

Building on the foundations

SOCIAL VALUE IN CONSTRUCTION

2022



**Social Value
Portal**



Introduction

We are pleased to present our second annual social value benchmarking report for the UK construction sector, undertaken jointly by SCAPE and Social Value Portal.

Rapidly becoming the definitive annual review of social value in public sector construction projects, this year's report includes data from 402 projects completed during 2020/21.



Our annual benchmarking exercise seeks to track the achievements and progress of the UK construction sector in delivering on the demands of the Social Value Act for public sector investors.

Bringing together the expertise and combined data sets of SCAPE, one of the UK's leading public procurement authorities for the built environment, and Social Value Portal, whose TOMs framework is endorsed by the Local Government Association (LGA) and used widely across the public sector; we are able to present a uniquely comprehensive report on projects with reported social value.

The recent 2022 update to the LGA's National Procurement Strategy for Local Government in England once again emphasises the importance of considering social value in procuring for outcomes so the timing of this report could not be better in offering inspiration to local government clients.

Our first report, produced last year, established the principles of the exercise, setting out the methodology for the process and areas of research. We undertook a major retrospective exercise, reviewing data for projects over the seven years to the end of 2019.

We have now established our methodology upon which we will build future reporting and benchmarking. This report compared the annual social value delivered in 2021 and 2020.

We assessed projects with a wide range of contract values – the lowest being below £50,000 and the highest above £400m. These projects are widely distributed across the UK, but with some regional concentrations.

In total, 402 construction contracts were analysed, valued at over £5.5bn, which generated over £1.08bn of social and local economic value added (SLEVA). We then examined the regional data to explore if there are any interesting variances across the country.

Social value reporting is not just about the big numbers, we look at what social value activities are being reported and how varied they are within projects. This helps to indicate if, and how, the industry is progressing in qualitative terms.

The good news is that performance, in terms of social value delivered, improved between 2020 and 2021, albeit quite modestly. The next challenge is how the sector can build on its solid foundations to progress from here, and how SLEVA can be firmly embedded across contracts.

The key findings are summarised in the following table. We have also included two example case studies, which show how contractors are delivering social value on projects and that the approach is well within reach of the industry.

There is more information in the 'Detailed Findings' section that follows.

Key findings

What was delivered?

Table 1 shows that in both years, social value (SLEVA) delivered was around £1bn and the value of contracts was also stable at around £5.5bn. That said, the data also shows a modest but noticeable improvement in the percentage of total social and local value added, from 17.41% as a percentage of contract value to 19.55% in 2021 and an improvement in the 'social' component (i.e. activities other than providing local jobs and supply chain spend) from 0.77% to 1.05%.

£5.5bn of contracts is a small proportion of the total construction output for the UK, which was £177bn for 2021. If the same performance were repeated across the entire construction sector, the social and local value delivered would be some £32bn.

	2020	2021
Contract value	£5.45bn	£5.53bn
Number of construction projects	353	402
Social and local economic value ("SLEVA")	£949m	£1.08bn
% social and local economic value added	17.41%	19.55%
% local economic value added	16.69%	18.50%
% social value added	0.72%	1.05%

Table 1: summary figures

How was it delivered?

The analysis shows that social and local economic value delivery improved modestly from 2020 to 2021, and that while the 'social' component increased its share, local economic value delivery continues to dominate reporting.

It is important to bear in mind that because the National TOMs framework is an evidence-led framework, the immediate financial impact of the measures relating to local jobs and supply chain spend is significantly higher than for most other measures in the National TOMs Framework.

But this does not mean that the 'social' measures are unimportant – in fact, quite the reverse, as the 'social' measures help in other ways that often have longer-term impacts. So it is really important that contractors adopt 'social' as well as 'local' measures in their delivery strategy.

Reflecting this and knowing that projects will almost always report 'local' measures anyway, we examined the

number of measures used to see how widespread the adoption is of 'social', as opposed to 'local' measures.

Figure 1 shows that most projects use between 2-4 measures, suggesting that the range of measures used is generally quite limited and that typically only 1-2 social measures are likely to be used, so there seems to be scope for contractors to expand their social value activities around project delivery.

Number of TOMs used: 2020 vs 2021

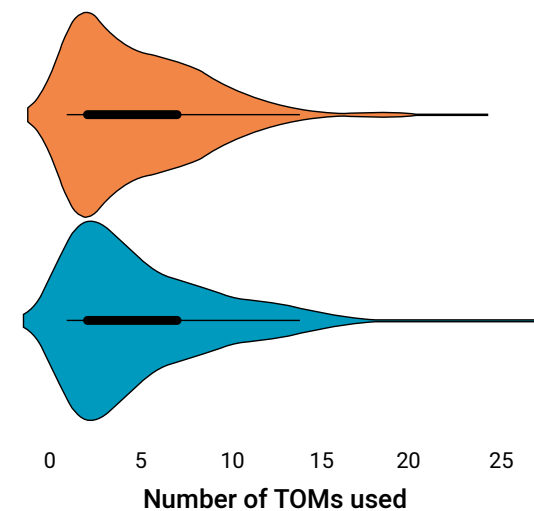


Figure 1: number of measures used by projects

Where was it delivered?

Figure 2 below shows the distribution of projects across the country, with the regional social value (SLEVA) amounts also shown. Around 65% of social value delivered is within the four regions of London, the South East, West Midlands and North West, and they also account for four out of the five highest regions of per capita social value (the other one being Scotland).

