



CIOB

The Chartered
Institute of Building

Special
Report

Social value and SMEs:

It's not going away

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We are the Chartered Institute of Building, and we stand for the science, ethics and practice of built environments across the world. Everything we do is to improve the quality of life for those using and creating the built environment.

We have a role in the management, leadership, education and development of our industry, guiding and educating our members as they embark on their careers.

Using both the cutting edge of technology and the foundation of hard-earned experience, we train the construction experts of the future. From tools and data for the day-to-day, to degree qualifications for investing in a career. We train and shape workers and organisations who make our industry what it is.



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Snap verdict: SMEs who learn the rules will have a competitive edge

Construction SMEs should familiarise themselves with social value as a new procurement requirement because it has been adopted by central, devolved, and local governments and shows no sign yet of receding. Local governments appear especially keen, in part because it gives them positive things to tell voters about the projects they commission. So, in public sector work, social value is in expansion mode and will become harder for SMEs to ignore.

To date, the number of SMEs who've learned the social value rules remains relatively small. In England, there are currently not enough social-value-ready SMEs to meet demand in public-sector construction, so SMEs who learn the rules will gain a competitive advantage. Below, we describe how this demand comes from tier 1 contractors who moved first and are playing by the rules but who need help from their supply chains to play properly.

Social value is less established in the private sector, but we see evidence that this is changing. Two trends are expanding social value's influence in the private sector. One is that, for branding and ethical reasons, some developers are voluntarily embracing social value in

the same way government has. As a result, these developers are starting to require social value practice in their construction supply chains, thus creating opportunities for SMEs who learn the rules.

"There has been a real head of steam built up in the last two or three years," said the founder and chief executive of a prominent social value consultancy, who told us the number of well-known developers using his company has grown from two three years ago to around 15 now. "The shift is embedded and it's now just going in one direction," he added.

The other trend pushing social value into the private sector comes from the public sector, in the form of a nascent but

determined drive among local authorities to move social value from their own procurement of construction services outward to their planning function.



If that drive bears fruit, it would mean a growing number of councils will be evaluating developers' planning applications according to councils' social value goals. Where developers haven't embraced social value voluntarily, a growing number will have to embrace it as a condition of getting their plans approved, and much of the social value they'll be required to offer during the delivery phase of their schemes will come from their construction supply chains. This will create yet more opportunities for SMEs who learn the rules. As we'll see, Salford and Southampton city councils are among local authorities moving to embed social value in planning.

For these reasons, SMEs could view acquiring competence in social value more as an opportunity to meet growing demand than as a costly and irksome overhead, which it also is for many SMEs, particularly in Northern Ireland, the most recent jurisdiction to give social value weight at the tender stage.

How social value creates new demand in the construction supply chain

Since the start of 2021, when social value started getting teeth in the form of public-sector tender weightings, tier 1 contractors have learned the language and hired in expertise to compete under the new rules and have succeeded in winning work under the new rubric as a result.

One challenge for tier 1s now is internal and cultural: how to move social-value thinking and practice beyond board-issued policy and embed it into company-wide practice. Another is external: the lack of widespread social-value competence in their prospective supply chains.

Of necessity, tier 1s brought some SMEs along with them as they adapted to the new rules. That happened because tier 1s can't deliver social value all by themselves. As a rule of thumb, around 80% of a tier 1's project expenditure is channelled through its supply chain: the labour, specialists, subcontractors, and suppliers, many of them SMEs, whom tier 1s hire in to do the work.



SME contractor William Birch and Sons won a 2016 Rise award from the Leeds Sustainability Institute for the social value it delivered on the £3.9m project to expand Fulford School in York. William Birch provided apprenticeships, work placements, and construction and architecture-related workshops. (Courtesy of William Birch and Sons)

These SMEs are where the contracting function meets the community, so the tier 1s need SMEs' help to deliver the social-value commitments they've made, such as spending and hiring locally, recruiting apprentices, reducing carbon, and engaging schools and communities, to name some of the social-value interventions available. For tier 1s, the more social-value-ready SMEs there are the better, because it gives tier 1s more choice and flexibility in assembling a given project's supply chain.

"If SMEs come to us and say, 'Hey, how about we do this?', that's music to our ears," a social value lead at one tier 1 told us. "People who bring solutions are looked upon very favourably!"

This is the basic market dynamic that makes it advantageous for SMEs to engage with social value.

So, what should SMEs do?

Budget time now to understand what social value is and how to work with it as a procurement parameter.

Most experts we interviewed said acquiring social value competence is not as difficult as it looks. Many SMEs, they said, will already be doing things that social value weightings require; what they need to do next is learn how to measure and report those things using standard, freely available tools.

1. What are we talking about?

What social value is and where it came from

Social value is defined as the economic, social and environmental benefits a public contract can bring to local places beyond the function of the asset procured. Improvements to local ecosystems, recruiting apprentices or long-term unemployed people from the neighbourhood, facilitating school and community events, and buying local goods and services are common social value provisions.

It emerged as a requirement in government procurement, including procurement of construction services, in 2013 when the “Public Services Social Value Act 2012” came into force in England. Parallel legislation followed in Scotland (“Procurement Reform Scotland Act 2014”) and Wales (“Well-being of Future Generations Wales Act 2015”).

These laws required central and devolved governments to think about social value as well as cost when procuring. The 2012 Act didn’t give social value a formal weighting in tendering, however.



