



SOCIAL VALUE IN
CONSTRUCTION 2023
PREVIEW REPORT

The construction industry has enormous potential to deliver social value that creates a meaningful impact on people’s lives and the importance of measurement should not be underestimated.

There has been much debate around how to effectively measure social value with public sector procurement guided by legislation and policy that differs across the nations.

As members of the National Social Value Taskforce, SCAPE, the leading public sector procurement authority, and Social Value Portal are working together to provide a consistent national approach to the measurement of social value through their annual Social Value in Construction Benchmarking Report, which draws on data across a wide breadth of projects.

Ahead of the highly anticipated release of the annual Social Value in Construction Benchmarking Report, which will be published in June 2023, this exclusive preview presents a snapshot of social value delivery across the UK for the first six months of 2022 and sets out SCAPE’s recommendations for the enhancement of social value delivery in the year to come.

The projects analysed are recognised for the number of Themes, Outcomes and Measurements (TOMs), a set of nationally recognised economic, social and environmental performance measures, used to measure social value delivered. This allows SCAPE and Social Value Portal’s benchmarking to explore both the scope and extent of social value delivered. Working within an academically rigorous framework the methodology encompasses much more than economic outputs.

Investigating what social value activities are being reported and how varied they are within projects helps to indicate if, and how, the industry is progressing in qualitative terms, adding much needed nuance to the understanding of social value delivery.

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KEY FINDINGS:

- 1. The headline from the first six months of 2022, is a 30.33% return on investment, up substantially from last year’s figure of 19.55%. This suggests the construction industry is continuing its hard work in delivering meaningful social and local economic value across its projects.
- 2. In total, 520 construction projects, valued at around £3.6bn, were analysed to show that almost £1.09bn of social and local economic value added (SLEVA) was generated.
- 3. The data tells a unique story of social value delivery across the UK, and from the figures, it is evident that the best performing regions are those in which SCAPE has an increased number of live projects on site.
- 4. The projects from the first six months of 2022 have a wide range of contract values — the lowest being below £12,000 and the highest above £130m — smaller projects are more constrained in the social value they can deliver.
- 5. When compared to 2021 figures, the number of projects is continuing to grow substantially year on year, which will make the 2023 Social Value in Construction Benchmarking Report the biggest and most comprehensive assessment of its type so far, and this trend is set to continue. This is clear recognition that measurement is more important than ever.



RECOMMENDATIONS:

There is more work to be done. The figures show that social value delivery is still smaller than local economic value, with local spend and local employment responsible for the majority of delivery. Below we set out our recommendations to the industry on how to encourage more social value.

- 1. **Social measures must be encouraged across projects of all scales.**
It is imperative that organisations ensure that social value and community lies at the heart of every project. Apprenticeships, engagement with local community or voluntary groups, and jobs for offenders for instance, are harder to achieve, especially in smaller projects, but have a wider impact than local spend, in terms of direct help for the community.
- 2. **Collaboration nationally, across different policy frameworks is key to more social value delivery.**

Social value can be created in isolation by one organisation, but the impact is magnified and can be delivered in a substantially more efficient manner if the effort is shared. SCAPE has created the Community Legacy Programme, through which the management and delivery of nationwide community benefit activities is shared with its clients. SCAPE construction partners collaborate, creating joint initiatives to increase employment and training opportunities, helping young people realise their potential.

SCAPE construction partners collaborate, creating joint initiatives.

The key findings are summarised in the following table:

	2022 (first six months)
Sum of capital invested	£3.59bn
Number of construction projects measured	520
Social and local economic value ("SLEVA")	£1.09bn
% social and local economic value added	30.33%
% local economic value added	29.89%
% social value added	0.44%

Table 1: Summary figures for first six months of 2022

	2020	2021
Contract value	£5.45bn	£5.53bn
Number of construction projects	353	402
Social and local economic value ("SLEVA")	£949m	£1.08bn
% social and local economic value added	17.41%	19.55%
% local economic value added	16.69%	18.51%
% social value added	0.72%	1.05%

Table 2: Summary figures for 2020 and 2021

THE MEASURES

520 projects across the UK were recorded and examined to identify which Themes, Outcomes and Measurements (TOMs) were most frequently used, as well as how many were used in each project. This provides insight into the construction partners which are taking the opportunity to adopt a broader range of social measures.

Below, **Figure 1** shows the number of TOMs used per project. The range is up to approximately 40 National TOMs measures. There is a bulge on the left of the chart showing that most projects use a smaller number of measures. These measures are generally attributable to local employment and supply chain spend before 'social' measures come into play. To the right of the chart, there is a long thin tail, showing the smaller number of projects that use a larger range of measures.

Larger projects, with more pre-construction time and more time to plan how to implement a range of social value initiatives, go on to create more opportunities for its delivery. While it is harder for smaller contracts to achieve the same level of social value measures.

