Members Insight Report:

Key trends and considerations

Q1 2024



Members Insight Report
Q1 2024

The Housing Sector continues to operate in a challenging environment – an ongoing post-covid cost of living squeeze, high inflation and interest rates, higher cost of borrowing, challenging labour markets and a declining housing market. All while many landlords are looking to invest in their existing stock to improve quality, safety and energy efficiency, as well as build new stock to house the more than a million people on Local Authorities waiting lists.

Value for Money and customer satisfaction will be a huge focus for both tenants and landlords and procurement, rightly so, has a unique opportunity to support its businesses delivering against these, all while facing its own challenges of recruitment, perception and preparing for the Procurement Act 2023.

This report summarises how the procurement landscape is changing for our members, including the current status quo, their current priorities and their views on the industry's hot topics. Plus, we share some valuable points social housing organisations and Local Authorities may want to consider based on our findings.

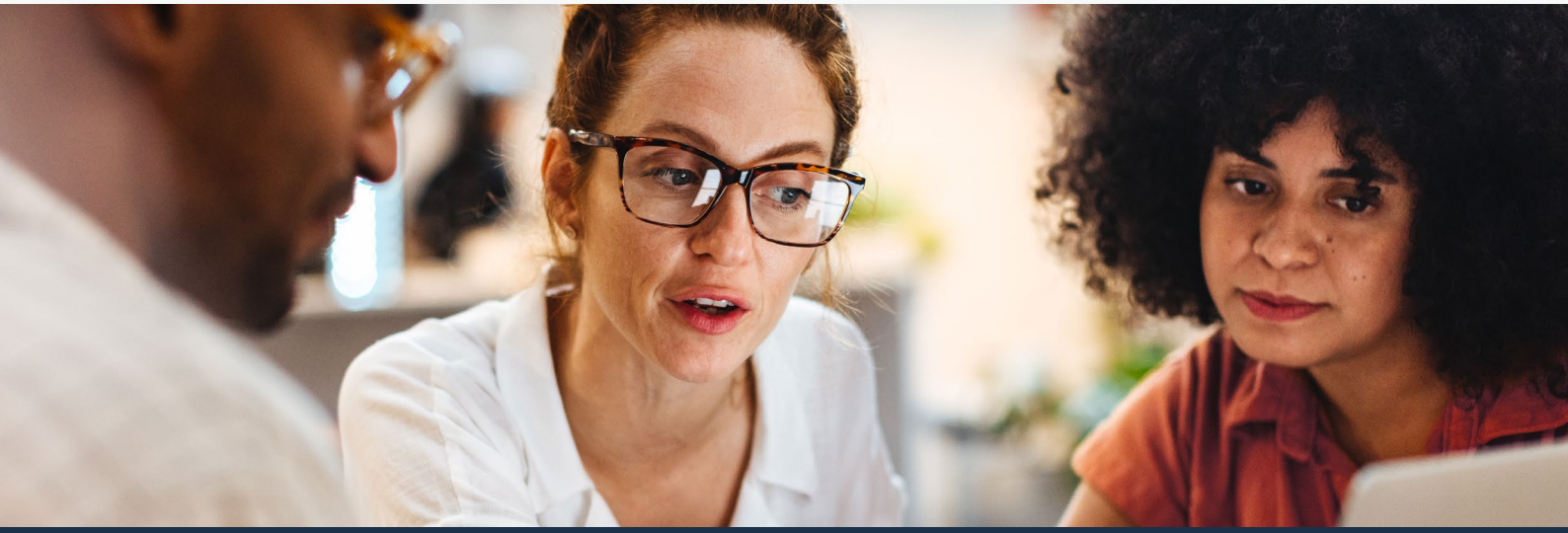
Current procurement landscape status quo

Overview: what our members say

In 2014 we surveyed 100 of our members to understand the pressure on social landlord procurement teams. Ten years on we wanted to understand what has changed.

Overall procurement appears more positive about the future – feedback shows its importance is shifting and as a results teams can feel confident about growing. Conversely, spend appears to be less visible than ten years ago, which should be a cause for concern, but despite that more organisations are benchmarking their costs to ascertain value for money.

