

INCREASING MATERIAL REUSE FROM HWRCs TO DEMONSTRATE SOCIAL VALUE

Your company provides a valuable service to the community and you want this to be recognised. But sometimes, just doing the job well is not enough – you need to promote your company to demonstrate that you provide jobs, manage the environment and give value for money.

The Social Value Act and the Lord Young Report (2015)

That is what “social value is all about” – it is based on the Social Value Act which came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.

The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider or community to design better services, often finding new and innovative solutions to difficult problems.

It applies to public service contracts over the EU threshold, so it applies directly to many larger local government waste and recycling tenders.

Lord Young reviewed the impact of the Act after its first two years and reported in February 2015. He concluded that it was beneficial overall, and where it was applied, it has led to innovation and cost savings in procurement. However, he concluded, “the incorporation of social value in actual procurements appears to be relatively low.”¹

Lord Young identified a number of problems:

- It is not being used by all local authorities
- There is an inconsistent approach to how the Act is being applied
- Commissioners are unclear what “social value” means and how to include it in the procurement process
- There are difficulties in monitoring how much “social value” is being achieved with individual tenders and projects.

Despite these difficulties, it is clear that the Government, and our new Conservative Administration, will continue to expect the Social Value Act to be the basis of public sector procurement.

Many of those sitting in the audience will have contracts with local government, so it is in your best interest to understand its implications for your tendering strategies and business operations.

Lord Young concluded that commissioners are not themselves clear how to apply the Act. What this means in practice is that there is little guidance or precedent available for local government procurement teams to base their tenders on. In other words, Social Value is a new concept and most commissioners are waiting for others to break this new ground.

You can use this lack of certainty to your own advantage. If there are no hard and fast rules, you can write some of the rules yourself.

¹ Social Value Act Review, Cabinet Office, February 2015.



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At the heart of Social Value is the familiar triumvirate economic, environmental and social benefit which we all recognise by the term "sustainability".

Sustainability is a concept that has been around for a long time now and which we all feel we understand. I recall when it was first incorporated into public policy in the late 1980s and early 1990s. It was also very confusing at the time and my colleagues and I referred to it as "the S word" because it felt a bit like a curse!

However, as with sustainability, the concept of Social Value will take hold and will dramatically shape and re-shape how procurement is focussed. You will need to take account of it because it will impact upon the structure of the contracts you are currently bidding for, but it will also become important to your supply chain.

Government departments may require their sub-contractors and suppliers to conform to the principles of social value and sustainability and may require a certain level of compliance.

You may have seen the recent call for projects for funding under the "WEEE Local Project Fund" which sought to encourage the development of new schemes to increase re-use and recycling of whole appliances and increase tonnages collected. The Assessment Criteria for the grant clearly had their roots in the Social Value act. This is a demonstration that Government thinking will continue to move in this direction.

I have recently been required to demonstrate compliance to a client using the Chartered Institute of Purchasing and Supply (CIPS) "sustainability index" which is a comprehensive on-line checklist where the supplier is asked to provide significant levels of evidence that they run their operations in a sustainable way. Many of the questions were around adding social value.

Sustainability is easy for companies to demonstrate for economic and environmental benefits. The social side is more difficult, and the Social Value Act fills that gap.

What does this mean for your business?

Whether you are in the supply chain for a major contract, or your company is tendering for local authority work, you need to demonstrate that your service is superior to your competitors. Your competitors will offer similar services as you (though they are probably not as good!) so how can you set your company apart when bidding?

One way is to anticipate the need to prove Social Value in your services. It's not something that you can put in place quickly – you will need to prepare and probably do things differently so that when that major opportunity comes round, you are ready. You need to keep one eye on business, and the other on how you are going to meet your government customer's changing expectations and requirements.

The basic "buttons" you need to push when demonstrating your **social value credentials** are:

- Using waste and other materials sustainably
- Building management and business capacity in the local community
- Providing new jobs, apprenticeships and training opportunities, particularly for hard-to-reach parts of the community
- Raising awareness about the need to recycle and reuse
- Raising attainment in English and Maths amongst people who did not achieve well in education
- Saving money by providing services in an innovative way



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There are many things that your company can do to prove social value and sustainability:

Environmental

- Carbon reduction
- ISO 14001/9001
- Complaint management
- Evidence of good legal and regulatory compliance

Economic

- Apprenticeships and Traineeships
- Mentoring the third sector to pass on business skills
- Work with education institutions to provide work placements
- Provision of jobs and training for academic low-achievers and keeping them in work in the long term

Social

- Vehicle compliance schemes that demonstrate courteous driving and care for cyclists
- Support for local charities
- Partnership schemes between your company and the third sector

An example of delivering social value in an HWRC project

I am now going to share with you some of my experiences in setting up a waste reuse scheme for household recycling centres (HWRCs) that pushed these buttons. It is called the **Repair Academy** and you can look on its website of the same name to learn more about the project.

