

Social Return on Investment



**Walsall Housing Group (whg) partnered with
Wates Living Space (Wates)**



**PPC2000 CASE STUDY 2013 – Walsall Housing Group (whg) / Wates Living Space
(Wates)**

SOCIAL RETURN ON INVESTMENT

Major Works (Decent Homes) & Environmental Improvement Contract
Initial 4 year contract with 2 year extension
£63,000,000 over a 6 year period



Introduction

Through PPC2000 and the continued success of our Decent Homes Project we have extended our collaborative engagement with Wates and our local communities to contribute socially and evaluate our social return on investment (SROI). This paper sets out the added value to partnering and the impact of positive outcomes.

Background

In 2009 whg engaged within a tender process to ensure the delivery of major works. The decision to apply partnering via the PPC2000 was aimed at creating a delivery unit that embodied modern principles of contract management and establish a relationship that mirrored and surpassed the ideals set out by Latham and Egan.

Utilising PPC2000 as the anchor a partnership between whg and Wates was established through an overarching framework written by Trowers & Hamlin using bespoke terms agreed with all parties through the competitive dialogue tender stage.

Over the period of the contract enormous steps forward have been taken this can be seen simply by viewing the completed decent homes programme and realistic stock value verified by Savills on behalf of our lenders, and the positive impact this has had within the community.

Another gauge of its success is the level of trust and solid working relationships built between client and constructor on a whole and as individuals.

The partnership over the latter of its three years has grown in value, size and responsibility on both sides, resulting in a series of operations in its day to day and overall process. Both parties strive for continuous improvement within the partnership. This was achieved through an extensive partnership review carried out towards the end of the original contract period. The review was carried out as a joint venture and was used to further streamline the partnership for the 2 year extension period.

It is clear that the partnership had achieved more than just the traditional cost savings, it had also accomplished various amounts of Social Return to the partnership itself and also the local community.

Social Return on Investment

Social Return on Investment (SROI) is a principle-based method for measuring extra-financial value relative to resources invested. It can be used by any entity to evaluate impact on stakeholders, identify ways to improve performance, and enhance the performance of investments. We will look at just some of the SROI that this partnership has achieved to date;

There have been multiple direct and indirect benefits as a result of collaborative partnership working.

Commercial

1. The successful completion of **£63 million pounds** of improvement works.

These include;

- Over 4,000 kitchens and Bathrooms
- Over 6,000 Central Heating systems
- The production of 19 neighborhood plans
- All tower block cyclical refresh schemes
- Parking schemes
- Over 1,500 re-roofing schemes
- Etc...

2. 2% Value Engineering / annual cost reduction – The contract stipulates that each year a 2% cost reduction must be achieved through value engineering this has been successfully applied over the 6 year contract, this has saved **£3,400,000**.



3. Due to the requirements set out and encouraged by the PPC2000 a shared supply chain is now in place.

There are various areas in which this supplies the partnership with valuable savings. As an example which is relevant to the earlier mentioned Cyclical Communal Refresh Programme, we have utilised the shared supply chain when pricing and carrying out the communal rewire works. Within this rewire work new light fittings are required throughout the communal area of each block.

On average there are 12 new internal and external light fittings required in each block. Through the shared supply chain we can supply these light fittings to the subcontractors carrying out the works at a more competitive cost than they can purchase them. The cost saving on each fitting is £52.50, which over the 151 blocks mentioned above equates to a saving of £95,130.

Calculating the amount of blocks completed to date and programmed to be completed by the end of the 6 year contract we will have created a saving of **£380,000**.

4. Traditionally there have always been issues and obstacles to overcome during the pricing of works between a Client and Contractor.

Due to the collaborative working that the PPC2000 promotes we have streamlined our pricing procedure. We now visit site in a small team and the scope and price is agreed to a high level of detail there and then. We have utilised the process this year on our Cyclical Communal Refresh programme and the results have been exceptional. It has enabled us to scope, price and agree the works to the internal and external communal areas of 151 low rise blocks in 6 days, the total cost of this work equates to approximately £4million. This will form an accurate budget for the works and also enable us to issue all 151 blocks to the contractor on the first day of the new financial year.

The SROI generated from this improved process is the benefit of saving a substantial amount of time.

