

The Construction Social Value Steering Group

Joint Response to the Cabinet Office
Consultation on Social Value in
Government Procurement

June 2019

THE JOINT RESPONSE

This response is submitted on behalf of the Construction Social Value Steering Group, which is a group that has been established to create greater understanding, application and sharing of good practice across the industry. The group's objectives are to define what 'social value' means for the construction sector; to develop measures that are relevant to industry as well as community need; and to promote greater consistency in the measurement and evaluation, through the establishment of a new industry standard.

This joint response is an output of our work.

GENERAL COMMENTS ON THE CONSULTATION AND SOCIAL VALUE

Whilst the Social Value Act (2012) focusses primarily on the delivery of services, the increasing combination of:

- the usage of the planning system;
- evolving client expectations; and
- major project agreements being linked to wider societal or community gains

has resulted in construction being one of the key sectors for achieving social or added value outcomes.

More recently, an emerging ever-wider range of client requirements has also been witnessed, following wider application of the Public Contracts Regulations 2015. The industry

now has significant insights and expertise into how social value can be applied, managed and reported.

From an initial audit of more than twenty construction companies, ten major projects, procuring organisations and trade bodies, the range and depth of activities the industry supports is significant. These include:

- Apprenticeships (including employment, promotion, targeting under-represented groups and development of new Apprenticeship standards);
- Careers advice and support, including support to Careers Transition Partnerships;
- Commitments to: the Care Covenant, Armed Forces Covenant, the 5% Club, Ethical Sourcing; Modern Slavery; 'Time to Change'; engagement and support to Business in the Community (BITC) etc.;
- Community Engagement, Work Experience and Local Starts support
- Dedicated Skill Colleges;
- Emission reductions (e.g. CO2 / Noise / Carbon / water / energy / waste; Air Quality);
- Bio-diversity Improvements and support for the 'Circular Economy';
- Equality, Diversity & Inclusion targets, programmes and standards (within workforce, new entrants and supply chain) and key Industry networks such as Women in Construction, Women in Property, Pride in Construction etc.;
- Living Wage and Fair employment including providing support to employees who are struggling with debt;
- Schools engagement, provision of governors and curriculum development and STEM Ambassadors; and

- Volunteering and support for dedicated charities (national and local) including addressing homelessness, supporting food-banks and Carers etc.

Each steering group organisation has a different definition or approach to social value including:

- Social Impact; Shared Value; Building a Better Society; People, Planet & Performance; Social Sustainability; Responsible Business etc., which are applied through Foundations, core business activity, Corporate and / or by Trading Company objective; Central and / or regional priorities; project by project need.

With measurement currently undertaken:

- In-house using standard company-wide systems and process or tailored tools; and / or
- Parts of the Themes, Outcomes & Measures (TOMS) framework; BITC; Social Value Portal; Supply Chain Social Value Bank; elements of the London Benchmarking Group; Social Value Calculator; Optimise; Sustainability +; Total Value etc.

Overall the steering group welcomes the consultation, given the close alignment with our work to date and the future ambitions for the group.

We urge the government to work closely with the construction industry to draw on our insights and experience. Specifically, to help develop and roll out construction focussed training for the commercial buyers across government, as highlighted in the consultation document.

Key areas where we would seek greater dialogue or clarity from government relates to the following:

- The proposed 10% weighting is a minimum – is there a planned maximum percentage through which 'proportionate' application will be assessed?
- The consultation document makes repeated reference to the UK but it is not clear how these proposed changes relate to plans for the devolved regions, along with how this will apply in Scotland, Wales and Northern Ireland.

Taken together our key 'asks' on the consultation are:

- Any metric framework needs to be limited in number of measurements, which are aligned to the challenges faced by the construction industry, society and local communities. The construction industry is keen to help shape this, to help ensure that measurements are consistent, relevant and are 'future proof';
- Any measurement framework should be underpinned by equality, diversity and inclusion metrics as a cross-cutting theme across all relevant measures;
- Where metrics relate to specific corporate social values and duties, such as modern slavery, these should not be part of taken as evidence of 'added value' but as pass or fail criteria;
- Any increase in percentages for social value in future procurement arrangements is welcome but needs to be balanced against a consistent approach to scoring and evaluation, with a longer term approach to monitoring and assurance. This is to ensure that tender 'added value' commitments are secured once contract delivery starts;

