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Foreword

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Commentary, explanation and general informative material is presented in smaller italic type, and does not constitute a normative element.

Where words have alternative spellings, the preferred spelling of the Shorter Oxford English Dictionary is used (e.g. “organization” rather than “organisation”).

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0 Introduction

0.1 Social value

Social value is created through the generation of personal and collective wellbeing over the short and long term. Social value therefore depends on, and is an outcome of, environmental and economic sustainability. Inequality and climate change are examples of systemic risks to people’s wellbeing which are directly influenced by organizations. The scale and breadth of these threats are increasing all the time and with them the opportunity to enhance social value.

This standard focuses on the role of organizations in understanding, preserving and enhancing social value. As part of the economy, arguably all organizations exist to convert, often shared, resources into social value. Our economic system too often assumes that financial wealth, income or profitability is a proxy for (or alternative to) a direct measurement of social value creation by organizations. This assumption is now in question and organizations are increasingly being asked to account for their direct short and long-term impact on social value, and their indirect impact on the resources that underpin this.

Organizations are increasingly required to understand, and reduce and account for their negative impacts and moreover to align their activities and even their reason for existence, to positively addressing opportunities and threats to social value. The Public Services (Social Value) Act of 2012 (the Act) was the first piece of UK legislation to legislate for “social value” which it defines as “the social, economic and environmental wellbeing of the relevant area”. More recently, the European Commission’s Non Financial Reporting Directive includes provisions for large companies to provide information on their “impact”.

Delivering social value now, as well as in the longer term, is arguably the priority for our society and, given the massively increasing threats to wellbeing the challenge has never been greater. Therefore it is ever more critical that organizations are clear how their actions impact on wellbeing and that they use this information to enhance social value wherever possible.

This standard is designed to help organizations to achieve these goals.

0.2 Purpose and audience

The main purpose of this guide is to help inform all those whose decisions affect social value, to make better decisions. It outlines principles to aid the process of recognizing, accounting for, reporting on, as well as the analysis and use of social value. It further provides a social value decision making framework.

All organisational decisions are likely to affect social value. This guide is therefore aimed both at people who make decisions as well as those who advisors to decision makers. Advisors include people with varied perspectives in public, private, charitable or social economy organizations, whether they are investors, commissioners or providers of goods and services. For example, within the public sector, the Public Services (Social Value) Act (2012) sets out the requirement for procuring bodies to consider social value in certain procurement decisions. This, in turn, creates a need for organizations bidding for work, and

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for those evaluating tenders, to articulate what information they need to consider to embed social value.

The guide will also be useful to people making resource allocation decisions, whether their actions are specifically designed to create a positive change in social value or not.

By following this standard, relevant insights will be being gathered regarding social value, options to enhance social value can be considered and decisions regarding how to enhance social value can being made.

The guide sets out the data required that is most likely to provide robust and relevant insights to inform social value decision-making, given organizational constraints. These constraints include different levels of capacity to understand and deliver social value. The emphasis is not on implementing this framework to enhance social value in full, immediately, but on doing what is possible to enhance value whilst building the capacity to continue on the journey to greater maturity.

Focusing on identifying and delivering immediate social value benefits, no matter how small or based on incomplete data, will support changes in behavior and culture that are critical to embedding social value and initiate organizational learning.

The guide sets a general approach to the use of data to identify opportunities to measure and enhance social value whilst highlighting linkages with a variety of related approaches. A definition of wellbeing is provided and an historical perspective on social value is given in Annex C.

**0.3 Wellbeing**

Wellbeing is a balanced state of being where no fundamental psychological or physical human needs are significantly deficient and therefore the foundations of physical and psychological health are present in enough measure to meet challenges faced.

*NOTE 1  Wellbeing is also referred to as a state of flourishing or a “good life”.*

*NOTE 2  Wellbeing exists at the individual, household, country and global level.*

This definition provides a simple window on the many interpretations of wellbeing, examples of which are included in Appendix E, where wellbeing is understood as a summary of human needs and capabilities which include the effect of inequality on wellbeing.

The various approaches include a range of objective and subjective measures to help understand how social value can be optimized. The most effective ways to measure progress and balance between objective and subjective measures will be informed by the context that social value is being delivered in.

Both objective (as in could be directly observed and assessed by reference to common standards) and subjective (self-reported) measures are useful. Together they both help to give a more rounded view of social value. Objective measurement is not just about limited material states (e.g. clean water) but can include observing if someone has the conditions

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for their needs to be met. This may be judged not to be the case even if the person themselves feels as if they are (e.g. a child who feels they are eating well when they show signs of malnourishment).

Although wellbeing is the final goal there may be times when more short term or more hedonistic measures, such as how happy someone is following an event, are useful descriptions of the success of engaging people in ways that increase wellbeing and therefore social value4.

0.4 Decision making to enhance value

There are a number of factors that need to be considered by decision makers when seeking to lead for and manage social value, including, accountability, rigor, and comparisons.

Frameworks for enhancing social value should follow a standard data planning cycle (see Clause 6.1). Opportunities to enhance value arise throughout the cycle, which is reiterative, and are not limited to the review/analysis stage.

0.4.1 Accountability

Without strong accountability any approach to understanding social value risks failing to create as much social value as was possible, either by excluding social value data or by not acting on it. Enhancing social value implies making changes, ranging from the smallest alterations to a product or service specification to major shifts in strategy. Very often work to enhance social value focuses on those who are relatively underserved and powerless, who have relatively low, and sometimes no, ability to hold organizations to account for that value. These might be employees, disadvantaged service users or those being exploited at the other end of a distant supply chain. This results in an accountability gap which means that opportunities to enhance social value will be lost. Future generations are not able to hold us to account and so a basic starting point is that decisions affecting the ability to meet the needs of the present should not compromise the needs of future generations and their ability to make decisions.

The purpose of this guide is to reduce this risk, to help organizations use relevant data to make changes to increase the social value that they create. As a result, the approach taken to deciding what matters, covered in more detail in 4.2.3 and in Annex D, focuses on what matters to the people whose wellbeing is affected by an organization’s activities.

Therefore, approaches to the measurement and reporting of data are critical, as too is the culture of an organization and the role of stakeholders within it.

0.4.2 Rigor

Rigor is the requirement that data is fit for purpose and as reliable as possible in the context of its intended use. The level of rigor required from data that is used to inform a decision depends on the impact of options for enhancing value that are being considered. For an option which has a low cost to implement and a low cost to reverse, the data may not need

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4 Ryan and Deci 2001-
to be so rigorous. Similarly, a choice between options which are more expensive and where there is a higher level of risk should be based on more rigorous data.

Where options include the same information on impact – the same expected change in the same outcome for same people – the question of how rigor is not relevant to the choice.

In a start-up enterprise, or in the launch of a new product in an existing enterprise, there is still the option of not starting or not launching and using the resources to do something else. Given the higher cost of starting, the rigor of the data for the decision to start or not will be higher than for decisions to enhance social value that follow.

0.4.3 Comparisons

The purpose of measurement is to enable comparisons to be made between different options for enhancing social value before and after any activities have been undertaken.

Different types of comparisons can be made in order to inform decisions to enhance social value. Comparisons can be made:

- before any activity in undertaken to compare proposed social value of an activity with social value of other activities. This will enable a decision to be made in regard to which is the most suitable activity to undertake based on the available inputs and expected outcomes.

- after an activity has been undertaken and is the comparison of the social value anticipated before the activity was undertaken and the actual social value achieved. Undertaking a measurement exercise and comparing the forecast and with actual results will show any improvements and enhancements that have been made.

- between options for activities which have different outcomes for different groups of people, which may be both positive and negative.

- between data on the impacts and the characteristics of people experiencing the impact in order to identify opportunities for product or service enhancements.

All of these may include comparison between different groups of people and include positive and negative outcomes. Whilst these are difficult, decisions will be made to allocate resources where these trade-offs are inevitable. The approach in this guide is that better decisions will result from comparing data that is consistent, transparent and informed by the people experiencing the change, especially the relative value of different levels of change in outcomes.

Commonly, a focus on the difference between options or a focus on whether social value has increased, or is higher or lower than budgeted, is easier than measuring the amount of social value independent of a specific purpose.

Any option to enhance social value compares the social value that is currently being created with the potential impact of a new approach. The rigor of the data used in considering the potential impact of the new, untried option is likely to be lower than the data available for the existing approach.

The number of insights that may lead to options for enhancing value will increase as more relevant data is available.

Some measures and evidence for acting are easier to acquire than others. Where data that provides assured evidence does not exist or cannot be readily collected, stakeholder
informed judgements about what the likely social value of an activity will be, may be better than only acting where assured evidence exists.
1 Scope
This British Standard:

a) gives guidance and principles for the understanding, preservation and enhancement of social value;

b) focuses on the collection and use of appropriate data for making decisions about social value in all types and sizes of organizations and communities, including public, private and social purpose organizations working alone or with others; and

c) builds on existing principles and frameworks, creating a framework for measuring social value with links to existing principles and frameworks.

The intended users of this guide are decision makers within organizations and those support the decision-making process:

1) all sectors, public, private, civil society, and government;

2) investors, commissioners, enterprises and advisors;

3) collaborations and partnerships; and

4) those already measuring aspects of social value as well as those new to the idea.

Each of these groups will experience specific issues in understanding, preserving and enhancing social value although basic frameworks and data types will not vary significantly. See Annex D for more detail.

2 Normative references
There are no normative references in this document.

3 Terms and definitions
For the purposes of this British Standard, the following terms and definitions apply.

3.1 wellbeing
balanced state of being where no fundamental psychological or physical human needs are significantly deficient, and the foundations of physical and psychological health are present in enough measure to meet challenges faced and opportunities provided for current and future generations

NOTE 1 Wellbeing is also referred to as a state of flourishing or a “good life”.

NOTE 2 Both individuals and groups (or communities) may have wellbeing.

NOTE 3 In practice wellbeing can be achieved on greatly varying timescales. All timescales will contribute to the level of wellbeing.

3.2 social value
wellbeing (human) in the short term and long term

NOTE Annex A sets out other definitions of social value.

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5) Documents that are referred to solely in an informative manner are listed in the Bibliography.
3.3 social outcome
dimension of wellbeing

3.4 relevant and significant change
changes in social outcomes by reference to a threshold based on a combination of quantity, depth, duration, causation and priority

3.5 outcome ranking
relative importance of different social outcomes as determined by those affected by them

3.6 social impact
relevant and significant change in social value or outcomes to the extent caused by an activity

NOTE 1 Changes in wellbeing, and therefore in social value, outcomes or impact, can be positive or negative.
NOTE 2 Changes in wellbeing may arise indirectly, for example, from environmental changes.

