are measures of disease burden, including both the quality and the quantity of life lived. One QALY/WELLBY equates to one year in perfect health and happiness

Terminology for Social Value Measurement

The following definitions come from [“A Social Return On Investment Guide”](#), published in January 2012:

Attribution - An assessment of how much value was due to the contribution of particular organisations or people

Cost Allocation - The allocation of costs or expenditure to activities related to a given project

Deadweight - The amount of value that would have been realised without the project's interventions

Discounting - The process by which future financial costs/benefits are recalculated to present-day values

Discount Rate - The interest rate used to discount future costs/benefits

Displacement - An assessment of how much of the outcome has displaced other outcomes or value

Distance Travelled - The progress that a beneficiary makes towards an outcome (also referred to as 'intermediate outcomes')

Drop-Off - The deterioration of an outcome over time

Duration - How long an outcome lasts after the intervention (e.g. how long a participant remains in a newly created job)

Financial Model - A set of relationships between financial variables that allow the effect of changes to variables to be tested

Impact - The difference between the outcome for participants, taking into account what would have happened anyway (deadweight), the contribution of others, and duration

Impact Map - A table that captures how an activity makes a difference

Inputs - The contributions made by each stakeholder that are necessary for an activity to happen

Materiality - Information is “material” if omitting it has the potential to affect the readers’ or stakeholders’ decisions

Monetise - To assign a financial value to something. Placing a monetary value on social outcomes arguably makes it easier to incorporate social metrics in decision making

Net Present Value - The value in today’s money that is expected in the future minus the investment required to generate the activity

Net Social Return Ratio - Net present value of an impact divided by total investment

Outcome - The changes resulting from an activity. The main types of change from the perspective of stakeholders are unintended and intended, and positive and negative changes

Outputs - Quantifying the activity in relation to each stakeholder’s inputs

Outcome Indicator - A well-defined measure of an outcome

Payback Period - Time required for the value of the impact to exceed the investment

Proxy - An approximation of value where an exact measure is impossible to obtain

Scope - The activities, timescale, boundaries and type of SROI analysis

Social Return Ratio - Total present value of an impact divided by total investment

Stakeholders - People, organisations, or entities that experience change, whether positive or negative, as a result of the activity in question

Stated Preference - Stated Preference valuations use questionnaires to ask stakeholders directly how much they would be willing to pay to have or avoid an outcome

Subjective Wellbeing - Subjective Wellbeing valuations use large statistical data sets (such as the British Household Panel Survey) to assess the relationship between life circumstances (e.g. employment status, health status, levels of volunteering, safety of local area) and levels of self-reported wellbeing

Valuation - Outcomes can be more or less important to the stakeholders that experience them. Valuation is a process that assesses relative importance. Financial measures are used as a proxy for value and allow for comparisons to be made between different changes

Social Value Background Documents

These documents are all regularly mentioned in social value literature and form part of the regulatory and organisational framework that exists within in the UK.

[Public Services \(Social Value\) Act 2012](#) - This is the Act that first introduced the idea of social value into UK law. It came into force in January 2013 and required only that public sector commissioning authorities “think about” how the money they spend can secure wider social, economic and environmental benefits. The need to consider social value in public procurement only became mandatory with PPN06/20

[Public Contracts Regulations 2015](#) - These regulations define the public procurement processes and in-scope organisations governed by (and exempted from), amongst other things, PPN06/20 and PPN06/21

[Procurement Policy Note 05/19](#) - Guidance on what procuring central government bodies need to do in order to minimise modern slavery risks in their supply chains

[Greening Government Commitments](#) - Forward-looking lists of goals the government aims to achieve to reduce environmental harm in the context of [“A Green Future: Our 25 Year Plan to Improve the Environment”](#)

The latest Commitments cover 2021 to 2025 and include undertakings to:

- Reduce water consumption
- Reduce their greenhouse gas emissions
- Minimise waste and promote resource efficiency
- Improve sustainable procurement
- Develop and deliver Nature Recovery Plans
- Develop and deliver Climate Change Adaptation Strategies
- Reduce environmental impacts from ICT and digital services

