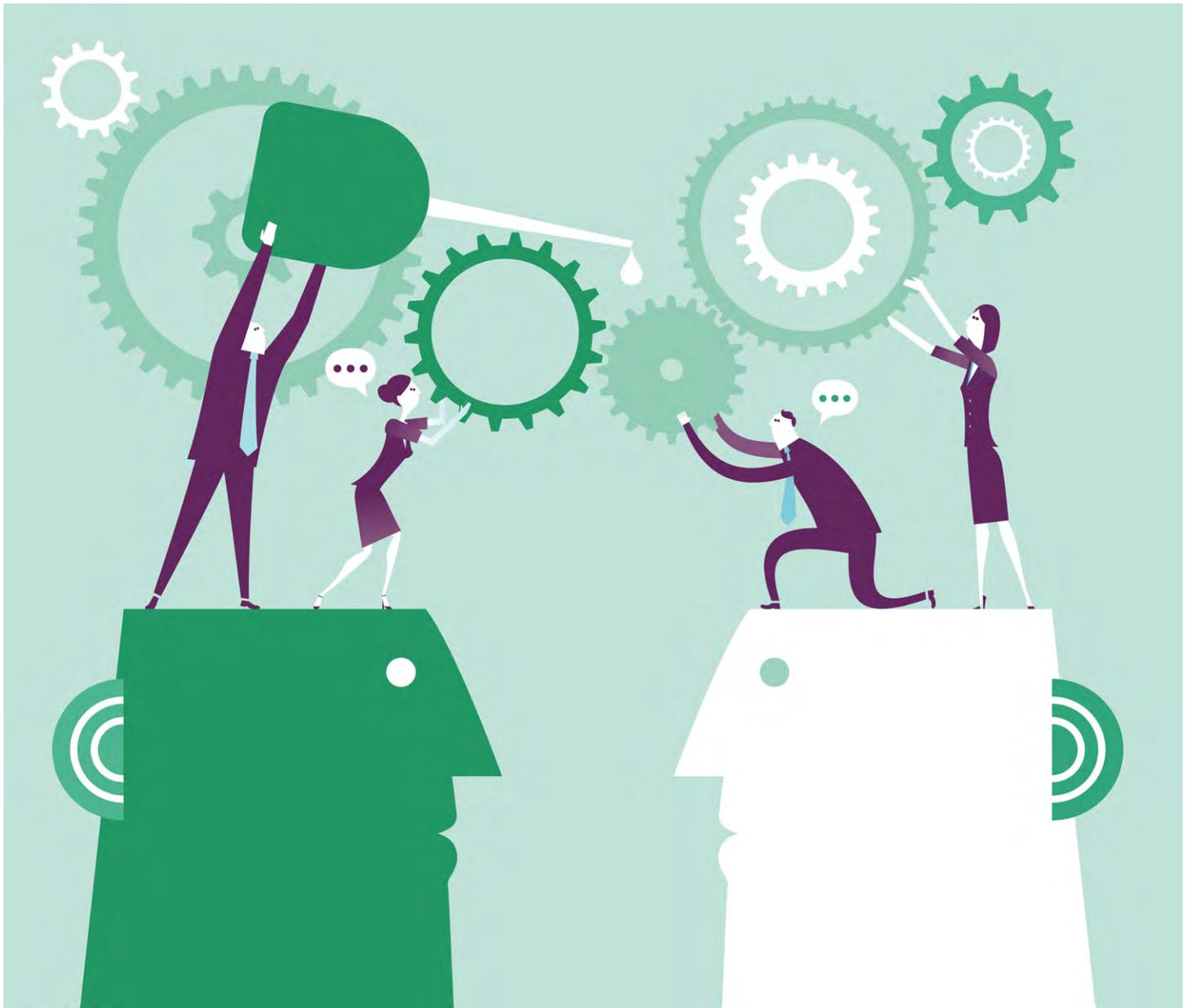

Case Study



Harrow: making refurbishment better

Introduction

Harrow Council refurbishes numerous of its properties a year. The work is both necessary and desirable for its own sake, both to reduce the waiting list for housing and to bring down carbon emissions. But the Local Authority wanted to see if it could maximise the benefits of the work through making use of "social value" (SV), looking beyond the price of each individual contract and selecting would-be contractors based on the "extra" benefit they could offer to the impacted community. So, in collaboration with Social Value Portal ("the Portal"), Harrow selected a representative renovation project, Cowan Avenue, to carry out a pilot study. The remit of the work was to install

external wall insulation, refurbish the inside of the property and install electrical services. Here at the Portal, we used our SV assessment tool as part of the tender process.