3.7 output
products, goods, services or other tangible results of an activity which may result in social outcomes

4 Principles of collecting data to understand, preserve and enhance social value

4.1 General
The most appropriate approach to collecting data to inform decisions regarding social value will depend on the nature of the decision being made. This may vary from relatively small changes to operations through to changes in strategy. The larger the investment, the larger the consequences if that decision fails to represent the most effective allocation of resources for social value outcomes, or if it has unintended social value impacts that are not adequately understood.

Judgements and estimations will need to be made. There are risks of failing to gather appropriate social value data and embed it into decision making as well as risks of not acting due to a perceived lack of data. Arriving at the most appropriate decision requires striking a balance between flexibility and robustness.

Decision making systems should be designed to be flexible enough to allow action where social value data is not available and to allow adaptation of future decision making based on the inclusion of emerging social value data. Decision making systems should also be sufficiently robust to be able to provide appropriate, transparent, assured and verified social value data to support the delivery of social value.

No decision can ever be fully objective. Even the decision of what is material i.e. what matters to stakeholders, is itself a judgement. The objective is to make the best decision possible given all available information, and to build an information system over time that improves the quality of social value decision making. This section sets out some general principles that will inform judgement and estimation.

An organization should have a general approach to collecting data with enough rigour for most decisions and a keen recognisitons of the limits of the utility of that data. There may be
decisions when additional data is required, where the process needs to be more rigorous or where a decision must be made given the best data available, even if inadequate.

This section sets out nine general principles which inform judgement and estimation regarding social value decision making. The principles cover the processes of determining social value, accounting for social value and the analysis and use of social value information.

4.2 Recognition of social value

4.2.1 Involve stakeholders

An overarching principle of social value is that stakeholders, those who are either implementing change or are influenced by it, should be involved in an organization's approach to social value. This includes determining goals, as well as planning and inputting to decisions on the nature, importance and quality of changes and other aspects of social value accounting, as appropriate. Involving stakeholders not only informs what gets measured and how, but also underlies the perception and measurement of social value itself.

In practice, some stakeholders are easier to involve than others: future generations cannot be directly involved so this important perspective on long term plans is not directly available. However, it is important to ensure within any decision-making process that the social and environmental conditions for future generations to be able to achieve wellbeing for all are maintained.

Different stakeholders may view change from different, equally valid perspectives to that of the agent instigating change and therefore it is not possible to identify material changes in social value outcomes without the involvement of those affected by change. Commonly accepted approaches to deciding what matters (materiality) highlight the need to involve stakeholders in determining which changes in outcomes are material.

4.2.2 Identify social outcomes

Positive and negative changes in social value outcomes need to be identified. Whilst these will be identified in the context of the activity in question, there is a risk that some social value impacts are missed out or are over generalized. Both of these eventualities would restrict opportunities for enhancing social value.

In order to avoid over-generalization, social value outcomes should be identified at the level of detail where the data can provide insights and opportunities to enhance social value. For each social outcome this will involve decisions regarding:

- whether to treat stakeholders’ differently expressed social value outcomes as the same outcome;
- whether a group of stakeholders that share an outcome is large enough to make action meaningful and measurable;
- identifying the social value outcome, in a chain of linked outcomes, that is a dimension of wellbeing or which is informed by stakeholder’s perception of the important outcome in that chain, for decisions to enhance social value; and
- when to use research and/or experience to modify, extend or reject stakeholders’ perceptions of social value outcomes.

Some social value outcomes will relate to the goals of the activity. Some of the goals will relate to the organization delivering the activity. For example, where a local authority wants
to 1) save money in order to increase wellbeing across a range of activities, and 2) increase wellbeing, the first outcome relates to the local authority and only indirectly to social value outcomes, the second, relates directly to social value outcomes of those experiencing the change in wellbeing.

4.2.3 Determine materiality

It will not be possible to account for all positive and negative social value outcomes. What is important is to understand which outcomes matter, and are therefore material, from the perspective of the people who are experiencing impacts, in order that opportunities to enhance value can be identified and pursued.

What is material always depends on deciding 1) what matters to whom and 2) for what purpose does it matter. The different approaches to materiality, explored in Annex D, arise because of different starting points on these two questions.

Organizations are often not held to account by the people whose experience the impacts. Those experiencing social value impacts are often not themselves able to make decisions based on the social value data about them that is being collected and reported. To be accountable for their impacts, organization should consider what matters from the perspective of people experiencing impacts even if those impacts are not immediately relevant to the organization in other ways. Excluding changes in outcomes that are material to those affected restricts opportunities for enhancing value and could lead to situations where value is being destroyed. Hence, data should be collected on all the material outcomes in order to be considered complete.

4.2.4 Quantify changes in social value

Organizations need to quantify changes in social value that are created by the organization in order to inform decisions on materiality and to provide insights that may generate further options to enhance value and inform decisions regarding which should be pursued.

Quantifying change is achieved by reference to the number of people affected, the depth of change, duration of change and the extent to which the activity caused each outcome. The data collected will need to be accurate enough to support accurate assessment of an intervention and to inform future decisions to enhance value.

4.2.4.1 Number of people

Changes will be experienced by a number of people and it is important to estimate how many people have or will be affected. The extent to which a group of people share their experience or share characteristics and as such can be considered a segment or a subgroup is a judgement.

4.2.4.2 Depth

The level of change in social value created for an individual can only be measured by comparing a targeted social value outcome before and after intervention, so a baseline measurement and the resulting level of outcome experienced after intervention is required.

4.2.4.3 Duration

Some social value outcomes only last whilst an activity is running. Others could last many years. Outcomes should be measured for a defined period which is informed by those experiencing the outcome.
It is also necessary to determine the appropriate frequency of assessment. Too frequent measurement can be a distraction to the organization. On the other hand, if the period between measurements is too long there is a risk that the outcome will have ceased or peaked before it is measured.

4.2.4.4 Contribution (causation and attribution)
Causion is an assessment that change in x resulted in (caused) a change in y. It is important to determine whether, and to what extent, an intervention was responsible for the targeted change in a social value outcome.

Attribution is the extent to which others have been involved in creating the change in a social value outcome. Understanding other attributable factors that could have had the effect on social value observed is important for accurately accounting for an organization’s impact on social value and the evaluating the effectiveness of an intervention.

4.2.5 Quantify relative importance of social value changes (valuation)
An organization should understand the relative importance of changes in different outcomes in order to inform decisions on materiality, provide insights that may generate options to enhance social value and to inform decisions to choose one intervention option over another. Valuation of social value outcomes should be made on a transparent and consistent basis, informed by those affected.

Deciding on the relative importance, or valuation, of expected social value changes is important in choosing one option over another.

Whilst an organization’s goals may be to enhance social value, it is important to guard against overly focusing on increasing specific pre-determined positive social value outcomes. This could reduce focus on the change in negative outcomes which could be more important than the change in intended positive outcomes. Furthermore, seemingly less important positive outcomes could provide opportunities for designing services that increase performance against goals.

It is important not to focus on the intrinsic value of a situation but on the value of the change produced relative to other changes that could have been influenced by the organization.

In situations where different and exclusive options for enhancing value are being considered, that have different positive or negative outcomes for different people, choosing one option over others implies a valuation has been made. It is important to be clear and transparent about the basis on which that valuation has been made.

It is useful to recognize where value accrues. Much of the value of a change in outcome may not accrue to the agent of change but to a third party. An example might be that of an organization working with ex-prisoners, whose propensity to re-offend is statistically reduced by an employment intervention. Whilst the organization could legitimately claim that they have reduced a threat to the community. This is a desirable outcome, but the most significant gain might be felt by central government which, because of such actions, may need to fund fewer prison places than they otherwise would have, thereby potentially increasing funds for other social value interventions, or merely gaining a political boost through the reduction in reoffending. The fact that the social value intervention has potentially greater social value outcomes than those being targeted does not reduce the value of the intervention but instead represents an increased overall social value effect.
4.3 Reporting on social value

4.3.1 Transparency

Judgements regarding the determination of social value and its materiality and the basis for these judgements, should be transparent to stakeholders. Transparency helps increase assurance and therefore to increases the accuracy of social value decisions. Deciding on what constitutes social value and what is material requires judgement. If the reporting organization makes such judgements without stakeholder scrutiny there is a risk of bias. For example, if an enterprise decided that negative changes in outcomes are immaterial simply because they are negative, then the reported social value generated will be incomplete and there is a risk that decisions to enhance value will not be effective.

Transparency is also vital for building trust with stakeholders, which in turn enhances an organization’s ability to deliver social value effectively.

4.3.2 Assurance

In order to make decisions to enhance social value and choose between different options, decision makers will need assurance that the information is complete and accurate (as defined above). Complete means that the material changes in outcomes have been included. Accurate means that the data collected represents the underlying changes to which the enterprise has contributed and the relative value of those changes. Assurance brings a level of objectivity to the assessment of completeness and accuracy.

4.4 Analysis and use

4.4.1 Responsiveness

It is important that an organization is responsive, in a timely manner, to evidence that social value goals may not be achieved. This ensures that the organization can achieve the outcomes in social value outcomes that it is accountable for. Accountability, the obligation to another for fulfilment of a responsibility has consequences and implies the relentless pursuit of opportunities to enhance social value in response to data collected on outcomes which have been informed by those affected and are relevant and significant to them.

4.4.2 Targets

An organization requires achievable but aspirational targets to be set for the expected social value outcomes and the pathways to that impact. Performance should be managed against these targets.
5 Culture

To be successful in pursuing social value, an organization requires an organizational culture which recognizes and supports the creation, preservation and enhancement of social value. The successful introduction of a comprehensive social value policy will not be effective without a vision of the kind of culture required to deliver social value, a plan as to how to achieve this culture and appropriate preparatory work undertaken prior to implementation.

Social value requires a shift in mindset regarding what the organization defines as “value”. Therefore, it goes to the very heart of an organization’s purpose, identity and definition of success. As such it requires bold leadership from all levels.