[Civil Society Strategy](#) - Published in 2018, the “Civil Society Strategy: building a future that works for everyone” explains how government aims to work with and for civil society in the long-term “to create a country that works for everyone”

[The 17 United Nations Sustainable Development Goals](#) - A “blueprint to achieve a better and more sustainable future for all” adopted by the UN General Assembly in 2015, the SDGs comprise 17 interlocking objectives that - together - encapsulate what people and governments value as societies. They play a key role in informing how social value is defined. The government’s [Corporate Report on Implementing the Sustainable Development Goals](#) says:

“The UK is committed to the delivery of the Sustainable Development Goals. The most effective way to do this is by ensuring that the Goals are fully embedded in planned activity of each Government department. The most effective mechanism for coordinating implementation is the departmental planning process.”



SUSTAINABLE DEVELOPMENT GOALS



Unpacking the Social Value Model

As we mentioned earlier, the Social Value Model makes use of a lot of jargon terms of its own. Understanding it - and making use of it to develop winning bids for public contracts - depends on mastering these concepts.

Themes - The Social Value Model presents five Themes as common commercial objectives for social value that reflect cross-governmental priorities, which are further broken down to Policy Outcomes. The 10% weighting given to social value can be split between Themes and Policy Outcomes at the discretion of the commissioning authority.

The Themes are:

- Covid-19 Recovery
- Tackling Economic Inequality
- Fighting Climate Change
- Driving Equal Opportunities
- Wellbeing

Policy Outcomes - Each Theme sets out one or two Policy Outcomes that commissioning authorities must aim to direct social value towards achieving - and that bidders must show how they will help to achieve. There are eight in total, and they are:

- **Covid-19 Recovery** - Help local communities to manage and recover from the impact of Covid-19
- **Tackling Economic Inequality** - (i) Create new businesses, new jobs and new skills, and (ii) Increase supply chain resilience and capacity
- **Fighting Climate Change** - Effective stewardship of the environment
- **Driving Equal Opportunities** - (i) Reduce the disability employment gap, and (ii) Tackle workforce inequality
- **Wellbeing** - (i) Improve health and wellbeing, and (ii) Improve community cohesion

Model Award Criteria (MACs) - Pre-determined menus of criteria and sub-criteria tied to each Policy Outcome for assessing the social value provisions of a bid. Contracting authorities are advised to copy and paste relevant MACs into tenders, but they are allowed to adapt them. Example MACs relating to “Covid-19 Recovery - Help local communities to manage and recover from the impact of Covid-19” include:

Menu of Model Award Criteria (MAC)

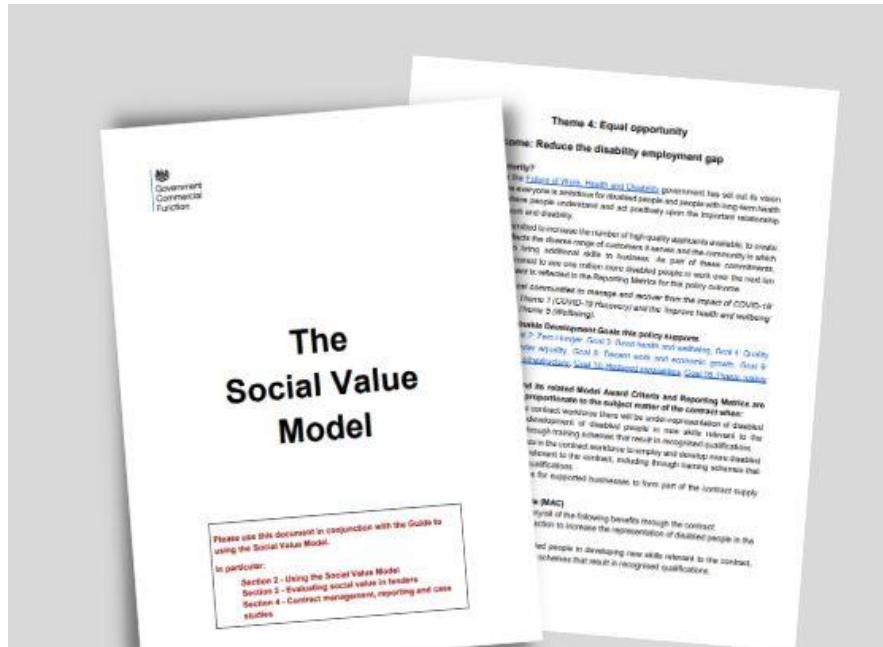
Effective measures to deliver any/all of the following benefits through the contract:

