



Procurement Bill: Call For Evidence

Housing Procurement Leadership Group (HPLG)

Introduction

The G15 is the group of London's largest housing associations. We will be fundamental in Government meeting its housing, social value and sustainability targets.

- We are the collective voice of some of the leading organisations in the housing sector;
- Our members house one in ten Londoners and are the largest providers of affordable homes in the capital. We build a quarter of all London's new homes and own or manage more than 600,000 homes;
- Housing associations were set up to support people in housing need and this remains at the heart of everything we do today;
- We are independent, charitable organisations and all the money we make is reinvested in building more affordable homes and delivering services for our residents;
- Each G15 member is different, but we are all striving towards the same goal – to solve the housing crisis and improve the lives of our residents.
- The total expenditure of the G15, excluding salaries, is circa £7.2bn.

Executive Summary

The Housing Procurement Leadership Group (HPLG) is supportive of the goals outlined by Government to speed up and simplify procurement, increase value for money, support small businesses, charities and social enterprise and to operate in accordance with the GPA principles of fairness, impartiality, transparency and non-discrimination.

The Procurement Bill seeks to reform procurement laws stating “for too long, modern and innovative approaches to public procurement have been bogged down in bureaucratic, process-driven procedures. We need to abandon these complicated and stifling rules and unleash the potential of public procurement so that commercial teams can tailor their procedure to meet the needs of the market.”

The HPLG welcomes the sentiment of the statement above however it is not clear how the proposed changes in the Bill meet this challenge.

Our submission in response to the call for evidence focuses on the increase in administrative burden of the additional transparency requirements the resultant increase in cost. In addition, the reduction in our ability to deliver effective & value for money procurement solutions to our stakeholders & ultimately, our residents.

The cost of managing the new transparency requirements to the G15 is likely to be excess of £1m per annum and, for the sector as a whole, in excess of £5m per annum. On the basis that housing associations will not be in a position to fund this additional cost then the cost will have to be absorbed by the existing teams.

We recommend, therefore, that all aspects of transparency should be required only for contracts greater than £10m. At this level, the major procurements can have the required transparency while not significantly impacting on the resources of housing associations.

The Context of Evidence

The HPLG fully supports an open and transparent approach to procurement and our organisational policies and procedures, monitored by our Regulator, ensure this is maintained. In view of this, we ask you to consider the administrative burden these revisions place on procurement teams to meet the transparency objectives. In order to accommodate the changes, whilst maintaining a value for money procurement service to our organisations, there will be a requirement to reduce the level of competent, strategic procurement expertise to accommodate the increased administrative burden.

The housing sector is already under considerable cost pressure and it is unlikely additional resources will be available to meet the additional demand. Procurement teams may therefore have to refocus resource to accommodate the administrative burden with the consequent reduction in value adding procurement expertise.

The Transparency Burden and the Impact on Resource

The following data is based partly upon G15 information which has been extrapolated for the housing sector as a whole and is included for indicative purposes only.

Headline

G15 annual expenditure (excluding staff) - £7.2b

G15 home ownership – 600,000

Housing Sector expenditure (excluding staff) - £30.7n

Housing Sector home ownership – 2,550,000

Transparency Impact on Contracts

The number of G15 contracts impacted by Transparency (above threshold) – 2,200

Housing Sector contracts impacted by Transparency (above threshold) – 10,000

G15 notice/transparency transactions (above threshold) – 10,000

Housing Sector notice/transparency transactions (above threshold) – 50,000

Transparency Impact on Cost

G15 cost to manage the transparency agenda (based upon 3 transactions per day) - £1m

Housing Sector cost to manage the transparency agenda (based upon 3 transactions per day) - £5m

Conclusion

The HPLG believes the administrative burden of the transparency agenda will substantially compromise the stated objective of the Bill to reform the procurement regulations stating “for too long, modern and innovative approaches to public procurement have been bogged down in bureaucratic, process-driven procedures. We need to abandon these complicated and stifling rules and unleash the potential of public procurement so that commercial teams can tailor their procedure to meet the needs of the market.”

Transparency is already provided through our organisational procurement policies and procedures, compliance with which is reviewed by our Audit and Risk Committees and by our Regulator. In addition, we expect the transparency and compliance requirements to be monitored across the whole public sector by the enhanced Procurement Review Unit.

Should the transparency elements as drafted remain within the Bill, their resource impact could be mitigated by an **increase of the threshold to £10m.**