Senior level support is key to creating a clear narrative that sets out how social value is expected to shift “how things are done around here” – i.e. the culture. This will likely include:

- a framework regarding what decisions are now to be supported and which are to be unsupported;
- how the organization will be judging success on social value delivery as part of its central understanding of success;
- how incentives (and disincentives) in the organization will be aligned to the delivery of social value; and
- what role different parts of the organization are expected to take to lead the change.

Without this level of leadership, vision and implementation guidance, social value is likely to be perceived as a fad or as a box-ticking exercise and hence either fail or result in sub-optimal delivery. This will, in turn, harden the culture against future attempts to adopt a social value approach.

The cultural vision and plan for implementation should be devised with a clear view of the current cultural starting point and the potential barriers and opportunities for change.

The goodwill of middle managers needs to be assessed regarding how likely a move to social value will be believed, accepted and actively supported. Any core issues identified need to be resolved or mitigated prior to implementation, as it is generally recognized without their support, most programmes of change are likely to fail.

Core staff are central to implementation and need to have the requisite skills, motivation and supporting processes to be able to lead social value in their particular areas.

In order to harness the optimum benefits for the organization, as well as society, via the culture of the organization, it is recommended that the rationale for adopting a social value approach is directly connected to a meaningful organizational purpose i.e. becoming a purpose-driven organization.

There are multiple benefits of becoming purpose-driven; for example, there is good evidence that the motivation of employees is enhanced when they can see that their work is meaningful to enhancing the wellbeing of others.

In order to be sustainable and engrained within the central decision-making culture, social value should be backed by an overall rationale that any short-term cost/investment is more than balanced by longer term benefit. There should be an expectation, and process in place, that means that social value outcomes needs to be demonstrated on a case-by-case project.
basis through the use of clear and appropriate theories of change and indicators. For purpose-driven organizations the rationale for focusing on social value indicators and reporting will be evident. For others there may be a belief that the “added extra” of social value reporting constitutes an additional cost to an organization. Whilst building a more social value orientated culture, it should be emphasized that the process of understanding how the organization influences social value can help an organization identify areas of inefficiency and thereby opportunities for cost savings, help in the better evaluation of risk and provide valuable data that investors are increasingly demanding. Determining and accounting for social value should therefore be seen as a useful complement to traditional financial accounting for any organization.

The cultural status quo regarding how decisions are made at all levels in the organization needs to be understood and managed in order for a social value approach to flourish. Specifically, the way that various types of indicators are considered to be valuable in decision-making needs to be understood and actively managed. In relation to the decision to be taken – if an indicator informs a decision then it is useful.

If the organization doesn’t actively promote social value, then the number of options considered for enhancement and the number of actual changes made will be low. However, a culture which is seeking to enhance social value, convinced not just by its purpose but also clear that the means by which this is achieved must be financially, and otherwise, sustainable, will develop an approach to understanding social value consistent with this guide.

A culture which is inward looking and unresponsive to the organization’s real or potential impact on the outside world, either positive or negative, is one which is likely to be unsympathetic to the introduction of a social value ethos.

Whether or not a culture of enhancing social impact exists can be evaluated by considering:

- evidence of organizational systems and policies that underpin the social value principles and process;
- the willingness to compare performance against past results, future projections and alternative ways of delivering social value outcomes on a regular basis – which will mean debate and disagreement;
- system-wide evidence that data is being used to make changes to activities, products and services and strategy; and
- transparency in reporting on impact but also on policies especially in relation to stakeholder involvement and materiality.

Examples of evidence-based approaches to culture include SVUK’s social value self-assessment tool and related social value certificate, plus National Social Value Taskforce’s Social Value Maturity Index and tools.

The business case for enhancing social value can be overlooked, though it reflects exactly the business case for sustainable and responsible behaviour. It is linked to a long term view of impact and returns, and is not consistent with a resolutely short term analysis. In short,

6) https://socialvalueassessmenttool.org/
7 https://socialvalueportal.com/social-value-maturity-index/
evidence suggests that organizations that authentically pursue social value are likely to build stakeholder trust and support, resulting in positive consequences such as greater customer confidence and improved employee engagement. This in turn leads to higher productivity, greater employee retention and longevity and reduced recruitment costs.

6 Framework for assessing and enhancing social value

6.1 General

This section sets out a process for enhancing social value that follows a standard planning cycle. This will vary in emphasis and focus for different users especially for enterprises, investors and commissioners. The starting point is that the primary objective is to collect data that provides insights that provide options to enhance value.

Figure 1 below shows the process. The key steps, within any wider approach to cultural change, are:

• start planning for data collection (see 6.2);
• identify and consult stakeholders (see 6.4);
• finalize plan and collect data (see 6.5);
• assure data is good enough (see 6.6);
• analyze data, develop and consider options (see 6.7);
• report to stakeholders (see 6.8); and
• consider changes to data collection (see 6.9).

Within an organization’s overall planning cycle, most commonly annual, this process can be followed more frequently to identify more opportunities for increasing social value. A single cycle, perhaps as part of an external evaluation, would present fewer opportunities.

For example, there might be an annual cycle where the focus is a strategic review to consider whether the organization still has the best strategy. Changes could have significant implications for the organization and require investment to identify costs and forecast the value created by a proposed change. At the same time there could be a quarterly cycle reflecting on performance against targets in which options for corrective action are considered, and a regular operational cycle where social value data is constantly being analysed in search of options for improvement.

The level of rigor required will depend on the audience and the purpose. The audience will need to understand the approach and risks and be assured that the data is good enough.
Deciding what data to collect and then collecting it requires a good understanding of the risks involved in order to understand the variables in play and the data that is obtained, and to plan for desirable change. The Impact Management Project has developed guidance\(^8\). An appreciation of social value and the measures taken to enhance it are likely to improve risk management within the organization.

The higher the rigor the lower the risk that the data is inaccurate to the extent that the wrong, or not the best, decision is made based on the data. The two main risks are that the dataset is not complete (material changes in outcomes are missing, or immaterial changes in outcomes included) or inaccurate (one or more dimensions of measuring the impact have been misstated).

Data collection and analysis should be regular, ongoing and appropriate. Evaluations which are irregular or occasional, or even made as an annual assessment “because that’s the way we do it here” will see opportunities to enhance value lost.

6.2 Planning what data to collect

6.2.1 Determining the scope

The focus of analysis for enhancing social value will be an activity and the consequences of that activity in changing people’s wellbeing. The activity could be a project, a department, an organization or a collaboration. Recognising that sustainable change in people’s wellbeing may require collaboration has been raised above. It is also possible that material changes occur within a supply chain that supports the activity.

A specific activity or activities is the starting point for deciding what data to collect. It could relate to the operations of an organization as a whole, one of its products or projects, or the operations of a number of organizations working in partnership or as a consortium. The activity will include suppliers and consumers and so cover the value chain.

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\(^8\) Social Value UK, 2018, Guide to Maximise your social impact.

\(^9\) https://impactmanagementproject.com/impact-management/what-is-impact/risk/
6.2.2 The goals of the activity

Strategy, goals and performance measures are critical for managing any organization. However, if social value data collection is based on strategies and goals which are not adapted to focus on social value, there are risks of:

- overclaiming value created by conveniently excluding negative change from calculations;
- underperforming on value creation – where information on both positive and negative outcomes provides options for enhancing value which are not taken up; and
- pursuing ineffective strategies.

To avoid missing opportunities it is necessary to focus on the consequences of the organization’s activities. Since there will be a very large number of outcomes that change as a consequence, there needs to be some way of determining which ones matter, but without falling into the trap of limiting monitoring to outcomes that relate only to goals.

Limiting the data to that which relates to goals reduces the opportunities for enhancing value.

6.2.3 The purpose for which the data will be used

As stated in clause 0.4.1, although data can be used for more than one purpose, the level of rigour will depend on the primary purpose. Other uses, which may require different decisions on what data to collect will carry a different level of risk (that the wrong, or not the best, decision will be made).

The general purpose of collecting data should be to provide opportunities to enhance value. Other reasons, for example, marketing and fundraising can be achieved with lower levels of completeness but will provide insights that lead to fewer opportunities to enhance value.

6.3 Dimensions of data to be collected

To increase the possibility of insights that lead to options for enhancing value, several dimensions of data will need to be collected in relation to each stakeholder group:

- demographic and other data on characteristics of stakeholders (see 6.4.1);
- outcomes – in what ways are stakeholders’ lives being changed (see 6.5.2);
- depth – how much their lives are being changed (see 6.5.3.2);
- duration – how often and for how long should this data be collected (see 6.5.3.3);
- causation – how much of the changes are caused by our activity (see 6.5.3.4); and
- value – what is the relative importance of the changes to the people experiencing them (see 6.5.3.5).

General feedback about the product or service will provide options for enhancing impact.

Different tools are available for each data type. Some may be interchangeable, others provide different levels of rigor and require different levels of resource to collect the data.

6.4 Identify and include stakeholders

Stakeholders are the people or organizations that affect the activity (contribute to it) or are affected by it (changed as a result). They need to be first identified and then a decision made whether to include the outcomes they experience.
A critical issue will be the extent to which an activity has consequences for the wellbeing of future generations and how these compare to the consequences for the current generation. Identifying relevant outcomes requires the involvement of those affected but this is not possible for future generations. Rather than having someone act on behalf of future generations people’s choices today about their own future should take into account long term future considerations such as environmental issues or excessive public debt.

6.4.1 Identify stakeholders

Factors to be considered include:

• those experiencing changes may include beneficiaries or service users, customers, employees, neighbours, suppliers, families. Where organizations make cost savings these savings are proxies for subsequent changes to other groups, for example increased profits may increase payments to other stakeholders, cost savings in local authorities may lead to increased services for communities;

• some activities may displace other activities (some customers may previously have been customers with a different but similar organization) in which case the organization which has lost customers is also a stakeholder;

• activities may affect current as well as future generations;

• not all those experiencing changes in outcomes will have had to contribute anything to making the activity possible, for example where a polluted river upstream affects the health of communities downstream;

• if a subgroup or a segment of stakeholders experience different outcomes or value the same outcomes differently, this information may be useful in identifying options for increasing value and so the group should be separately identified; and

• initial segmentation is likely to be informed by characteristics such as age or gender. Talking to stakeholders may identify other shared characteristics and relate to different experiences. These could include aspirations, relationships, previous experiences.

