



Equality & Diversity Briefing

HOW CAN HOUSING ORGANISATIONS MAXIMISE THE COMMUNITY BENEFIT OF PROCUREMENT?

Introduction

UK government spends some £175 billion¹ each year procuring goods and services from external organisations in the public, private and third sectors. Some £42 billion² of this is spent by local authorities upon procuring goods and services, with around £5 billion spent by housing organisations upon an array of activities. These activities include: the procurement undertaken in relation to the new build of affordable housing; the procurement undertaken in relation to repairs and maintenance activities; and the procurement of neighbourhood level service delivery activities.

Housing organisations are however in a relatively unique position when it comes to procurement in that they are both procurers of goods and services themselves; and procurees of delivery services from public and private sector partners. This means that they can both: influence the efficiency and effectiveness of spending through their policies and practice; and deliver goods and services which enable benefit beyond a contract. This briefing paper seeks to explore the procurement process and the community benefits it can enable in further detail, with a particular emphasis upon what housing organisations can be doing to influence community benefits through procurement.

¹ Department for Communities and Local Government (2009) *Review of arrangements for efficiencies from smarter procurement in local government*. London: HMSO

² IBID

What is procurement and community benefit?

'Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the whole cycle from identification of needs through to the end of a services contract or the end of the useful life of an asset.' (National Procurement Strategy for Local Government, 2003³)

Such a definition can be applied to the housing sector simply in terms of the purchases they make to enable the delivery of services or the goods they purchase to ensure the maintenance of housing stock.

Over the last six years, central government in the United Kingdom has sought to take this definition further to drive forward the concept of sustainable procurement policy and practice. In particular, there has been a growing interest in the wider benefits that can be gleaned from procurement, what are known as 'community benefits' (see box 1).

Box 1

Examples of community benefits

- supporting 'local' businesses or voluntary and community sector organisations to bid for contract opportunities;
- seeking to employ 'local' companies or organisations to deliver contracts;
- seeking to support the 'locally' unemployed into employment through clauses stipulated as part of contract awards;
- stipulating a certain number of apprentices must be trained through delivery of the contract;
- stipulating that products provided as part of a contract meet certain environmental requirements and criteria.

³ Office of the Deputy Prime Minister (2003) *National Procurement for Local Government*. London: HMSO

What are the barriers to achieving community benefit?

Procurement is not straightforward and there are a number of commonly encountered issues that can act as barriers in achieving community benefit. These potential barriers include:

- **European Law:** EU law, as detailed in the Treaty of Rome 1957⁴, is often portrayed as inhibiting public bodies from contracting local suppliers in that the Treaty sought to open the process of procurement to Europe wide competition and to outlaw the favouring of national or locally focused suppliers.
- **Capacity of suppliers to 'deliver':** In many localities third sector organisations and small and medium sized enterprises do not have the required skills, capacity or expertise to deliver public sector contracts, nor compete with larger providers. A further barrier can be a lack of awareness of what contract opportunities are available in a locality, whilst those that are aware may perceive the process to be burdensome.
- **Local authority and procuring body cultures:** Whilst the EC Treaty and associated Procurement Directives are barriers to community benefit, they are far from insurmountable. Yet, for them to be overcome there needs to be strong local authority political leadership and a degree of willingness to take risks amongst other procurers such as housing organisations.
- **Measuring social outcomes:** Third sector organisations and social enterprise in particular are strong demonstrators of social outcomes in their delivery. Yet the tender process often does not enable these types of outcomes to be demonstrated thus neglecting the potential achievement of community benefits.

Why is procurement spending important?

When we look at some of the thematic challenges facing the UK, the potential importance of procurement becomes clearer, particularly when considering local spending, local economies and local communities. There are a number of ways in

⁴ Official Journal of the European Union (2002) *Consolidated version of the Treaty establishing the European Community*

which procurement spending at the local level can potentially contribute towards a whole range of policy agendas, as explored below:

- **Tackling worklessness and unemployment:** Where a supplier, successful in winning a contract, is based in a deprived community or one with higher than average levels of unemployment, there is employment created which is potentially open to that community's workforce.
- **Developing skills bases:** Procurement contracts can be twinned with commitments to support apprenticeships and other training development opportunities for the workforce of suppliers, thus fostering up-skilling.
- **Creating industrial diversity and growth:** Procurement has the potential to create the demand for specific industries in localities particularly in relation to construction and maintenance.
- **Supporting the sustainability of business and economies:** Procurement spending is not just about the first round i.e. spend by the public authority upon suppliers. Instead, impact can be measured as it passes along the chain. Suppliers will need employees to develop goods; and suppliers of their own to provide them with goods and services. Employees of suppliers will spend money in shops and upon services. This chain of spending leads to multiplication of income within economies and potentially sustains businesses, economies and communities.
- **Alleviating environmental concerns:** The decisions made through procurement can potentially have a key role to play in acting on environmental change as suppliers' choices can reduce delivery distances and that the process can influence the environmental nature of products and goods being provided.
- **Promoting principles of equality and diversity:** Promoting equality and diversity may be achieved through encouraging and, where possible, requiring, companies and other organisations bidding for contracts to practice equality and diversity in their employment practices and in service delivery. Moreover, procurement can be an effective tool for supporting and raising the capacity of

Black and Minority Ethnic businesses and social enterprises run by or employing other minority groups, such as people with disabilities.

What is the role of the housing sector in procurement?

There are two key ways in which housing organisations have a role in procurement.

1. As procurers: Housing organisations procure supply organisations to deliver the development of affordable homes and provide materials and labour for repairs and maintenance activities. This procurer role also includes the procuring of supply organisations and social enterprise in particular to deliver neighbourhood level services activities and projects. As procurers, housing organisations can influence the achievement of community benefit in the following ways:

- By simplifying the tendering process to make it easier for small and medium sized enterprises and third sector organisations to bid for contracts;
- By embedding community benefit into housing organisations' core strategy;
- By undertaking activities to build capacity locally to bid for contracts;
- By developing relations with local organisations, for example by hosting 'meet the buyer events';
- By being sensitive to suppliers' situation when considering payment arrangements;
- By stipulating community benefit requirements in contracts, such as specifying the number of jobs or training opportunities that should be provided by the contractor.

2. As procurees: Housing organisations often bid for delivery work being procured by local authorities and other public sector bodies. As such, they need to demonstrate that they have the skills, knowledge and capacity to bid for and deliver public contracts. There are a number of activities housing organisations should be undertaking to prove their viability as service deliverers, including:

- By promoting the depth and breadth of housing organisation activities;
- By highlighting the community benefit of housing organisation activities, for example, their track record of supporting people into employment;
- By demonstrating how their services serve a locally specific niche;

- By improving their knowledge of procurement opportunities by checking procurement portals or attending 'meet the buyer' events;
- By developing capacity within the organisation to understand the process of procurement;
- By demonstrating how housing organisations support a local supply chain through their own purchasing.

As this section has shown, housing organisations therefore have a dual role in influencing the achievement of community benefit: on the demand side in terms of developing procurement and policy which enables wider community benefit; and on the supply side in terms of ensuring service delivery provides added value in terms of community benefit. The ways in which housing organisations can influence both supply and demand side achievement of community benefit through the process of procurement is illustrated by the case study below.

Exploring good practice in influencing the achievement of community benefit through procurement

Mosscare Housing is one housing organisation which has undertaken work as both a procurer and a procuree in influencing the achievement of community benefit through procurement. The following case study highlights some of their key demand side activities in terms of collaborative arrangements with other housing associations to source supplies; and some of their supply side activities in terms of delivering wider role activities through procurement in their communities of focus.

About Mosscare Housing

Mosscare Housing is a registered social landlord with a remit to provide affordable and social housing and twin this provision with a range of local regeneration and other public service activities. Regeneration activities include environmental and crime reduction projects. Mosscare Housing operates from a base in Moss Side in Manchester, but also manages stock in the neighbouring authorities of Stockport, Trafford and Tameside.

Services delivered by Mosscare Housing

Mosscare Housing have been operational since the early 1970s with their key relationship with Manchester City Council being as a result of a series of stock

transfers, the largest of which was in 2008 with the transfer of 1,135 units in Stockport into a subsidiary, Mossbank Homes, taking the group's total size to 4,500 units. Whilst being similar to other housing providers in the Greater Manchester area, Mosscare believe their added value comes in the additional community services which they provide through the procurement process including: community engagement activities; environmental and park maintenance activities; local employment initiatives; and anti-social behaviour initiatives.