ISG and Manchester-based social enterprise “Sow the City” put on gardening workshops for pupils at Southern Cross School in Wythenshawe, Greater Manchester. The pupils learned how to plant seeds, bulbs, and vegetables. It was among the initiatives comprising some £12m in social value ISG delivered in the Manchester SEMH schools programme, a framework organised by the North West Construction Hub. (Courtesy of ISG)

Social value gets teeth

That happened amid the covid pandemic in September 2020 when the UK central government published its Procurement Policy Note (PPN) 06/20, giving social value a minimum weighting of 10% in a bid’s total score. The point of that, said the PPN, was “to ensure that it carries a heavy enough score to be a differentiating factor in bid evaluation”. A follow-up guide, the Social Value Model, was published in December 2020. Completing the policy push, social value was reaffirmed as a requirement for construction procurement with a minimum 10% weighting in the Construction Playbook, first published also in December 2020.

1. What are we talking about?

PPN 06/20 required construction firms bidding for central government work to show how much social value they'd bring to communities.

Although not the only one available, a popular framework for measuring and reporting social value is the "National TOMs" (TOMs stands for themes, outcomes, and measures), developed in 2017 by the National Social Value Taskforce, an initiative of the Local Government Association, and social value company the Social Value Portal. They created a framework to give councils and organisations a way of applying the 2012 Act.

Downloadable for free, the framework contains a growing menu of some 50 measures contractors can choose from to deliver social value. It also calculates a money or "proxy" value for each measure using the government's Unit Cost Database and techniques from the Treasury Green Book to attach prices to outcomes the free market doesn't.

If a construction SME hires a local person registered as unemployed for the duration of the contract (full-time), it can claim to have created £2,899 in

social value, in the framework's current iteration. Hiring a local ex-offender chalks up £24,269. Preventing a tonne of CO2 going into the atmosphere is worth £244.63, and using a tonne of recycled bricks gets you £96.70. Donating staff time to helping community groups is worth £16.93 an hour, as is an hour volunteering to enhance local ecosystems.

Social value and the CIOB

The CIOB conducted an audit of the social value it delivered in 2021 using a selection of financial proxies from the Social Value Bank, produced by the Housing Association Charitable Trust.

It found that for every £1 it spent on member services, £2.84 of social value was delivered, meaning its expenditure on member services of £12m in 2021 generated just over £34m in social value.

The top four social value-generating activities of the CIOB last year were CPD completions, calculated to have delivered £17.2m in social value; downloads of learning materials (£9.6m); training courses delivered (£5m); and mentoring (£2.8m).

£17.2m

Delivered by the top four social value-generating activities of the CIOB last year in social value

Downloads of learning materials

Training courses

Mentoring

Social value around the UK

The devolved governments followed suit after PPN 06/20. The Wales Procurement Policy Note (WPPN) 01/20 came into effect on 18 November 2020, also giving social value a minimum 10% weighting in total award criteria. A Wales National TOMs framework has been developed, as well.

Scotland published its Scottish Procurement Policy Note (SPPN) 10/2020 on 9 December 2020. It diverges from PPN 06/20 by not prescribing a weighting for social value, preferring to leave it to awarding bodies' discretion instead. The Scottish government also rejected the idea of ascribing monetary values to social value measures, opting instead for the demonstrable attainment of specific outcomes.

Northern Ireland followed later, with its Procurement Policy Note 01/21 coming into effect on 1 June 2022, weighting social value at a minimum 10%. The weighting applies to service contracts valued above £138,760 and construction contracts valued above £5,336,937.

Grassroots champions: How local authorities jumped early

Local governments are among the most enthusiastic public sector bodies when it comes to social value. While big national departments and agencies could get by minimally complying with the Social Value Act 2012 until PPN 06/20 brought matters to a head in 2021, many councils



used the Act itself to embed social value in procurement soon after it came into effect. Newcastle City Council, for example, held its first Social Value Workshop, a market consultation to tender an £8m, seven-year winter road maintenance contract in February 2016.¹

1 "Social Value Case Study: B2B North and Newcastle City Council", Newcastle City Council, April 2017. Online (PDF): <https://tinyurl.com/369jubkw>

1. What are we talking about?



Birmingham's Alexander Stadium at the opening ceremony of the 2022 Commonwealth Games. Birmingham City Council was able to proclaim a litany of benefits arising from the project. (Credit: Broomcleaning2006/CC BY-SA 4.0)

It's no wonder they were drawn to it in a decade of budget cuts. Social value gives them good-news stories to tell voters about unexpected community benefits they have secured. In September 2021, Birmingham City Council was able to proclaim a litany of benefits arising from the redevelopment of Alexander Stadium, undertaken by lead contractor McLaughlin & Harvey.

Those benefits included: £32m spent with local SMEs; £28,000 in grants to

50 voluntary, community and social enterprises; 233 volunteer hours contributed to eight local causes; 70 hours of engagement with local schools; 12 apprentices hired; 214 workers upskilled; and 100% renewable electricity used on site.²

In the next section, we assess the take-up of social value among local authorities to gauge its penetration and to address the question of how ignorable it might be for construction SMEs.

² "Alexander Stadium contract social value highlighted in new report", Birmingham City Council press release, 10 September 2021. Online: https://www.birmingham.gov.uk/news/article/958/alexander_stadium_contract_social_value_highlighted_in_new_report

2. How ignorable is it?

Assessing social value's penetration and durability in the public sector

Our verdict, that SMEs who get to grips with social value will enjoy a competitive edge, rests on the premise that it is here to stay and that its influence is expanding, meaning it will become harder to ignore in both the public and private sectors.

In this section, we explore social value's penetration and maturity among local authorities. We see what national procuring bodies are doing by checking in with National Highways, a self-styled social value champion. And we ask whether the mini-rebellion of Brexit opportunities minister Jacob Rees-Mogg in September 2022 signals a possible shift away from social value as government policy.



Gauging councils' social value maturity

In the public sector, we believe social value's expansion among local authorities will drive demand for competence in it among SMEs. So, how widespread is it among councils?

In 2021, the Local Government Association (LGA) surveyed 132 county, unitary, and metropolitan councils and 80 district councils in England and Wales to see how they were getting on with the LGA's 2018 National Procurement Strategy. The survey included a section on social value.