6.4.2 Include stakeholders

Factors to be considered include:

• whether or not stakeholders should be included depends on whether the changes in outcomes matter and not, for example, on whether or not they are considered to be direct consequences of the organization’s activity;

• exclusion of stakeholders, on any other grounds, risks missing out people who experience material changes in outcomes and whose feedback could therefore create opportunities to enhance the value being created;

• if the excluded stakeholder experiences significant negative change it is even possible that the net value of the activity may be negative; and

• the relationship between people’s experiences and shared characteristics is one of the main sources of options for enhancing value. This will have to manage different perspectives, avoid conflict and collaborate to identify common values and potential added value, but recognize and be transparent where trade-offs have to be made.
6.5 Collect data

6.5.1 Finalize data collection plan

It will now be possible to plan how the data will be collected and to decide the level of rigour required to ensure a level of completeness and accuracy that will support the decisions to enhance value.

6.5.2 Qualitative data

Qualitative data:

a) is the basis for determining the outcomes;

b) will support qualitative data and bring it to life; and

c) makes comparisons between options hard if used as a proxy for quantitative data.

The focus here is on the first of these. Separately from identifying and including stakeholders, they need to be involved in determining the outcomes and in making judgements about groups of people. Data can be collected, based on this involvement, on the:

1) characteristics of those affected (to inform segmentation); and

2) outcomes experienced or expected to be experienced by those affected.

Whilst the starting point will be the people whose lives are being changed, determining the relevant outcomes that will be managed in order to enhance value is also informed by research and experience.

The relevant outcomes will be aspects of wellbeing.

These outcomes may not occur until after the activity has ceased or may require input from other organizations or people.

There may be a high number of outcomes as a result of an activity. Not all of these can be accounted for. Materiality (also see 4.2.3) is the process of deciding which should be included, based on what matters to stakeholders, and are therefore may provide insights that can enhancing social value.

Analysis of qualitative data can generate ideas and options for enhancing value without further data collection.

6.5.3 Quantitative data

The goals, stakeholders and relevant outcomes provide the basis for planning the collection of quantified data to support decisions to enhance value. If material changes in outcomes have been excluded, or if outcomes are not well defined, there is a risk that decisions to enhance value will be made that are not the most effective. Stakeholders are the source of the data and can also be involved in developing effective approaches to collecting the data.

Collecting data on each of the outcomes will increase the number of options for enhancing value and reduce risk in choosing the wrong option. The questions are:

- how many people experience each outcome?
- how much of each outcome they experience?
- for how long will changes to the outcomes be tracked?
• how much of the change in outcome would have happened without the activity or results from the contribution of others?
• what is the relative value of the different changes to outcomes?

6.5.3.1 Number of people experiencing the changes in outcomes

The risk that material outcomes are excluded can be reduced by making sure that outcomes for all those involved, recognizing the diversity within a group, have been considered.

This is a particular risk in relation to negative outcomes: following a program to support employment, the people who failed to gain employment may now have less confidence that they will gain employment in the future and may also have lower self esteem and motivation.

It is possible that when an activity cannot meet demand, some people are inevitably excluded and such exclusion has a negative effect on them.

6.5.3.2 Depth of change

Assessing how much people will or have experienced in relation to an outcome requires a way of measuring (metrics) and a baseline for the level of change before the activity.

The number of indicators should be kept to the minimum necessary for the data to be useful.

Data can be both subjective and objective, both have advantages and disadvantages.

Subjective means people’s perceptions of the level of change which can be turned into metrics using various methods including binary choices (Y/N), scales (1-5), validated scales and validated questionnaires. More rigour again implies more cost but less risk. For example, asking people if they are healthier or not does not tell you about how much more or less healthy they are and it loses an opportunity to compare characteristics of those who report a high increase in basic health with those who report a low one.

Objective metrics are indicators that could, in theory, be observed by other people and equally assessed, for example the number of time someone visits their doctor.

A combination of objective and subjective reduces the risk that there is an indicator of change but the change didn’t happen. A positive change is only recorded where both indicators show a positive change or a change above a threshold.

Data can be collected from the people affected or someone who has knowledge about the person affected.

There are possible trade-offs between a good indicator where there is no comparable data and a weaker indicator where comparable data is available.

Before creating new indicators, efforts should be made to use a globally standardized indicator for the topic in question.

Where an indicator is used that is a proxy for the outcome it will not be possible to relate the change in that indicator to the change in the outcome and the relationship will need to be estimated. This estimation can be by reference to third party research. The main issue is that in comparing two options with similar changes in the proxy indicator it will not be possible to know which option would generate a higher positive change in the outcome.
6.5.3.3 Length of data collection

Some changes in outcomes are short term others will be long term and the perception of what is short or long will depend on the stakeholders. The decision should be informed by how long stakeholders consider it important and whether the information would be useful for enhancing value.

A second issue is that some outcomes may not occur until after the activity has finished, for example, in the case of educational outcomes perhaps many years later. Interim outcomes need to be identified and data will need to be collected as evidence that the activity is on course to achieve the outcomes, until the outcome can be measured and then for the determined duration.

6.5.3.4 Using secondary research

Where research data is used as evidence that the outcome will occur, there is a risk that the research is not based on the same stakeholders in the same situation. Where decisions to change products or services are made on the basis of research that interim outcomes lead to the outcome being managed, there is a risk that this outcome may not occur or not occur to the extent predicted from the research.

6.5.3.5 Data on what would have happened without the activity

Decisions to enhance value need to consider the extent to which the desired outcomes are caused by the activity. Where causation is assumed there is a risk that changes in outcomes are overstated, less effective decisions to enhance value are made and resources are wasted. Where the characteristics of stakeholders effect the extent to which outcomes are caused by the activity there may be opportunities to increase value by targeting and developing specific goods or services for people with specific characteristics.

There are many ways of testing to ensure that observed outcomes are not counterfactual, or have been properly attributed. They are all based on making comparisons and involve varying levels of rigour and cost. Examples include:

- asking those affected;
- simple comparisons with other general data sets;
- comparisons with people with similar characteristics;
- comparisons with randomly selected people from a population with the same characteristics; and
- assigning people randomly to a group that will receive the goods/services or a group that will not – this is called a Randomized Controlled Trial (RCT).

Although asking those affected is the least rigorous approach it can provide valuable insights when different answers are found to correlate with people with different characteristics.

RCTs are the most rigorous (and the most expensive) but they can raise significant ethical questions around the consent and awareness of "subjects". As with all other measurement issues the level of rigour should be appropriate to the decisions being considered to enhance value.

Where some of the observed outcomes are the result of the contribution of a separate or unrelated organization, in whole or in part, this should be recognized.
From a stakeholder’s perspective, in determining the important outcome in a chain, based on where value is being created, it is possible that other people or organizations will contribute to these outcomes. Focusing on the organization’s own outcomes instead, arguing that the organization contribution to the determined outcome is low, risks not knowing if value is actually being created. There may be opportunities for enhancing value by working with these people or organizations.

Reliance on research alone that shows high causation between the organizations goal and its activities reduces opportunities to explore how different ways of delivering goods and services can increase how effectively the goal is being met and so enhance value.

6.5.3.6 Ranking impact

Any decision to allocate resources to a particular activity that is expected to create value has implicitly valued the social changes associated with the chosen approach more highly than those resulting from other approaches.

This implicit approach to valuation may not be the same for those people who making the decisions and/or any differences may not be transparent. Where organizations are not considering options for enhancing value on a regular basis this implicit valuation then differences may not be recognized.

Options for enhancing value increase when the relative importance of changes in other outcomes is recognized and the judgement is informed by the perceptions of those affected. The fact that stakeholders may not be aware of the value of the intended outcome does not detract from the need to take their views into account when designing services that enhance value. As well as being involved in determining outcomes, stakeholders should be involved in determing rankings.

There are several approaches to quantifying relative value:

- simple ranking – highest to lowest;
- ranking with variable weighting; and
- weighting using financial proxies.

Inconsistencies between people’s rankings, over time with respect to other outcomes should not preclude the use of this data in creating and considering options for enhancing value. Arguments that interpersonal and intergroup comparisons of value cannot be made cannot avoid the fact that resource allocation decisions make these comparisons all the time, often involving trade-offs between one group and another.

Financial proxies can be especially useful when comparing alternative interventions in terms of appraised or evaluated social value. While they evidently provide the advantage of a common metric to compare alternatives that entail different impacts, they also present inherent challenges and potential limitations.

Recognition that valuation is implicit, makes an transparent approach to valuation informed by those affected a requirement of selecting the most effective option to enhance social value. Monetisation is one approach to valuation but should not be an absolute requirement.

A number of organizations and networks are developing and testing new solutions in different sectors with the final objective of reducing uncertainty for users around measurement and monetization, laying the foundations for some standardization.
6.5.4 Implementation – data collection

The sections above identify the type of data that will be needed. Some of this will be collected from those whose lives are changing, some from other data sources.

It should be cost effective to collect data alongside existing business processes, wherever possible, and record it within existing data systems.

However, additional data collection and storage may need to be designed and implemented; it should involve those responsible for existing data collection and management.

Where data collection involves surveys, a wide range of approaches exist, from face to face to phone apps. The decision on the most appropriate approach depends on context, stakeholders and level of rigour required.

Surveys need to start with a baseline, be regular, and be tested before wider use.

The ability to make statistical statements with a level of confidence about the population from a sample becomes much more difficult when response rates are below 100%.

Whilst it may be possible to survey all users, the decision-making process will often be based on sample surveys, usually with less than complete returns. The risk that returns are not representative can be reduced by initial stratification of the population against specific characteristics and by setting minimum response level targets with in group. Online tools provide guidance on sample size based on population and required confidence level and range.

Whenever missing data are non random and correlated with the research question, the ability to make statements about the total population from the sample might be compromised. This is a risk regardless on the approach and level of rigour of the analysis – from simple interviews all the way to Randomized Control Trials or Quasi Experimental Design methods. The design of the research should appropriately qualify and manage this risk, together with other potential threats to internal validity, strength and power of the analysis.

Even when more sophisticated statistical methods that provide explicit ways to test for and manage selection bias and other sources of correlation in data collection are adopted, there is a need to think critically about the research design, perform sensitivity analysis and triangulate different sources of data to test underlying assumptions.

There is less guidance available on data storage than on data collection. Data should be stored in ways that maintain intended levels of completeness and accuracy and can be summarized to inform the intended decisions:

• minimize the number of input points and the requirement for manual data transfer between systems;
• ensure there are controls over completeness and accuracy;
• ensure compliance with GDPR and ethics; and
• develop reporting formats that will aid decision making before determining data collection and storage.