Each bidder successfully completed the assessment, with offers varying from +3 to +57% / £51,000 to £780,000 social value-add (SVA). This is the total above and beyond the requirements of the core contract.

Because the process was well managed, it didn't add to the actual delivery costs of the project and now Harrow is examining how SV-enabled bidding can be used in all contracts above £100,000.

"With the localisation of business rates being implemented over the coming years the importance of the local economy to councils will greatly increase, therefore providing a greater focus to local businesses through social value is essential"

Terry Brewer, Divisional Director of Procurement, Harrow and Brent Council

Why is Social Value Useful?

Local authorities are in the business of social value – giving their taxpayers' benefits. However, as Central Government grants are cut, councils need ways to make their money go further; 'spending money wisely' only goes so far. In addition, councils like Harrow are using legislation that allows contracts to be procured based on factors other than simply best value. The result is a deepening relationship with business and third-sector providers who are willing and able to provide the most – cost-free – for the communities in which they work.

This is a brand-new area for many local authorities. Most are not used to identifying and packaging specific community needs for different suppliers to help out with. Measuring and comparing the SV of each bid is another unproven area. But both things must be carried out if the help is to be delivered in a useful fashion.

The Targets

Here are the steps that Harrow and the Portal jointly followed in order to make sure this happened as planned.

Step 1: Council social value policy

The Council's SV policy was approved in January 2016 and sets out a standard approach to gaining added value from bidders and allows the Council to benefit more from its procurement and commercial activities.

In order to make sure the policy was going to be genuinely helpful, the Local Authority aligned it with

their corporate objectives. It then set out its requirements and that of its inhabitants, linking the borough plan through a 'golden thread' to individual procurement projects based on the Harrow Council SV policy.

Step 2: Measurement Matrix

Working with the Portal, the Council developed a set of themes, outcomes and measures (TOMs) against which

individual tenders could be assessed to make sure they fit with the Council's SV policy.

THEME	OUTCOMES
Making a difference for families	Outcome: People have the skills and training for work
Making a difference for communities	Outcome: Jobs created or sustained
	Outcome: Collaborative working with the voluntary and community sector
Making a difference for the most vulnerable	Outcome: People from all backgrounds are respected and treated fairly
	Outcome: People are supported through skills and employment opportunities
Making a difference for businesses	Outcome: Thriving local businesses
	Outcome: An effective and resilient third sector
Promoting greater environmental sustainability	Outcome: Businesses are more responsible
	Outcome: Ethical sourcing practices
Business Innovation	Outcome: People live environmentally sustainable lives and Business operates sustainably
	Outcome: People live in, work and visit Harrow's vibrant and creative town centres
	Outcome: Other innovative business measures taken to add social value

Step 3: Tender Evaluation

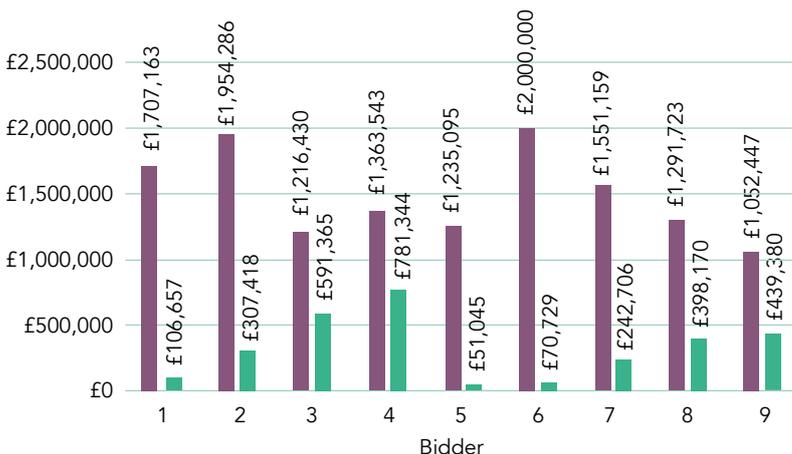
Each bidder was asked to propose how they would add SV to their core contract. We made sure it was clear that the Council would not pay extra, but that SV would be scored.

SV was given a total weighted score of 10% being split between 7% SV score (using the Portal assessment tool) and 3% on the supporting method statement. Other weightings were "cost" 60% and "quality" 30%.

