

# GOING TO MARKET: SHOULD HOUSING SHARE OR OUTSOURCE?

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At the Chartered Institute of Housing 2013 Northern Ireland Conference, Social Development Minister Nelson McCausland called on housing professionals to work together to deliver affordable and social housing for future generations.

He told the conference: *'We should never underestimate the importance of good housing in people's lives. It is a right that the housing movement knows only too well and one which you have striven to deliver successfully for many years. The challenge now is how to continue to do so in a difficult economic climate. It is a challenge you do not face alone but it is one that will require new approaches to the problem and one we can deliver in partnership.'*

In this context, the Chartered Institute of Housing (CIH), HouseMark and two of the largest housing associations, published a 2013 review of outsourcing and shared services in the housing market. Its purpose is to stimulate debate across the sector on these two issues.

The report is 24 pages long and attempts to capture the current outsourcing and shared services position of the public-purpose housing sector, at a time when it is *'...being challenged to continue to meet their obligations for delivering value for money....and of delivering frontline and back-office services effectively'*<sup>1</sup>.

Using HouseMark's benchmarking data, the report evidences the disparity between associations in their delivery costs.

The benchmarking figures evidence that efficiency gains are available for associations who are in the lower quartiles and that there are top quartile associations that can be copied to gain those efficiencies.

<sup>1</sup> p2



It focuses on two of the four potential routes for efficiency gains<sup>2</sup> – outsourcing and shared services. The report unpacks these through useful examples and good practice learning.

It also wisely points out that: *Overall, our research shows that outsourcing and shared services are not a panacea which will automatically transform services. Change and improvement can be made in many ways. The reality is that outsourcing and shared services should be seen as useful tools to help run the business. Decisions about whether to go down this road or not should be pragmatically arrived at on the basis of what is best for that business at that point in time*<sup>3</sup>.

The report also includes reference (p7) to 'insourcing' - bringing services back in-house where they have been formerly outsourced. This is an option that many local authorities have taken to reduce their costs, as they have learned how to work in leaner, more effective ways.

<sup>2</sup> See Edition 8 of this magazine in which we covered the Efficiency Matrix and its four options for delivering better, lower-cost services.

<sup>3</sup> P20

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The report also reiterated the sector's values: *'A significant difference between housing associations and profit distributing companies is that the purpose of housing associations involves a wider set of values and related considerations'*<sup>1</sup>.

### **VAT and Social Value Act**

The report covers both the VAT Cost Sharing Exemption Groups and the Social Value Act (2012).

On the VAT issue it recommends that, with appropriately structured partnerships, efficiency gains could be made without the impediment of the 20% VAT related threshold<sup>2</sup>.

On the Public Services (Social Value) Act 2012 the report emphasises the duty on housing associations to *have regard to economic, social and environmental wellbeing in connection with public services contracts. Associations must be prepared to define the social and economic value and impact of the services they offer when tendering for a service from a local authority or another relevant body*<sup>3</sup>.

'Going to Market' is key reading for decision-makers in the Housing Sector who have limited experience in either outsourcing or shared services.

It should be adopted as a 'reference point document' for high level discussion by Boards and management teams considering stepping into these activities.

<sup>1</sup> p17

<sup>2</sup> P15

<sup>3</sup> p17

If there is a criticism of the report, it is that outsourcing and shared services are fundamentally different activities to engage in and therefore it is important that whatever reports or papers follow 'Going To Market', they are focused either on outsourcing, or shared services, but not both at the same time.

The reason is the overwhelming academic and partnership experience, which evidences that shared services are more difficult to develop and deliver, than the customer-supplier relationship of outsourcing.

This problem could be overcome if the Housing Association sector are willing to draw on the experience of shared services in Local Government, Further Education and Higher Education

The successes and mistakes of these shared service activities can be avoided through the learning in the nationally recognised [Shared Service Architects'](#) programmes and the [Post Graduate Certificate in Shared Services](#) at Canterbury Christ Church University.

The sector could quickly adopt, and adapt, these programmes to build the capacity of social housing to be effective in the shared service space. They do not need to repeat the mistakes of local government and other public-purpose sectors who have been down so many blind alleys in collaborative working.