6.5.5 Making judgements about what matters

Throughout this process it is possible to make judgements about which impacts matter. The later on in the process these are made the lower the risk that impacts will be excluded that do matter and would influence decisions being made to enhance value. When these decisions are made based on resources and capacity it is important that decisions makers are aware of the risk.

6.5.6 Summarising data

Summarising data does not mean reducing everything to one metric. It means starting the discussion to choose one option from another using common units. The underlying detail is not lost and will be used in the discussion that leads to a decision. It makes decision making more transparent. The use of common monetary proxies is one way of comparing different outcomes experienced by different people.

Decisions between options will involve some level of summary to start the discussion. This can be because:
• the detail lost in the summary would not affect (is not material to) the decision;
• insufficient time is available for decision makers to consider every detail;
• the detail has been considered prior to summarizing for decision makers; and
• the detail can be made available as necessary during the decision-making process.

Both too much and too little summarization of data may lead to less effective decisions. Some summarization will be necessary for the decision but too much makes it difficult to choose between options.

Using quantified data, expressed in comparable units, means that the information can be summarized (or aggregated).

Where the focus is on reporting value, rather than on the performance of a decision making culture to enhance value, summarizing data for reporting can be driven by using metrics from other sources. There is a risk that these lose the granularity of experience necessary for some decisions and preclude recognition of the importance of other dimensions to value creation.

6.6 Assure data

Decision makers will require assurance that the data is complete, relevant and accurate enough to make their decision. Depending on how much assurance decisions makers require, assurance could be achieved by ensuring staff have the right skills, it could come from a peer review or from an independent third party. If commissioning an external assurance engagement, it would be important to know what will be covered and whether international assurance standards would be used.

6.7 Analyse data, develop and consider options

Analysis means looking for insights, for relationships in the data, that generate ideas and options for enhancing value.

Insights and options for enhancement arise from making comparisons:
• with past results;
• against targets;
• within social value data – comparing stakeholder characteristics against other data dimensions for different segments; and
• against industry benchmarks.

6.7.1 Setting targets for social value

As well as establishing the data collection system it will be necessary to set targets for the expected social value in order to manage performance and increase opportunities for enhancing value. In the absence of a forecast, any subsequent reported impact may contribute something to goals but provide information on effectiveness. The accountability gap increases the risk that opportunities to enhance value will be lost. Where performance is not in line with forecasts the choice is to change the target or change the activity.

Forecasts can be based on previous results but if the activity is new this will have to be based on comparison and estimates. This should not stop a forecast being prepared.

Without targets any level of social value created could be deemed adequate. For example:
• “reduce carbon footprint”; (not a target);
• “reduce carbon footprint by 5 per cent next year in line with previous year improvements” (based on trend);
• “reduce carbon footprint each year by 10% next year consistent with the IPCC goal of limiting global warming to no more than 1.5 degrees above pre-industrial times by 2030” (based on external thresholds); and
• “reduce carbon footprint by 20% next year” (based on analysis of what is considered possible balancing cost, benefits, competition, expected policy changes).

Targets should be set at achievable levels, involving both a quantitative and time element; involve some “stretch (i.e. not set at levels which could be achieved with little or no effort); be set against a baseline; and may contain mileposts, sub-targets which indicate the degree of progress. Options for enhancing value will then be restricted to those that will contribute to or exceed targets.

6.7.2 Making decisions

Choosing a preferred option will remain a discussion between those involved and be informed by:
• expected value created by each option;
• understanding and approach to risk; and
• culture among decision makers, especially willingness to choose options which required change.

6.7.3 Options for enhancement

Insights arising from the data can generate options for enhancing social value.

6.7.3.1 Insights from comparing goals and activities

The first opportunity to enhance social value will come from considering the relationship between the goal and the activity. For example, if the goal is to stop unemployment and the organization helps twenty people gain employment each year, the insight is that there is a mismatch. Either the goal could be more realistic or the activities could expand.
Having a clear and quantified goal for activities and a well-econconsidered and dynamically updated theory of change, is an important part of planning social value-focused work. However, limited collection of social value data for the intended goals may reduce the opportunity for generating options to enhance value. Although the need to update and review a theory of change is well recognized it will be less likely to occur where the people who are experiencing outcomes resulting from the activity are unable to hold those responsible for the activity to account.

6.7.3.2 Insights from qualitative data on outcomes

The next opportunity arises from considering the results of qualitative research. There may be negative outcomes, or relationships between people’s characteristics and outcomes that stimulate ideas for improvement. Where these are low cost and can be tested easily, this may be good enough to pilot changes to goods or services.

6.7.3.3 Insights from comparing performance against targets

If performance is below budget this could be a mix of higher than expected negative impacts and lower than expected positive impacts. The easy decision would be to reduce the target. Otherwise the organization will have to make changes to operations. This could be realizing that a change in strategy is required through to changes in design or delivery of products and services.

6.7.3.4 Insights from comparing performance against industry benchmarks

If performance is lower then the focus will be on understanding why and making adjustments. The risk of accepting industry levels of performance is that these could be lower than is possible.

6.7.3.5 Insights from impact data

Most opportunities will arise from comparing the impact performance for different groups and identifying which of the dimensions is the major cause. If for example, the employment programme has more success with people who live in urban areas than rural areas, or if one group values reducing loneliness as highly as getting a job, there are opportunities to improve programme design. These insights can support both increased value for stakeholders and increased performance against external funder’s requirements.

6.8 Social value reporting

The purpose of reporting will be to provide users of information on social value with information in a format appropriate for the intended use.

6.8.1 Internal social value reporting

Internal reporting refers to any formal communications where the intended audience is individuals directly or indirectly employed by the organization. Although care and consideration should always be given to any form of communication as these often extend beyond original and intended recipients. Therefore, any internal communications should always be crafted with consideration for how they will be interpreted from external parties as well as internal.

6.8.1.1 To management

Any social value communication reported to management will most likely need to be on a set regular basis, such as the end of each financial or calendar month. Such reports can
serve a great purpose as they will keep management informed of the day to day social value activity and also illustrate any longer-term progress against all targets set. The key to internal reporting to management level is to be able to make the comparisons and make decisions on the basis of those comparisons.

6.8.1.2 To wider staff

Communication of how social value is being enhanced, as examples and in relation to overall performance, may be combined with any existing staff newsletters or e-bulletin that is being circulated. The intended purpose of such communications here isn't simply to report on progress (although this should form a part of all communications), but to evidence the impacts the organization is having, by both championing any staff involved, and providing any case study materials collected from the social value activities such a participant quotes and photographs.

6.8.2 External reporting

There may also be requirements and benefits in reporting the social value being created and the approach the organization takes to enhancing social value to a wider external audience. This may be a mandated requirement placed upon your business by external parties, or an option undertaken due to wider management practices and strategies. The benefits include, but are not limited to:

- increased positive reputation amongst stakeholders;
- competitive advantage over rival organizations;
- improved retention of existing staff members; and
- unique selling point for recruitment purposes and client relationship building.

Whilst communicating social value can take many forms, including via social media, organization websites, word of mouth and posters etc, the most popular and expected form of social value communication is via organizational reporting, notably an organization’s annual report.

“External audience” can be a widely applicable term, can encompass numerous individuals and organizations.

6.8.2.1 To investors and funders

Historically, investors and funders would be more concerned with financial performance than social value. However, with increased organizational scrutiny and expectations in society, and an emerging link between social value activity and organizational performance, investors and funders are now taking the social value performance of an organization more seriously. The most cost effective and direct form of social value communication investors and funders can receive would be a report issued by an organization. This should ideally contain a mixture of qualitative data and quantitative information. Internal targets could be shared, and all progress made against these to date presented. Case study’s and evidence of a deeper more qualitative impact could also be used where available and applicable to help illustrate the wider benefit the organization has achieved. Where possible, the social value performance of the organization should also be linked to the financial performance, illustrating a clear line between the organization achieving both its social value goals and financial goals.
6.8.2.2 To clients, beneficiaries and customers

As above the nature of the reporting will depend on the audience and the intended use. If the organization is seeking to attract new customers then risk of conflicts between marketing and accounting of performance will need to be managed and made clear. If the report is intended to for organizations that represent the interests of beneficiaries, those organizations will need assurance that the information is a good reflection of the value being created or destroyed and of the organizations plans to manage and improve performance. Assurance is covered in 4.3.2 above.

6.8.2.3 To wider members of the public

Members of the public may come into contact with an organizations public information through discussions with friends and colleagues, through news reporting, and through social media discussions. Exaggerated claims of social value, or a lack of clarity could lead to misrepresentations or misunderstandings that could then ultimately result in having to clarify or defend any social value claims made. Social Value reporting cannot and arguably should not be aimed at everyone to understand simultaneously, but considerations should always be given to how any communications may be interpreted by unintended primary audiences.

6.9 Activities that present challenges for enhancing value

Focusing on understanding and enhancing reduces the risk of organizations being caught up in the challenges of proving their impact. Available data may provide ideas that may increase value even at relatively low levels of rigour. However an example of an area where there are more difficulties is advocacy. Often the duration between the activity and a change in policy is long and there are many other factors that may have contributed to the change, and yet the social value created may be significant and it is still important to consider whether the activities can be improved. Nonetheless the basic principles and approach are still valid even though the risk that data is incomplete or inaccurate is higher.
Annex A (Informative)
Defining social value

COMMENTARY ON Annex A

This standard has provided a consistent and authoritative approach to social value. However, there are a considerable number of different approaches to dealing with the term "social value" and the content of this standard. The background to this situation is given in this Annex.

As the approach to accounting for social value has developed it has been inevitable that poor practice has been encountered and in some cases misleading concepts and data sources have been incorporated into situations where, today, we would know better. Since the 1930s, for example, it has been assumed by some that Gross Domestic Product has somehow represented the wellbeing of a nation. This is not something that the originators of GDP ever intended; in reality it focuses only on economic factors and even then it is selective and far from complete. It ignores all elements of negative social value (such as the cost of pollution, export of negative outcomes to poorer countries, etc.) and also positive aspects of non-financial wellbeing. More recent work, such as by the creators of the Social Progress Index, suggest that in the poorest countries there may, in fact, be a correlation between raising GDP and seeing improved wellbeing but this is not a causation and it tails off as countries become more affluent. In the richest, westernized, economies they say there is absolutely zero correlation between improved general national affluence as epitomized by GDP and improved wellbeing.

