loop

The National Social Value Standard (SVS) & National TOMs

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SVS & TOMs

Both the National TOMs and the National Social Value Standard (SVS) are measurement frameworks used for the appraisal of social value. Loop uses the SVS framework within its software.

Why the metrics and values are different

- As with all frameworks in this area, both TOMs and SVS have some overlap in terms of metrics.

    - But there are still notable differences in the quality, number and scope of metrics, and how they are structured.

- The proxy values used to monetise those metrics in both frameworks differ due to different valuation approaches being used.

    - SVS uses a full Social Cost-Benefit Analysis (CBA) approach and aligns more closely to the HM Treasury Green Book guidance.

Both of these areas are expanded on below.

Why Loop prefers the SVS approach

1.   Scope

a. By developing more than 1,000 metrics (vs. 128 base metrics in TOMs) SVS offers a **broader scope** in order to try and maximise the social value that can be captured and suit a diverse set of user's needs.

  – With over 90% of those metrics having proxy financial valuations (vs. 72% in TOMs) there are also more opportunities to capture monetised social value.

  – The Loop software then provides the support and functionality needed for users to navigate that broader set of metrics.

b. SVS supports **greater tailoring** of the metrics to specific contexts and individuals.

  – This is crucial for effective social value measurement, and helps mitigate the inherent challenge of relying on the standardised assumptions needed to make a tool of this nature accessible and user-friendly.

  – Despite the need for this generalisation, the reality is that each person's circumstances are unique, and various factors impact them differently.

  – Therefore, where the data allows, the SVS framework incorporates each individual's distinct background and context, aiming to refine the evaluation to better reflect their specific situation.

  – Those factors include (when the relevant data is provided) an individual's geographical location, employment history, employment type, occupation, sector, salary, status as an ex-offender or homeless/formerly homeless, age, disabilities, ethnicity, education level, gender, sexual orientation, and relationship status.

c.   SVS also allows users to **add as many non-monetised metrics** to the framework as they need. And if monetised metrics are required then provides the opportunity to work with the SVS economists on developing those in a robust manner.

2.   Quality

- Robustly monetising the wide range of, often very intangible, impacts and accounting for all the technical nuance required to avoid under/overclaiming, and stand up to detailed scrutiny is very challenging.

- SVS has invested significantly in developing truly HM Treasury Green Book aligned valuations, using a detailed CBA approach.

   a.   TOMs has taken a simpler approach, including **relying on input values** – rather than valuing outcomes as SVS does.

   –   The further along the Theory of Change/logic model that monetisation can happen, the more it leads to a more accurate representation of the full impact of the intervention – this is CBA best practice.

   –   For example, an input value would be looking at the financial value invested in an intervention to improve the health of a local community and converting that input into a pound for pound social value (£1 invested = £1 in social value). TOMs uses this approach for 32% of its valuations, vs. 0.4% for SVS.

   –   Monetising at the outcome or impact stage instead would involve identifying the likely outcomes/impacts from that intervention (for example, both the wellbeing impacts on the relevant stakeholders and the public spending consequences of reduced demand on services) and valuing those instead.

   –   Overly relying on input values not only risks under/over-estimating social value but can limit the quality of information – undermining investment decision-making. For example, if two interventions both used input values

the return on investment ratio would show the same result and it wouldn't be possible to assess which created a greater impact and therefore pursue the investment option which maximises the social value created with the resources available.

b. SVS applies greater **additionality analysis, distributional weighting, inflation, and discounting** – resulting in more robust and conservative values.

- Establishing the counterfactual and ensuring the values are an estimate of the causal impact is essential in order to reduce overclaiming, be more representative of actual impacts, and identify what has been caused by the specific intervention rather than other factors. Compared to, for example, just using the median income for employment.

- SVS conducts the following weighting and treatments against every outcome and value:

  - Deadweight
  - Attribution
  - Displacement
  - Optimism bias
  - Marginal utility of income
  - Duration
  - Drop-off
  - Inflation
  - Discounting
  - Geographical distribution

c. SVS avoids counting **supply chain spending** as a benefit by default and risking overclaiming its impact and overshadowing other areas.

- SVS instead uses CBA principles to measure the social value generated by additional spending and by the choice of supplier – for example, an SME or VCSE. This helps to isolate the true social value created by organisations who

procure responsibly. It is about the value those suppliers create rather than just the spend on them.

- In addition, applying multipliers based on the Gross Value Added (GVA) of industry and region is not a recommended practice and the Green Book has a clear position on that. Especially when used to geographically weight and reward spending in areas with higher incomes and more industry, rather than capturing the greater impact and marginal utility in more deprived areas – addressing inequalities and the levelling up agenda.

- Another issue with the use of certain multipliers, combined with the issues in employment valuation, is that they can create such large values that the other areas of social value are overshadowed and therefore under-prioritised. For example, 98.5% of TOMs values come from their 'local economic' metrics, with just 1.5% from 'social value'.

d. SVS i**ncludes negative values.**

- This is both in allowing users to use metrics that generate a negative value, such as the declining job quality metric, and also in being able to enter negative inputs for general metrics, such as with jobs or health.

- Areas such as CO2e emissions or waste are both reported in SVS using negative values, coming to terms with the fact that those impacts are inherently damaging. A reduction in CO2e emissions should not produce a positive figure, it should show a reduced negative figure to represent the reality that damaging impacts are still being produced, just less of them.

- This is a key step towards measuring a more net, and therefore more accurate view, of social value. Rather than just seeing social value as just the 'benefits', which can lead to impact/greenwashing.

In summary, Loop believes the SVS is a broader, more robust, and more accessible framework.

Appendices

Working with other frameworks.

- Loop aims to increasingly be a one-stop shop for users trying to navigate the often-confusing world of endless social value and sustainability frameworks.

- The Loop software has a number of dashboard that help users map SVS metrics across to other frameworks when needed – such as TOMs, the United Nations Sustainable Development Goals (UN SDGs), the Four Capitals, and the Social Value Model (PPN 06/20).

- The software also has the functionality for users to upload any frameworks of their choice and use that within the platform – for example, if using an ESG framework like the Global Reporting Initiative (GRI).

Examples of ways in which SVS aligns with the HM Treasury Green Book.

- Social Cost-Benefit Analysis (CBA)
- Optimism bias
- Social discounting rates
- Monetised and non-monetised metrics
- Distributional weighting
- Marginal utility of income
- Forecasting, monitoring and evaluation stages
- Options analysis
- WELLBY valuations
- QALY valuations
- Net Present Social Value (NPSV) and Benefit Cost Ratio (BCR) equivalent
- Revealed preference valuations
- Stated preference valuations
- Inflation
- Theory of change
- Deadweight
- Attribution

- Displacement
- Drop-off
- Regression analysis
- Doubling counting
- Sensitivity analysis
- No economic transfers

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