% of how many believe that...	2014	2024
...procurements importance in the sector is increasing	70%	82%
...they are sufficiently resourced	33%	41%
...their procurement team will increase in size over the next 3 years*/ 12 months**	20%*	46%**
...their spend visibility is poor	25%	57%
...they have total spend visibility	14%	4%



Capacity to deliver

There are three main streams of procurement delivery.

Centralised

A single, dedicated procurement function, leading and supporting the procurement of goods, services and works contracts across the business

Centre-Led

A dedicated procurement team that is focused on policies, processes and knowledge sharing, but doesn't deliver the procurement processes

Decentralised

No dedicated procurement function, individual business units are responsible for procuring the various goods, services and works contracts required within their area

Our research shows that **79%** of respondents deliver procurement through a centralised procurement function.

Landlords with **less than 10,000 units** are commonly those who are **more likely to have a decentralised function**.

33% of respondents with less than 10,000 units were decentralised.

In addition, a quarter of the centralised teams **(23%)** said development/construction was currently outside of their scope for support within their organisation.

Units vs team headcounts

From the responses received, stock size is a clear driver for the size of procurement teams in social housing.

Unit size	Procurement team size
< 10,000 units	3
10,000 to 20,000 units	6
50,000 to 100,000 units	12

Increasing resource capacities

Ten years ago, only **33%** of our members felt they were sufficiently resourced – this position hasn't really changed based on this recent research. **32%** felt they were sufficiently resourced while half felt they were currently under-resourced.

43% of our members have seen the size of their procurement team increase in the last twelve months and a further **46%** believe they will see an increase in the next twelve months.

This is a marked change from ten years ago where nearly **80%** felt that this wouldn't change.

Spend visibility, cost and benchmarking

According to our latest survey, there has been a slight increase in the percentage of respondents who believe they have comprehensive oversight of their expenditure, rising from 14% a decade ago to 18% presently. Additionally, a majority of participants (54%) indicated that they have visibility into a substantial portion of their organisation's spending, specifically between 60% and 80%.

These statistics suggest a growing awareness and monitoring of spend behaviours within Housing Associations, albeit with varying degrees of coverage.

Are savings harder to come by?
57% of our members tell us that of the procurement projects completed over the last twelve months, less than 25% delivered a financial saving.

This mirrors what insights we've gained in our quarterly Sentiment Report, where we've seen challenging markets in materials and construction particularly, with costs increasing since the pandemic. However, the first quarter in 2024 signals some positivity around price stability with fewer suppliers predicting increases (63% compared to 79% in December 2023).

An extensive majority, comprising 89%, emphasise the importance of benchmarking quality and cost within procurement and contract management processes. Moreover, 92% of respondents reported conducting some form of benchmarking in the last twelve months, a notable increase from 57% in the previous survey from ten years ago.

This upward trend reflects a growing acknowledgment and integration of benchmarking practices as essential components of effective procurement and contract management strategies.

Procurement, technology and data

32% don't own an eProcurement system and a further 40% don't own a Contract Management system, although a number are considering procuring one in the next 12 months.

The procurement sector is undergoing transformative change due to technological advancements. Integrating AI, blockchain, and data analytics into procurement processes enhances efficiency, decision-making, and resource allocation. These technologies also improve risk management and supplier relationships. As technology evolves, its impact on procurement operations will continue to grow, leading to more agile and competitive organisations.

Perception of procurement

Recent webinars run by PfH with senior leaders in the public sector, for the CIH, and our own operational procurement focused sessions have shown a clear disparity in how procurement is perceived.

Most C-Suite leaders see procurement as a transactional, compliance driven function that while necessary can be seen as a barrier.

While at an operational level, procurement sees itself as strategic and essential service.

In general, senior leaders view procurement favourably; however, there are isolated instances where it is perceived negatively, particularly among smaller landlords with less than 10,000 units.

We asked our members how procurement is perceived by their own senior leaders, and we were pleased to see that the most used words included...