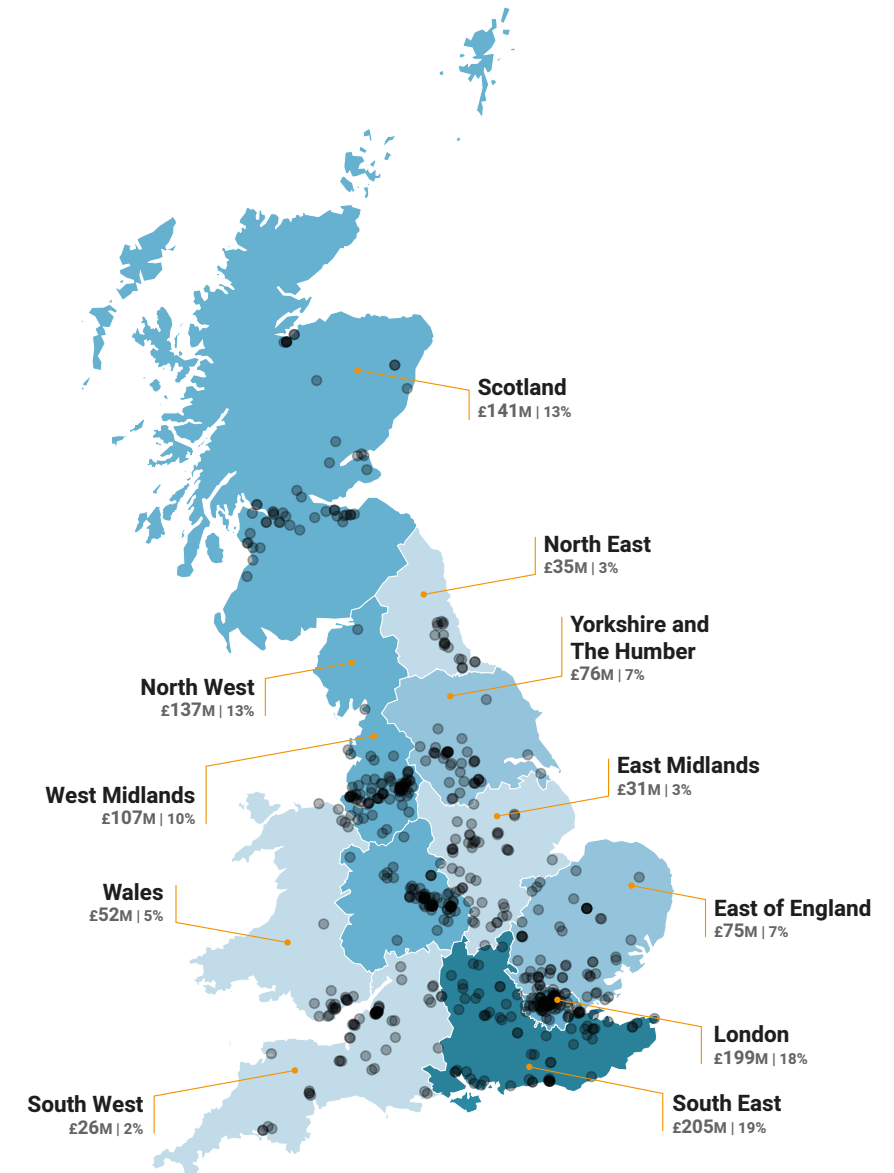


Figure 2: distribution of projects

This is partly a function of the geographical distribution of projects but will also be affected by factors such as higher wage rates and Gross Value Added (GVA) multipliers, particularly in London and the South East.

Case Study

MORGAN SINDALL

The Potteries Museum and Art Gallery



**MORGAN
SINDALL**
CONSTRUCTION

Project: The Potteries Museum and Art Gallery

Project Value: £5.4m

Framework: Regional Construction

Social value generated: £0.943m

Centred around the gloriously restored MK XVI Spitfire, the new Potteries Museum and Art Gallery extension will serve as a constant inspiration to future pioneers in STEM (science, technology, engineering and maths).

Delivered by Morgan Sindall Construction and Perfect Circle, this new exhibition space at The Potteries Museum and Art Gallery tells the story of STEM pioneer RJ Mitchell. Demonstrating the benefits of making a difference way beyond the build, the landmark project celebrates influential historical figures from the City of Stoke as well as inspiring future pioneers in STEM.

Social value highlights included:

- 1 person who was not in education, employment or training (NEET) and 1 ex-offender employed on the project
- 100% of spend on the project was with small and mid-sized enterprises (SMEs)
- Supporting 4 apprentices with over 100 weeks of on-site experience
- 27 staff hours volunteering with a mental health charity

Overall, the result of Morgan Sindall's efforts on the project generated a Social Value Add (SVA) of 17.4%, with nearly 5% coming from social value measures. Notably, this was made up of 16 different TOMs measures, with measures used from 4 of the 5 Themes.

This project demonstrates that it is possible to use a high number of TOMs measures even in a project in the mid-range of contract value.

Conclusions

While it may be too early to talk about trends (this is only the second year of the industry benchmarking report), we have seen year-on-year progress in social and local economic value delivered as a percentage of contract value.

We are pleased to note that while local jobs and supply chain spend remain by far the largest value elements, the proportion accounted for by the social component has increased. On the other hand, we note that the number of National TOMs measures being used is generally quite small.

There are significant regional variations in social and local value added, but as the rankings have changed noticeably from year to year, it is not yet possible to determine whether this is due to any established pattern or underlying trend.

We hope that this report helps to prompt further discussion on qualitative improvements in social value delivery and reporting, so that the construction industry continues to show leadership in this space.

Detailed Findings

1. OVERALL FIGURES

Delivery per year	2020	2021
Contract value	£5.45B	£5.53B
Number of construction projects	353	402
Average contract size	£15.4m	£13.8m
Social and local economic value ('SLEVA')	£949m	£1.08B
Local economic component	£910m	£1.02B
Social component	£39m	£58m
Social component share of SLEVA	4.29%	5.37%
% social and local economic value added	17.41%	19.55%
% local economic value added	16.69%	18.50%
% social value added	0.72%	1.05%

Table 2: summary figures

The aggregate value of projects reviewed was broadly similar year-on-year, but the numbers have risen by around 14%, so the average project size in 2021 is lower. Note this figure is the amount of spend within the year, so only the proportion relevant to the year will be included for a large contract across multiple years.