Traditionally following the process in Appendix 1, this large cost of work could have taken up to 2-3 months of time for 3-4 staff when spread over so many separate blocks. This potentially works out in the region of £100,000 worth of man hours. Our improved process has a SROI of £93,000 on just 6% of the value of the overall contract sum. This in total returns a potential overall SROI of **£1,500,000**.

5. Due to the easy and accurate timetable set out in the PPC200 our once simplistic database of addresses and schemes has now been developed into a live working document that is constantly updated and changed to record the progress of the works carried out by the partnership. This spreadsheet is now so accurate at the end of each month it is frozen for that month's valuation and invoices are raised. This again returns a substantial amount of SROI every month; the monthly valuation is completed in 2 days rather than 2 weeks. This results in a labour saving of £9,000 a month which over the 6 year contract is a total SROI of **£645,120**.

Social

Health Bus

Jointly as a part of our corporate and social responsibility strategy, which is included in the structure of the PPC2000, Wates have funded a Health Bus. This is a mobile unit that travels through whg's neighborhoods providing free health care advice.



Recent research and publications from the University College London Hospitals shows that on average it costs approximately £300.00 per night for a person to stay in hospital if they do not require constant medical attention. There are currently just over 40,000 people housed in whg properties in the Walsall area that have access to the Health Bus provided.

The bus managed to help approx 250 customers each year over 3 years with the demonstrable evidence showing that approximately 30% of these people would of required a hospital visit if their health issues were not treated. The average stay would have been 2 nights therefore the health bus provided a saving of at least **£450,000**.

Think Local

The contract sets out a target of 70% of all labour employed should be from within the borough of Walsall.

Appendix 2, demonstrates that this figure over the last 12 months averages at very nearly 90% (60 people). Job seekers allowance is currently £71.70 per week, the average figure for unemployment in the midlands area is in the region of 10%.

This initiative has saved at least **£135,000** over the 6 year period of the contract.



Community Days

Every year The partnership have delivered a local initiative up to the value of £100,000, various examples have been community gardens, total property refurbishments. The SROI value of these schemes is **£600,000**.

Conclusion

This submission has demonstrated that through evolution a new methodology of evaluating success can be utilised through PPC2000.

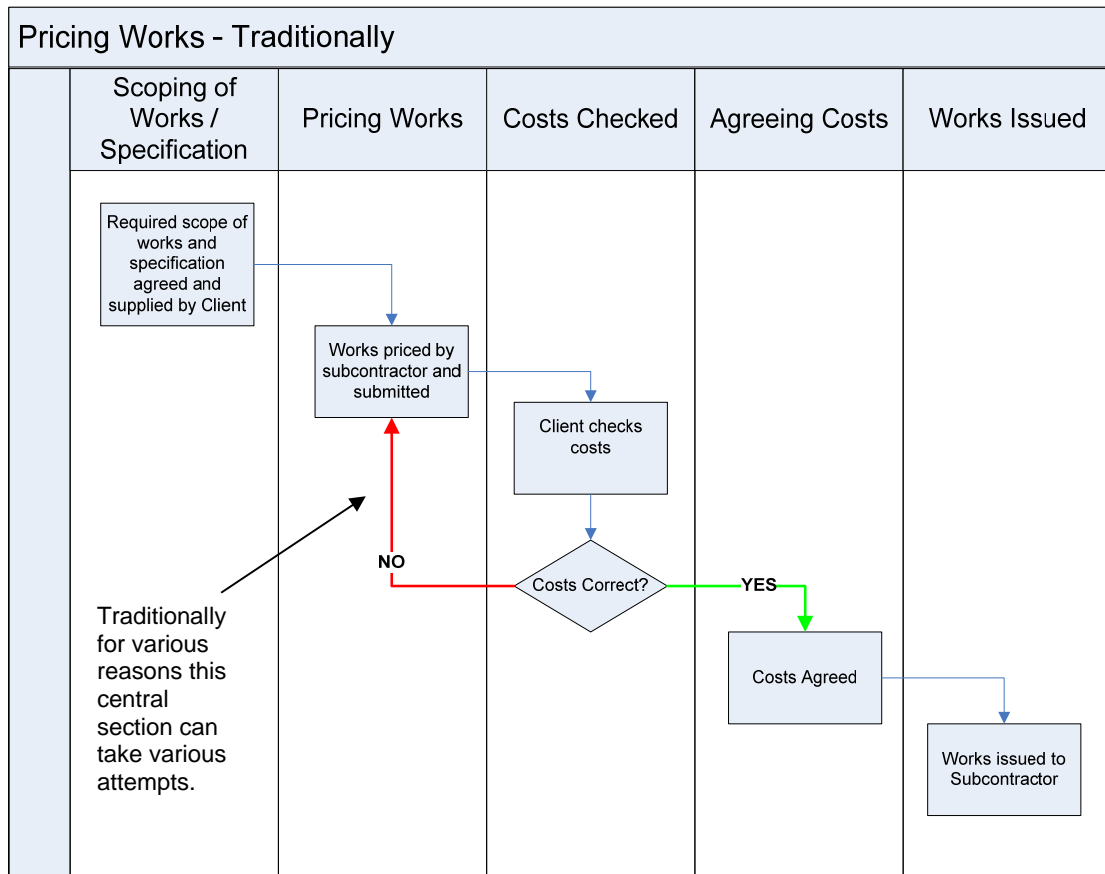
In the current economic climate savings or evidential extras must be sought to maintain value for money, it has always been accepted that through procured contracts in particular PPC2000 corporate social responsibility (CSR) will be a factor within the process, it is also common especially within the social housing sector that after the initial year or specific items laid out in the contract have been met, CSR is deemed a token gesture, acted upon as and when and at best a marginal factor in providing a KPI suite that may or may not be utilised as a method of payment.