...value, important, compliant, efficient and professional, indicating a positive perception of this valuable function in an organisation.

Focus areas for 2024

Supplier and contract management

Procurement Act 2023 preparation

Training & Development

On top of their core operational responsibilities, our members have a clear understanding of their strategic priorities for the year ahead, with Supplier and Contract Management (31%) and preparing for the Procurement Act 2023 (30%) being seen as the clear, key priorities. Linked to this, Training and Development of their teams will be an important part of preparing for the new Act, ensuring teams are commercially positioned to unlock the benefits of the new procedures.

Our experience shows the procurement professionals of the future will require a greater level of commercial skills, specifically around negotiation, market engagement, collaboration and collaborative procurements and cost analysis.

With the International Association for Contract and Commercial Management (IACCM) putting the average loss through value leakage due to poor contract management at 9% of annual turnover*, effective contract management is key to successfully delivering a contract post-award and driving value for money throughout the life of the contract.

Key considerations

Building the right sized procurement team

While the size of procurement teams doesn't directly affect the ratings the organisations receive from the Regulator of Social Housing, procurement should be high on the Executive Teams agenda when considering governance. Deploying policies and procedures that drive a value for money culture and make compliance easy is a key base standard. Once you create an environment where Executive can take compliance as read, then procurement can focus on delivering genuinely commercial, strategic and value adding activities to its customers and suppliers.

Understanding spend management

Increased commercial skills and understanding spend management is crucial for adding value and benefiting communities. By analysing spend data and supplier pricing, organisations can identify cost-saving opportunities and align procurement with strategic goals.

Commerically minded procurement teams will have good visibility of spend, so undertaking regular spend analysis which is shared with key stakeholders is going to be a crucial part of driving service improvement and wider business objectives.

Advanced spend analysis tools offer insights into spending patterns and supplier performance, aiding informed decisions. Regular monitoring and reporting through KPIs ensure accountability and continuous improvement. Mastering these skills leads to better financial management and improved service delivery.

*Word Commerce & Contracting research, April 2020

Embracing technology and data analytics

Overcoming the access to valuable data, enhancing transparency and accountability in procurement is a key consideration that can be helped with using the right technology and data sources.

For social housing organisations and Local Authorities, adopting technology like eProcurement and contract management systems is crucial for operational efficiency and strategic sustainability.

eProcurement systems centralise and automate purchasing, reducing manual errors and ensuring consistency. This minimises administrative overhead and ensures regulatory compliance, essential for public sector organisations.

Additionally, contract management systems track and manage vendor agreements, ensuring all obligations are met and risks managed. These technologies optimise resource allocation, directing funds to impactful community initiatives.

By embracing these systems, organisations can reduce costs, improve service delivery, and maintain transparency and accountability

Procurement Communities of Practice

If not already, procurement leads should be engaging with their local Communities of Practice (CoPs).

Engaging local CoPs offers strategic benefits for social authorities by fostering knowledge exchange, strengthening collaboration, boosting innovation, and enhancing professional development. It supports better decision-making, increases accountability and transparency, and mitigates risks. Overall, active participation in CoPs helps social authorities leverage collective expertise to deliver better services to communities.