Some attempts to proclaim the social value generated by an organization, perhaps not in so many words, focus on easy to measure criteria rather than on the meaningful. Many corporate CSR reports, for example, boast of the hours of volunteering that their employees have contributed to the community but hours of volunteering is a measure of input and not of change. Hours are, of course, easy to measure although in the same way that one person’s hour at work may generate a different value in terms of company output, so too will one person’s hour of volunteering create a different level of social value than another’s. Some procedures which claim to measure social value acknowledge this, asking the question, “what would someone have had to pay to buy this service?”, and discriminating between an hour of unskilled labour and an hour of skilled labour. However, the monetary value of the latter is somewhat arbitrary and some proposed formulae rank “skilled volunteering” at three times the price that others do (typically from twice to six times the cost of unskilled). Legal advice might be ranked higher again, but whatever it is priced at it is still a measure of input.

Some “return on investment” calculations might find these monetary values useful but they measure something that is different from changes in wellbeing.

In the world of social value commissioning guidelines are evolving but nevertheless many of them are vague and not obviously measures of changes in wellbeing. All of the following exist.

A criterion which calls for the commissioned organization to simply “improve” an outcome lacks targets and thus sets a very low bar for fulfilment. A requirement to “collaborate with other sectors” or with users is a process criterion; whilst adopting it may help achieve the creation of social value it is not a measure of social value in itself. We have even seen “prompt payment of suppliers” used as a criterion in a social value commissioning

11) See also https://impactmanagementproject.com/glossary/
document: whilst this is a laudable aim in itself, and a convenient metric is well established (The Prompt Payment Code), it is a yes/no answer, a tick box, and not a measurable social value outcome. We have also seen “Heritage protection” suggested but it is very difficult to see how this could be translated into measurable social value criteria. What is the value of not damaging an artefact?

Similarly, a demand to “encourage wellbeing” in a social value programme might as well say “encourage social value”. The correct response is “Of course: but how?” This does not help parties reach agreement on a clear program of social value delivery.

Some sectors have produced their own guidance on social value and that of the Supply Chain Sustainability School’s Social Value Special Interest Group, ([https://www.supplychainschool.co.uk/documents/sv%20sig%20briefing%20paper%20version%206%20final.compressed.pdf](https://www.supplychainschool.co.uk/documents/sv%20sig%20briefing%20paper%20version%206%20final.compressed.pdf)) aimed at the construction industry, is particularly useful. Whilst it does not suggest specific metrics, targets or milestones it does suggest areas in which appropriate ones might be agreed between the supplier and the commissioner.

Practitioners should also be aware that increasingly there are “off-the-shelf” solutions to social value measurement available. Some schemes are dauntingly massive, but our criteria on materiality and relevance will allow the user to choose not to use every single metric on offer within such a scheme. Such schemes continue to evolve and their creators do not claim perfection, but the advantages of using a common scheme are real and are spelled out by, for example, the Social Value Portal ([http://socialvalueportal.com/national-toms/](http://socialvalueportal.com/national-toms/)), which claims that it:

• provides a consistent approach to measuring and reporting social value;
• allows for continuous improvement;
• provides a robust, transparent and defensible solution for assessing and awarding tenders;
• allows organizations to compare their own performance by sector and industry benchmarks and understand what good looks like; and
• reduces the uncertainty surrounding social value measurement for businesses, allowing them to make informed decisions based on robust quantitative assessments and hence embed social value into their corporate strategies.
Annex B (Normative)
Drivers for accounting for social value

COMMENTARY ON Annex B

This Annex provides further details on how different organizations and decision makers can make use of social value data.

B.1 Decision makers and producers of information

Those responsible for making decisions and setting policies across all sectors need to be assured that the information upon which they base their decisions is fit for purpose. Data needs to be able to reflect changes on different time scales, so decision makers will need to develop an appropriate approach to data collection and analysis.

Producers of information need to be clear about what decisions are being made and the decision makers' requirements for the information to be good enough (accurate, material, accessible) before making decisions on what and how much data to collect.

B.2 Different sectors

Parts of the private sector already use social value as part of their external reporting where, despite emerging convergence around common reporting standards, such as GRI-4 or the Sustainable Development Goals, what is “good enough” varies. In some tendering exercises decisions around what constitutes social value, what data or proxies are acceptable, are made in advance by external commissioners. Even where that agenda is set externally there may still be options to enhance value and consequentially improve business performance.

The public sector is increasingly employing social value criteria in the process of commissioning goods and services. There are opportunities to enhance social value within the design of services and is inherent in the contract and also to add additional value alongside them (which is what the Social Value Act is designed to stimulate); specific social value goals are defined by the organization’s wider strategy. Opportunities to enhance value focus on how the strategy and the measurement of its performance can be improved. In the former case, an understanding of customer and service users’ experiences is a key source of data.

Civil society organizations prioritize a social and/or environmental purpose and should have an existing evaluation process to reflect on the efficacy of their strategy and operations. The focus on that purpose and the provision of services to people who are less able to hold organizations to account can limit opportunities for enhancing social value to those emerging from data that relates to their purpose.

B.3 Commissioners

Commissioners also face conflicting requirements. A focus on cost savings as a proxy for social value is likely to fail, not least where savings in one department may lead to additional costs in another. Improving “value for money” need not require cost cutting if greater (social) value can be generated. In another example, increasing apprenticeship opportunities might displace people from other jobs and produce a net negative social value measure, if not handled properly. This is made more difficult when costs and benefits fall across different parts of the public sector.

When public sector commissioners employed grants to support organizations in their communities, when local authorities had the freedoms and resources to allow this, the focus was often on retaining or enhancing the viability of the recipient organization rather than on
commissioning measurable social value. The trend over recent decades has swung more towards the use of service delivery contracts - often involving a greater transfer of resources - and as a result the focus became more on delivering service targets and then outcomes. This opened the way to social value commissioning.

Where decisions are being made to commission the provision of goods and services, the aim will be to achieve the best value for money where value in considered by reference to price, quality and other issues that may be relevant to the purpose of the organization. This guide is therefore relevant to any organizations where the purpose is already to increase the wellbeing of stakeholders. As a result of the UK Social Value Act it is also a legal requirement when commissioning of services above the relevant Public Contract Regulation threshold that social value should be considered\(^\text{12}\), and more recently accounted for.

In making decisions that provide best value for money in relation to price quality and social value, any social value issues will need to be consistent with good practice in commissioning generally including:

a) identifying opportunities for creating social value in the assessment of needs, during stakeholder engagement and as part of market analysis;

b) ensuring social value is included in wider strategies and in commissioning plans, and

c) incorporating social Value into the procurement process – in specifications, scoring and in delivery and performance management.

In procurement any requirements for social value should:

1) relate social value to wider strategy and a social value policy;

2) specify the nature of social value that will be considered and how this will be measured and evaluated;

3) be clear on how different aspects of social value will be scored; and

4) be at a level that will encourage a considered approach, for example 2% of score for social value may not be considered critical to the competition.

Where this is not the case it may subsequently be more difficult to enforce the delivery of expected social value or increase the risk of challenge.

In addition, the commissioning body should be able to manage the social value aspects of any contract and include provisions for non-delivery or the contracted social value.

Finally in including social value issues in order to support wider social and economic policy goals, commissioners should take care that additional requirements are not an additional barrier for Small and Medium Enterprises (SMEs) and Voluntary and Community Sector enterprises (VCSEs) and do not make tenders from these organizations less competitive. In this respect social value aspects and measurement criteria should meet policy objectives but also play to the existing strengths of SMEs and VCSEs.

B.4 Investors

To-date typically investors have had to ask their investee enterprises for new or different data on their social and environmental performance to meet their specific requirements. This is for a number of different reasons – perhaps the ESG ratings were unintelligible or non-comparable, perhaps the corporate reporting data they were given doesn’t align with their own impact goals, or perhaps they weren’t getting any social or environmental data at all and very having to start from scratch.

In addition, investors reasons for data on impact iss still most commonly for accountability to their stakeholders (usually investors), rather than for management. This difference is important. Investors should be collecting the data they need to understand impact performance, in order to support the enterprise to make management decisions to improve impact (or at a minimum inform future allocation decisions).

Given that investors therefore collect impact data for the same purpose as enterprises, there is no reason why investors need different data standards to enterprises for measuring the impact occurring on people or planet as a result of the enterprise. Investors do, however, need their own data standards for reporting and managing investor contribution – i.e. the role they take in making an investment that they hope will leads to more impact (e.g. engagement, flexible capital, taking risk the market wouldn’t otherwise).

However, one set of enterprise data standards (or metrics) alone will not solve the allocation problem for investors as they often need to make comparisons across different types of enterprises with different types of impact, in order to identify the most effective places to invest.

This where methods of impact valuation come in, and other principles of effective accounting. The Impact Management Project is leading a network of organizations to develop standards in impact accounting to help investors and enterprises compile and share data in a complete and comparable way[1].

This guide is relevant to those investors who also want to achieve a net positive impact.

B.5 Advisors

Advisors respond to the needs to their clients. They may be aware that the scope they are asked to work within excludes sources of positive social value and could thus result in the production of incomplete or overstated information on social value. The lack of standard frameworks or the lack of any requirement to comply with social value standards will make their task difficult.

B.6 Collaboration and partnerships

Significant opportunities for enhancing social value arise from effective collaboration. Collaboration increases the pool of expertise and experience available to decision-makers especially where collaborators share common goals and missions. Often the goals of both organizations and users, and the point where changes in wellbeing become reasonably sustainable, will require more systemic change and therefore more collaboration.

There was a time when the outsourcing company, Serco, sought out charity partners - not for philanthropic or CSR purposes, but because the values and social impact that the charities represented were consistent with the social value the company sought to deliver through contracts to provide government services. However, the charities were themselves
unable to deliver their common goals at the required large scale. So, for example, in the early days of the National Citizen’s Service, a partnership between Serco and four charities delivered large contracts of outdoor education and training in leadership and social action to cohorts of young people. The charities led on service delivery on an unprecedented scale, which only the collaboration with Serco made possible, whilst the company led on procurement, recruitment and government relations.
Annex C (Informative)
A historical perspective

C.1 History of social value

In 1908, Joseph Schumpeter contributed a paper to the Quarterly Journal on Economics “On the concept of social value” in response to the growing use of the term, to the extent that “today it is to be found in nearly every text book” although often used without careful definition.