Before I start, I want you to understand my business parameters. I was tasked with finding a way to reuse bulky waste and it should:

- be cost-neutral for the company and not give rise to additional staffing or other costs
- not disrupt normal operations and service delivery
- make the company look VERY good in the community
- be up and running in 9 months.

My first task was to identify what our local government client wanted. I started by looking at the objectives in the County waste strategy but I also looked at the Corporate Strategy. These documents are easy to find on local government websites and they set out a clear set of objectives that the commissioners will need to seek to deliver. It is important to look carefully at these document and use their wording wherever possible. This exercise gave me the first set of over-arching objectives that the project would need to meet in order to set my company ahead of the completion.

The emphasis in those corporate documents were about delivering reuse, education and training, and encouraging people to be more waste-aware. Oh yes, and they wanted to save money.

Next, I looked at what my company had to offer toward the project. I found:

- Expertise in managing waste
- Reusable materials in HWRCs (we had evidence that this was up to £120,000 in value as sales in local auction houses)
- HWRC staff who were well trained and committed to doing the right thing for the environment and our customers
- A derelict building

That certainly was not enough to put together a social value project so I started to look for some other organisations to help me.

I visited a number of local charities that sold second-hand items and asked them if they would be interested in working with us. They could not have been more enthusiastic. They were small charities and they were struggling with a number of issues:



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- They were isolated from other charities because they were very small and in competition with each other and did not have a good support network as a result
- They showed a lack of expertise in many business and waste management areas
- They had difficulty in sourcing enough materials to keep their sales figures high enough to stay in business
- They were not able to attract enough people to put through their programmes
- They were having difficulty in delivering accredited education qualifications because they did not have effective relationships with education providers
- Oh yes, and they needed money. They needed to attract further grant funding for revenue expenditure but this was becoming increasingly difficult

But they had something that my waste company lacked and that I needed for my project:

- They had charity status
- They had programmes in place to provide training and support for hard to reach sectors of the community
- They were experienced in working with reused items and were able to undertake repairs
- they operated retail units

I knew immediately that we could be effective partners. But first, I needed to find ways of addressing some of the problems they were facing. I then looked to additional partners to fill those gaps.

I went to the local Wildlife Trust who had a strong relationship with my company and the Council and who delivered a lot of the Council's frontline education about the value of re-use. They were delighted to work on the project because it would help them demonstrate to the Council that they were delivering their engagement work on reuse.

I went to the local Community Council who were looking for projects and schemes to send some of their youth clients to. They needed opportunities for work experience, volunteering and community action.

Finally, I went to the local colleges who needed to find practical programmes for some of their students, particularly NEETS (not in employment, education or training).

We all needed something that the other partners could help provide. I knew that this was a sound basis for developing a partnership.

Six months after we had our first meeting, we had launched our pilot project. The new social enterprise, called the Repair Academy, is now running successfully though it is less than a year old. It is not financially self-sufficient yet, but we think it will be in the near-ish future.

We met every month for the first six months and this is what we achieved:

- we agreed joint objectives that we could all sign up to (which by the way fit very nicely with what the Council wanted in its corporate strategy)
- we all signed a Memorandum of Understanding which set out what each partner would contribute to the project
- we developed a detailed work programme
- we raised funds to set up the project
- we hired a project manager
- set up the workshop operation
- bought a van
- trained the company's HRC staff in how to handle and segregate reusable materials
- agreed an outline training plan for the project's young target group and NEETS.
- had a well-attended launch that was well-publicized in the press.

After the launch, we started a pilot. It was a bit bumpy, but it is working out. The project is now:



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- collecting material from HRCs in a daily round which is brought back to the repair facility to be mended and moved onto a sales outlet
- offering work experience, training and job placements for young people, including NEETS
- demonstrating that reuse is possible and beneficial
- proving good quality items to our local charity partners, thus increasing their sales
- earning some money from auction and internet sales
- has created three jobs: the manager, the white goods engineer and an admin apprenticeship.

