



Proposal

Affordable Housing Procurement

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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:

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| <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.