Mosscare Housing has also been contracted by Manchester City Council to deliver area regeneration and housing management services. This is through a consortium of housing associations including the Great Places and Irwell Valley housing groups. Mosscare also currently have contracts for landlord licensing and through social services for running supported housing schemes.

Types of community benefit achieved

It is clear that through the array of contracted activity as identified above that community benefit considerations should be key for Mosscare. Indeed, there are a number of categories in which Mosscare feel they enable community benefit. The first is through their core service priority of housing provision and maintenance. All activities of Mosscare are framed within providing the best possible homes for their communities. This has partly been driven by the Government's Decent Homes Standard, but primarily to a commitment to communities and providing new kitchens and windows.

Mosscare also enable community benefit through the series of add-ons which they provide in addition to core-provision. The services identified above all seek to tackle deprivation and ensure that the benefit of investment filters through the community. Mosscare also achieve community benefits in the form of supporting local employment and in enabling spending with local supply organisations.

The Safer and Stronger Communities agenda is a key theme for Mosscare's delivery activities, particularly around crime prevention and reduction. Mosscare are committed to community improvement and see tackling anti-social behaviour part of this.

Why community benefit is important

Community benefit is integral to the ethos of Mosscares Housing. The organisation cannot just be about housing provision but has to add value in terms of community activities and services. Community benefit is also important as a result of the finance challenges which many housing associations face. Many are in significant debt and delivery activity has to be seen to be multiplying income and providing value for money services in terms of effectiveness.

How the community benefit has been achieved

The community benefits achieved by Mosscares Housing lie largely in their approach to service provision and, particularly their 'wider role' functions. Besides providing core services, Mosscares Housing has been proactive in seeking out opportunities for contracts which will contribute to wider local regeneration and economic development. This makes them a key value added supplier for Manchester City Council.

Operationally, there is a commitment where feasible and commercially viable to supporting local employment and local suppliers. For recruitment, there is not necessarily a direct commitment or policy to local employment. Instead, Mosscares Housing seeks to broker people into employment through dedicated employment initiatives. Employment within Mosscares Housing itself tends to be skilled, with many posts advertised internally.

For supply choices, Mosscares Housing recognises that they spend a significant amount of money upon stock maintenance and renovation and that this spend needs to provide some local economic benefit. Mosscares Housing has therefore entered into a partnership arrangement with other Greater Manchester Housing Associations to jointly procure goods and services. GM Procure is funded with the Efficiency Challenge Fund and seeks to encourage housing providers to work collaboratively when procuring. This collaborative approach has enabled not only economic efficiencies, but also impacted upon the local labour market in terms of supporting construction firms and upon the local supply market in terms of the sourcing of materials.

Mosscares Housing, again through their 'wider role', views environmental considerations as key, both operationally and in delivery terms. Mosscares, for

example, work with utility companies to provide energy efficient lighting for tenants and other utilities such as air exchangers.

Conclusion

The aim of this briefing paper was to introduce the issue of procurement and suggest ways in which housing organisations can achieve community benefit, both as procurers and procurees. As highlighted at the beginning of the briefing paper, there are a number of potential barriers to delivering on this agenda. However, as the case study demonstrates, these are not insurmountable providing that housing organisations have the creativity and foresight required to realise procurement's potential.

Further information

This briefing paper was authored by the Centre for Local Economic Strategies (CLES) for the Housing Diversity Network. As a current member of the Housing Diversity Network you will receive all our factsheets this year. CLES is an independent think-doing organisation with charitable status. CLES brings together a network of subscribing organisations involved in regeneration, local economic development and local governance. For further information on CLES visit: www.cles.org.uk

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For more information on procurement and community benefit, see:

- Macfarlane, R. & Cook, M. (2002), 'Achieving community benefits through contracts: law, policy and practice' (Joseph Rowntree Foundation: York), available to download at: <http://www.jrf.org.uk/publications/achieving-community-benefits-through-contracts-law-policy-and-practice>]
- APSE & CLES (2010), 'More bang for the public buck: Achieving community benefits through procurement' (APSE: Manchester), available to purchase at: <http://www.apse.org.uk/research.html>