- Interpretation and application of 'local' in procurement needs to recognise and work with industry practices e.g. construction workforces are drawn from a regional pool and not one single borough or local authority area. The move towards modern methods of construction and off-site development may not necessarily align with a narrow interpretation for 'local sourcing' etc.;
- Further support is needed from government to help align and integrate all of the different groups who are looking to influence and inform standard setting in social value across the construction sector and to agree leadership roles; and
- For the construction sector and those who purchase construction services and support, there is a growing case for a recognised industry standard to validate social value credentials, to help avoid unnecessary repetition of information through tendering processes.

QUESTION ONE

Do you agree with the proposed policy metrics in the model in the attached annex?

We would offer the following observations on this question:

- Overall the metric framework is too wide in theme but then too specific in actual metrics.
- The focus on just quantitative metric achievements will stifle innovation by failing to take account of a wider qualitative approach. This runs the risk of counting outputs at the expense of understanding and achieving longer term outcomes.
- More emphasis is needed on the whole 'life-cycle' of a project or programme; from inception and planning through to asset operation, rather than just focussing on the construction phase.
- There needs to be more clarity on how this will be measured / monitored / enforced, with the proposed 'light touch' approach being out of kilter with what the policy objective is looking to achieve.
- There should be more of a focus on rewarding good performance through incentives, rather than penalties.
- There are GDPR issues on data collection, related to who will hold data and what they will use it for.
- Double counting will need to be managed and is not referenced. On large projects target cohorts such as apprentices, ex-offenders, people with disabilities etc. can be repeatedly counted if they are redeployed within the supply chain and/or multiple roles. In the context of ex-offenders, the risk of recidivism represents a counter-intuitive 'double-count' opportunity.'

- More detail is required for how the weighting for economic, social & environmental will be managed – are they all of equal importance?

Evaluation Model

- **Diverse supply chains**

The bundling of diverse supply chains who are either SMEs or VCSEs fails to recognise their different business objectives and models.

Whilst GDPR relates to personal data, businesses will need to be assured that any data collected will only be utilised for the purpose intended.

Clearer and consistent definitions of 'led by' will be required, along with clarity on how changes to business ownership / leadership post award will be managed and assured.

- **Skills and employment**

Given the importance of Apprenticeships to the industry and the long-standing commitment from successive governments this measure is not clearly defined. There needs to be more emphasis on completions, time spent on programme, take-up and completion by under-represented groups etc. as opposed to just 'starts'.

For the construction sector, any programmes or support that enables new entrants and widens access, as well as up-skilling the existing workforce, is a positive. Inclusion of traineeships, graduates, charter-ships etc. needs to be part of the mix.

Skills and employment should not be disconnected from the education system – more emphasis should be placed on long term relationships with schools, particularly in relation to curriculum development and careers support.

There needs to be a greater focus on sustainable employment and good employment practice (e.g. direct employment and fair wages) rather than just people into work¹.

- **Environmental Sustainability in support of the 25 Year Environment Plan**

More robust measures on environmental sustainability are required, with the proposed metrics unaligned to scale of future challenges. For example there should be realistic targets related to carbon, water, waste and energy reductions, along with measures for protecting and enhancing bio-diversity.

- **Inclusion, staff mental health and wellbeing**

The proposed groups for inclusion are very narrow and fail to account for all of those who face exclusion, discrimination or under-representation. There is no overt link to government priorities and strategies, as well as a missed opportunity to link to legislation and duties under the Equalities Act (2010). This should be a cross-cutting measure in its own right.

Reference to community engagement is very limited in scope and could be linked to specifics such as financial commitments, levels of *pro bono* support, time spent volunteering on local projects etc.

¹ See Construction Leadership Council Future Skills Report (June 2019) http://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2019/06/CLC-Skills-Workstream_Future-Skills-Report_June-2019_A4-Print-Version.pdf

Community cohesion is an important enough area to require its own theme, especially given that the Social Value Act specifically references 'social wellbeing'. As currently presented, it is a subset within the 'Inclusion, staff mental health and wellbeing' theme.

Linked to Question 3, 'Community' is one area where businesses, especially SMEs and VCSEs wishing to add value, can provide real and tangible benefits and the current metrics do not allow for these to be adequately considered.

