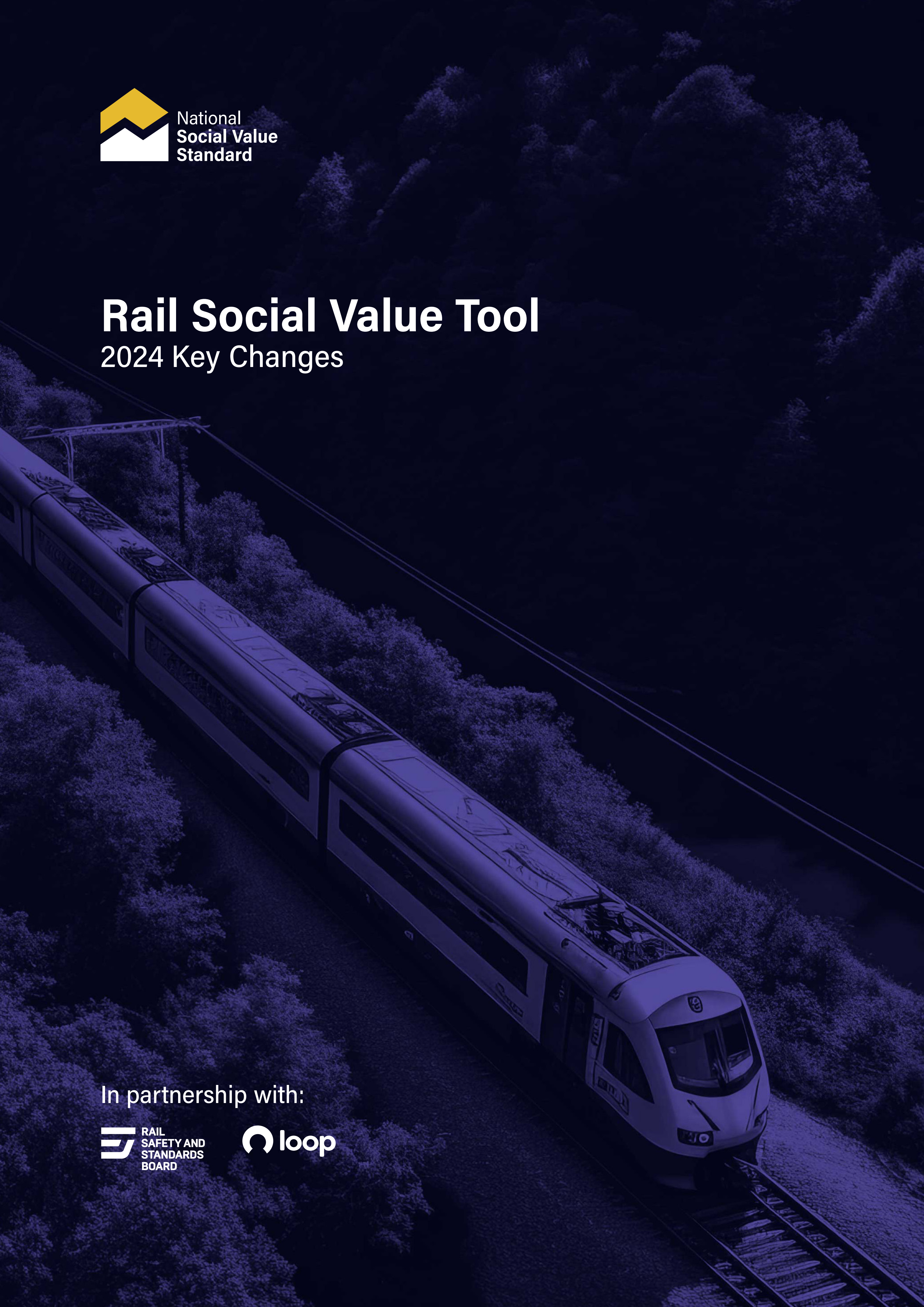


National Social Value Standard

Rail Social Value Tool

2024 Key Changes

In partnership with:

RAIL SAFETY AND STANDARDS BOARD

loop

Purpose

This document provides an overview of the key changes to the Rail Social Value Tool (RSVT) and the National Social Value Standard (SVS) that underpins it. More details are available in the full set of RSVT and SVS supporting materials.

