

Procurement Trends Report 2018

Helping our members
make a *real* impact



Sarah Rothwell

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Foreword

Welcome to Fusion21's Procurement Trends Report, which reveals the issues that are currently influencing procurement professionals working in the UK housing sector.

Eighty individuals, working for organisations that together own and manage more than one million homes, have taken the opportunity to share their experiences with us. The last couple of years have, of course, been hugely challenging for everyone in our sector. All of us who specialise in procurement know that we are able to support housing providers as they face these challenges head-on, ensuring compliance, achieving efficiencies, and making sure they experience value.

This report reveals the extent to which procurement professionals are actually at the forefront of enabling their organisations to achieve their purposes, one contract at a time.

It will surprise no-one that, in the wake of the Grenfell Tower tragedy, the work of procurement teams around compliance has been the focus of renewed scrutiny.

Meanwhile, procurement professionals are dealing with the aftermath of the 1%, four-year rent cuts, as organisations with less income remain increasingly dedicated to funding the delivery of much-needed new homes.

Fusion21 provides a range of national procurement and community regeneration services to 460 public sector members and to date we've delivered £177 million savings through our framework approach to the procurement process.

We've seen a shift over the last few years, with members placing their emphasis in favour of quality, rather than cost, when procuring goods and services. The findings of our research confirm this trend.

Continuing to respond to member needs through our procurement services, we launched our new Fire Safety offer – our first dynamic purchasing system (DPS) – earlier this year. Appointment to this DPS is based entirely on suppliers fulfilling a rigorous quality criteria assessment.

Additionally, the majority of our frameworks enable our members to undertake direct awards to suppliers deemed 'best value', so we are able to adjust the focus and look beyond initial costs.

The findings from this report highlight and confirm the current challenges faced in the procurement profession, and we'll be using all feedback to help further shape the procurement frameworks and services we offer to our members.

Executive Summary

Eighty procurement professionals working for organisations that collectively own more than a million homes took part in Fusion21's Procurement Trends Survey throughout April and May 2018.



Half of respondents said the Grenfell Tower fire has meant their organisation now places greater emphasis on quality when making procurement decisions.



Three quarters (**75%**) of procurement professionals describe compliance as "extremely important" when achieving value for money. However, 55% said they still felt under pressure to procure at the lowest price.



More than two-thirds (**67%**) of respondents said Brexit will change the way they buy goods and services. Yet, out of the important factors that could potentially impact procurement professionals' work, almost half say rent cuts for social housing are the most significant.



One in five (**22%**) of those who took part in our research said their organisation plans to grow their procurement team in the next 12 months.



Outsourcing procurement in order to access technical expertise that do not exist in-house remains a popular option, with more than half (**57%**) of respondents going down this route.

Recent Events

Rent Cuts

In 2015, when then Chancellor George Osborne announced that he was cutting social housing rents by 1% a year over the next four years, housing experts warned that it was going to make it more difficult for providers to build the new homes that are so desperately needed.

47%

Three years on, Fusion21 asked survey respondents to rank the external factors that have had the biggest impact on the way their organisation approached procurement – almost half (47%) placed rent cuts, which mean their organisations have less income, at the top of their list.

27%

Meanwhile, more than a quarter (27%) said “pressure from government to build new homes” had been most significant.

Case Study

“Like all housing providers dealing with the rent reduction, we’ve experienced significant change over the last couple of years and we know there’s more to come.

Good businesses want to develop and evolve. This, coupled with the pressures we face in light of the rent cut, mean we’ve put a lens to everything we do, including looking at our contracts in a different way.

Ultimately, we need to build more homes to help tackle the housing crisis, but the rent reduction means we have less income. Therefore, we have to achieve efficiencies, both now and in the longer-term.”



Katy Mills

Director of Asset and Procurement, Your Housing Group

The Grenfell Tower Tragedy

More than half (51%) of the procurement professionals who took part in our research said the Grenfell Tower tragedy has changed the emphasis their organisation places on quality when making procurement decisions.

There was a greater focus on quality especially in relation to fire safety, and ensuring contractors had completely up-to-date information.

Many of the 49% who said that nothing had changed, were keen to explain that the quality of the goods and services they procured was already crucial.

Only one respondent, a senior manager, “wished” Grenfell had altered the emphasis their organisation placed on quality. They said they hoped Dame Judith Hackitt’s Independent Review of Building Regulations and Fire Safety, published in May, and any resulting changes to legislation, would alter this.

Do you feel that the Grenfell Tower tragedy has had an impact on the emphasis your organisation places on quality when making procurement decisions?