The value captured under the National TOMs has a 'local' component and a 'social' component. The local component consists of local jobs and supply chain spend. The social component is all the other measures in the National TOMs framework, including training and apprenticeships, volunteering and other community support, environmental initiatives, etc.

Due to the high proxy (financial) values for the local measures, we expected that they would account for a very significant proportion of value captured, which is why we also considered how often measures are used and how they are distributed.

The overall social and local economic value added percentage (%SLEVA) was around 20% in 2021, two points higher than in 2020. This may be due to constraints on SLEVA delivery in 2020 as a result of the pandemic.

The share of the social component also increased in 2021, but remains comparatively low at just over 1%.

2. NATIONAL TOMs MEASURE USAGE

2.1 Most used measures

We examined how frequently the National TOMs measures are used across all projects on a smaller subset of 549 projects. The data is shown in Figure 3. The 'local economic' measures are the blue bars in the graphs and the 'social' measures are orange.

Most used TOMs in 2020 and 2021: **social value** and **local economic value**

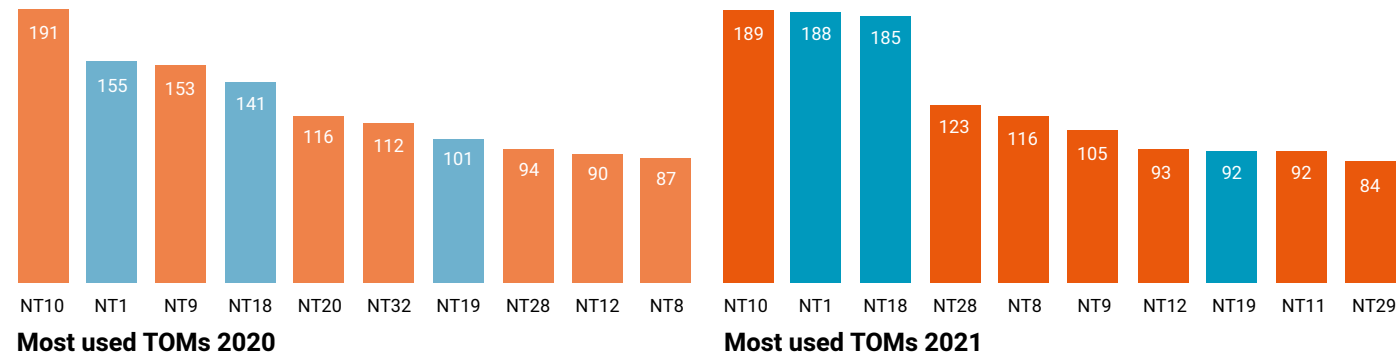


Figure 3: number of measures used by projects

Social component

NT Ref	Measure
NT9	Accredited training
NT10	Apprenticeships
NT11	Employability support
NT12	Work placements
NT8	School visits
NT28	Donations to community projects
NT29	Community volunteering
NT32	Car miles saved

Table 3: social measures

Local economic component

NT Ref	Measure
NT1	Local jobs
NT18	Local supply chain spend
NT19	Local supply chain spend (MSMEs only)

Table 4: local economic measures

We can see that the list of most used measures for both years is very similar, with the top 12 in 2020 all appearing in the top 12 in 2021, albeit in a different order. But there is more of a gap between the top four most frequently used in 2021 and the others.

The apprenticeships measure (NT10) is the top measure by usage across both years (in 69% of contracts across the two years), but local employment (NT1) and local supply chain (NT18) spend come very close (62% and 59% respectively).

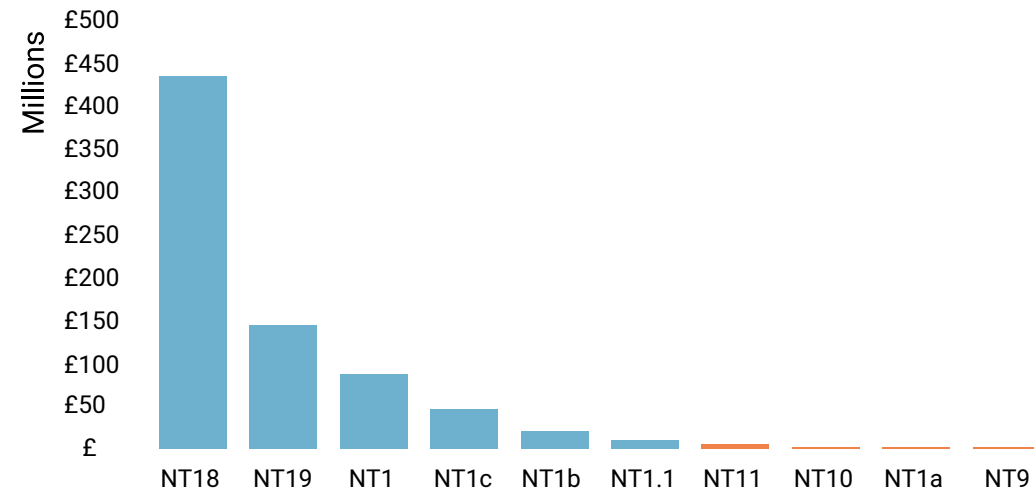
Notable by their absence are the employment measures specifically aimed at people facing barriers to employment (NT3-NT6): long-term unemployment, disability and so on.

The only environmental measure to feature in 2020 – NT32 (car miles saved) – has disappeared from the list in 2021. Generally, reporting against environmental measures in the National TOMs framework is poor. We have heard that these measures are difficult to report against and there are a number of initiatives underway to address this.

