Better buys

A study of housing association procurement practice

A briefing for housing association board members
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In February 2008, the Audit Commission and the Housing Corporation published *Better Buys: a study of how housing associations buy goods and services* (‘procurement’). The study looked at how housing associations could get better value for money and how residents could influence better procurement. And it examined whether the barriers to effective procurement were greater for smaller housing associations.

**What do we mean by procurement?**

Procurement is the process of buying goods or services. Housing associations buy office equipment to bathroom suites. They buy repairs services and phone contracts. Better procurement practice – *Better Buys* – can make savings and improve services.

*Better Buys* says that:

- housing associations are already making savings through better procurement – but they could do much more;
- good procurement can lead to other benefits in the local area such as economic regeneration and jobs for local people;
- a ‘procurement champion’ can help housing associations improve their procurement practice; and
- housing associations can make savings and share skills by working with each other – but they do not always make the best of these opportunities.

*Better Buys* also found that consultation with residents could lead to better procurement and management of repairs services.
Board Members’ Checklist

The checklist should help you to scrutinise how well your association is managing its procurement.

1. **Does your association have a procurement strategy?**

   A procurement strategy sets out:
   - the association’s objectives for procurement
   - links between procurement and value for money
   - links between procurement and other strategic objectives.

   It should explain how goods, services, and works are selected, acquired, and managed.

2. **How does procurement link to your association’s policies and procedures for achieving value for money?**

   Good procurement leads to improved efficiency and greater value for money. This link should be clear in the procurement strategy.

3. **Who is the senior manager in the association with overall responsibility for procurement: a ‘procurement champion’?**

   A management procurement champion promotes good procurement across the association. They ensure that staff who buy things follow the associations’ procurement strategy. This may be a specific job or an additional role for a senior member of staff.

4. **Who is the Board’s procurement champion?**

   A procurement champion at board level is essential if you want your association to achieve excellence in procurement. They can ensure good practice is championed and implemented.

5. **How is resident involvement linked into your association’s procurement strategy?**

   Resident involvement should be a key part of the procurement strategy. Residents know what has worked in the past and what they would like to see in the future. Their experiences and ideas can positively influence what the association buys. Clear guidance on resident involvement in procurement brings benefits and ensures consistency.
6. **How does the procurement strategy link into wider issues such as equalities, sustainability, and regeneration?**

All aspects of housing association activity should take account of equality issues. In procurement this ensures that:

- ethnic minority businesses are not excluded from competition;
- suppliers/tenderers comply with equalities legislation; and
- specifications reflect the needs of all residents.

Wider issues such as sustainability and regeneration may already be part of your associations’ corporate objectives. This could mean a commitment to sourcing environmentally sustainable products; supporting small and medium enterprise businesses; local training and apprenticeships; and ‘buying local’ to minimise the carbon footprint of goods and services.

7. **Does your Board receive an annual report on procurement progress and performance?**

The procurement strategy should include an annual performance plan with targets. The Board should receive an annual performance report that highlights success and sets out measures to address performance weakness.

8. **Is your association part of at least one purchasing consortium?**

A purchasing consortium combines the buying power of its members. The result is reduced prices from bulk purchasing. A consortium can share skills and market intelligence.

If your association is not part of a consortium – find out why.

If your association is part of a consortium ask for evidence of the benefits (such as reduced costs, shared skills, access to a wider pool of suppliers).
9. Does your association use ‘partnering’ for repairs contracts?
Partnering contracts are different from traditional contract arrangements. The housing association and the supplier share information and risks to deliver better value for money. The study found that partnering can deliver real benefits – but it does require work to build and maintain the partnership. Partnering is not right for all associations. You should find out if your association is using partnering – and assess the benefits it brings. If your association is not using partnering, find out if it was considered and why it was rejected.

10. Does your association have a contracts register?
A contracts register is a single point of information about your association’s contracts. It helps staff know who is supplying the association and prevents the accidental use of more than one supplier for the same product or service. An effective register can stop staff buying inferior products from alternative suppliers. It will also mean less staff time on setting-up and managing new contracts, and fewer invoices to process.

11. Are Board members involved in the procurement cycle of large contracts?
Board members should have an overview of large contracts.

You should ensure the association’s strategies and policies are complied with and value for money is obtained. Make sure that you do not stray into the operational issues that are the responsibility of the association’s management team.

12. Do you know how much your association spends on works, goods, and services?
All Board members need to know how much their association spends. They need to make sure there are proper controls to ensure viability, protect the association, and improve value for money.

13. Do you know if the appropriate measures are in place to prevent fraud and corruption?
Procurement provides opportunities for fraud and corruption.

You should work with other Board members and the management team to make sure there are appropriate procedures to prevent fraud and corruption.

You should also regularly review the association’s risk register.
14. Does your association comply with the EU procurement rules?

The European Union rules (which are also UK law) are designed to give all potential suppliers a fair chance of bidding for, and winning, your contracts. Any contract with a potential value over the current thresholds (below) must advertise in the Official Journal of the European Union (OJEU) – it is free.

The current thresholds are:

- Works: €5,150,000 or £3,497,313;
- Supplies: €206,000 or £139,893;
- Services: €206,000 or £139,893.

If the contract is over the threshold then your association must also follow the right procedures for choosing bidders and the final supplier. Find out how your association follows the procedures.

15. Do staff within your organisations have the appropriate procurement skills?

Staff with procurement skills are more likely to get better – and sustainable – deals and deliver greater efficiencies.

Find out how many staff in your association have recognised procurement qualifications and whether there are plans to train more staff.

16. Is your association managing its contracts effectively?

Contracts must be properly negotiated: they must also be properly managed. Your association’s contracts should have appropriate key performance indicators. These indicators should be regularly monitored and reviewed so corrective action can reverse under-performance.

17. How will your association respond if an important contract fails?

Your association’s risk management system should cover the potential failure of significant contracts. Risk mitigation should include suitable alternative arrangements. High risk contracts include responsive repairs, gas servicing, communications, and IT.
18. Does your association have review mechanisms to make sure that it learns from failed, or unsatisfactory, procurement exercises?

Organisations have to learn to improve.

You can encourage a learning culture by expecting appropriate procurement review systems and requiring board reports on the results of those reviews.