51%

of procurement professionals said the Grenfell Tower tragedy has led to a greater emphasis on quality

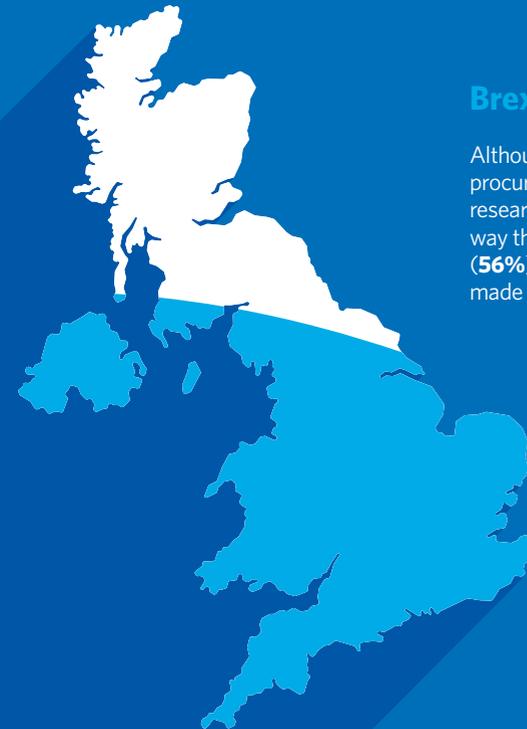
51.43% of people said yes, while 49.57% said no.

Brexit

Although more than two thirds (67%) of procurement professionals who took part in our research believed that Brexit would change the way they procure goods and services, the majority (56%) expected the changes to be minor and made in order to reflect regulations.

67%

of procurement professionals believed Brexit will change the way they procure goods and services



Value for money

What constitutes value for money? The respondents who took part in Fusion21's research did not arrive at a consensus.

Given a list of factors that may contribute to achieving value for money, the vast majority (**75%**) agreed that compliance was "extremely important" when achieving value for money.

However, their agreement ended there. When presented with a range of other factors: social value, time savings, cost avoidance, technical expertise, localism and use of small and medium-sized enterprises (SMEs), procurement professionals had completely different priorities.

Some respondents ticked all the options they were presented with, saying that procurement decisions were based on "a mixture" of all factors.

Case Study

"We achieve value for money through efficiencies, and contributing to our local economies is also important. At the moment, 75% of our contract spend is within 25 miles of our regional bases.

In 2016, we launched our own Repairs Framework, which was aimed at attracting local SMEs to work with us. Twenty-three businesses are on the framework, all but two of which are small businesses.

We've put a lot of effort into making working with us easier for small businesses. We also offer credit cards to our SME contractors, which means we can pay them straight away. As they don't have to wait 30 days to get paid, we can negotiate better rates - we've saved 9% by doing this."



John Thornhill
Procurement and
Contracts Manager,
Futures Housing
Group



%

of procurement professionals felt pressure to procure at the lowest price

Pressure to procure at the lowest price

Despite the range of factors that influence procurement professionals' decisions, cost was the ultimate consideration for a large chunk of respondents.

More than half (**55%**) of those who took part in this research reported that they felt under pressure to procure at the lowest price.

"Funds are stretched," explained one senior manager; "Restrictions are in place on budgets," wrote a department head.

The majority (**62%**) successfully managed costs through procurement by accessing procurement frameworks, gaining efficiencies and cutting out the high cost of running their own procurement exercises (see page 10).

Meanwhile, 44% aggregated demand across departments to exert greater leverage with suppliers. More than a third (**39%**) strived to improve their project, contract and asset management; and 30% focused on reducing processes and transaction costs.

"We focus on removal of any gold plating, getting the specification correct," answered one finance director.

Do you feel the pressure to procure at the lowest price?

15.94% said often

39.13% said sometimes

44.93% said no

The Public Services (Social Value) Act

The vast majority (83%) of respondents believed, since it came into force in 2013, The Public Services Act had been influential in terms of ensuring their organisation considers social value during procurement.

More than a quarter (26%) described it as “extremely influential”, and 57% said it was “slightly influential”.

When asked what changes they would like made to The Public Services Act – which requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits – a small minority (5%) of procurement professionals said they’d abolish the Act from UK law.

“Whilst we put a lot of effort into social value, I have to question if the so-called benefits outweigh the cost of it,” wrote a director.

One in five (20%) would like the Act to be limited, so it only applies to contracts worth significantly more than its current threshold of contracts over £173,934 – but nearly the same proportion (18%) would like the Act to be extended, so applies to contracts worth less than £173,934.