Using a detailed diagnostic guide, councils were invited to assess themselves on their social value maturity, placing themselves in one of five categories: Minimum (least mature), Developing, Mature, Leader, and Innovator.³

We can think of councils who assessed themselves as occupying the first two categories, Minimum and Developing, as being immature in social value terms, and everyone else as being mature. We could further assert that

3 "National Procurement Strategy: Delivering the Ambition – second diagnostic report", Local Government Association, 21 October 2021. Online: <https://www.local.gov.uk/publications/national-procurement-strategy-delivering-ambition-second-diagnostic-report#findings>

2. How ignorable is it?

the sizeable tranche of councils still casting themselves as immature in 2021 represents the segment of the public sector construction market most likely to see the expansion of social value as a procurement requirement.

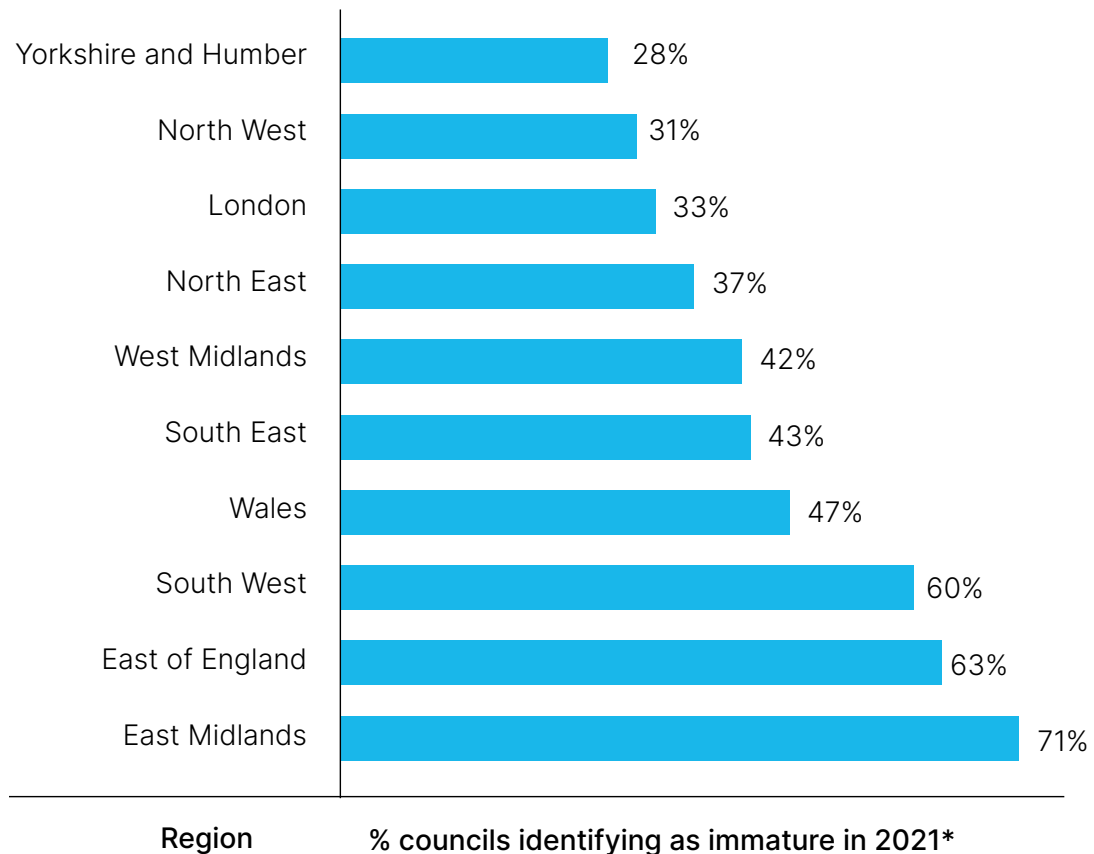
Below, we analyse the results of the LGA's survey along regional lines to see where social value is likely to expand most and soonest, but first it's worth examining the dividing line between immature and mature to see what being mature means in practice for councils, and what SMEs might expect as a result.

Attributes of a council's social-value immaturity*	Attributes of a council's social-value maturity*
Compliant with 2012 Act but only seeking social value in a few key contracts	Taking a proactive approach to integrating social value into procurement and commissioning
No senior officer given a direct reporting responsibility for social value	Councillor or cabinet board/authority member given responsibility for reporting and leading on social value
Measuring some limited form of social value, e.g., SME spend	Social value measured in non-financial terms against national TOMs; TOMs on website for suppliers to study
Social value mentioned in tenders but no weightings or specific score allocated	Social value requirements included in all relevant tenders as part of quality score with weighting of 5-10%
Contracts not monitored in any coherent way for social value afterwards	Specific action plans agreed at procurement stage to be bound into the contract with performance monitored
Limited or merely informal social value reporting and feedback	Annual, published feedback to cabinet/scrutiny committee on social value creation

* Adapted from the LGA's 2021 diagnostic report

Immaturity of councils by region

The table below shows how wide the maturity range is among councils in nine English regions and Wales. Even in precocious Yorkshire and Humber, a 28% immaturity rate suggests expansion potential, while the expansion potential toward the bottom of the table is profound.



* Councils assessing themselves as either Minimum or Developing in the LGA's 2021 diagnostic report; figures rounded.

Construction SMEs in all these regions can reasonably expect social value to begin cropping up in local authority tender documents.