Through the process of using SROI implemented via the extension review we have allocated monetary value to social initiatives that would otherwise be a simple bullet point list of achievements rather than informing the Client of the true value of the contract.

The utilisation of an SROI model within this contract is still in its infancy but, by the nature of PPC2000 in terms of the agreed joint objectives it is the natural progression to control, manage and judge the success of the contract. The overall contract value for this partnership is £63 million by capturing part of the savings/initiatives carried out through an SROI model it is approx £7 million.

This demonstrates that a further **11%** of savings/work would otherwise not be evidenced contributing to an approximate **£70 million partnership**.

Appendix 1 -



Appendix 2 -

Walsall Housing Project		12 MONTH SAMPLE											
HR/Training KPI Calculator - WATES LIVING SPACE													
Date of Issue: 31-Jul-13													
Start Date	02-Jul-12	30-Jul-12	27-Aug-12	24-Sep-12	29-Oct-12	26-Nov-12	24-Dec-12	28-Jan-13	25-Feb-13	01-Apr-13	29-Apr-13	27-May-13	24-Jun-13
Number of Weeks	4.00	4.00	4.00	5.00	4.00	4.00	5.00	4.00	5.00	4.00	4.00	4.00	5.30
Calculated End Date	29-Jul-12	26-Aug-12	23-Sep-12	28-Oct-12	25-Nov-12	23-Dec-12	27-Jan-13	24-Feb-13	31-Mar-13	28-Apr-13	26-May-13	23-Jun-13	30-Jul-13
Person Weeks													
Total	216	216	219	275	220	224	282	241	317	256	256	256	384
Total local people	196	196	199	250	200	204	257	212	277	224	224	224	336
Total BME	0	0	0	0	0	0	0	0	0	0	0	0	0
Total BME who are local	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Female	20	20	23	30	24	24	30	27	43	36	36	36	54
Total Female who are local	16	16	19	25	20	20	25	20	33	28	28	28	42
Total Disabled	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Disabled who are local	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Trainee	0	0	0	0	0	0	0	0	0	0	0	0	0
Total local Trainee	0	0	0	0	0	0	0	0	0	0	0	0	0
Average people per week	54.00	54.00	54.75	55.00	55.00	56.00	56.40	60.25	63.40	64.00	64.00	64.00	72.45
% local people	90.74%	90.74%	90.87%	90.91%	90.91%	91.07%	91.13%	87.97%	87.38%	87.50%	87.50%	87.50%	87.50%
% BME	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% BME who are local	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% Female	9.26%	9.26%	10.50%	10.91%	10.91%	10.71%	10.64%	11.20%	13.56%	14.06%	14.06%	14.06%	14.06%
% Female who are local	80.00%	80.00%	82.61%	83.33%	83.33%	83.33%	83.33%	74.07%	76.74%	77.78%	77.78%	77.78%	77.78%
% Disabled	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% Disabled who are local	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% Trainees	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% of Trainees who are local	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%