

Elevate East Lancashire
New life for neighbourhoods

“...Valueworks has delivered cost savings of 15.3% which equates to £1.5million per annum for Elevate...”



Find the Savings



Get the Savings



Keep the Savings



Increase the Savings

Background

Elevate East Lancashire is one of the government's nine housing market renewal pathfinders, charged with finding innovative solutions to the problem of negative equity and housing market collapse affecting many areas of East Lancashire.

Elevate is currently undertaking a “Facelift” Programme with its five Local Authority partners within some of the worst affected areas. This Programme is to improve the external building structure, features and appearance of private sector housing in these areas, in order to create more attractive homes.

Where and how we live affects the quality of our lives and that of our community. By improving private housing in deprived areas, it is hoped that a new optimism will be injected into the community. A positive spin-off of Elevate's action is that the area will become more attractive to new buyers, the value of the houses will rise and subsequently the local economy will benefit.

The Challenge

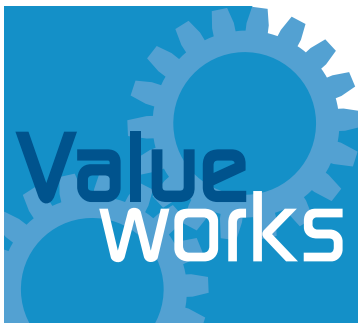
The nature and scale of this project was unprecedented within the region, however it provided an opportunity to leverage buying power across the five Local Authorities. Despite this advantage, market conditions were challenging as Elevate faced industry wide construction price escalation and a general shortage of skilled construction labour.

The other major challenge facing Elevate was how to balance its two core objectives. Elevate has a responsibility to deliver best value, however, it also has a clear regional, social and economic agenda.

It was therefore essential that all efforts to reduce costs and compliance with European procurement legislation were balanced with ensuring engagement with businesses, many of whom were identified as local SMEs (small and medium sized enterprises), which would be capable of meeting the wider social and economic agenda. These SMEs typically had very limited experience or involvement in such projects, which had restricted their previous participation, and so consequently they missed out on the commercial opportunities. Elevate's challenge was to engage with such SMEs and encourage and support them during the complicated procurement process.

“We've already identified potential annual savings equivalent to the cost of improvements to up to 100 homes and we'll be able to spread the benefits of the Elevate programme further by making sure our contractors train local people.”

Tom Dobrashian, Elevate Commercial Director



Valueworks
Wigan Investment Centre
Waterside Drive
Wigan
WN3 5BA

Tel: +44 (0) 1942 826788
Email: info@valueworks.co.uk
Web: www.valueworks.co.uk



Find
the Savings



Get
the Savings



Keep
the Savings



Increase
the Savings

In summary, Elevate required Valueworks' assistance to: -

- Support the Local Authorities in harnessing their combined purchasing power, and help ensure that best value would be delivered.
- Develop a Sourcing, Procurement and Strategic Cost Management model, which when implemented would deliver significant cost savings.
- Minimise the commercial risk and investment for Elevate and ensure that the initial investment was repaid from cost savings generated within the 2005/06 financial year.
- Improve the local economy by supporting local suppliers with the procurement process.

The Solution

Valueworks' first task was to identify and quantify the potential cost saving opportunities. This exercise was completed using the Valueworks 'Cost Savings Analysis' product and resulted in Valueworks estimating that by reconfiguring Elevate's supply chain, whereby the Local Authorities directly procured construction materials and the contractors then installed these materials in the most efficient manner, cost savings of at least 15.3% (£1.5 million) per annum would be delivered.

The initial Analysis project then led to a Sourcing project that was split into two phases, each comprising separate groups of product categories. A detailed project plan was co-developed with Elevate for Phase 1, which involved the product categories of windows, doors, skips and scaffolding. This involved Valueworks facilitating the following activities: -

- **Agreement of standard materials and scope of works specifications** across all the Local Authority partners, in order to leverage buying power and provide control.
- Agreement of **objective Supplier evaluation** methodologies and criteria to select the optimal supply chain partners.
- Utilisation of a **centralised Sourcing process**, to provide administrative and technical efficiencies for each partner.
- Provision of **support** to potential supply chain partners – including holding a Supplier Day event and a series of PQQ (Pre-Qualification Questionnaire) workshops, in order to encourage engagement by local SMEs.
- Evaluation of the **capabilities** of over 80 potential supply chain partners to create a shortlist.
- Evaluation of the **competitiveness** of short listed partners through structured pricing and cost driver analysis, in order to create a potential supplier list.
- Selection of 5 supply chain partners through detailed **clarification** interviews / site visits in order to establish a framework agreement.
- Two-way **communication** with operational personnel within Elevate and the local authority partners to ensure 'buy-in' to the supply chain.

Results

The Valueworks' proposed solution offers benefits to all parties in the supply chain. For the Local Authorities, a financial and also manual administrative burden has been removed and they now benefit from working together and sourcing common pre-determined material and scope of works specifications at more competitive costs.

The Suppliers benefit from the transparent, fair sourcing process and the support they received when participating in the Supplier Evaluation Process. For the selected suppliers, a four-year framework agreement means guaranteed work flow and volume.

The benefits to all parties in the supply chain can be summarised as follows:

Elevate & Local Authority partners

- Sharing of the cost of a rigorous and EU compliant procurement process.
- Minimal commercial risk throughout the project through a contingent fee structure linked to the delivery of results by Valueworks.
- Average cashable efficiency savings of c20%.

Supply Chain Partners

- Contractors can focus on their core activity (installation), which helps create a level playing field that will allow local SME contractors to compete with larger national contractors.
- Up-skilling and capacity building of SMEs via supplier days and workshops thus providing them with additional skills to help them bid for other Local Authority work.
- The provision of volume certainty to facilitate stable growth.
- Reduced trading risk for material suppliers through dealing direct with Local Authorities.

Update

Phase 2 of the project (roofing, brickwork, insulation and paint) has now commenced.