

Scotland Excel

To: Joint Committee

On: 9 December 2016

**Report
by
Director Scotland Excel**

Care and Housing Proposals

1. Introduction

This report details recent engagement with the Scottish Government to seek funding for two new areas of delivery;

- an extension of Scotland Excel's care portfolio to include Care at Home and Adult Supported Living
- a proposal to support the housing sector in terms of procurement capability and ongoing development activity

2. Background

Scotland Excel's care portfolio currently covers a number of areas supporting care in both children and adult services. Adult Supported Living and Care at Home are areas where there has been no national approach, despite spend being in the region of £850m per annum. A proposal has been presented to the Scottish Government to seek funding for a small team to explore these areas and develop best value at both a national and local level.

This is detailed in the report (which was prepared for the Scottish Government) in Appendix 1.

The second proposal identifies the role Scotland Excel could play in supporting the Scottish Government's aspirations within the Affordable Housing Supply Programme (AHSP). The proposal seeks funding for a team to analyse housing spend and support savings through the use of existing frameworks, undertake procurement assessments and support the affordable housing sector in improving procurement capability.

This is detailed in the report (which was prepared for the Scottish Government) in Appendix 2.

3. Conclusion

Joint Committee members are requested to note the content of the proposals submitted to the Scottish Government and approve the delivery of this new work, subject to funding being approved by the Scottish Government.

Proposal

Procurement of Social Care Services

Prepared by:

Julie Welsh, Director, Scotland Excel

Prepared for:

Ainslie McLaughlin, Director of Procurement and Commercial,
Scottish Government

30 September 2016

Purpose

This paper sets out the business case for interim financial investment to expand Scotland Excel's social care procurement shared service. Funding of £350k over the next two years would allow Scotland Excel to deliver an ambitious work programme that will ensure procurement plays its part in supporting the Scottish Government's flagship reform of health and social care.

Background

Social care reform is becoming increasingly urgent, particularly with the demographic challenges that the nation faces from its rapidly ageing population.

“The growing number of people with complex health and social care needs, particularly frail older people, together with continuing tight finances, means that current models of care are unsustainable”.

Audit Scotland¹

Scotland Excel has a proven track record of working with councils to deliver collaborative social care procurement frameworks which increase fee transparency, reduce duplication, provide enhanced monitoring of care providers, and support the delivery of social care and workforce policy outcomes.

Strategic context

Securing the value and financial sustainability of health and care services is embedded within in the Scottish Government's *2020 Vision for Health and Social Care*². This proposal has been developed to respond to the current financial environment and rapidly changing legislative and policy landscape:

- The integration of health and social care is one of Scotland's most important programmes of reform since devolution of powers from Westminster. Robust market facilitation and procurement strategies establish the foundations for successful strategic commissioning plans which make the best use of resources.
- Statutory guidance to the Procurement Reform (Scotland) Act offers greater procurement flexibility while increasing the focus on the principles of equity, fairness and transparency. However, many procurement staff remain unfamiliar with the flexibility and obligations required by this new statutory guidance.

The need for investment

An opportunity exists to extend the benefits of collaborative procurement to two further key areas of social care expenditure. Further benefits can be secured through the development of tools which support social care placements and by enhancing the knowledge and efficiency of practitioners responsible for social care procurement.

¹ [Audit Scotland Changing Models of Health and Social Care published March 2016](#)

² [2020 Vision for Health and Social Care](#)

Scotland Excel has identified two areas of significant public sector expenditure that would benefit from a collaborative approach to developing and implementing procurement strategies:

- **Adult supported living** – An estimated c. £450 million per annum is spent on adult supported living. Preliminary research indicates that a relatively small number of providers dominate this market, with very limited visibility of how fees compare between individuals, providers and localities. A national framework could increase transparency on fees and outcomes delivered for service users.
- **Care at home** – An estimated c. £400 million per annum is spent on care at home services. A deeper insight into this market is required to explore the sustainability of current fee levels and the opportunity to standardise costs, support outcomes-based service delivery, and provide a centralised resource for monitoring the financial sustainability and workforce practices of providers.

While national frameworks increase efficiency by eliminating the need for local contracts, the process of contacting providers to find the right placement can be onerous. The efficiency and effectiveness of this process could be improved through funding the development of a **national vacancy tool** which supports real time information on placement vacancies across the independent and third sector.

