



**T**HE SOCIAL HOUSING SECTOR has been undergoing a renovation behind the scenes just as significant as the one applied to the homes themselves over the past few years.

There has been greater recognition of procurement's importance, a more strategic approach to purchasing and influence from staff who previously worked in the private sector.

But there are still big challenges, with new regulations on value for money and social responsibility, changes to the welfare system and a squeeze on government funding.

Social housing is let at low rents on a secure basis to people in need. It is generally provided by councils and not-for-profit organisations, such as housing associations. Although these associations are privately run, they still follow European procurement rules as bodies governed by public law. There is not a definitive number of registered providers in the UK, but representative body the National Housing Federation says housing associations provide about two million homes for five million people.

Andrew Shorter, group procurement manager of Network Housing Group, with over 25 years' public sector experience, acknowledges the changes in the approach to purchasing.

"Social housing has woken up to what corporate bodies and industry realised several years ago and that is how vital procurement is," he says. "It can not only achieve value for money and cost benefits, but can also help to advance strategic aims. A lot of an organisation's strategy is delivered by the firms that procurement professionals appoint. Procurement is now recognised as a much more vital role and there is a bigger demand for people who have that experience."

Private sector buyers have also brought a fresh

# Social security

With an overhauled welfare system and reduced government funding, social housing is looking to procurement to meet the challenges in a sector undergoing huge changes



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commercial approach. Anita Harrison-Carroll is group procurement manager at Sovini, a social housing provider managing over 12,000 homes across the North West of England, and has held roles at Santander and Accenture. She admits there are a lot more restrictions in the social housing sector and this adds cost and time to processes. “The main difference between the two sectors is the amount of sharing in terms of tendering and documentation that goes on between public organisations, with many procurement frameworks, portals and clubs to join that, of course, you would never get in the commercial sector,” she says.

Ginny Warr, who was previously head of supply chain transformation at Vodafone and is now head of procurement at Sovereign Housing Association, is another new entrant into the sector. She says there are specific areas that have to be considered when going out to tender that do not come into play in the private sector. “In our procurement strategy and our value for money strategy, all our decisions have to consider economic, social and environmental impact and benefits we can bring.”

Harrison-Carroll refers to it as the “triple bottom line”. She says these areas have always been identified at Sovini, but previously its goals concentrated on savings through spend analysis (by revisiting suppliers regularly). “The environmental and social impact has not been at the forefront of decision-making until now,” she says. The three areas are now treated equally with new approaches and efforts being made by all within the sector.

### **The Value for Money standard**

Before April 2012, the regulator of social housing was the Tenant Services Authority. These regulatory powers were then transferred to the Homes & Communities Agency (HCA). At the same time, the Value for Money standard was introduced. ➤



## SOCIAL HOUSING

This applies to all registered providers of social housing, except local authorities.

The standard demands organisations make best use of their assets to ensure they are delivering on investment programmes. The priority is to ensure providers are not only well run, but can withstand the challenges of a difficult financial environment and the housing market in the long-term. The standard also makes the boards of providers responsible for making sure this is achieved, alongside annual assessment from the HCA.

Many organisations are tackling this with an overhaul of their procurement strategy, with an aim to create an environment for commercial and social success consisting of key aims and themes. These include:

● **Good planning.** A medium-term procurement plan for works, goods and services helps maximise efficiencies and build on supply chain opportunities. Strong contract management means working with

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contractors and suppliers helps to identify where money can be saved, improve services and produce savings.

● **Collaboration on indirect spend.** Many social housing groups are working together on the purchase of categories, such as energy and stationery. Andrew Carlin, commercial director of CEL Procurement, which operates the consortium Procurement for Housing (PfH), says current commercial pressures are forcing housing associations to be more stringent in trying to centralise as much of the indirect spend as possible. “The core areas of buying items such as computers, vehicles and energy are where you see collaborative procurement working very well, where organisations can drive some value through national framework contracting.”