- **Safe and secure supply chains**

Cyber security should be a legal requirement and it is unclear what the link is to social value.

Reference to modern slavery should be moved to either employment or managing suppliers.

Do you have examples of such metrics being successfully used in public procurement?

There are a range of contracting authorities who have well established good practice with regard to setting and applying social value measures, which includes but is not limited to the following:

- Terminals 2 & 5 at Heathrow Airport and the agreements with trade unions to include 'good employment' practices and payment terms;
- The London 2012 Olympics and Paralympics and the strong linkage to public scrutiny and accountability;
- EDFE and Hinkley Point C, as an example of a privately funded and managed project incorporating significant social value commitments and measurements;
- Manchester City Council (who have piloted 30% added value weightings);
- The Scape Group and their frameworks for public sector clients;
- Thames Tideway who have introduced incentives for achieving agreed milestones / targets;
- Crossrail who have detailed case studies and good practice examples; and
- The devolved governments for Scotland and Wales who have more expansive and defined approaches to 'added value' and well-being through their contracting processes.

QUESTION TWO

Do you agree that the proposed minimum 10% weighting for evaluating social value in the bid is appropriate?

We would offer the following observations on this question:

- The expansion of social value scoring has implications on the budget for delivery and it is not clear how this will be approached. Increased social value commitments are related to increasing delivery costs.
- There is reference to the £10m balance score card approach and it is not clear whether this has any additional weighting or meaning through the consultation.
- CITB benchmarks exist but need to be applied with a degree of flexibility to avoid 'one size fits all'.
- Bidding process will need to be clear on how this will flow down to contractors/subcontractors.
- The 10% threshold is flagged as a minimum with no sense for what the maximum could be. There needs to be a recognition that not all companies, particularly SMEs are ready for higher thresholds.

QUESTION THREE

Does the proposed approach risk creating any barriers to particular sizes or types of bidders, including SMEs or VCSEs?

We would offer the following observations on this question:

- SMEs don't necessarily have resources to be involved / deliver the full scope of social value expectations, so already have a barrier to compete.
- Measures and reporting on the number of SMEs tendering vs number winning should be highlighted post bidding.
- The size of contract and associated thresholds should be proportionate.
- Additional training and resources for capacity building should be made available.
- There is a need for greater consistency of approach across procuring organisations.

How might these risks be mitigated?

- Greater use of mentoring from larger companies and trade associations.
- Acceptance of consortium or partnership responses to questions.
- Proportionate assessment of achievements related to size / turnover of business.

QUESTION FOUR

How can we ensure government's existing procurement policy mandates (for example on levelling the playing field for SMEs) take precedence in designing the procurement?

We would offer the following observations on this question:

- The overall question lacks clarity on what it is looking for answers on. It would have been helpful to have provided a list of relevant policies or appended mandates to the consultation. How the metrics and the ambitions link to the government's approach to equality, diversity and inclusion is an example of existing mandates and objectives existing but are only referenced in a limited way e.g. the consultation identifies race, gender and disability as measures, with no reference to the remaining protected characteristics set out under the Equalities Act 2010.
- If the question relates to continuous improvement, we would recommend that standardised training and set qualifications are established. In addition, we suggest independent post tendering assessments made on how the process has been managed and outcomes achieved. Lessons learned should become part of the procurer's continuous improvement quality plan.
- Procurers need to create the right environment that allows dialogue with those looking to bid, so that there is shared understanding for what policy mandate has been included and accounted for in procurement. For example, whether enhanced terms and conditions of employment are a reasonable additional cost to include in the financial modelling or whether lowest cost wins.

THE CONSTRUCTION SOCIAL VALUE STEERING GROUP

ABOUT THE GROUP

The Construction Social Value Steering Group is a voluntary industry-led group, first established by Mace and Build UK. It was formed in order to respond to the paper, '*Social Value: Underpinning our future legacy*², and the follow-up industry leaders round table event '*Creating Social Value: A lasting legacy*³ hosted by Heathrow Airport Ltd and the Heathrow Skills Taskforce.

Attached as an Annex are all the organisations who have supported or taken part in the work to date, as well as contributing to the development and drafting of this submission.