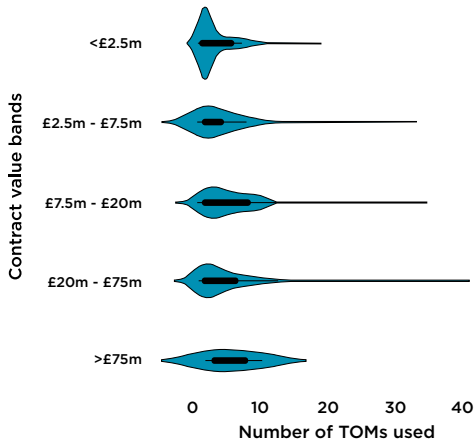


Figure 1: Number of National TOMs used (first six months of 2022)

Smaller projects tend to be part of maintenance programmes, which are often driven by clients focusing on building condition and repair rather than investment in new build projects or substantial refurbishment. Generally, the facilities management community are not at liberty to focus as much on social value in their projects, with budgets stretched, often a shorter planning time and little time on site.

Due to this SCAPE recognises that it is substantially more difficult to create higher social value on smaller projects and therefore SCAPE encourages and formally facilitates collaboration between contractors. Through frameworks, smaller projects can work collaboratively within their regions, allowing a number of different contractors to work with the same community groups and create more social value opportunities. Additionally, SCAPE's frameworks offer long-term relationships between its clients and construction partners and their supply chain in a region, providing opportunities for partnership working with local third sector, education and voluntary organisations over a longer period.

Collaboration and planning time are key to enhancing social value generally, which is reflected in the number of measures reported in the relative proportion of social compared to economic value generated per project.

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Evident from the data, growth and jobs are leading the way when it comes to delivery per project, with those two themes making up the majority of the top five measures used in each region. Apprenticeships were one of the most used measurements in every region.

Use of environmental theme measures is higher than use of measures under the social and innovation theme but the median social value added using the environmental theme per project is low, with only six environmental measures being used more than five times. This could be explained by the fact that reporting environmental measures is a relatively new concept and other methods of reporting the data may be used. It is promising to see them beginning to be reported through the National TOMs and we expect to see them continue to grow in future reports.

Figure 2 shows comparative data for 2020 and 2021.

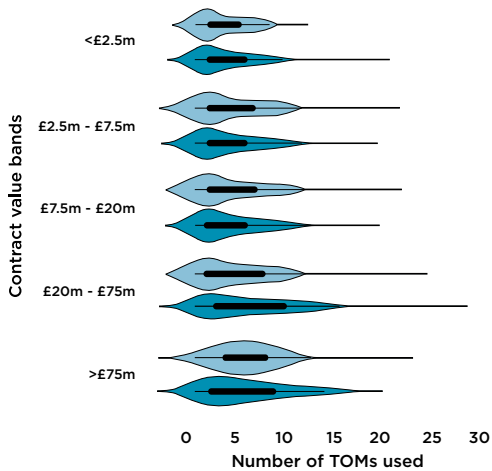
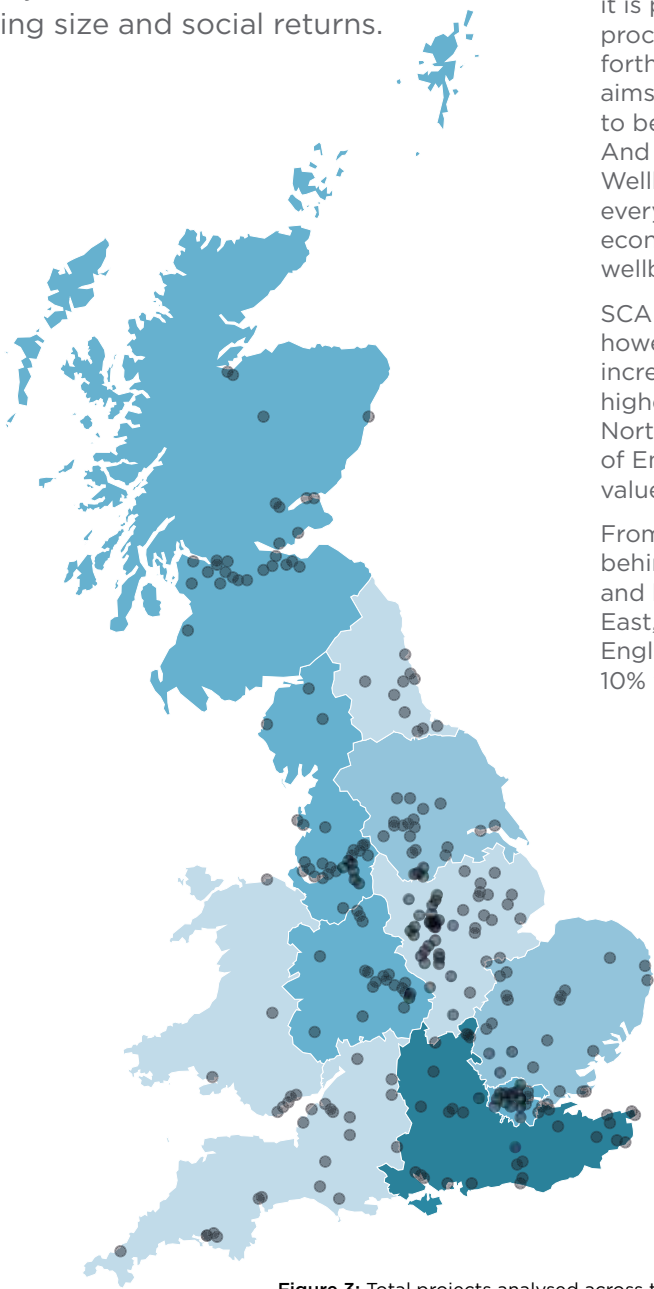