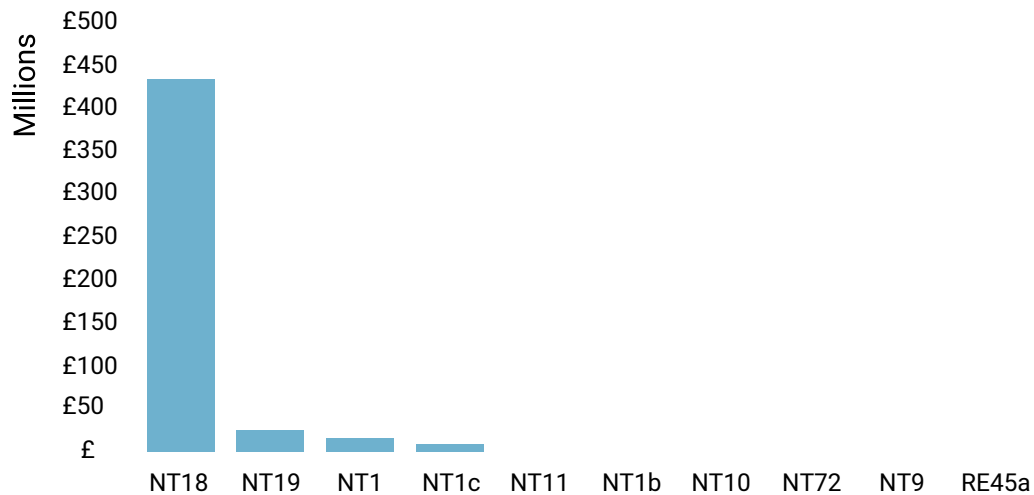
Generally, the analysis suggests that the industry is focused on an economic 'core' – the leading measures in the social component are generally jobs and training-related.

Whilst the graphs of most used TOMs show only three local spend and jobs measures, the top measures by social and local economic value delivered are, not surprisingly, dominated by local economic measures (local supply chain spend: NT18 and NT19; local employment: NT1). This is shown in Figure 4.

Highest delivery TOMs in 2020 and 2021: **social value** and **local economic value**



Highest delivery TOMs 2020



Highest delivery TOMs 2021

Figure 4: Social value and local economic value measures by pound (£) value

It is also worth noting that in both years only three or four measures in the top ten (by £ value) are 'social' measures and these are an order of magnitude lower than the highest value 'local' measures.

The 'local economic' measures are closely connected with contractors' business models. We can see that in effect, these measures comprise the foundation for the industry's approach to social

value, which can then be built on by incorporating further 'social' measures. We know that the significance of the 'social' measures goes beyond their reported pound (£) value in the National TOMs framework, which is why the number of measures used is an important indicator. A greater number of measures used will tend to show a project engaging in a broader range of social value generated.

2.2 Number of measures used per project

Are contractors taking the opportunity to adopt a broader range of social measures? To try and answer this question, we examined how many measures are used in each project.

While too many measures used might suggest a lack of focus, we should be seeing a reasonable number of 'social' measures if contractors are building on that 'local economic' foundation.

Figure 5 shows the number of measures used per project. The range is up to about 30 National TOMs measures. There is a bulge on the left of the chart that shows that most projects are using only 3-4 measures. We also know that these measures will generally be around local employment and supply chain spend before 'social' measures come into play. To the right of the chart, there is a long thin

tail, showing that a smaller number of projects are using a larger range of measures.

The shape of this chart has changed slightly between 2020 and 2021; the shape stretches a little, but the bulge is broadly the same in both years.

Figure 5 shows that there is some variance between smaller and larger contracts, with some of the largest projects (over £75m in-year value) using more measures, but perhaps with less variability than might be expected. The charts suggest that there is increasing 'stretch' between the organisations using the fewest measures and those using the most in the higher bands.