The common theme from the steering group in its response to the paper and the round table event was the identification of the need to jointly target the specific challenges that the construction sector is facing and to find ways in which wider common 'good' could be explored and delivered.

Since its establishment, the scope of the steering group's remit can be summarised as:

- The definition of what social value means for the construction sector and the key metrics against which the objectives of the industrial strategy can be assessed;
- Developing social value measures that are relevant and linked to community needs;

² <https://www.macegroup.com/perspectives/170619-social-value-underpinning-our-future-legacy>

³ This event was chaired by Lord Blunkett in his role as Chair of the Heathrow Skills Taskforce, on the 1st February 2018 at RICS and included 40 industry leaders and major UK Programme Leads.

- Embedding a common approach and measurement to social value on all major projects, which are published annually;
- Agreeing industry-wide leadership and programme for incorporating social value; and
- Utilising social value to support new skills development and improved productivity.

PROGRESS TO DATE

Following the first meeting in February 2018, the steering group has met on five occasions, with the most recent meeting dedicated to forming this response and in scoping the forward work plan.

The steering group's work has so far has been shaped around a more targeted and inter-connected work programme covering:

- Construction specific definition & headline measures;
- Assurance arrangements;
- Influencing and informing the sector; and
- Embedding the approach in our organisations.

The following sections summarise the work to date and how they have informed our key recommendations.

Construction specific definition & headline measures

The first step was to define what social value means within the construction context. The current working version developed by the group is as follows:

"Maximising mutually beneficial social, economic and environmental outcomes and ensuring a positive sustainable impact for the community and wider society through the planning, procurement, commissioning and operation of construction projects"

At our first meeting it was agreed that as each construction company has a different approach to measuring and reporting social value. Therefore, making recommendations on one or a limited number of industry wide measurement 'tools' or systems was seen as being counterproductive. For the same rationale, organisations who have a stake in measuring or assessing social value have not been invited to join the steering group.

Again, whilst it was recognised that there are multiple approaches to measuring social value and that across each procurer there are different priorities and targets, from our review of the most requested metrics across the themes of social, economic and environmental, the 'long list' of the most common 'outputs' is as follows:

Social	Economic	Environmental
Apprenticeships Work experience Educational engagement Community relations Fairness, inclusion & respect, equality & diversity Volunteering / pro bono work / material donations Employee development / engagement Health & wellbeing Charitable giving	Job creation Local employment Prompt and fair payment Fair pay and labour conditions Inclusive procurement Spend with local SMEs No. of long-term unemployed back in work	Air Quality Noise / disruption Improvements/ regeneration of green spaces Achieving the project's/contract's environmental objectives Responsible sourcing / material selection Waste avoidance CO2 avoidance

Our recommendation is that a much shorter 'core' list is applied to all social value assessments (using definitions culled from the National TOMS and the UK Green Building Council), with a limited number of additional metrics applied to ensure local needs are met.

The suggested simplified framework is as follows, with Equality, Diversity and Inclusion as a cross cutting theme across all relevant measures:

Social		Economic		Environmental	
Metric	Definition	Metric	Definition	Metric	Definition
Apprenticeships	No. of apprenticeships on the contract that have either been completed during the year, or that will be supported by the organisation to completion in the following years - Level 2,3, or 4+	Local Employment	No. of local people (FTE) employed on contract for 26 weeks or the whole duration of the contract, whichever is shorter	Air quality	Number of vehicle miles saved on the project resulting from travel plans, scheduling and pooling of deliveries or other carpooling initiatives
Educational engagement	No. of hours dedicated to support young people into work (e.g. CV advice, mock interviews, careers guidance) - (under 24 y.o.)	Spend with local SMEs	Total amount (£) spent through contract with local SMEs	Waste avoidance	Tonnes of waste avoided from being sent to landfill as a deliberate programme over & above client requirements e.g. through better design and/or reuse/recycling

Volunteering	No. of staff volunteering hours that have been provided by staff during working hours or on overtime, or that has been delivered as a direct result of an activity organised by the organisation and agreed with the employees	No. of long-term unemployed / returners back in work	No. of employees (FTE) taken on who are long term unemployed or are labour market returners	CO2	Tonnes of scope 1, 2, & 3 savings from a deliberate programmes aimed at reducing CO2 emissions
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Assurance arrangements

From our work to date we have come to understand the term 'assurance' as referring to that aspect of a project or programme management concerned with measuring and validating the success of delivery against pre-determined performance standards, targets or objectives.

