


Procurement: working together for efficiency
 NHMF Maintenance Conference

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Context for Efficiency Improvement

- Conceptual context: Save and Spend
- Latham and Egan Background
- Government's Efficiency Agenda
- Cuts in Quality are NOT Efficiency Gains




Gershon: Doing More for the Same

- Reducing inputs for the same outputs
- Reducing prices for the same outputs
- Greater outputs or improved quality for the same inputs
- Improved ratios of output per unit cost of input
- **Not** 'creative accounting'




Current Targets

	2005/06 (£m)	2006/07 (£m)	2007/08 (£m)
New Supply	130	140	160
Capital works	2	30	60
Management & Maintenance	35	60	80
Commodity Goods	10	30	55
Affordable housing sector totals (RSL)	177	260	355
Total ODPM target	274	550	835




Progress as at October 2005

	Gains reported for 2004/05 (£m)	Target for 2005/06 (£m)	Predicted gains for 2005/06 (£m)
New Supply	201	130	In the range 130 - 200
RSL management, repair & maintenance	150	47	246
LA management, repair & maintenance	89	97	71



How we want partners to deliver efficiencies

Housing Corporation Procurement Strategy

- The efficiency challenge
- Defining good procurement
- Learning and improving
- Achieving quality
- Assessment tools
- Measuring and evaluating performance



Emphasis on new supply, but....

- Increasingly making the link between investment/development and service provision
- Recognise we have an interest in management and maintenance
- Recognise we have an interest in decent homes
- Revised approach to investment has greater emphasis on asset management
- Recognise that much cutting edge work has been done in repair and maintenance which we want to encourage for development



Learning & Improving

- Learning
 - Housing Forum Report – 'Partnering in Practice' (July 2005)
 - 68% of RSLs are partnering with other RSLs
 - 55% have collaborative arrangements through consortia
- Improving
 - Priorities for the affordable housing sector
 - Address lack of certainty
 - Address fragmentation



Action Points

- Consistency
 - Longer programme commitment for strategic sites
- Fragmentation
 - Encourage uptake of supply chain efficiencies e.g. buying clubs
 - Encourage procurement consortia
 - Provide diagnostic tool and best practice via Housing Forum
- Supply chain integration
 - Require 'Method Statement' from Bidders
 - Categorise, identify and monitor take-up
- Whole life costs
 - Identify practicality of improved measure across sectors



Supply Chain Matters

- Identify and promote good practice
- Recognise the variations in approach
- Identify partners demonstrating benefits
- Identify broad categories of SCI and SCM activity within our own programmes



Supply Chain Categories

Cat 1	Cat 2	Cat 3
a. use of common products and specifications across partners; b. consortium buying utilised on at least 25% of new build schemes	All as Cat 1 but in addition: c. benchmarking and continuous improvement targets utilised; d. at least 50% of the supply chain for each scheme are collaborating in agreed performance based efficiency measures	All as Cat 2 but in addition: e. target costing, value management and risk management utilised; f. at least 75% of the supply chain for each scheme are collaborating in agreed performance based measures



Internally

- New approach to investment - NPiAH and NAHP 2006/2008
- Financial workbooks require holistic view of development, management and maintenance costs to calculate grant
- Method statements required on SCM/SCI
- 'Sector Study' published Feb/Mar 06
 - Analysis of all (400+) AESs submitted
 - Analysis carried out by HQN
 - Global trends and sub sectoral analysis (LSVTs vs traditional)
 - Self assessment against trends and peers
- Gold Award



Gold Award

- Two themes for 2005/6 – homelessness and innovation in procurement
- Six awards of £50,000 per association
- To identify examples of best and innovative practice and to ensure lessons are effectively shared with the sector
- 28 entries for procurement



Conclusions

- Preliminary results on efficiency savings are encouraging
- Year 1 targets met and in some cases contribute to future years gains
- Challenge is to deliver on the forecasts but particularly to deliver real improvements in front line services
- Corporation needs to ensure efficiencies are delivered and create the conditions to encourage innovation
- Corporation wants to identify and promote instances of best practice
- Corporation has set out its challenge on SCM/SCI



AFFORDABLE HOMES STRONG COMMUNITIES