

# Procurement efficiency in social housing

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Benefits of partnering and collaborative procurement identified in:

- Egan Principles - 'Re-thinking Construction'
- Latham Report - More Collaboration in Construction
- Gershon Review of Government procurement & efficiency
- 2004 Comprehensive Spending Review - inc. target of £340million efficiency improvements in social housing capital works

## Social Housing Efficiency Targets

**3 year efficiency targets set for social landlords (LAs and RSLs)**

**2005/2006 – 2007/2008**

<b>Area</b>	<b>Target</b>	<b>Actual</b>
<b>Capital Works</b>	<b>340m</b>	<b>303.6m</b>
<b>Management and Maintenance</b>	<b>280m</b>	<b>421.9</b>
<b>Commodities</b>	<b>55m</b>	<b>50.1m</b>

Aggregation of demand provides opportunities for...

### Supply-side improvements

- Larger volumes attract higher discounts
- Demand certainty encourages supply chain efficiency

### Demand-side improvements

- Larger volumes support economies of scale – in procurement and management
- Volume and certainty helps improve supplier relations
- Scope to influence market development



Appointed a **National Change Agent** to:

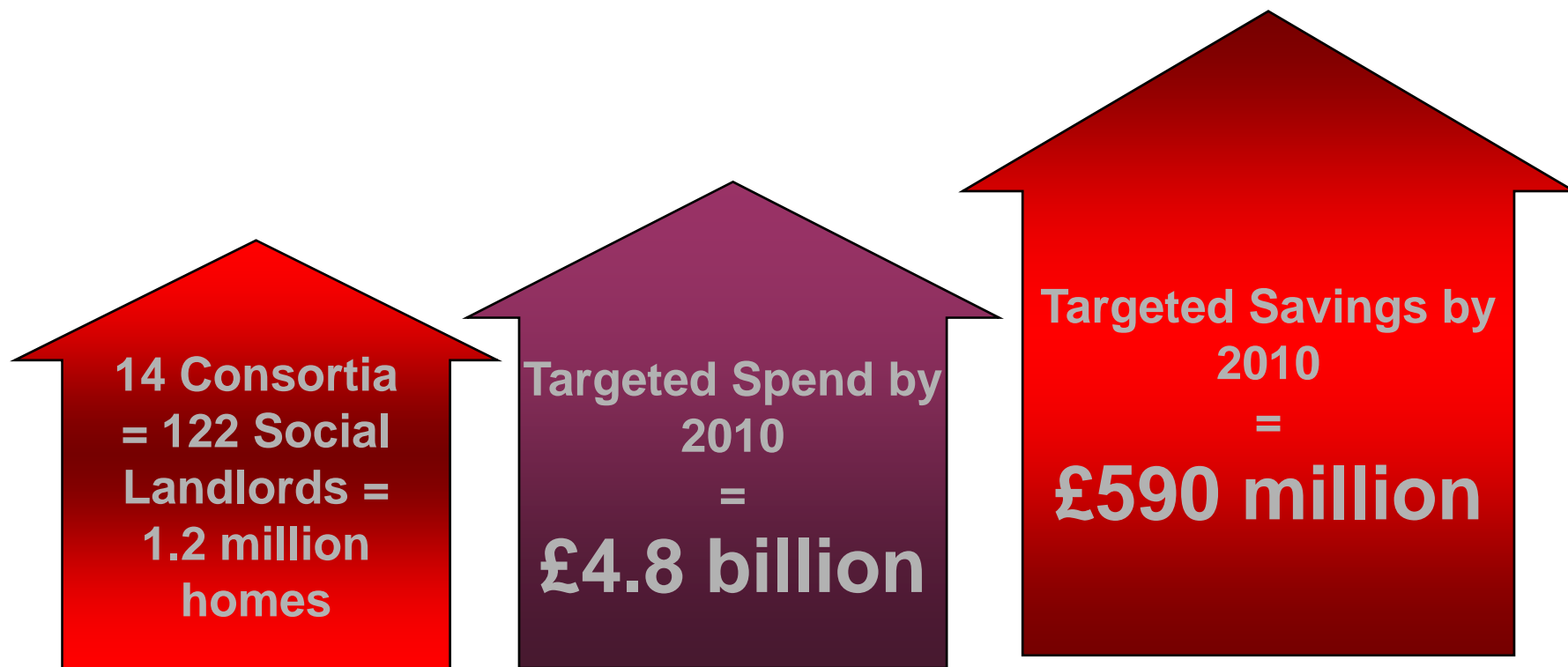
- Support the sector to establish a network of local procurement consortia of social landlords
- Administer an Efficiency Challenge Fund to facilitate consortia set up – grants for business planning and implementation
- Identify Potential Procurement Consortia
- Support them to develop a business case and implement the preferred option
- Promote and share good practice
- Engage with key industry stakeholders