2. How ignorable is it?



Over a year, contractor G F Tomlinson donated £35,000 worth of advice and project management services to end-of-life charity Treetops Hospice in Risley, Derbyshire. In 2022, the contractor was one of eight to secure a place on a £750m framework organised by Scape to deliver public sector projects across the Midlands and the East of England. To win a place on Scape frameworks, SME contractors must demonstrate competence in social value. (Courtesy of G F Tomlinson)

Frameworks in public and aligned sectors

Even where councils are immature on social value, bodies who procure work on their behalf such as Scape and Pagabo are social value champions. They assemble large frameworks for tendering to multiple contractors on behalf of local authorities and public sector-aligned clients such as education and healthcare trusts. To win places on these frameworks, contractors big and small must demonstrate competence in social value.

“Our national Tier 1 delivery partners tend to be larger organisations with SMEs in their supply chain,” Scape’s social value and performance manager Alison Ramsey told us.

“However, we do have a regional framework with smaller geographical areas and therefore lower thresholds that attract smaller businesses. We require bidders to demonstrate that they have the resources, systems, processes and governance in place to deliver social value and evidence of past delivery.”

How the big players do it: National Highways

National Highways – “Highways England” prior to August 2021 – has embraced social value with gusto and its plans for 2023-24 show a strong appetite for embedding it deeper into procurement and project delivery. We feel the receptiveness of clients like it will act as a brake on any central government impulse to row back on social value policy, which makes it less ignorable for SMEs.

Publishing its plan in November 2022, it led with the community benefits it had caused by enrolling its construction supply chains.⁴ Contractors working on improvements to the A19 in the North East held an interview-skills workshop for local students. Ten volunteers from BAM Nuttall and Aecom working on the A29 Arundel bypass picked litter on the Channel coast. Fifteen contracting staff on the M25 junction upgrade in Surrey spent a day coppicing a wood at Painshill, Cobham. The Costain-led team upgrading the A30 from Chiverton to Carland Cross in Cornwall fund-raised £9,000

for the Cornwall Air Ambulance service and planned to raise £11,000 more.

Behind these eye-catching good deeds lies a considerable amount of institutional slog on National Highways’ part to become a consistent harvester of its supply chains’ goodwill. The table below summarises its efforts in 2022 and its ambitions for 2023 and 2024. SMEs should note how central mobilising its suppliers is to National Highways’ plans.



The Costain-led project team upgrading the A30 from Chiverton to Carland Cross for National Highways has so far raised £9,000 for Cornwall Air Ambulance, whose crew is seen here escorting to safety a holidaymaker who'd broken his arm when he fell onto rocks while scaling a cliff at Booby's Bay near Padstow in January 2023. The project team has committed to raising £20,000 for the service with events planned including a cream tea open day, an Easter raffle, and a sponsored skydive. (Photograph courtesy of the Cornwall Air Ambulance press office)

4 “Social value and National Highways”, National Highways website: <https://nationalhighways.co.uk/about-us/social-value-and-national-highways/>

2. How ignorable is it?

2022	2023	2024
Social value definition and framework in place	Review supply chain base metrics	Fully incorporate social value into all major procurements and decision making
Social value plan launched internally and externally	Produce annual social value progress report	Demonstrate continually improving performance trends
Base set of supply chain metrics implemented	Include social value metrics in the Organisation Performance Report	Ensure social value informs Road Period 3 decision-making
Reporting tool to capture supplier contributions	Set up framework to create opportunities for social organisations and charities	Continually assess our performance and hold ourselves and our suppliers to account
Governance: steering group, cross-department working group, and supply chain focus group set up	Fully incorporate social value into A303 (Stonehenge) and Lower Thames Crossing projects	Embed social value in our culture as an organisation and within our supply base
Social Value Fund supporting community projects tested	Make social value more prominent in recruitment and retention	Increase our supplier diversity and diversity of thought
	Encourage more suppliers to join our supplier group	
	Stress the importance of delivering social value among all suppliers	

2. How ignorable is it?



A team from contractor Seddon repainted and replaced the floors of the main hall of Queensberry Police Amateur Boxing Club in Stoke so the club could raise funds by renting the space out for events. Seddon was appointed to Scape's 2018 North West Midlands regional construction framework for contracts up to £750,000 in value. (Courtesy of Seddon)

Will social value stick? The Rees-Mogg mini-rebellion of '22

SMEs might judge social value to be ignorable if central government charts a comprehensive new policy direction that erodes its influence. Social value proponents got the jitters about this in March 2022 when The Daily Telegraph reported that Jacob Rees-Mogg wanted to reduce the weighting given to social value in government contracts.⁵ At the time, he was in his second month of an eight-month stint as minister for Brexit opportunities and government efficiency, a post tailored for him by then prime minister Boris Johnson, which put Rees-Mogg in charge of government procurement.

Citing only a Whitehall source, the newspaper said Rees-Mogg had “held meetings with major outsourcers to underline the changes, which are also designed to reweight government contracts in favour of smaller providers who he fears are negatively impacted by social value criteria”.

The news sparked a small chorus of protest from social value consulting companies, and Aecom's chief operating officer for Europe, Andy Barker, weighed in, saying the UK's social value policy actually enabled big companies like his and SMEs to work better together.⁶

5 Ben Gartside, “Jacob Rees-Mogg to reduce government focus on ethical contracts”, The Daily Telegraph, 19 March 2022. <https://www.telegraph.co.uk/business/2022/03/19/jacob-rees-mogg-reduce-government-focus-ethical-contracts/>

6 Andy Barker, “Social value in procurement works – now is not the time to roll back”, Infrastructure Intelligence, 26 April 2022. Online: <https://tinyurl.com/yrhatuwe>

2. How ignorable is it?

“SMEs play a huge role in the work that Aecom undertakes,” Barker wrote. “In the financial year 2021, we worked with more than 500 SMEs on over 1,000 projects within the UK and Ireland alone. Through collaboration and mutual upskilling and training, social value knowledge is shared and social value delivery is improved. This collaboration also sees an increasingly diverse supply chain which is better for projects through new perspectives, ideas and innovation.”