The effectiveness of social care commissioning could also be enhanced through the consistent dissemination of procurement knowledge and best practice. Additional investment would allow Scotland Excel to respond to identified skill gaps by establishing a new **commissioning academy** to deliver learning programmes including:

- **Health and Social Care Integration** - Procurement can play a clear role in the overall success of strategic commissioning plans. Scotland Excel would research and establish a range of practical tools and templates for use by local partnerships.
- **Procurement of Care and Support Guidance** – Scotland Excel would develop a learning programme for contracts, commissioning and procurement staff to ensure knowledge of the new Scottish Government guidance is embedded across local authorities and related partners.
- **Self-directed Support** – Many procurement staff remain unaware of their potential role in relation to self-directed support. Scotland Excel would deliver a learning programme to help practitioners create a flexible and creative procurement environment which helps individuals to meet their personal outcomes.

To pursue all of the above opportunities, Scotland Excel would need to increase the size of its social care procurement team. As there is no scope for this within the organisation's current funding model, additional investment must be secured.

Benefits assessment

While further work is required to quantify benefits, based on our previous experience of similar projects, we believe that investing in the proposed programme has the potential to deliver the following benefits:

- An opportunity to make costs savings against the c. £850m expenditure on adult supported living and care at home services which can be used to reduce budgets or invest in better services and workforce improvements.
- Potential efficiency savings of c. £768k from the development of a single national framework in place of 32 local authority agreements³.
- A national vacancy tool will improve the efficiency of practitioners by significantly reducing time spent finding the right placement for individual service user needs.
- Creating transparency and consistency within the social care market through national procurement frameworks paves the way for commissioning strategies which deliver innovation and service improvements.
- Centralised monitoring of social care provider financial stability can support continuity of care for vulnerable service users through early intervention
- A collaborative approach can help to standardise terms and conditions for social care employees and support positive workforce practices such as payment of the Living Wage and avoidance of zero hours contracts.
- A national commissioning academy provides a trusted resource that enables practitioners to keep up-to-date with best practice, policy and legislation in a changing landscape.

Return on investment

Potential **efficiency saving of c. £768k** would provide an immediate return on an **investment of £350k** during the lifetime of the project. Following completion of the two national frameworks, even a modest **cost saving of 1% could return c. £8.5m per annum** to reinvest in service improvements or other areas of public expenditure.

Timescales

High level timescales for delivering the programme are:

Year 1	<ul style="list-style-type: none"> • Project initiation and resource recruitment • Develop procurement strategies for national adult supported living and care at home frameworks • Specify, source, configure and test a national vacancy tool for social care placements • Develop learning materials and initiate pilot courses offered within the commissioning academy
Year 2	<ul style="list-style-type: none"> • Develop and implement national frameworks for adult supported living and care home services • Launch and roll out a national vacancy tool for social care services to practitioners and providers • Complete commissioning academy pilot courses and roll out to practitioners across the public sector • Project close and funding secured for business-as usual activities

³ Based on the Scottish Government cost estimate of an average procurement exercise at £12k.

Risks

Key dependencies and risks associated with the programme are:

- Securing provider engagement for a national procurement approach.
- Building relationships with new stakeholders within Integrated Joint Boards.
- Recruiting suitable qualified staff for the project team
- Securing ongoing funding for contract management and further development of the commissioning academy to respond to changing policy or skills requirements.

Scotland Excel has significant experience of resourcing similar projects and engaging with stakeholders across the social care sector. We are confident that any risks arising can be mitigated in partnership with the Scottish Government.

Next steps

Within three months of securing investment, Scotland Excel will agree a full project plan with the Scottish Government including expenditure, timescales and deliverables. In parallel with this, Scotland Excel will undertake a recruitment exercise to ensure a suitably qualified team is in place to resource the programme. Quarterly reporting will be provided to monitor progress.

Proposal

Affordable Housing Procurement

Prepared by:

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Prepared for:

Ainslie McLaughlin, Director of Procurement and Commercial,
Scottish Government

30 September 2016

Purpose

This paper provides a proposal for the role Scotland Excel could play in delivering the Scottish Government's aspirations within the Affordable Housing Supply Programme (AHSP). It seeks funding of £412k for a two year pilot programme to develop capability, implement policy and identify financial savings.

Background

In 2011, the Scottish Government produced its report on *Procurement in the Affordable Housing Sector*. The report undertook an extensive analysis of the sector and made a number of observations and recommendations.

Potential savings estimated at between £26 million and £42 million per annum were identified for non-development expenditure. One of the key recommendations from this report was that "*there should be a central procurement service for the affordable housing sector*".