- 14 consortia established with funding approved
- Panel of accredited consultants
- Suite of guidance notes and useful template documentation covering:
  - Bidding for funds
  - Efficiency measurement
  - Consortium procurement models
  - Consultant framework
  - Business planning implementation
  - EU procurement
  - Constructor and supply chain framework
  - Sustainability



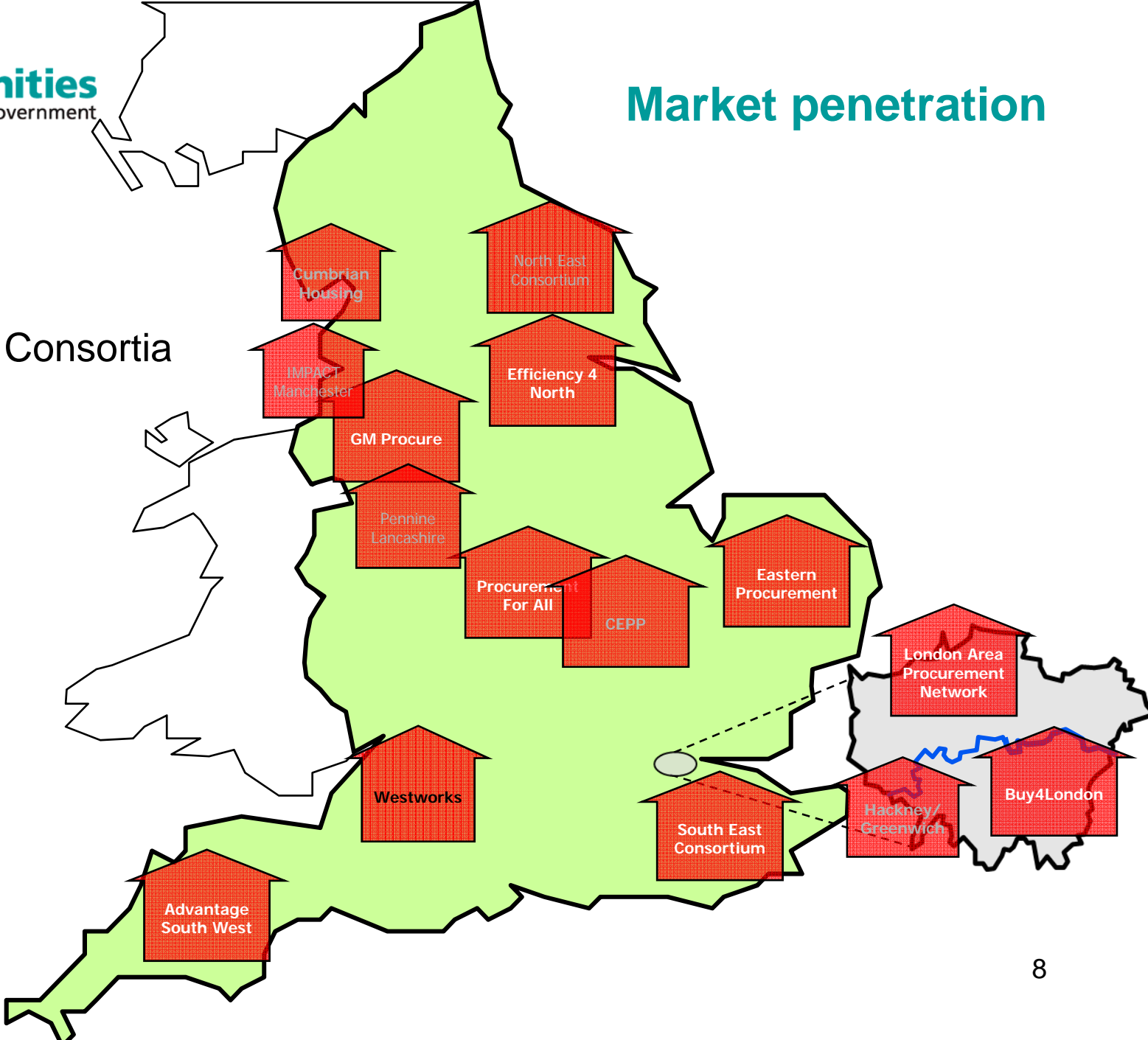
## Progress to date

- **NCA consortia now represent 33% of the total decent homes works to be carried out in England by 2010/11.**



# Market penetration

 Existing Consortia



Actual cash savings achieved to date (based on first 5 trailblazer consortia)

- Aggregate capital works expenditure 2005/06 to 2007/08 = £793 million
- Aggregate efficiency gains = £80million (10% of spend)

Actual 'Non-Cashable' Achievements to date

- Consortia business plans include local employment and apprenticeship schemes, with targets for NVQ level trainees and BME recruitment
- Other community projects in place

- Projected cost savings broadly in the range 5% – 10% of capital spend
- Whole-life costs (e.g. improved warranties)
- Reduced transaction costs due to long term partnering
- Improved quality/specifications (more for less!)
- Increased productivity/reduced work times
- Work smoothing – managing supply and demand
- Continuous improvement

## Challenges - leaseholders

- A requirement to consult leaseholders on works to their properties under s20 of Landlord and Tenant Act (March 2007)
- Intended to protect tenants from unreasonable demands – but might it hinder best procurement practice?

Particular issues for consortia:

- How can EU framework arrangements meet the requirement to consult?
- How can new members join an existing consortium with arrangements in place?
- NCA guidance on compliance with Landlord and Tenant Act to reflect recent tribunal decisions

## Social benefits

- Stimulating local employment
- Improving local skills
- Small business development
- Engaging with BME groups
- Improved services to tenants
  - Listening to what tenants want
  - Increasing tenant choice