In the event, Rees-Mogg said no more about it over the spring and summer of 2022 as Boris Johnson battled for his political survival. Neither did he in his tenure as Secretary of State for Business, Energy and Industrial Strategy during the 49-day premiership of Lizz Truss, after which he returned to the backbenches.

The episode didn’t constitute a comprehensive new policy direction. Instead, it seems to have been a waters-testing overture from a politician known for taking maverick positions. In September 2022, after Rees-Mogg left his Brexit opportunities role, the Cabinet Office updated its Construction Playbook, first published in December 2020, retaining the minimum 10% weighting for social value.

So far, social value’s momentum, built on a foundation of intertwining policy and client enthusiasm, remains intact. We judge that that makes it non-ignorable for a growing number of construction SMEs.

“In the financial year 2021, we worked with more than 500 SMEs on over 1,000 projects within the UK and Ireland alone”

3. A tier 1 contractor's view

“It’s the most-asked question in public procurement right now”

By Simon Richards MCIOB, Sustainability Director, Sir Robert McAlpine

Social value as a corporate objective has been around in different guises for years. We’ve engaged with it under various labels including “community”, “corporate social responsibility” or CSR, and “sustainability”, each of which has the main elements of social value.

So, before social value emerged as a weighted tender requirement in 2020-21, Sir Robert McAlpine already had specialist “community managers” whose job was to engage with the communities we built in. Now we have evolved that role into social value managers.

Around 2010 we produced a sustainability strategy with a community benefit focus. It included hiring local labour, spending locally, tracking how local spend circulates, and community initiatives. At that time, all our sites had to have 40% local labour, and 40% of the contract value had to be spent on local suppliers.

Social value comes into focus

We revised our sustainability strategy in 2020 and it was my time to lead the design and implementation. At the time I’d just finished a secondment with our civil engineering division and had been involved in frameworks procured by what was then Highways England (now National Highways). By then, after

the Social Value Act 2012, Highways England was weighting social value fairly prominently. It made sense to pivot to more of a social-value lens, so now our sustainability strategy has four pillars: carbon, resource efficiency, ethical procurement, and social value. In placing it into our strategy, every one of our projects must target and deliver social value.

We invested in a tool called LOOP to help us forecast, monitor, and report on the monetary impact of social value. We also invested in a platform called ActionFunder for our charitable and grassroots funding.

This preparation stood us in good stead when the 2012 Act got teeth at the beginning of 2021 with PPN 06/20 and the Construction Playbook, which set weightings for social value. It’s widespread in public procurement now. We see it in tendering for healthcare projects. The NHS can elect to use a number of quality-oriented questions when tendering projects, including cost, carbon, and social value. They all pick social value. It’s the most-asked question in public procurement right now. Our view has been that, while it used to be morally the right thing to do, it’s now a weighty element of procurement and if we don’t get our act together, we’re not going to win contracts.

Upping our game post-2021

Getting our act together to respond to PPN 06/20 meant learning how to assemble the evidence by measuring social value with the standard metrics. We hired our own in-house expertise and brought in external expertise through the LOOP tool. It's one of several tools available that you can procure to help your social value delivery. I didn't want to go down the route of trying to create our own tool and spreadsheets because, while we could do that, they'd soon be out of date, and the advantage of accredited third-party tools is that they're linked to big databases. They've got the economic analysis behind them, and we're a construction company not an economics think tank. I wanted the numbers we were using to be sound and verifiable. Sometimes we hire external consultants in to help evaluate social value for larger tenders and frameworks.

It has been a good investment. We're now seeing more of our private sector clients asking for social value, as well,



which is encouraging and will only serve to improve the value to people and the environment.

Box ticking?

Social value can be box-ticking if you don't do the front-end analysis on where your interventions will make a difference in a given area. What makes good social value in one community won't be the same as it is in another. If companies try to apply a generic approach governed by an overarching policy statement and monitored by one single person, say, it risks becoming a box-ticking exercise. Our approach is to get construction teams working in particular places to engage with those places for locally-relevant outcomes.

Role of our supply chain

We used to rely enormously on our supply chain to fulfil our social value commitments on local labour and local spend in particular. Tier 1 contractors are typically management contractors who don't employ labour directly, so we needed our subcontractors' help if we were to meet local labour commitments. But it was awkward. Say we're doing a £60m project in Devon. The scope of works is too big for the local supply chain, so we have to bring in national companies from wherever, for whom hiring local labour is a headache and risky. Now we're offering things we can do ourselves, like community and school engagement and volunteering days.

It can be awkward for them

Apprenticeships can present problems, but we have to take them on ourselves if we're going to ask our subcontractors to do that. But what if a subcontractor is working for, say, four other principle contractors, and each of them requires



the subcontractor to take on an apprentice? It becomes impractical.

It can be awkward in other ways, too. Councils often have blanket rules, such as that for every £1m of work won, you have to have so many apprenticeships. But if there are several live projects in that area, there may simply not be enough candidates to go around. Fortunately, councils are becoming more aware of these difficulties and are rethinking things after feedback from contractors. Subcontractors facing unreasonable demands from principle contractors should push back, too. We're moving away from passing the buck down the supply chain.

Plan ahead, and engage

We can't pretend that the delivery of social value will just happen without any effort from the supply chain and our own people. It's another problem we have to solve. And the delivery of social value is in its infancy, so it's not unreasonable for people to ask why we're doing this.

You can head off some of the negativity by planning properly and engaging the supply chain as early as possible instead of suddenly springing social value requirements on them late in the day. It helps, too, if all our people in Sir Robert McAlpine are reinforcing the message, including project directors and package managers, as opposed to it coming just from the "social value people". As with all the deliverables under the banner of sustainability, we're on a journey of getting our people's buy-in and understanding, which needs to happen if we want that from our supply chain. Then we can all push on together.