Number of TOMs uses: **2020** vs **2021**

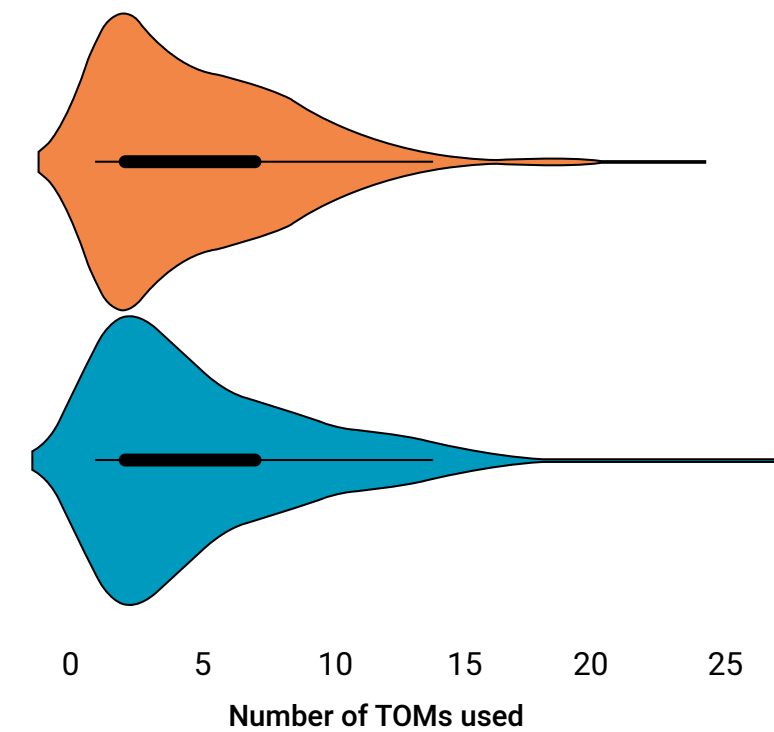


Figure 5: measures used per project

Number of TOMs used 2020 vs 2021

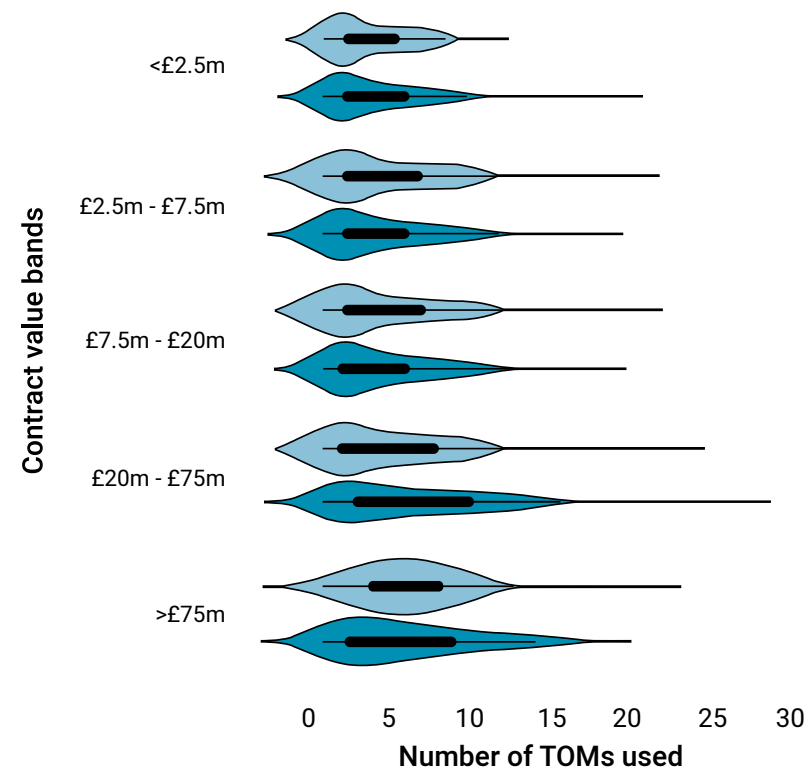


Figure 6: number of National TOMs used

Overall, notwithstanding some outliers, the construction sector appears to be consolidating around a core set of measures, with a primary focus on the local economic value component. In the larger projects, there is evidence of contractors using a wider range, possibly reflective of certain contractors and projects showing greater innovation and creativity in social value delivery.

Focusing on a core may be a reasonable strategy, but the number of 'core' measures used in most bands looks low (generally less than 5). We can also see from the data that the 'social' measures (not local jobs and supply chain spend) still have a strong correlation with employment (training, employability, apprenticeships), so social value unconnected with employment is still a relatively small element.

We would like to see the 'core' number increase somewhat, so it brings into play more non-jobs-related social measures - or it might be argued that the construction sector is not doing much more than the social value 'basics'.

It is possible that the social component is being under-reported because contractors don't consider the values to be significant. We want to explore whether this is indeed an issue and if so, take steps to ensure that appropriate emphasis is placed on the qualitative and quantitative aspects of social value reporting.

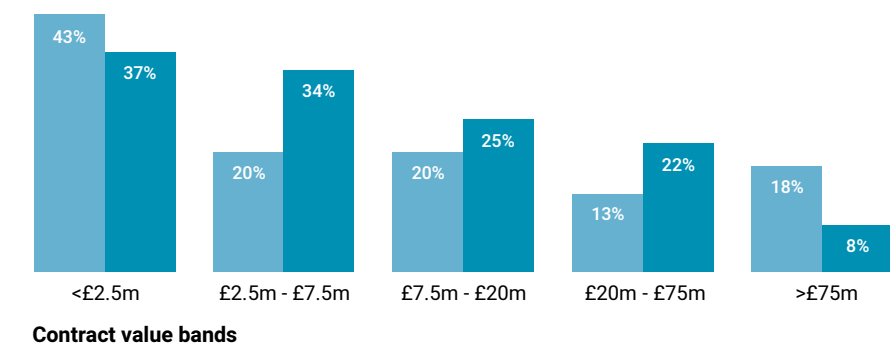
The overall question then, is how can the industry build on some solid foundations to generate broader social impact?

3. SOCIAL AND LOCAL ECONOMIC VALUE % BY CONTRACT SIZE

The distribution of social and local economic value by contract size remains broadly the same as last year's report, with smaller contracts delivering considerably more value as a proportion of their contract spend than larger ones.

The two charts below illustrate the tendency for social value percentages to diminish at larger contract sizes.

Total % social and local economic value: 2020 vs 2021



Total % social value: 2020 vs 2021

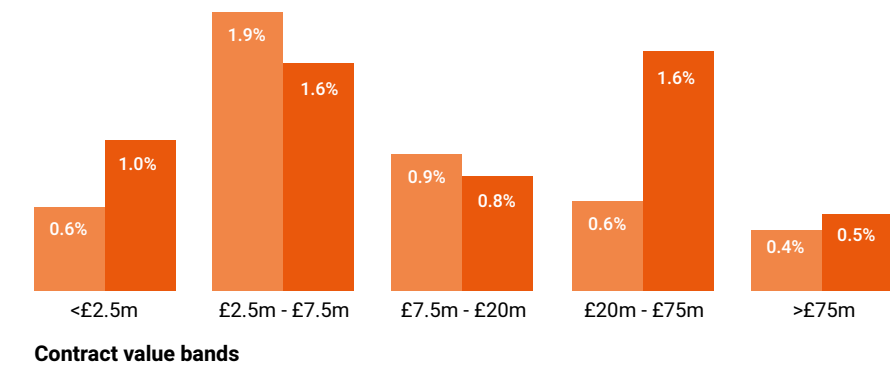


Figure 7: % social and local economic and social value generated 2020 vs 2021

Whilst larger contracts can deliver more in terms of absolute monetary value, they perform worse when looking at delivery as a percentage of contract size. Anecdotally, it has been suggested that because local jobs and spend are a big share of SLEVA, there is a natural limitation on local delivery as contracts increase in size (because of factors such as increased labour forces and more specialist components and materials). This is partly why the contract SLEVA percentage flattens off.