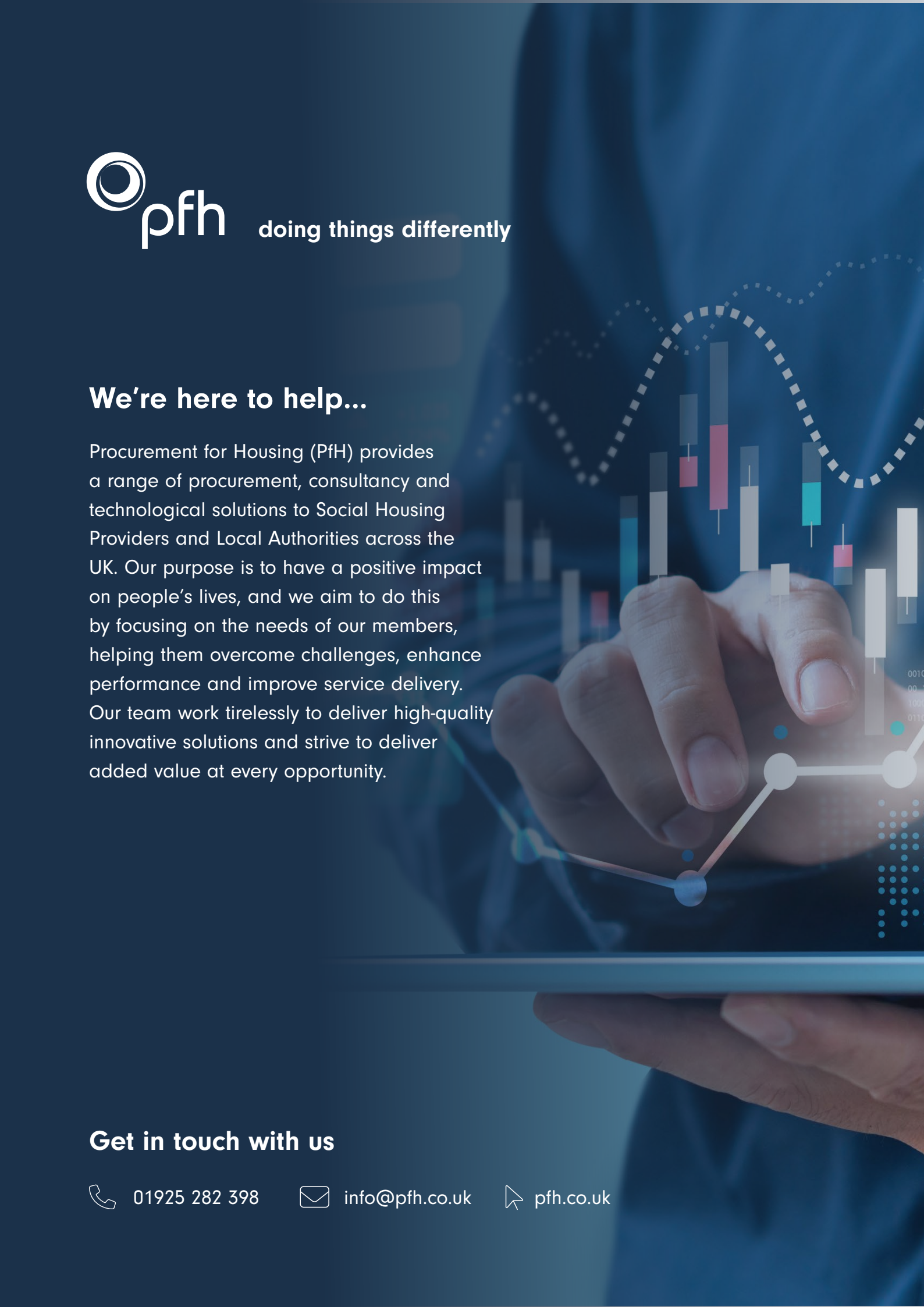
Procurement Act 2023

The Procurement Act 2023 introduces changes to improve transparency, efficiency, and accountability in procurement practices within public sector organisations.

Social housing organisations should leverage both free and paid training resources to ensure compliance. Free resources, such as online courses and webinars, provide foundational knowledge and best practices. Paid services offer customised training, consultancy, workshops, and ongoing support for deeper understanding and practical application of the act's provisions. Combining these resources will help procurement professionals effectively navigate and implement the new regulations, enhancing overall procurement processes.



pfh doing things differently



We're here to help...

Procurement for Housing (PfH) provides a range of procurement, consultancy and technological solutions to Social Housing Providers and Local Authorities across the UK. Our purpose is to have a positive impact on people's lives, and we aim to do this by focusing on the needs of our members, helping them overcome challenges, enhance performance and improve service delivery. Our team work tirelessly to deliver high-quality innovative solutions and strive to deliver added value at every opportunity.

Get in touch with us

01925 282 398 info@pfh.co.uk pfh.co.uk