Advice for SMEs

On the plus side, some subcontractors roll up their sleeves and dive right in, producing some great outcomes and engagements. If SMEs come to us and say, "Hey, how about we do this?", that's music to our ears. People who bring solutions are looked upon very favourably!

My advice for SMEs is first to understand what social value means, both its policy context and what it might mean practically for their business. Then they should work out what they can do, and do well. They might have an employability programme that helps disadvantaged kids, for example, which could be applied to this particular job, with the programme's output measured and evidenced.

Bringing that to the principal contractor as added value of your involvement in the project will only serve to help your cause. The social value requirements are growing, and we're always looking for solutions.

Enjoy it

In my experience, once people get to grips with social value and start doing it, they become fans and champions.

You can't not be moved when you see schoolchildren fascinated during a school engagement, or community groups celebrating a fixed facility. You do feel the love.

Last year, we funded the Listening Place, a suicide prevention charity. That helped around 15 people who might have taken their own lives. They sent us a video outlining the impact we'd made and, despite not being a very emotional sort of person, watching it brought immense pride. We'd made a difference.

Feelings like that stay with you for a very long time. Social Value allows us all to do something positive with our time and our careers.



Twenty-three staff at Pentaco Construction committed to trekking the Three Peaks in 24 hours to raise money for The Nook children's hospice in Framingham Earl, Norfolk, part of East Anglia Children's Hospices (EACH). (Courtesy of Pentaco Construction)]

4. SMEs' perspectives

Of the devolved governments, Northern Ireland formalised its social value policy most recently, with PPN 01/21 in June 2022. We checked in with two Chartered Building Companies, Woodvale Construction and Mascott Construction, both of whom have engaged with social value, to see how it's going.

“It's early days but we're determined to make it work”

By Yvonne Conway, social value manager at Woodvale Construction, a 45-year-old family-owned Chartered Building Company headquartered in Omagh, County Tyrone, specialising in school buildings, restorations, facilities management, and commercial work.

Northern Ireland started experimenting with social value in construction procurement before PPN 01/21 came into effect. In the early 2010s, awarding bodies inserted “social clauses” in contracts to boost recruitment and training within targeted groups. From April 2016, this effort was formalised in the “Buy Social” policy, which applied to building projects above £2m in value, and above £4m for civil engineering contracts.

I was recruited to Woodvale in 2016 as a result of a social clause in a contract the company won to build the new Arvalee School and Resource Centre, a special needs school in Omagh. It was the Education Authority's first dip into social clauses, the goal being to get women back into work with part-time or flexible hours. I'd taken

a career break, but my youngest child had just started nursery, so I applied. Woodvale hired me to work 12 hours a week on social value. Now, eight years later, I work full time as Woodvale's social value manager, looking after the recruitment side. It's a kind of poacher-turned-game-keeper scenario.



Concerns over fairness

We decided early on that we would support social value and make it one of our own core values. In 2020 we came first in the Education category in the RICS Social Impacts Awards for phase 1 of the Strabane Academy project, thus confirming our commitment to the process. That year we also won Ireland's Best Construction Procurement Project in the National Procurement Awards for our Schools Bundle 5 project.

We are determined to make it work, but there are a number of issues. For instance, it's not clear whether companies who promise a social value outcome but fail to deliver it are sanctioned. Will they pay money in compensation, or be marked down when they bid for the next project? We don't know.

It's unfair competition when companies do not fulfil the commitments made when they tender for a contract. We incur costs by complying with PPN 01/21 that competitors may not.

Awkward requirements

Some social value requirements also sit awkwardly with smaller companies like ours. Some complain that the request to hire long-term unemployed people for 52 weeks doesn't make sense if the contract lasts for only 20 weeks, say. But we find it awkward for the opposite reason.

Our contract might last three years, yet the rules say we should end the person's contract after 52 weeks to give someone else a chance. We don't

think that's fair for the person, or for us, since we have to train them for six months before they become productive. If they're good, we'll keep them on after the three years, providing permanent



employment which we think is more sustainable and constitutes a more authentic social value. Also, in rural areas like ours it's hard to find enough suitable people for a yearly turnover of new recruits. I raised this with the client on our Strabane Academy project and, fortunately, they agreed with our view.

It's still very much early days with PPN 01/21. We've tendered for five projects under the new regime and have had no feedback yet, nor have we begun work on any. However, it does feel that social value policy has been created on the assumption that geographic and social conditions are the same across the UK.

Filling size 10 boots

For example, when it comes to apprenticeships and local hiring, the assumption is people will snap up these opportunities, but it's not like that. We might arrange six or seven interviews to select a candidate but only one

individual would show up. In one case, the person said they'd like the job but didn't have the correct boots. We said we'd provide a pair, and we did, but the person didn't show up Monday and called on the Tuesday to say they had to do jury duty, and we never saw them again. So, we had extra size 10 boots, but that was it!

Other times, the person selected decides it's not for them after a week and we have to start again, fishing in an even smaller pool of candidates within the postcode stipulated by the project.

We are keen to evolve our social value initiatives, however. We tried something new this summer, offering two-weeks work experience for 12 interested candidates with a view to offering apprenticeships to four of those who stayed the course and were keen.

It can work very well

Despite the issues, we remain determined, and we do see instances of social value making a positive difference, but there needs to be fair negotiations over outcomes. I go back to the Arvalee School and Resource Centre, the special needs school project begun in 2016, where my social value journey began.

The social clause in that contract stipulated that the apprenticeships and placements had to be offered to people in the school's postcode. That would have been a challenge in itself owing to the small catchment area, but the client preferred that the apprenticeships and placements be offered to the pupils from the school itself.

In talks with the school leadership, however, it was clear that this would be too difficult for the pupils, who had a range of special needs, so we devised more suitable interventions.