What came back?

There were nine financial submissions, and each bidder also made a SV submission through the Portal. Bidders were asked to choose how they would make a contribution against a set of potential opportunities laid out in the Harrow SV policy, leaving decisions about 'relevance' and 'proportionality' to the bidders to make. The value of submissions ranged from +4% to +57% of the contract value.

Contract Value vs Target Social Value



Key finding: Relationship between Social Value-Add (SVA) and contract value varies widely

Key observations were as follows:

- The lowest contract price included more than 41% SVA and the highest only 3.5%, SVA suggesting that there is **no correlation between bid price and the SV offer**
- The **highest SV** proposal (£781,000) **ranked fifth** in contract price
- The **average SVA offer was 25%**

Figure 1: Summary of bidder social value submissions for Cowan Avenue, Harrow Council

Offers by bidders included:

- Employment of 20 people from within Harrow area
- Four new apprentices created or sustained as a result of the project
- 11 weeks of meaningful work-experience offered to young people
- Up to 1000hrs of voluntary time offered to local community groups
- Up to 50% of contract value to be spent on local supply-chain providers
- 200 hours offered to clean and maintain local green infrastructure

Key benefits

When a council is seeking additional social benefits from suppliers, it's important the process does not add additional costs to the contract.

Including SV in commissioning and procurement processes is not difficult, but it can make a big difference to people in the community, to the quality of service and can help councils get more for their money.

The commercial, contracts and procurement team in Harrow built on some of their previous work to include SV ideas and methods into the procurement cycle.

The SV policy was approved by members so it had the backing of policy heads within the Council.

Harrow now considers bidders' SV contribution as a standard part of procurement. The team actively seeks additional SV benefits in all procurement spend over £100,000 with the help of a dedicated SV officer. In addition, the procurement officers are given relevant SV training so that they can understand the opportunities and requirements of the approach being adopted.

Key additional impacts that are expected to arise from embedding social value into procurement processes at Harrow include:

- Encouraging a diverse base of suppliers
- Promoting fair employment practices
- Meeting targeted recruitment and training needs
- Providing community benefits
- Ethical sourcing practices
- Promoting greater environmental sustainability
- Improving council economic sustainability

What did the team learn?

Key findings from this study include:

Make it easy to deliver. Like most other councils Harrow has downward pressure on resources, so it was important to make the integration of SV into its processes as cost-effective as possible.

A number of key steps have been taken to minimise the officer time as follows.

- **Minimum spend threshold:** A £100,000 threshold below which social value is only considered in broad terms and not scored.

- **Pre-approved measures:** A single set of pre-agreed SV themes, outcomes and measures (TOMs) to be used by officers in all contracts over £100,000 as part of the SV policy. Officers no longer have to decide which TOMs are relevant every time.
- **Tender preparation:** A standard set of clauses that will go into all projects over the threshold.
- **Point of contact:** A single officer who takes care of the TOMs and can ask questions to suppliers.
- **Submissions:** The Portal was used to manage the measurement of the SV submissions and help the Council understand them. This made it quicker to complete the bid.
- **Adopt the Portal for bid assessment:** About an extra half-day is required to assess and score the SV submissions minimised through using the Social Value Portal

Evaluation. All organisations successfully submitted their bids using the Portal's on-line procurement platform. The scoring system worked well in bid-evaluation and delivered what the Council needed.

Core project costs. The submissions made by the bidders showed they did not generally adapt their bids to include SV costs. This was made a clear condition within the invitation to tender. There is likely to be an upper limit to the SV-weighting so that sophisticated bidders do not 'game' the process.

Conclusion: success!

- The Council had a 100% submission rate using the Portal's procurement platform from the bidders, which shows us that we could integrate SV requirements into normal procurement processes at almost no extra cost.
- Financial weightings were an important signal for suppliers as to the Council's priorities.
- The Council found it easy to develop and use a SV scoring system to measure and compare bids
- Delivering SV did not add to the core project delivery costs.
- The Portal worked well for Harrow which is now looking at how its use can be extended to cover all contracts over £100,000.

We suggest the following further steps:

- Make it clear that the contracting authority is not looking to pay any additional costs for SV;
- Set the scoring high enough to ensure that SVA offers an incentive, but not so high that a supplier is tempted to add costs to their bid, and;
- Make sure the service you are tendering for won't be negatively impacted by having too high a weighting for SV.