Assessing the impact of activities on people’s wellbeing has been going on as long as societies have made decisions on how to allocate scarce resources to different activities. However, the term “social value” has taken on more significance over recent years.

In retrospect it can be seen that America’s New Deal in the 1930s utilized some social value principles, with public procurement contracts designed to wring out the last drop of public benefit. A formal approach, Social Cost Benefit Analysis, originated in the 1970s, where government programmes were increasingly required to consider the social (and environmental) benefits associated with granting aid to developing countries. These became defined as social impacts and formalized as Social Impact Assessments (SIA). Underpinning all these approaches was the need to justify any intervention into the free operation of markets, reflecting neoclassical economic belief that the market was the most effective way of allocating resources. Social Return on Investment (SROI) grew out of such approaches in the late 1990s. SROI was developed initially by Jed Emerson and REDF, in the United States, for use by non-government investors in activities with social goals, in order to assess whether these activities were improving people’s lives. SROI, like cost-benefit analysis, explicitly values the different outcomes of an organization’s work.

The SROI Network, with members from private, public and non-profit sectors across the globe, was founded in 2007 to support the development of SROI explicitly as a means of reducing inequality.

Since the financial crash of 2008 there have been increasing concerns about the ability of capitalism to develop sustainably, especially given the challenges of growing inequality and climate change. This has led to a greater appreciation of of social impact and social value.

In 2008, the UK Government supported a three-year programme called Measuring Social Value which focused on performance in the “not for profit” sector and social enterprise in particular. Although social enterprise has a long history, there was a rapid growth in interest in this form of organization as a way of achieving social outcomes around this time. The SROI Network led a consortium which produced a guide which was updated in 2012. With a growing international interest in social impact, the Social Impact Analysts Association (SIAA) was formed in 2011 to support practitioners working in both charities and social enterprises. In 2015 the SROI Network merged with SIAA to form Social Value International (SVI) which is now the umbrella body for over twenty national social value networks. SVI’s vision is:

14 The public services (social value) act 2012 An introductory guide for commissioners and policy makers
15 For example http://www.oecd.org/corruption/beyond-gdp-9789264307292-en.htm
16 https://socialvalueint.org
“A world where decision making, ways of working and resource allocation are based on the principles of accounting for value leading to increased equality and wellbeing and reduced environmental degradation.”

The public sector has always focused on increasing the wellbeing of citizens. Recent developments have increased pressure on public expenditure and investment and thus created a need to link the effective social value to value for money.

Social issues have also been recognised in corporate reporting, initially as part of Corporate Social Responsibility (CSR) and then in the work of AccountAbility and the Global Reporting Initiative as demand for reporting on sustainability, in particular, grew following the financial crisis. In 2009, the International Integrated Reporting Committee (now Council) (IIRC) was formed to oversee the creation of a globally accepted Integrated Reporting framework, based on assessing five capitals including social and human capital. The World Business Council for Sustainable Development (WBCSD) led work on developing guidance for business accounting and reporting on social capital. This in turn gave rise to a social capital protocol and the launch of the Social and Human Capital Coalition in 2018.

In recent years there has been a growth in impact investing, in which recognising and measuring impact is central to the investment decision. The Impact Management Project was launched in 2017 to develop a convention for impact measurement which included managing both social and environmental issues.

Since 2015 the United Nations’ Sustainable Development Goals (SDGs) have provided a convenient backdrop to social value reporting. Its 17 sections, covering 169 criteria, are growing in use in corporate reporting and have been incorporated into the latest version of the Global Reporting Initiative, GRI-4. However, the SDGs do not come equipped with a defined quantitative evaluation framework.

More recently the focus has shifted from measuring impact to managing it. Enhancing impact does not necessarily mean using the same measurement tools or the same level of rigour as has often been used or sought in earlier approaches, because the focus is now on how impact is changing. Enhancing social impact means comparing options for allocating resources and selecting the option which has a higher expected impact.

In 2016 a number of global organizations promoting the measurement and reporting of impact came together to pool expertise and make common cause in the Impact Management Project.17

C.2 Legislation

Legislation has existed for some years that requires public and private sector organizations to consider, and sometimes account for, how activities have changed wellbeing.

In the private sector the Companies Act 2006, section 172, requires directors of all companies to consider the effect of decisions, taken to benefit investors, on other stakeholders including employees, suppliers, communities and the environment.

Some legislation covers both sectors: the 2010 Equality Act brought together nine previous pieces of legislation covering people’s rights as employees, students and service users.

17 https://impactmanagementproject.com
C.2.1 Public sector

Different legislation is in force for different parts of the public sector. Legislation that applies specifically to local government includes the Local Government Act 2000 which addresses the promotion of wellbeing:

a) Every local authority are to have power to do anything which they consider is likely to achieve any one or more of the following objects;

   1) the promotion or improvement of the economic wellbeing of their area;
   2) the promotion or improvement of the social wellbeing of their area; and
   3) the promotion or improvement of the environmental wellbeing of their area.

The Locality Act 2011 expanded these powers to allow local authorities the power to do anything that does not break other laws.

For the public sector as a whole the Social Value Act has increased and formalized the requirement to consider social value in public sector expenditure decisions.

The Act resulted from a Private Member’s Bill approved by Parliament in 2012, which applies to England and Wales. The Act requires commissioners of public services to be aware of the social and environmental consequences of their decisions and allows them to consider social value benefits when making decisions on the procurement of service contracts over a certain size. The Act was announced in 2018 to be updated by government to strengthen the requirement of “considering” social value and ensure it was applied by all central government departments. Other updates could include the formal extension of the Act to cover the procurement of goods and works, rather than simply “services”, and revision of the threshold under which the Act does not apply, even to perhaps removing the requirement for a fixed, universal threshold.

Although some local authorities initially argued that the Act does not apply to them as so few of their contracts breach the threshold, others interpret the Act positively in a more “flexible” way. Birmingham City Council, for example, applies its social value code of practice to all of its procurement activity.18 Lord Young’s 2015 review19 of the Social Value Act painted a mixed picture in terms of the take up of the Act, highlighting some gaps about common understanding of social value and around measurement. Recent research by Social Enterprise UK20 looks at how councils have overcome the initial challenges of implementation, and reports that now two thirds of local councils from their research sample have a good understanding of social value, 82% believe that social value drives higher levels of growth, and 42% that it has reduced social inequalities.

The Public Contracts Regulations Act of 2015, which replaced a 2006 regulation, includes a requirement that supply chains involved in executing public contracts are compliant with social, environmental and employment law.

In many ways the Procurement Reform (Scotland) Act 2014 goes further than the legislation in England and Wales. Clause 9(1) of that Act is clear:

18 https://www.birmingham.gov.uk/downloads/file/2471/birmingham_city_councils_social_value_policy
19 Social Value Act Review, Cabinet Office, 2015
20 Front and Centre – Putting social value at the heart of inclusive growth, Social Enterprise UK (2019)
a) For the purposes of this Act, the sustainable procurement duty is the duty of a contracting authority –

1) before carrying out a regulated procurement, to consider how in conducting the procurement process it can –

i) improve the economic, social, and environmental wellbeing of the authority’s area,

ii) facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses in the process, and

iii) promote innovation, and

2) in carrying out the procurement, to act with a view to securing such improvements identified as a result of paragraph (1)(i).

Clause 4 of the same Act obliges contracting authorities to combat inequality and its effect on the community.

Building on the Social Value Act, the Government of Wales passed the Wellbeing of Future Generations Act (Wales) in 2015. In 2017 a number of public sector bodies launched the Social Value Wales initiative to promote “social, environmental, economic and cultural wellbeing”. This was an attempt to forge a common approach to social value creation from traditional commissioners, whether they were well versed in the concept or beginners. It has a focus on local procurement which, whilst this approach undoubtedly has a positive impact on local economic wellbeing, may not always maximize benefit in social or environmental terms.

There is no social value legislation in Northern Ireland although the Assembly was working towards establishing it when it was temporarily suspended in January, 2017.21

The Government has already extended the Social Value Act’s remit by changing its guidance on the public procurement of materials involved in “major” projects and involving the purchase of steel.22 Without overtly saying so, guidance PPN11/16 brings goods into the Social Value arena by saying that procurement should “ensure the best value for money by recognising relevant wider social and environment benefits where appropriate”. The guidance allows each public body to define “major”.

The Government’s 2018 Civil Society Strategy, which does not carry legal force, describes social value as a “ribbon” which holds together the three sectors of the economy along with “people” and “place”:

“The government believes that social value flows from thriving communities. These are communities with strong financial, physical and natural resources, and strong connections between people. This includes public funding, private investment, buildings, and other spaces for a community to use. It also includes trust and goodwill, and the organizations and partnerships that bring people together”.23 Central Government has committed in march

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© The British Standards Institution 202040
2019 to take better account of social benefits in the award of its contracts and has run a public consultation launched on a proposal for a new evaluation model for social value.

C.2.2 Private sector

The Companies Act of 2013 introduced the requirement for all companies except the smallest to produce a strategic report which includes information on environmental matters, the company’s employees and social, community and human rights issues including information on relevant company policies and their effectiveness. The previous requirement for companies to report on corporate charitable donations was, however, dropped.

There are no plans to extend Social Value legislation to cover B2B procurement activities of private companies although pioneers such as Fujitsu have voluntarily adopted the spirit of the Act, requiring more than 1,500 suppliers to demonstrate a positive social and environmental impact.24

Several corporates now identify these impacts, value them and report in terms of a social and environmental profit and loss. Some have come together as part of an Impact Valuation Roundtable.25 Within the world of social enterprise reporting on social value and using it to inform internal decision making is not uncommon.26

In 2014, the EU Non-financial Reporting Directive expanded the requirements for public companies with over 500 employees to report on social and environmental issues and the wider impact of their company’s operations. The Financial Reporting Council’s 2018 UK corporate governance code asks directors to describe how they have considered the interests of stakeholders when performing their Section 172 duty under the 2006 Companies Act.

Finally, there has been legislation on specific issues that are germane to social value. Section 54 of the Modern Slavery Act of 2015 requires companies to report on the actions they are taking to address slavery in their operations and, critically, in their supply chains.

C.2.3 In practice

Consequently, the last few years have seen a big increase in guidance, tools and approaches to measuring impact. Some are more meaningful than others; some are appropriate in more circumstances than others; some rely heavily on proxy measurements; some are misleading or mistaken, even claiming to generate a social value or social impact measurement whilst relying only on data from inputs or outputs.