One was to teach the children hands-on wood crafts. The school has a woodland, so we created a woodland walkway, with wood chimes, bird houses, insect hotels, and a storytelling chair, all made by the children under the guidance of our joiners, who visited school weekly. It was one of the first school outdoor learning spaces in Northern Ireland.

We also held a job skills day at our offices for the senior students. The topic was how to approach an interview. Normally, we'd hold a question-and-answer session but we judged that that would be too intimidating for the pupils, so I dressed up as a teenager and one of our directors played the role of interviewing me for a job.

We did a "bad" interview, where I slouched, had my cap on backwards, chewed gum, and gave silly, offhand answers, and a "good" interview where I sat up and answered sensibly. Then we asked pupils whom they'd hire, the bad interviewee or the good one.

That sparked a big, lively discussion among the students, which was fun. We gave them a video of the mock interviews to use for future discussions. It was a meaningful intervention that cost us little other than time.

“We want this to work, but it’s unfair as it is”

By Kevin McGarry, health, safety, environmental, and quality manager, and Paul Harkin, bid manager, at Mascott Construction, a Belfast-headquartered Chartered Building Company.

We engaged with social value through our work upgrading social housing and, while we can see the good it’s intended to do, there are two big problems with the way the policy is being rolled out.

One is a matter of fairness. There are no mechanisms in place for checking whether contractors actually fulfil the social value pledges they made to win the contract, or for penalising those who don’t. It’s still more a box-ticking exercise for awarding bodies. Contracts are still awarded on price, and it costs us money and time to fulfil social value pledges, so we need to price that in, but we’re competing against companies who haven’t priced it in because they don’t take social value seriously, so they win the work and go unpenalised.

We keep our promises, but if there’s no process for checking on and penalising those who don’t, we’re shooting ourselves in the foot. It’s even more unfair now that cost inflation is so high and the budget for a project is probably already two or three years out of date.



Mascott donated cordless power tools to the Hillside Men’s Shed in Killeel. The men’s shed movement provides a space for craftwork and social interaction for older men. For Mascott, it was part of its social enterprise initiative in partnership with Northern Ireland Housing Executive under its framework contract for the South Down region. (Courtesy of Mascott Construction)

It all adds up

Under the rules, we have to achieve a certain number of points by meeting key performance indicators (KPIs). The number of points depends on the size of the contract.

To earn our points for a current contract, we’ve taken on two apprentices, four long-term unemployed men, and two students as technical trainees. We’ve done community engagement and training days. We need to disburse 20 small grants of £100 each to different community groups. Three of our staff spent eight hours in total restoring a community group’s garden. We had to pay those men and hire in a skip, digger and other equipment. Then there is

planning and managing all of that. We estimate that complying with social value policy takes about five days of our management time a month.

It all adds up, which would be fine if it added to our competitive advantage in winning work, but it doesn't in the current system.

We think the way it's done in England with the Social Value Portal is better because it puts a monetary value on what you do, which allows for more precise and comparable outcomes. That approach should be promoted here.

Inappropriate requirements

The second problem is that the social value outcomes, as they tend to be defined, fit poorly with the realities of the construction business. Social value policy seems to have been conceived for general government procurement of things like stationery, or translation services, not construction with its unique business model.

For instance, we might be asked to take on an apprentice from a particular area for 52 weeks, when the job in question lasts just 20 weeks, and when to keep that apprentice busy on another job somewhere else breaks the social value rules. Social value works when requirements are tailored to particular projects in particular places, not applied as blanket clauses across the board.

The idea may have been to get a policy in place and see how it plays out, making adjustments in response to feedback from suppliers. But we've raised our concerns and the authorities don't seem to be listening yet.

Nor are the requirements easy to understand. The language is very subjective; it can be interpreted in different ways. We decided to engage intensely with our main public sector client and talk to them in detail about how they interpreted the requirements, negotiating with them so we stood a chance of succeeding. They've been good, and we got there in the end, but it's not something you can pick up in a week.

Three pieces of advice

We hope that government bodies will refine the process and make it fairer over the coming months. We want it to work. Having grappled with it over the last nine months, we see the good it can do, but it should be something contractors can and want to do, not a chore or a penalty.

In the meantime, we have three pieces of advice for other SMEs.

1

The first is make one person responsible for getting to grips with the requirements and how the company can best respond to them.

2

The second is to engage with the client to agree in detail what complying with the requirements looks like in a given, particular case.

3

And finally, plan the social value elements from the start of the job; if you leave it for a few months while the job beds in, you'll just pile up trouble for later.

5. A new front opens

Social value enters the private sector as councils apply it to planning

If councils only required social value in the construction services they procure for themselves, SMEs who never bid for public sector work could get away with ignoring it. However, a move is afoot to encourage councils to evaluate developers' planning applications through a social value lens, as well. That would require developers seeking permission to build residential, commercial, or mixed-use schemes to learn the social-value rules and to instruct their construction supply chains to do so as well.

As Social Value Portal chief executive Guy Battle comments below, some big-name developers have voluntarily embraced social value already, but if councils embed social value into planning policy, as Salford City Council has now done through its Salford Local Plan, a much broader section of the construction supply chain will be affected.

Driving this trend is the Social Value Planning Taskforce (SVPT), a working group of the National Social Value Taskforce established in November 2020. Members include more than 10 local authorities from across England, developers, contractors, and consultants.