Not bad for one year!

The business model is fairly straightforward, based on the premise that the items diverted from the waste stream need to be sold in order to cover the cost of handling them. The material is free, obviously, but costs arise from transport, repair, utilities, salaries, etc. In addition, the initial set-up costs were considerable and my company paid for most of that but we also received a sizable grant from the Police and Crime Commissioner who liked the project because it provided opportunities for NEETS. As materials are repaired, they are sold at low prices to local charities who sell them on or use them. This can be anything from repaired washing machines and dishwashers, to wood for carpentry projects or dishes to the local Scrap Store. Though there may be small charge to these charity customers, the hope is that their overall sales will be much higher due to increased volume, and everyone will benefit.

Of course, there were a few things that weren't perfect:

- It was difficult for the project manager to set up the project plus act as the main driver and operative and this caused the project to be slow to get started. Once he was given more support from my company and an admin apprentice, things got better.
- It took longer than expected to find outlets for some of the materials so movement of items in and out was slower than anticipated.
- The quality of the materials is highly variable and it is difficult to guarantee a steady through-put
- Running costs were higher than anticipated, particularly for water and electricity because of the high number of white goods repairs, particularly washing machines.
- The waste regulations created an uneven playing field with similar charities who took direct donations and did collections.

How well did we meet our objectives?

In terms of Social Value, all the partners were able to demonstrate that:

- They were working together more closely than they had before and they were sharing expertise and resources. This means that the overall knowledge and skills in the third sector in that community increased.
- More young people were being offered opportunities, particularly NEETS, than if the project had not been launched.
- A new training programme had been launched that was very practically oriented and therefore attractive to a new sector of the unemployed and underemployed young people in the area.
- Jobs had been created
- An apprenticeship had been created
- Material was being diverted from recycling to reuse
- Awareness in the general public about the value of reuse (and working with NEETS) was being raised
- More low-priced goods were being retained and recirculated in the local economy for people on low incomes

And how did my company benefit?

- A viable scheme to demonstrate meeting the objectives of the waste hierarchy
- A scheme that would not have happened without their intervention that was seen positively by the community



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- A demonstration of meeting the Council's overall objectives, not just a promise that something would be done.
- Hopefully, a self-sustaining new not-for-profit business that will reflect well on the company but that it does not need to operate.
- A way of demonstrating how reused materials leave the waste stream (charities, charitable projects, sales, etc.)
- A good story to tell about how it delivers social value.

Concluding advice

In conclusion, here are some points for you to ponder if you are considering increasing material reuse from HWRCs to demonstrate social value:

- Understand your client**
Agree your company's contribution
Find your partners
Agree common goals
Cooperate with your partners
Provide evidence
Advertise your success
- Understand what your client wants and needs and develop project objectives that specifically address those issues.
- Have a clear understanding before you begin about what your company is willing to put toward the project in terms of staff time, material, premises, ongoing work with partners and stakeholders to maintain momentum and ensure that the project continues to run on a business-like footing. Do not set up something that you cannot resource.
- Find partners that have similar but complimentary objectives, and that have skills and knowledge that you lack, who are willing to share and cooperate.
- Identify common goals with your partners and ensure that the project delivers something for every one of them and ensure that these are what your client is looking for.
- Encourage your partners to do things for you that you cannot do for yourself such as apply for charitable funding, work with vulnerable young people, manage volunteers, speak about how good your company is for helping them.
- Do things for your partners that they cannot do themselves such as meet regulatory requirements, manage Health and Safety, manage staff, prepare business plans, enter into contractual arrangements as part of a supply chain, sales and marketing.
- Monitor and collect evidence of the social value created by collecting statistics and writing annual reports so that when a tendering opportunity arises, you are ready to demonstrate that you CAN and DO deliver social value, not just that you promise you will.
- Maximise opportunities to get the message out into the public that you have delivered social value with press articles, radio interviews, and business awards.

Thank you for listening. I hope I gave you something to think about. I would be happy to meet with you to discuss any opportunities you may have to increase your social value credentials.

Andrea Pellegram is an independent consultant with 30 years of experience working in local government and the private sector. She has delivered various social value projects, management restructures and performance improvement programmes, put in place business continuity procedures and secured planning permission for major waste facilities. She is a chartered town planner and a chartered waste manager and holds a PhD in social anthropology. She has published numerous articles on reuse and planning and is currently an advisor to Defra on HWRC reuse. Find out more on her website: www.pellegram.co.uk