However the numbers of organizations measuring and reporting on social value is low. The standards to which they report are variable and inconsistent and the evidence that such data is used to influence resource allocation decisions is limited. In the absence of any legal requirement for information to be verified against international assurance standards relating to social value, very few reports are assured for either completeness or accuracy.

In a report released in February 2018, the Kings Fund findings included:

“Most, if not all, of the commissioners we spoke to had heard of the Social Value Act … but their knowledge and use of these national legislative powers varied widely, from those that

24, p18
26 https://www.frcgroup.co.uk/proving-our-impact/reports/
actively used them to support their commissioning intentions to those who were only minimally aware of them.”

The Social Value Act does not specify how to measure social value. Its guidance focuses on measuring and reporting commissioners’ intended outcomes - rather than the full extent of material outcomes that are consequences of the commission. Whilst there are some notable pioneers, in practice this is a significant weakness in the cause of enhancing social value.

Corporate reporting requirements, whether specific or implicit, do focus on the material outcomes resulting from their activities - although practice is inconsistent (on who determines what is material, and for what purpose, for example) and often restricted to what is material to the business itself. This will reduce the opportunities for enhancing social value particularly where the enhancement might reduce shareholder value.

**C.3 Overlaps and linkages with related areas – emerging consensus**

There is increasing convergence about what should be considered when measuring social value, highlighted in Clause 4 to 6.

The historical focus on measuring social impact to report or to “prove” that impact has significant consequences for regularity of collection and analysis, use and degrees of rigour, especially in relation to completeness of data relating to social impact and leading to the focus in this guidance being on understanding and enhancement of social impact.

The decision of what is material to whom and for what purpose varies in both guidance and in practice, and, in practice, continues to be influenced by the needs of whoever is delivering an activity rather than the needs of those effected by the activity.

**C.3.1 Social Value and sustainability**

Sustainability and social value are closely related. On the one hand, social value will be undermined and destroyed by non-sustainable behavior and on the other, only a very limited kind of sustainability can be achieved without reasonable levels of social value.

As with social value, sustainability is often considered in relation to three inter-connected sub-systems: environmental, social and economic. Global sustainability requires a long-term, persistent equilibrium between them. The best international consensus on social, environmental and economic targets is the UN Social Development Goals (SDGs). The Planetary Boundaries model provides a scientific consensus on the limits of the impacts of human behaviour on the environment. What is called “doughnut economics” fuses this idea of limits to human activity with a minimum threshold of resource use and environmental impact necessary to meet basic needs of the world’s population.

From a social value perspective the economy is part of the social system. Economic outcomes such as the provision of jobs and the level of wages are a component of social outcomes. Environmental outcomes are equally relevant where they have, or may have, (particularly in relation to scientifically defined limits) direct or indirect, positive or negative consequences for people’s wellbeing both in the short and long term. Moreover, social and economic behaviour can affect the environment. Where necessary for making decisions to

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28 [https://www.stockholmresilience.org/research/planetary-boundaries.html](https://www.stockholmresilience.org/research/planetary-boundaries.html)
29 [https://www.kateraworth.com/doughnut/](https://www.kateraworth.com/doughnut/)
enhance value, the assessment of social value should reflect this complexity. The key judgement will be whether these outcomes are material.
Annex D (Normative)
Approaches to materiality

Different approaches to social value use approaches to materiality because the starting point of determining what matters to whom and for what purpose is either different or has not been clearly stated.

The Global Reporting Initiative’s draft report on materiality merits quoting at length:

“Relevant (or “material”) topics for a reporting organization should include those topics that have a direct or indirect impact on its ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders, the environment, and society at large. The operations and activities of an organization lead to positive and negative economic, environmental and social impacts. Some impacts may be slow and cumulative. Others will occur at a distance from stakeholders, so that causal links may not be clear”.

“The materiality focus of sustainability reports is broader than the traditional measures of financial materiality. In financial reporting, materiality is commonly thought of as a threshold for influencing the economic decisions of those using an organization’s financial statements – investors in particular.

“Materiality in sustainability reporting is not limited to those sustainability topics that have a significant financial impact. Determining materiality for a sustainability report includes considering economic, environmental, and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations. Yet these material topics will often have a significant financial impact on an organization in the near-term or long-term. They will therefore also be relevant for stakeholders who focus strictly on the financial condition of an organization…

“The threshold for defining material topics to report should be set to identify those opportunities and risks which are most important to stakeholders, the economy, environment, and society, or the reporting organization, and therefore merit particular focus in a sustainability report”.

All approaches to determining materiality imply that assessing whether the change in an outcome is material requires data and collecting data utilizes resources. Where an organization does not prioritize data collection there is an increased risk that poorly informed decisions will not optimize social value. If there is a disconnect between resource prioritisation and decision makers’ needs, decision makers may decline to make a decision. Even with stakeholder involvement there remains a risk that either stakeholders may not be aware of the outcomes, did not relate them to the activity, or that future stakeholders might experience different outcomes. Consequently, materiality assessment should be seen as an element of risk management. The EU Non-Financial Reporting guidance includes an example of the issues that would be considered in order to reduce that risk.

The Social Value Act states that its purpose is:

“For commissioners to consider, at the pre-procurement stage, how procurement could improve the social, economic and environmental wellbeing of the relevant area, and also to

30 https://www.globalreporting.org/SiteCollectionDocuments/Materiality.pdf
31 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017XC0705(01)&from=EN
consider how in conducting the process of procurement, the commissioner might act with a view to securing that improvement”.32

There is no specific reference to materiality in the Act or related guidance. The inference is that the information should be material to commissioners for the purpose of improving social, economic and environmental wellbeing.

Social Value International supports the principle of only including what is material, advising that:

“information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”.33

This suggests that information should be material to any stakeholders for the purpose of drawing conclusions about impact; but is not immediately clear as to the purpose of the conclusions. Again, this can be inferred as being “in order to increase social value”.

The European Union’s Non Financial Reporting Directive requires the collection of “information to the extent necessary for an understanding of the undertaking’s development, performance, position and impact of its activity…”

Impact is not defined although examples are provided and additional guidance34 recognises that impact can be either “…positive or adverse. Material disclosures should cover both in a clear and balanced way. The non-financial statement is expected to reflect a company’s fair view of the information needed by relevant stakeholders”.35

It defines “relevant stakeholders” as:

“among others: investors, workers, consumers, suppliers, customers, local communities, public authorities, vulnerable groups, social partners and civil society”.

Other approaches to materiality do not necessarily refer to impact. For example, the International Integrated Reporting Council states that:

“An integrated report should disclose information about matters that substantively affect the organization’s ability to create value over the short, medium and long term.”36

The Social and Human Capital Protocol is of the view that:

“Materiality can be thought of as determining the relevance and significance of an issue to an organization and its stakeholders. In the context of the Protocol, this should be applied in terms of:

• Relevance: which social & human capital issues are relevant when considering the activities that occur across a company’s value chain.

_________________________________

32
33 http://www.socialvalueuk.org/what-is-social-value/the-principles-of-social-value/
34 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017XC0705(01)&from=EN
36 http://integratedreporting.org
• **Significance**: the relative importance of these issues to a company and their stakeholders”\(^{37}\)

...where “issues” include impacts, dependences and others.

\(^{37}\) Social and Human Capital Protocol Draft for public consultation, 2018
Annex E (Informative)
Approaches to wellbeing
<table>
<thead>
<tr>
<th>Source</th>
<th>Summary view of wellbeing</th>
<th>Areas to be measured</th>
<th>Objective, subjective, or both</th>
</tr>
</thead>
</table>
| OECD Framework for measuring wellbeing and progress[^38] | **A)** Current Wellbeing  
- Quality of life  
- Material Conditions  
**B)** Resources for future wellbeing  
Resources for future wellbeing: Capitals; Natural, Human, Economic and Social | **A)** Health Status, work-life balance, Education and skills, Social connections, civic engagement and governance, environmental quality, personal security, subjective wellbeing  
**B)** Income and wealth, Jobs and earnings, housing | Both |
| UK What Works Centre for Wellbeing and ONS[^39] | Defined as: “how we are doing” as individuals, communities and as a nation and how sustainable this is for the future. | The 10 broad dimensions are: the natural environment, personal wellbeing, our relationships, health, what we do, where we live, personal finance, the economy, education and skills and governance. | Both |
| European Quality of Life Survey[^40] | Quality of life: | Subjective wellbeing, optimism, health, standard of living and aspects of deprivation, work-life balance | Both but emphasize subjective because this has been under-represented |
| NEF[^A] | 1. Feeling good  
2. Functioning well  
Underpinned by:  
1. Supportive relationships  
2. Trust and belonging | Feeling good (e.g. contentment, enjoyment, curiosity, engagement)  
Functioning well (e.g. experiencing control over one’s life and having a sense of purpose, having psychological resources such as optimism, self-esteem and resilience)  
External conditions: work, home, family, physical health | Both |

[^39]: [https://whatworkswellbeing.org/about/what-is-wellbeing/](https://whatworkswellbeing.org/about/what-is-wellbeing/)  
"Responsible wellbeing" = "a sense of personal and collective fulfilment, balance and integration"

Four critical dimensions:
1) Self-sustenance
2) Self-esteem
3) Self-determination
4) Responsibility

| Oxfam Hong Kong B | 1) Self-sustenance (sustainable livelihoods, with dignity in labour, some material comfort and leisure
2) Self-esteem (a sense of self-worth and respect from others, ability to appreciate and live out positive values
3) Self-determination (the ability to make individual and collective choices and enjoy individual and collective freedoms.
4) Responsibility (social and personal solidarity and responsibility, peace and security and a capacity for empathy and caring, linked to awareness of interconnectedness and the impact of their lives on others

Both, but measures at the individual level are the highest level of change. At the same time there must be a balance and harmony between individuals within a society and their environment – individuals must take responsibility for both

| WeD (Wellbeing in Development Countries Research Group) | 1) Material (food, bodies, shelter, physical environment, income, assets).
2) Relational (social interaction, governance, power identity, connections between people).
3) Subjective (cultural values, ideologies and beliefs, people’s perception of their own situation).
WARNING. THIS IS A DRAFT AND MUST NOT BE REGARDED OR USED AS A BRITISH STANDARD. THIS DRAFT IS NOT CURRENT BEYOND 03/05/2019.

Bibliography

Standards publications

For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.