In an August 2021 briefing paper, the SVPT set out the mechanisms by which councils can embed social value in their planning process.⁷

It found that legislation like the Social Value Act 2012, the Health and Social Care Act 2012, and the existing National Planning Policy Framework provide ample rationale for councils to do it. One way is to build a social value requirement into their Local Plans, as Salford has now done, but since Local Plans take five or more years to update and require



7 "Embedding social value into planning", Social Value Planning Taskforce, August 2021. Online: <https://socialvalueportal.com/resources/guide/social-value-enhancement/social-value-in-planning-paper/>



While building two, three-bedroom net zero homes at Thanington Court in Greenwich, property and construction consultancy Blakeney Leigh engaged with Alderwood Primary School in Eltham. In March 2022, pupils were invited to watch structural insulated panels (SIPS) being delivered to site. Blakeney Leigh prepared “spot it” workbooks for the children to complete under the guidance of senior clerk of works, Rob Wellard. (Courtesy of Blakeney Leigh)

in-depth consultations and statutory approvals, councils can't just do this at will. Salford has been working on its new Local Plan, adopted on 18 January 2023, since 2016.

Other councils will follow. Southampton City Council's Draft Local Plan, “Southampton City Vision”, contains an explicit social value policy that requires developers proposing schemes with 25 or more homes and commercial schemes greater than 1,000 square metres to submit a Social Value Statement and a more detailed Employment and Skills Plan. The council concluded public consultation on the plan in autumn 2022, will submit it for inspection by the Planning Inspector in December 2023, and plans to adopt it in 2025.⁸

In the interim, councils can require developers to submit a Social Value Statement with their planning applications through alternative routes. Some councils such as Southwark, Bristol and Islington have chosen to include social value in supplementary planning documents, the Validation Checklist, or developer guidance as a short-term intervention.

We think this trend will continue because cash-strapped local authorities genuinely like social value and seem motivated to extend it wherever possible. It gives them positive news to tell voters at a time when, according to research by Grosvenor, only 7% of the public trusts them with big developments.⁹ Developers fare worse; only 2% of the public trust them with big developments, which might help explain their motivation, to which we turn now.

8 See “Southampton City Vision Timeline” at <https://www.southampton.gov.uk/planning/planning-policy/emerging-plans/cityvision/>

9 “Building Trust”, Grosvenor. Online: <https://www.grosvenor.com/property/property-uk/community-success/building-trust>

Here come the developers

By Guy Battle, founder and chief executive, the Social Value Portal, a company that advises organisations on how to measure, manage, and report social value. It aims to help customers deliver £100bn worth of social value by 2025.

In August 2021, Social Value Portal and the National Social Value Taskforce published a briefing paper, “Embedding Social Value into Planning”. It described how local authorities can easily embed social value into their planning requirements, and it also explained to developers how to write a Social Value Statement. Since the paper’s publication, an unprecedented number of developers have submitted Social Value Statements with their planning applications across the UK.

Momentum is building. If you wound the clock back three years, we were only working with two developers, Legal & General and First Base (now Socius). Today, we’re working with some 15 developers, including Landsec, Legal & General, Crown Estates, Federated Hermes, Homes England, and Muse Developments, among others. A real head of steam has built up. The shift is embedded and it’s just going in one direction now.

When a developer starts offering social value, their construction supply chains, including the SMEs in them, will need to engage and understand it.



Initially on the bigger contracts, the tier 1s took most of the responsibility for social value because they were learning the ropes and it takes a lot of work to coordinate your supply chain to deliver it. But now, we see tier 1s being judged by what their supply chain is doing, so tier 1s are starting to pass those obligations down.

Some are going further in that, as they procure services from SMEs, they apply social value assessments to the procurement of SMEs’ services, including with social value weightings of 10% or more. That means that if you’re an SME trying to work with a big contractor and you don’t have a social value policy and you’re up against another SME who does, you’re not going to win the work unless your price is decisively lower. It’s as simple as that.

So for SMEs there is this pincer movement as social value encroaches both from local authorities and from private developers. If you're an SME without a social value strategy, you're less likely to win the work.

We're working with about 100 councils around the country, so we're involved in many hundreds of construction procurements every year. SMEs are beginning to understand that there's a clear requirement to do it. The reflex response is, 'Good heavens, another thing we've got to do! What's social value? How do we do it?', but when we talk to them and tell them that they're probably doing it already without realising it, and explain it to them, they relax.

Often, SMEs are in a better place to deliver social value than tier 1s because they know the local area better and can propose social value initiatives that make the most sense locally.

This is what we need to communicate, that social value isn't like an additional tax or overhead. Instead, it's about how they're going about their work, and the chances are that if they're a decent business, they'll already be employing local people, have got an apprenticeships scheme, are more-than-likely volunteering in the community, and probably thinking about carbon reduction, because why wouldn't you in this environment?

So the challenge is just helping SMEs realise they're doing it already and getting them to measure it. That's why we have the TOMs measurement framework, because it just makes it so simple.



6. It's not going away: Recap and next steps

We've set out our case that social value is both here to stay and spreading as a procurement requirement. Driving it are law, policy, enthusiasm among national procuring bodies, activism among local authorities, and growing acceptance among developers.

If you're an SME who has not encountered it yet, we think you will soon, and that you'll gain a competitive edge if you start engaging with it now.

While you don't have to hire in expertise to gain social value competence, you will have to set aside resources to start the journey. As Kevin McGarry and Paul Harkin of Mascott Construction in Belfast said, it's not something you can pick up in a week.

The first step will be to give someone in your leadership team the job of understanding what social value is and how your company can start playing by its rules. This is true even if you hire a consultant, because someone will have to brief the consultant and make sense of, and act on, their advice.

Keep in mind that you may already be doing some or lots of things that count as social value, such as hiring and spending locally, reducing carbon emissions or embodied carbon on projects, or helping local causes.

You can explore that by downloading and studying the National TOMs from the Social Value Portal's website, to compare what counts with what you do. More advice and information is available by signing up to the Supply Chain Sustainability School. Start conversations with your own clients to learn more and to signal that you've started.

Good luck!

While you don't have to hire in expertise to gain social value competence, you will have to set aside resources to start the journey.

The first step will be to give someone in your leadership team the job of understanding what social value is and how your company can start playing by its rules.

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