Figure 2: Number of National TOMs used (2020 vs 2021)

THE REGIONAL STORY

Regionally, there is a wide spread of projects around the UK of varying size and social returns.



The Scottish Government does not endorse monetary gauges to value social impact, where it is part of a broad agenda of a sustainable procurement and growth strategy. The forthcoming Community Wealth Building Bill aims to transform local economies in Scotland to become greener, fairer and more prosperous. And in Wales, social value falls under the Wellbeing of Future Generations Act, requiring every public body to work to improve the economic, social, environmental and cultural wellbeing of Wales.

SCAPE is a national framework provider, however certain regions where SCAPE has an increased number of live projects on site show higher social value returns. In particular, the North East, North West, East Midlands and East of England have higher social and economic value added.

From the figures, the south continues to lag behind the north of England. The median social and local value added for projects in the North East, North West, East Midlands and East of England was over 25%, compared with just over 10% for projects in London.

Whilst projects in London are not delivering the highest economic value in terms of percentage of contract value, they are utilising a broad range of measures. These include innovative measures to promote local skills and employment to be delivered on the contract, so perhaps London clients are seeking new and bespoke ways to meet their communities' needs.

The East Midlands jumped from 24 projects in 2021 to 94 in the first six months of 2022 with a 34% return on investment in terms of social and economic value added, up from 12% in 2021. This is an area where strong growth and returns can be seen, and we expect that the 2023 report will show this trend continuing.

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Median Social and Local Value Added delivered per region

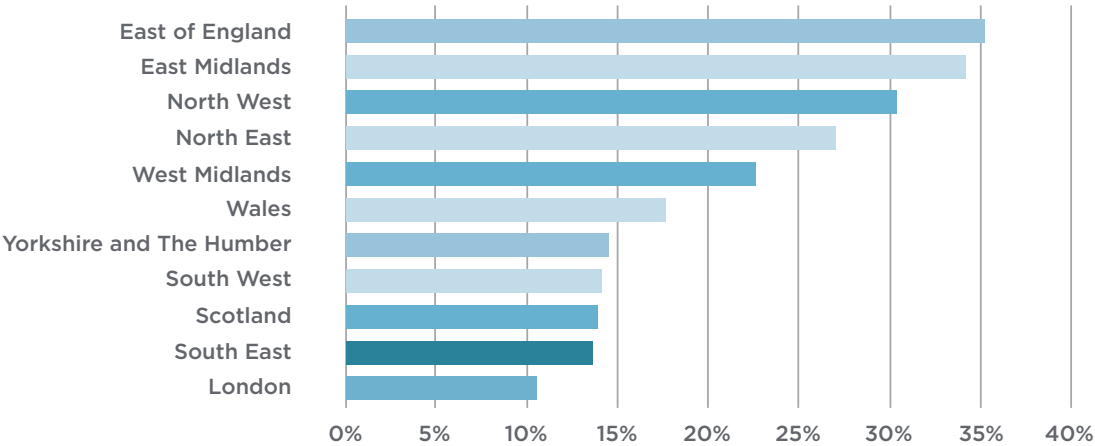


Figure 3: Total projects analysed across the UK

Figure 4: Median Social and Local Value Added delivered per region

WHAT TO EXPECT IN JUNE 2023

The construction sector continues to consolidate around a core set of measures, with a primary focus on the local economic value component.

In larger projects, there is evidence of contractors using a wider range of measures, possibly reflective of certain contractors and projects showing greater innovation and creativity in social value delivery.

June's Social Value in Construction Benchmarking Report will present some of the projects delivering outstanding social value for their communities and the innovative ways this is achieved. One contract of note is the Perry Barr regeneration project in Birmingham which created an impressive 83% return of social and economic value on a £325m project.

The construction industry had to surmount numerous challenges in 2022, not least issues arising from the conflict in Ukraine, including spiralling energy costs as well as capital inflation costs, the continuing effects of Brexit, supply issues and a post-Covid skills shortage.

Despite these challenges, the industry continues to show resilience with communication and engagement between clients and contractors key to mitigating the tests it currently faces.

The upcoming Social Value in Construction Benchmarking Report, which will show the full story of 2022, and is due to be released in June this year, will play a vital role in helping the sector to learn and shape future projects through the use of social value measurement data.

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