20%
of procurement professionals wanted The Public Services Act to be **restricted**

23%
of procurement professionals wanted The Public Services Act to become **mandatory**

Procurement as a strategic function

It's official: Procurement is viewed as a strategic function by the majority of housing providers – 67% of them, to be exact.

Almost a quarter (23%) of respondents said it is seen as a “highly important” strategic function.

However, there is still a sizeable minority (29%) who answered that, while procurement

was seen as important by their employer, it's not viewed as being important enough to be considered strategic.

A very small minority (3%), meanwhile, said procurement was not considered important.



32%

of procurement professionals said procurement was not viewed as a strategic function in their organisation.

Case Study

“The work we do as a housing provider’s procurement team is so varied – we work right across the business and get involved in everything, from procuring big construction contracts to office stationery.

We work with colleagues across our organisation to consider the services we need to deliver to tenants, what the current problems might be, and how we can make improvements. This involves tenant engagement work, acting on their feedback.

It feels good to see services improve and to know that you contributed to their success. For example, we recently procured a new estates services contract, and when I see the grass in our areas has been cut, I feel that I’ve contributed to the frontline – to improving people’s environment.”

Jenny Swainson

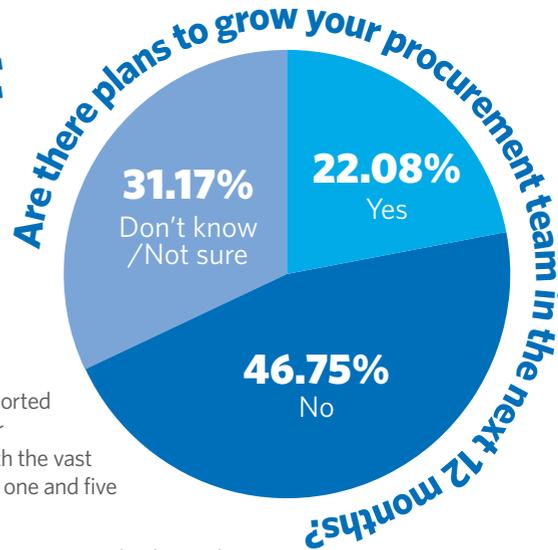
Procurement Manager, Northampton Partnership Homes

Recruitment

Procurement teams in the housing sector are growing, with many organisations seeking junior-level support, our research findings reveal.

More than one in five (22%) procurement professionals who took part in the survey reported that their organisations planned to grow their procurement team in the next 12 months, with the vast majority (96%) planning to take on between one and five new people.

Almost half (46%) of those who were recruiting expected to be on the lookout for new procurement officers. Procurement managers are also likely to be in demand, with almost a third (32%) of organisations with recruitment plans reporting they would fill this role.



Outsourcing

When housing providers do not have in-house skills, expertise or capacity, they have the option to outsource procurement, and for more than half (57%) of the professionals who took part in this research, it's one they take.

More than two-fifths (42%) outsource in order to access technical expertise and support; 40% do so to access procurement expertise; 28% in order to achieve value for money; and a similar proportion (26%) to make procurement more efficient.



of procurement professionals accessed procurement frameworks to gain efficiencies

Conclusions

Our Procurement Trends Report highlights how the value of the procurement role within housing organisations is changing. More than two thirds of procurement professionals said that procurement is now viewed as a strategic function.

The pressure placed upon organisations as a result of the recent 1% rent cuts is likely to be a significant driver for this increased status. Housing providers are increasingly coming to realise that they can save money by empowering their procurement departments.

Also, the Grenfell Tower tragedy undoubtedly put procurement on the radar of many senior leaders of housing organisations. Indeed, more than half of those who took part in our survey said the Grenfell Tower fire had changed the emphasis their organisations place on quality when making procurement decisions.

Our Procurement Trends Survey was one of the first to test opinions of The Public Services (Social Value) Act. It reveals that there is a real range of views about the effectiveness of the legislation amongst procurement professionals. This seems to result from varying local contexts and supplier relationships.

It is encouraging to see more than half of respondents are comfortable outsourcing procurement when they don't have the necessary skills or capacity. Fusion21 enables our members to tap into a wide range of high-level technical and compliance expertise, and demonstrate the value procurement professionals bring to their organisations.

It is also positive that more than one in five (22%) procurement professionals who took part in the survey reported that their organisation plans to grow their procurement team in the next year.

Overall, at a time when there is more pressure to demonstrate compliance and best value, the importance of a strong procurement function is increasingly clear to housing providers.

MAKE A *real* IMPACT

Fusion21 helps people buy smarter in the public sector and make a difference in communities across the UK. We've saved our members more than £177m with fully compliant procurement frameworks, while the social value of our projects currently stands at £70m. Talk to us about making a real impact.



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