  - Improving quality of products
  - Improving service standards

Opportunities to 'procure out waste'

- Reduce packaging
- Higher recycle content of materials

Whole-Life Cycle Costing

Site Waste Management

- Reduce, Re-use and Recycle Materials

- Opportunities to expand consortia into management & maintenance
- Allows a broader asset management approach to be developed by landlords - balancing initial capital investment against lifetime costs
- NCA now developing a consortium model that covers both capital works and repairs and maintenance
- Should build on existing consortia and business plans – not a new venture

## The future - Homes and Communities Agency

- CLG Decent Homes and other delivery programmes transferring to the Homes & Communities Agency from 1 December 2008
- HCA will take forward efficiency as part of its delivery objectives
- Current Efficiency Challenge Fund programme coming to an end – but we want to build on this
- Decisions soon about how we and the HCA support the sector from 2009/2010

## The future - the new regulator

- **Tenant Services Authority** - a new independent, standalone regulator for social housing
- Comes into being 1 December 2008
- Takes on regulatory functions of the Housing Corporation and will regulate RSLs and also Council landlords
- Greater emphasis on service to tenants. Tenants groups will be able to trigger inspections and interventions
- Stronger and more wide ranging powers to take action where tenants are not getting a good service
- Reduce red tape and regulation for well performing landlords

### **A change in approach for the 3 years 2008-11**

- No sectoral targets
- No annual efficiency statements by landlords

### **But we still care about efficiency**

- Government expects national 3% annual efficiencies in 3 years from 2008/09
- Focus on cash-releasing VfM gains that release resources that can be redeployed according to local priorities.
- Nation Indicator 179 one of the indicators in new NI set – mechanism through which local government will report progress on achieving gains in CSR07
- HCA and TSA will continue to drive efficiency across all landlords