On the basis that social value has become more important to procurement decisions and as part of the external profile of a project or programme, assurance needs to be verified for an organisation to be able to check that it is getting what it has asked, and presumably paid for. For a larger and/or higher profile organisation, assurance also enables it to demonstrate to other stakeholders, such as shareholders, government or the public, that it is getting what it has asked for.

Each assurance method is defined by the size of the project or programme, which are differentiated by increasing levels of verification and potential incentives / penalties by both the contractor and the client. For the construction sector, current social value assurance is managed by the following (with the first bullet being the primary route):

- Reporting based – light touch / normally not linked to penalty or reward e.g. traditional s106 arrangements;
- Audit / inspection based – engaged verification / potentially linked to penalty or reward e.g. as applied through London 2012; and
- Performance managed – active verification and validation / linked to penalty or reward e.g. as being piloted by Thames Tideway.

For social value to be an increasing part of the procurement process, there is a corresponding need to validate and assure future delivery. To be able to effectively and consistently apply this will require:

- Agreement on who the responsibility sits with;
- Clear and robust performance indicators;
- Effective processes and procedures;
- Suitable technology;
- Appropriate personnel; and
- Adequate organisational / client support.

Influencing and informing the sector

As part of a wider engagement strategy we have been looking to inform and collaborate with organisations and groups who have a shared or similar agenda. A sample of those who we have engaged with, are as follows:

- Considerate Constructors Scheme - <https://www.ccscheme.org.uk/construction-industry-can-now-show-how-it-is-building-social-value/>

- Constructing Excellence - <http://constructingexcellence.org.uk/social-value/>
- The Institute of Economic Development (IED) - https://ied.co.uk/news_events/improving_social_value_in_the_construction_industry_major_ied_led_research_project_launched/
- Rail Safety and Standards Board - <https://www.rssb.co.uk/industry-news/rail-can-better-measure-its-societal-value-thanks-to-new-rssb-framework>
- Scape - <https://www.scapegroup.co.uk/social-value>
- Supply Chain Sustainability School - <https://www.supplychainschool.co.uk/default/social-value.aspx>
- UK Green Building Council - <https://www.ukgbc.org/ukgbc-work/social-value-actor-and-resource-map/>

Embedding the approach in our organisations

The final stage of our work is to:

- i. Work on the definitions, measures and assurance arrangements to identify the basis for a cross-industry standard; and
- ii. Make the business case for an industry organisation to champion and assure performance against the new standard.

The next steering group meeting planned for September 2019 will cover:

- The identification and forward plan for how we are going to connect with other similar groups;
- An outline forward plan / options analysis for an industry standard or kite mark;

- Establishing a 'virtual network' to enable wider engagement; and
- The drafting and agreement of revised Terms of Reference for the Steering Group.

Annex

Construction Industry Social Value Steering Group

Amey, Balfour Beatty, BAM, Battersea Power Station DC, Building Engineering Services Association, Bouygues-uk, Build UK, CITB, ECA, Galliford Try, HS2, Jacobs, Laing O'Rourke, Lendlease, Mace (Chair), Morgan Sindall, Multiplex, National Access & Scaffolding Confederation, Nuclear Decommissioning Authority, Osborne, Saint-Gobain, Skanska, TfL, Wilmott Dixon and Wilson James.

'Creating Social Value: A lasting legacy' – Roundtable Event

Balfour Beatty, Battersea Power Station, CBI, Costains, EDF - Hinkley Point C and Sizewell New Nuclear Build, Ferrovial, Heathrow Airport Ltd, Highways England, Horizon Nuclear, HS2, Laing O'Rourke, Mace, Morgan Sindall, Network Rail, Nuclear Decommissioning Authority, Old Oak and Park Royal Development Corporation (OPDC), Skanska, Tidal Lagoon Power, Tideway, TfL, TUC and Wilson James.

Contact:

This submission has been created by the members of the steering group.

For further insights please contact Paul Gallagher (paul.gallagher@macegroup.com) or Scott Cooper-Groom (scott.coopergroom@macegroup.com)