The report suggested Scotland Excel as a preferred option for this. As the Centre of Procurement Expertise for local government, Scotland Excel has a proven track record of working with large and complex organisation with a local remit, as well as a growing portfolio of national construction frameworks.

Strategic context

The wider public sector has benefited from significant investment and focus in procurement reform since publication of *Review of Public Procurement in Scotland - Report and Recommendations* in 2006. The affordable housing sector has not been part of this national transformation programme.

The Scottish Government, as part of the AHSP, has committed to delivering at least 50,000 affordable homes by March 2021, backed by over £3 billion of investment. The sector will therefore be required to undertake considerable procurement activity in relation to this programme.

The need for investment

The 2011 report, and more recent work undertaken by Scotland Excel on behalf of the Scottish Government, has demonstrated that the affordable housing sector requires support to implement extensive legislative changes and adopt the Scottish Model of Procurement.

While Scotland Excel has the skills and experience to deliver this support, our funding model is focused on the delivery of procurement services to the local government sector. Therefore, investment in a two year pilot project is required to deliver the following activities to help the affordable housing sector to realise savings from collaboration and improve their procurement capability:

- Complete an analysis of the sector’s current and future procurement activity to estimate the potential for savings through the use of national frameworks and/or further collaborative procurement.
- Develop a programme to communicate the immediate savings opportunities available through existing public sector collaborative frameworks and services.
- Undertake procurement assessments to benchmark current levels of procurement capability and identify opportunities for improvement.
- Identify the wider economic, social and environmental benefits that can be achieved through sustainable procurement.
- Undertake any ‘quick win’ collaborative procurement exercises identified where no existing collaborative frameworks are in place.

Turner and Townsend’s report states that savings “*will be difficult to achieve in the short term, and will need a concerted change management effort from key sector stakeholders*”. Scotland Excel believes that this pilot project will support this change and enable significant savings and benefits to be realised within a few years. It will also explore the potential for more immediate savings through the use of existing national frameworks.

Benefits assessment

Due to the limited availability of spend information for this sector, it is difficult to quantify benefits at this stage. However, the proposal will seek to deliver tangible and measurable benefits including:

- An indication of the immediate savings potential that can be realised through the use of existing national collaborative frameworks, and identification of further savings potential through future collaboration.
- Formal assessment of procurement capability across the affordable housing sector using a Scottish Government recognised methodology.
- Advice and support to help the sector develop and implement procurement improvement plans which underpin savings and efficiency at a local level.
- Advice on using sustainable procurement practices to deliver wider community benefits such as jobs and apprenticeships, SME opportunities, and workforce matters such as payment of the Living Wage.
- Support to help the sector realise collaboration opportunities within their sector and across the wider public sector.
- Advice and support on policy and the opportunity to participate in relevant learning and development programmes offered by Scotland Excel.

Return on investment

In 2011, Turner and Townsend estimated that £530m of procurement expenditure could be influenced by improved improvement practices¹. Even a modest 1% saving through the use of existing national frameworks could deliver **c. £5.3m cost savings** in the second year of the project against an **investment of £412K**.

¹ Now likely to be higher due to increased turnover and additional Scottish Government investment

In the longer term, collaborative procurement has the potential to return significant efficiency savings to the sector. For example, if half of Scotland’s housing associations collaborated on a national procurement exercise, it could create **efficiencies of c. £1m²** by avoiding duplication.

Timescales

High level timescales for delivering the programme are:

<p>Year 1</p>	<ul style="list-style-type: none"> • Project initiation and resource recruitment • Complete an analysis of sector spend and savings potential • Deliver procurement capability assessments for 40 high spending housing associations
<p>Year 2</p>	<ul style="list-style-type: none"> • Develop and implement a communications programme to support the use of collaborative contracts across the sector • Develop and implement an advisory service to support the sector with their procurement improvement plans • Project close and funding model in place for further roll out of benefits

Risks

An initial assessment of the project risks has indicated that sector engagement is the primary risk that will be faced. Although work undertaken to date has achieved a positive reception from the community, wider engagement and adoption may be problematic. Scotland Excel is confident that, with the support of Scottish Government, this issue can be mitigated.

Next steps

Within three months of securing investment, Scotland Excel will agree a full project plan with the Scottish Government including expenditure, timescales and deliverables. In parallel with this, Scotland Excel will undertake a recruitment exercise to ensure a suitably qualified team is in place to resource the programme. Quarterly reporting will be provided to monitor progress.

² Based on the Scottish Government cost estimate of an average procurement exercise at £12k.