- MAC 1.1: Creation of employment, re-training and other return to work opportunities for those left unemployed by COVID-19, particularly new opportunities in high growth sectors.
- MAC 1.2: Support for people and communities to manage and recover from the impacts of COVID-19, including those worst affected or who are shielding.

Model Evaluation Questions - Pre-determined questions to include in tenders about how a bidder will deliver social value related to the Policy Outcome and relevant MACs. These are very broadly worded so as to promote varied and innovative responses. Again, while they are intended to be used verbatim, the Model Evaluation Questions can be adapted to suit particular circumstances

Method Statement - All of the Model Evaluation Questions ask bidders to provide a Method Statement that explains how they will achieve the social value goals proposed and how their commitments meet the Award Criteria. Along with the Method Statement, bidders are expected to provide a timed project plan and process, that includes how they will implement the commitments and by when, and how they will monitor, measure and report on the commitments and their impact

Reporting Metrics - The Social Value Models suggests 52 different metrics for the kinds of outcomes commissioning authorities should be looking for and which bidders should suggest (e.g. "Number of full-time equivalent (FTE) employment opportunities created under the contract, by UK region, for those who were made redundant due to Covid-19"). These are intended to be used to develop specific social value KPIs for each project - comprising (i) a deliverable and (ii) a numeric element, by which performance of that deliverable is to be measured



The following terms are also explicitly defined in an appendix to the “Guide to Using the Social Value Model”:

Charity - Defined in the Guide to the Social Value Model as “a legal status for an organisation, not a legal form or organisational structure”

Community Business - A business rooted in a particular geographical place, responding to local community needs, driven by and accountable to the local community. Many are social enterprises

Disability - A physical or mental impairment which has a substantial and long-term adverse effect of a person’s ability to carry out normal day-to-day activities, as defined in the [Equality Act 2010](#)

Public Service Mutual - A former public sector body that has been “spun out” into private hands but continues to deliver public services and have a significant degree of employee ownership, influence, or control

Small and Medium Sized Enterprise (SME) - Any business with fewer than 250 employees and either (i) an annual turnover below £45m or (ii) a total balance sheet less than £40m

Voluntary, Community and Social Enterprise (VCSE) - Any organisation (incorporated or not) working with a social purpose

Frequently-Referenced Documents in the Social Value Model

[Guide to Using the Social Value Model](#) - Comprehensive guidance for commissioning authorities on how to use the Social Value Model in structuring and assessing bids

[Model Services Contract](#) - A set of templates for commissioning authorities for use in producing contracts for services put out to tender - which include social value-related clauses

[Contracts Finder](#) - A government tool for advertising public sector contracts, cited in the SVM as an example of the sorts of places where prospective tenderers should promote subcontracts so as to improve supply chain diversity

[Good Work Plan](#) - The government's vision for the future of the UK labour market, which includes five principles of "quality work" (fair pay, participation and progression, voice and autonomy). Building employment practices around these principles is given as a sample MAC

[Voluntary Reporting Framework](#) - A guide for employers on how to report on disability, mental health and wellbeing in the workplace (as recommended in the 2017 [Thriving At Work](#) Farmer/Stevenson Review), cited in the SVM as a sample standard for Model Awards Criteria

[Mental Health At Work Commitment](#) - A framework (built on the Thriving At Work standards) that employers can use to support and improve the mental health of staff. Applying this in practice could be referenced as a social value benefit, according to the SVM - and is given as an example MAC

This glossary is intended to be a work in progress, so we'll update it on a regular basis as new terminology emerges and as existing concepts evolve.

If you see anything missing, [please contact us and let us know!](#)