Organisations such as PfH and the Northern



## Welfare reform

Last month, the government introduced new reforms to welfare, which will have the biggest impact on social housing in decades. There will be reductions in the amount of benefit that can be claimed if they have a spare bedroom (nicknamed the ‘bedroom tax’), and changes to how benefits are paid under Universal Credit (landlords will no longer receive claimants’ benefit direct, as it will go to the tenants).

According to Jeff Hewitt, managing director of income management and financials at Civica, this will affect how organisations approach their day-to-day business, which will go right through from tenancy management to how they purchase services.

The software company is assisting housing associations with tools to tackle the legislative changes. He says: “We are looking at alternative ways of collecting revenues with new tools helping tenants who cannot manage their money, to pay their rent without causing hardship if the money is not there. So organisations have to think about innovation and procuring solutions that will allow them to collect the rent more efficiently.”

Housing associations have budgeted in these costs for the next financial year, but the additional investment in rent

collection, debt management and advice for tenants is putting added pressure on procurement teams. It has also raised the importance of efficient purchasing. The savings created can be redirected to areas affected when rents are not paid.

These additional pressures on purchasers in the sector, coupled with maintaining a balance of a more commercial approach and responsibility, has led to more innovation from buyers.

“Because of the changing emphasis on where the direct spend might have to go, the procurement functions in organisations are looking to use more collaborative framework agreements for the indirect spend,” says Andrew Carlin, commercial director of CEL Procurement. “What that does is build capacity for them to focus on maximising the value of the contracts in the direct spend category so that services don’t fail or decline in quality just because the business is incurring greater expenditure in the collection of rent and money management services.”

The challenge for the next year is to ensure procurement is efficient on everything it delivers. So buyers are cutting out duplication, reducing waste and boosting collaboration, to make sure everyone is pulling in the same direction.





*“Social housing groups now have a strategy to incorporate social investment in their communities”*

Housing Consortium have established frameworks to help save time and money, such as a deal for telecoms for social landlords. In addition, providers such as Network Housing Group are also collaborating with smaller organisations on common categories.

● **Developing competencies.** There is now an emphasis on investing in staff, who are being trained to become aware of how they can generate efficiencies. Some social housing providers are even implementing programmes where residents are invited into evaluations as part of the procurement process. The two parties work closely, with residents helping buyers to spend money in the right areas to get what they want from each service. Sovini has taken it one step further, with two residents earning CIPS level two qualifications. They now sit on the evaluation panel and a value-for-money steering group, which has been very beneficial for the buyers and gives them the view from the ground.

Gentoo house builder's Hutton Rise housing development in Sunderland, UK, is just one of the social housing groups improving environmental performance with energy-efficient homes

## The Social Value Act

This act came into force at the end of January this year. It requires providers to consider the economic, social and environmental impact of procurement decisions.

Social housing organisations now have a strategy to incorporate social investment within their communities, helping people get back into work, creating jobs and engaging with SMEs in the local community. Some are creating apprenticeships for local young people, or running workshops to assist them, while others are helping to develop SMEs with subcontracting opportunities.

Warr acknowledges the challenges behind this act. “When we are going out to tender, we always make sure local suppliers are involved. But often these smaller suppliers are not always as competitive, so then we look at their social return, as we always need to show our board how we demonstrate investing in the community. We are currently trying to create a currency for measuring social return. For example, when negotiating a painting contract, the contractor might contribute free paint to repaint the local community centre, which would help them seal the deal.”

Improving environmental performance can be more expensive. Government targets on reducing the carbon footprint of domestic housing stock means social housing landlords always have to factor the cost of reducing energy consumption into their maintenance budget, which includes solar panels and external wall insulation.

Carlin concedes this is probably the toughest element of the changes. “In terms of green challenges, the sector is doing a lot of good work. We are selecting properties that will benefit most from their positioning from that kind of investment in renewable technologies. But when you start talking about sustainable procurement strategies, about the carbon footprint of the supply chain, I think we have quite a long way to go.”