For various reasons, it has also been argued that the amount of resource available to deliver social value is not necessarily commensurate with increased contract values.

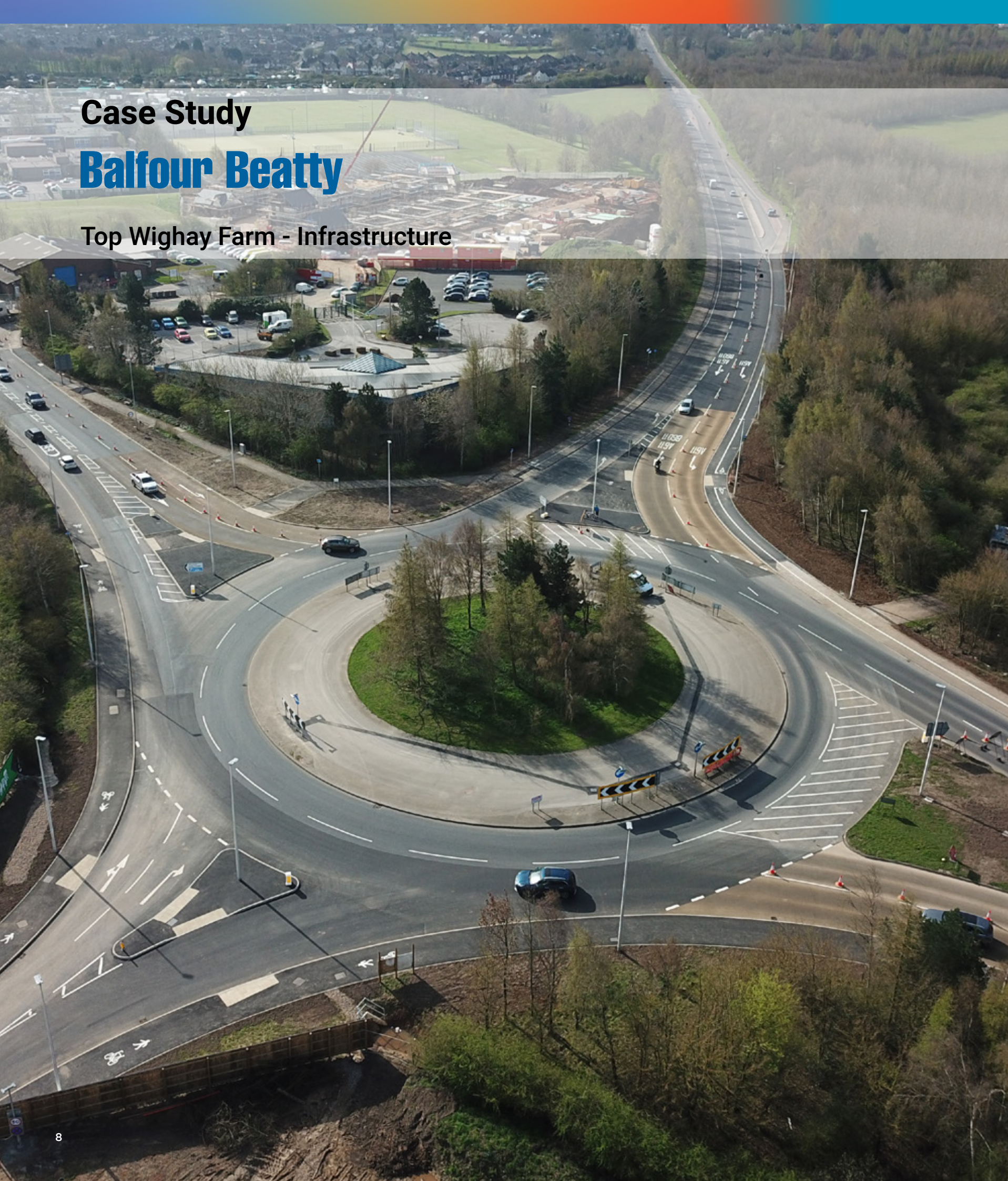
These arguments may be true, but we need to be careful that the industry does not look as if it is excusing itself from the need to make progress on social value delivery.

One response might be that larger contracts need to adopt a broader, more proactive strategy for the social component, to incorporate more systematically the social value elements not connected directly to employment. We have seen individual examples of good practice, but the data suggests that these are not yet general practice.

Case Study

Balfour Beatty

Top Wighay Farm - Infrastructure



Balfour Beatty

Project: Top Wighay Farm - Infrastructure

Project Value: £5.9m

Framework: Civil Engineering

Social value generated: £2.6m

Top Wighay site is a key development project which aims to meet Nottinghamshire County Council's housing and employment requirements up to (and beyond) 2028.

The 40-hectare site, situated north-west of the Nottinghamshire town of Hucknall, will feature an 805-property housing development, a primary school and a local community centre. Plans also include shops, playing fields and energy-efficient offices.

Appointed and project managed by Arc Partnership, (a joint venture between Nottinghamshire County Council and SCAPE), Balfour Beatty has undertaken a build-only contract for the £5.9m infrastructure works which will provide two new accesses into the development site.