Context

As the social value landscape continues to mature and undergo constant evolution, its impact on communities across the UK becomes increasingly significant. Nowhere is this more evident than in the rail sector, which serves as an influencer with its far-reaching effects on every community it touches.

In response to the unique social value reporting requirements of the rail industry, RSVT was established in collaboration with the Rail Safety and Standards Board (RSSB) and Network Rail. Incorporating SVS, the UK's most robust and detailed social value measurement framework, RSVT is provided with more than 1,000 metrics.

Why change

RSVT enables the rail industry to consider the social value arising from the way it operates and develops the railways, as well as the way it connects with and supports communities. RSSB and Loop draw insight and feedback from those using the RSVT as well as key stakeholders (including government and other arms-length bodies) that help shape the industry's approach to social value and its understanding of the impact it can create. The RSVT Steering Group and the Social Sustainability Working Group provide a platform for social value and rail professionals to discuss the application of social value within GB rail, how it collectively measures outputs and outcomes and the sharing of best practice. These Groups allow improvements to be identified and progressed, developments from beyond rail to be reviewed and future requirements to be mapped out. Feedback from industry has been gathered in these ways and used to inform the ongoing development of RSVT.

The social value environment is fast-moving, with new thinking emerging regularly. To support RSVT's position as the leading tool for measuring social value in the rail industry and to ensure its accuracy, robustness, and sector-relevance, RSVT will be undergoing an annual metric review process, complemented by periodic updates. Prior to the latest update, RSVT and its associated metrics and methodology had not undergone a comprehensive update for a period of three years (since 2021). This document captures the key changes from the 2024 metric review.

It is important to emphasise, that the tool will continue to support all live projects and existing commitments using the 2021 version of the metrics. However, new projects will automatically use the latest version of RSVT.

The cross-industry version of the Loop software and SVS framework has already undergone several annual updates. Those improvements and learnings are now being leveraged to enhance RSVT.

The four key areas that have driven the updates:

1. New data – ranging from regular updates to Office for National Statistics (ONS) data and other economic data, new academic studies, or changes to government best practice.
2. New methodologies – for example, the HM Treasury's Green Book[1] introduction of the new wellbeing measure (WELLBY[2]) was a very positive development but impacted a huge number of valuations.
3. Greater depth and accuracy – the depth and complexity of the valuation modelling has been developed further over the last three years, enabling greater accuracy and tailoring of impacts.
4. Industry feedback – input from both the rail industry and other stakeholders have influenced the structure and approach of the tool.

These changes may include updates to existing metrics, the introduction of new ones, or modifications to ensure better alignment with industry trends, government guidelines and stakeholder expectations. This was all necessary in order to make the RSVT metrics and valuations genuinely market-leading and more closely aligned with HM Treasury's Green Book guidance.

Although the update has increased the number of metrics and areas of value that can be captured, it also reduced many headline values. This was because of the improved robustness and rigour of the valuations, greater alignment with HM Treasury's Green Book and the shift away from measures and methodologies that are no longer suitable for this context, such as Gross Value Added (GVA), Local Multiplier 3 (LM3), and Social Return On Investment (SROI) (further details provided later in this document). The use of financial proxy values is a powerful tool, but it must be approached in the right way and keep up with the latest developments.

[1] HM Treasury· The Green Book (2022)· https://www·gov·uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020

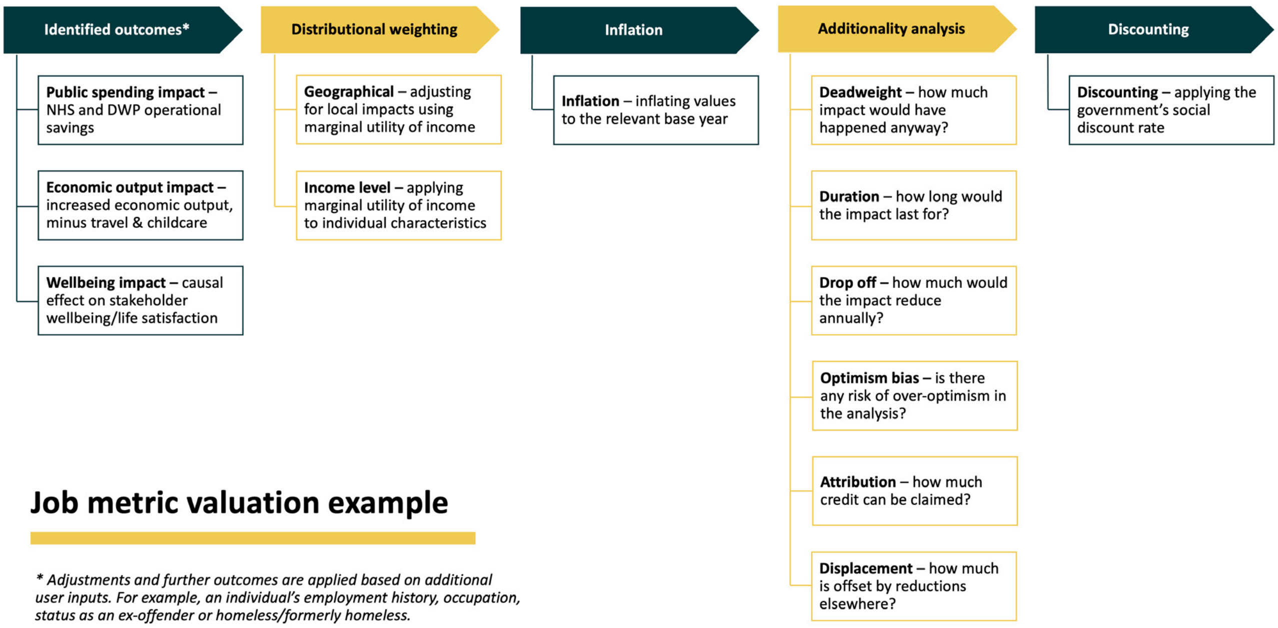
[2] HM Treasury· Wellbeing Guidance for Appraisal: Supplementary Green Book Guidance (2021)· https://www·gov·uk/government/publications/green-book-supplementary-guidance-wellbeing

Headline changes

Some of the headline changes to the RSVT framework are:

- A broader and more diverse range of metrics and valuations developed – with over 1,000 metrics and 90% of those monetised. Within the updated RSVT, there is now a 'key metrics' feature to help new users navigate the significant number of metrics. Approximately half of that list are optional CO2e reporting options to help users measure their tonnes if they do not already have appropriate data.
- Metrics restructured and renamed to improve the user experience. Moving to a five category approach:
    - Employment and economic.
    - Health, training, and skills.
    - Supply chain.
    - Community.
    - Environmental.
- Greater tailoring of valuations to individual impacts and contexts. This is particularly important to help balance out the fact that in order to make this tool accessible and user-friendly a lot of standardised assumptions have to be made, but in reality every job will impact everyone differently – therefore RSVT tries to capture as many of those individual differences as possible, where the data is robust enough.
- All valuations, outcomes, distributional weighting, additionality factors, and economic treatments reviewed and updated – all aimed at further alignment with government best practice and HM Treasury's Green Book guidance. Figure 1 lays out those factors within a valuation example.

Figure 1: Job metric valuation example



Updated values

To manage expectations, it is anticipated that most new projects using the 2024 version of the framework will see a decline in their total social value when compared against the previous version. This was done to increase robustness and accuracy. Whilst some previous values have been revised upwards, most valuations have seen a decrease in value.

The biggest impact on the values is the move away from the GVA and LM3 measures. These measures have an oversized impact on the social value totals compared to other measures, highlighting one of the reasons why they have become less favourable.

Table 1 below shows the headline figures on a rail project case study using both the 2021 and 2024 versions of RSVT. This is a rail example activity from 2019-2022/23 using actual data from the RSVT tool. This project had an overall project spend of £866,196,487 and was based in NW England. The total social value generated using the 2021 version was calculated at £163,594,890 (if GVA and LM3 are excluded). Using this data, metrics were used that most closely align with the 2024 version and it generated a £74,282,473 figure. Which is a 53% change. If GVA and LM3 were included (previously totalling £478,246,672) this would result in a 14% change in total social value, which also emphasises the outsized impact of those two measures.

Table 1: Change in social value impact for GVA and LM3 2021 to 2024.