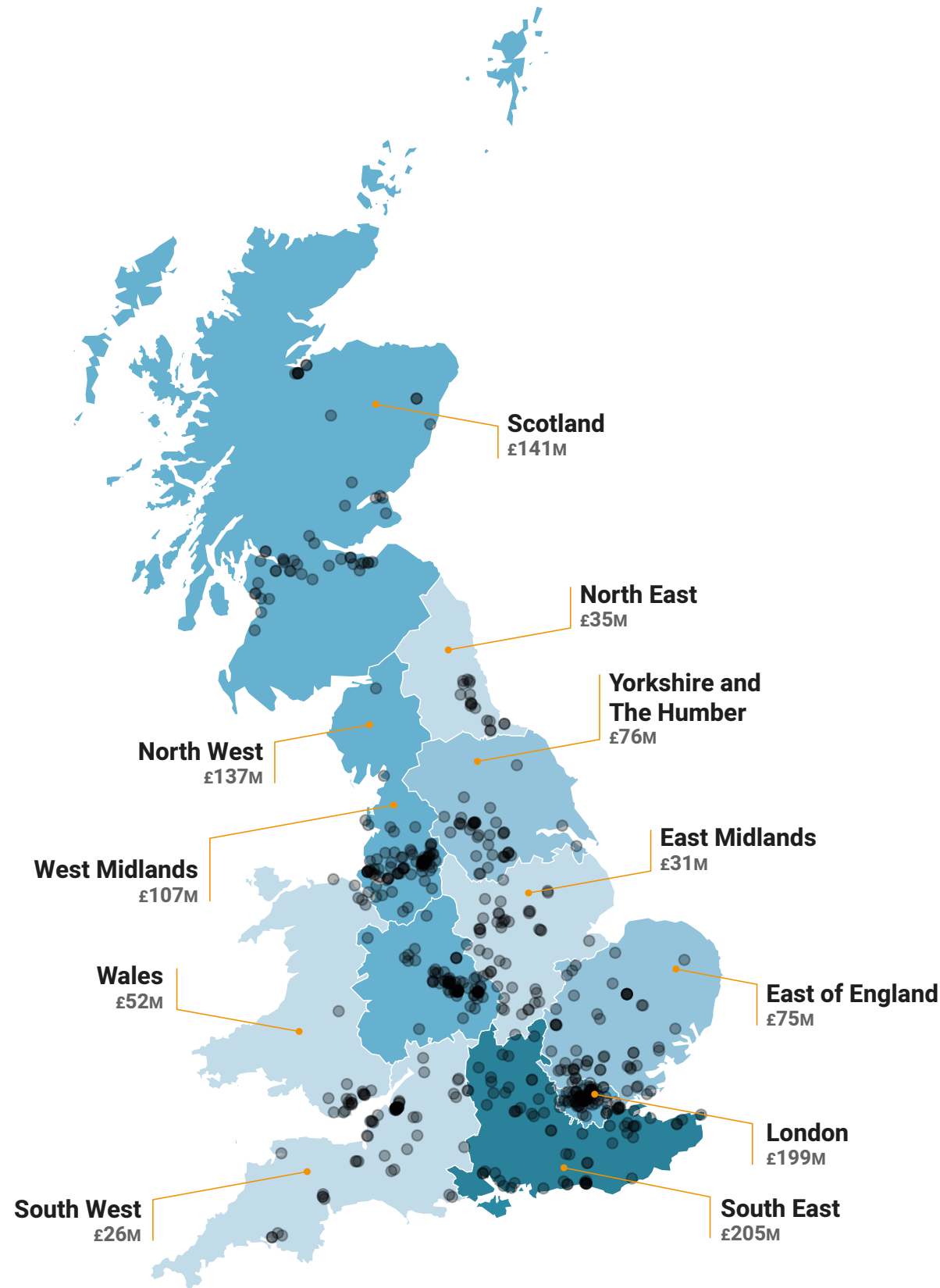
Social value highlights have included:

- The building of a disabled ramp and improvements to outdoor space for the local 4th Hucknall Scout Group
- £300 worth of donations delivered to the local food bank
- Hosting the second Nottinghamshire LearnLive event as part of National Apprenticeship Week - the broadcast reached 4,766 students and showcased opportunities within the industry

The team excelled in their social value offering, delivering almost £2.7m of social and local economic value, as measured by the National TOMs. This equates to 50.63% of the project value and exceeded the project target by 10%.