	Total SV (2021)	Total SV (2024)	Change
Without GVA & LM3	£163,594,890	£76,282,473	-53%
With GVA & LM3	£641,841,562	£554,529,145	-14%

It is important to remember that this is just an example and the value from the project would only reduce if recalculated, users are able to keep using the 2021 version with live projects. The 2024 version will be used on new projects and therefore there will be no change.

Additional details on the differences between the 2021 version and 2024 versions:

1. Jobs metrics (previous totalling £66m) are now valued at £20m, largely due to new factors such as previous employment status being taken into account and the use of new measures such as the WELLBY. If more data was available on individual stakeholders, then further tailoring would allow for additional value being captured.
2. Previously internships/work experience metrics did not take into account the fact that many of those opportunities would have been unpaid, and therefore had a smaller impact. That is now taken into account.
3. There are metrics where the value has increased - in-work training and volunteering metrics.
4. Other metrics such as mentoring relationships and fundraising have stayed at similar values.
5. This comparison relied on existing data entered on RSVT and if additional inputs were gathered then new metrics may add extra areas of value.

Gross Value Added (GVA) and Local Multiplier 3 (LM3)

What is GVA?

At the level of an organisation, GVA is the value of the goods or services sold minus the costs of all inputs that are part of this production. If you take a simple example of a bakery, the value that the baker adds is the total value of the bread, cakes and biscuits created (the goods produced), minus the cost of the ingredients and equipment (intermediate consumption).

Why has GVA been removed from the social value totals?

The GVA has been removed from the framework due to challenges with the economic theory and desire to be more closely aligned with government guidance which recommends not using GVA in the social value context.

Previously, the way GVA has been captured in the social value space is by multiplying employment. In effect, meaning that the input measure is not directly relating to the outcome of the amount of GVA, as it assumes consistent relationship between employment and GVA (which will vary across organisations and industries). The use of GVA as a measure of uplift resulting from local employment in specific areas can also create double counting risk when used alongside employment metrics.

In response, improved employment metrics and geographical weighting have been introduced to capture these impacts more accurately, reducing reliance on those broader assumptions. This shift reflects a broader embrace of Social Cost-Benefit Analysis (CBA), aligning more closely with government guidance.

The 2022 edition of the HM Treasury's Green Book underscores this shift, stating: - "Therefore, changes to Gross Domestic Product (GDP), or Gross Value Added (GVA) or the use of Keynesian type multipliers arising from different options cannot provide useful information for choosing between options within a scheme and are therefore not part of the Green Book appraisal process."

In general, there is growing criticism of GVA as a measure of productivity, with both the European Union (EU) and Organisation for Economic Co-operation and Development (OECD) arguing that it should not be used in policymaking as an indicator of regional productivity.

In formal CBA, evaluations have traditionally been dominated by broad economic outcome estimates, neglecting social and environmental impacts. This supports the need for the push towards social value assessment, where economic considerations can be balanced against social and environmental factors. Continued reliance on GVA would risk overshadowing other dimensions of social value, thus underestimating their significance.

However, GVA is still available in the software as an optional measure for those who require it for reporting purposes, but it will not feed into the social value totals automatically.

What is LM3?

LM3 measures how spending entering a local economy then circulates within it, across three 'rounds' of spending. Therefore, it attempts to show how far an initial financial investment travels in a local network of relationships and the impact that has on the economic wellbeing and resilience of a region.

Why has LM3 been removed from the social value totals?

Whilst LM3 still has its uses as a measure, it does have issues with the underpinning economic theory which puts the valuation at risk of over claiming. Therefore, LM3 is not recommended as a direct measure of social value.

As general understanding of LM3 has evolved, so too have concerns around some of the assumptions used. In particular, the attribution of extensive supplier spending as direct social value, presenting a challenge in accurately assessing an organisation's impact.

Additional supply chain metrics have now been developed which capture more accurately the impact of supplier spending and the decisions taken, combined with greater geographical weighting. This is again reflective of a broader embrace of Social Cost-Benefit Analysis (CBA), aligning more closely with government guidance. As with GVA, the HM Treasury's Green Book does not advocate for the use of such multipliers in this context.

However, LM3 is useful for understanding how local spending does spread locally. The measurement itself can have a lot of legitimate uses (particularly for local authorities and the localisation agenda). But it is not recommended as a way of measuring increases in social value. Therefore, it is still an optional measure in the framework but will not feed into the social value totals automatically.

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