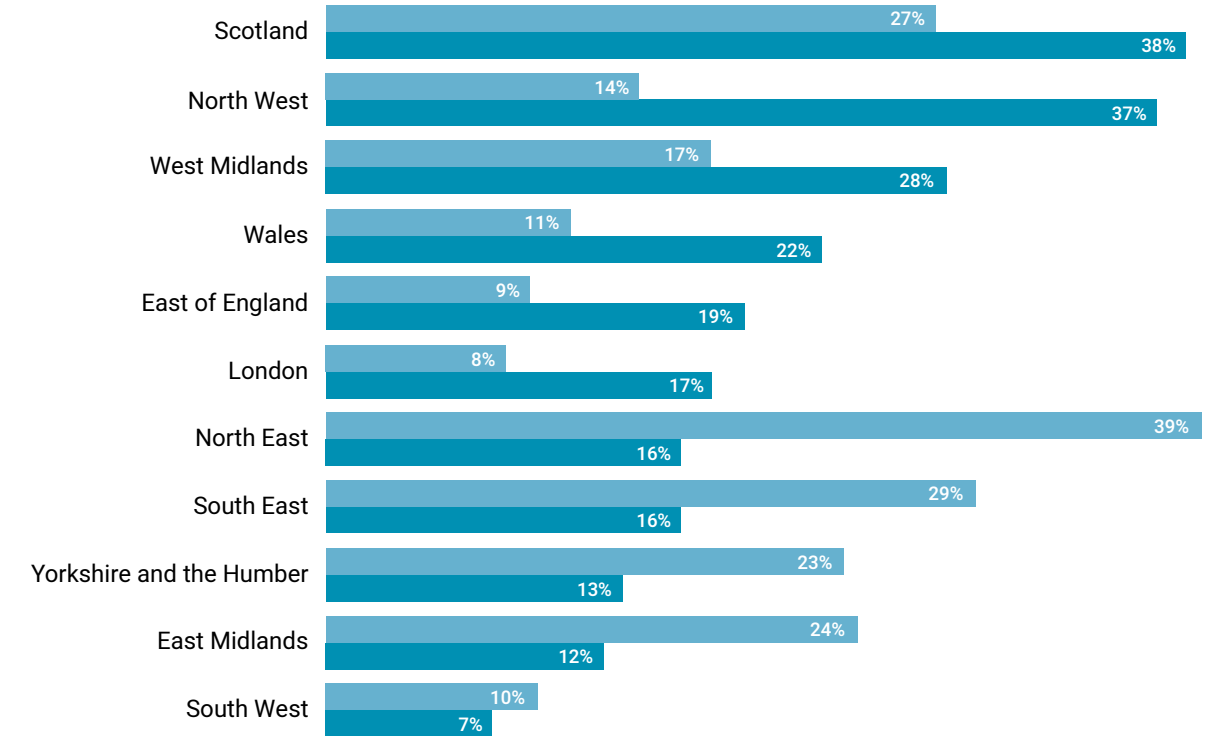
4. REGIONAL VARIANCES

Total social and local economic value add (in £)

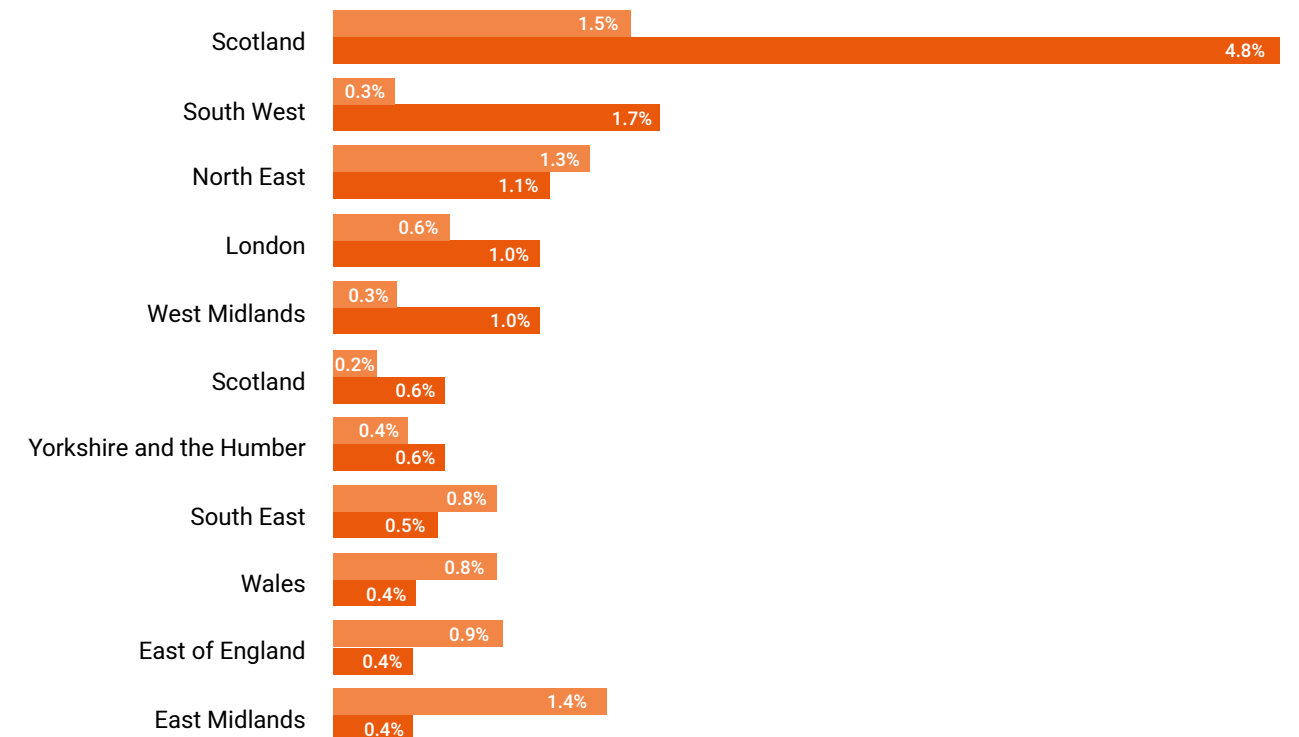


We analysed the distribution of SLEVA across UK regions. The graphs below display the total % social and local economic value added by region. These figures are expressed as percentages, so they adjust for variances in contract values.

Total % social and local economic value added: 2020 vs 2021



Total % social value added: 2020 vs 2021



The key points from these charts and tables are:

- The North West in 2021 out-performed the other regions in terms of social value delivery and was second highest after Scotland on the local economic component.
- The South West, whilst having the lowest social and local economic value added in 2021, was second highest in social value delivery in 2021, but lowest on local economic value
- Scotland, the North West; West Midlands, Wales and East of England all exceeded the UK average economic value % (18.5%).
The North West, South West and South East exceeded the UK average social value % (1.05%).

Comparing social value delivery across the regions and per capita shows that the four areas of London, the South East, West Midlands and the North West collectively accounted for 65% of social value delivered and were also four of the five highest in terms of delivery per head of population (the other one being Scotland). This is partly determined by the geographical distribution of projects but also by factors such as high GVA multipliers and high wage rates in London and the South East.

Region	Population (m)	SLEVA delivered (£m)	% Total SLEVA	SLEVA per head (£)
South East	9.2	205	19%	£22
London	9.0	199	18%	£22
North West	7.4	137	13%	£18
East of England	6.3	75	7%	£12
West Midlands	6.0	107	10%	£18
South West	5.7	26	2%	£5
Yorkshire & the Humber	5.5	76	7%	£14
Scotland	5.5	141	13%	£26
East Midlands	4.9	31	3%	£6
Wales	3.2	52	5%	£16
North East	2.7	35	3%	£13
Total	65.2	1,082	100%	



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