

<b>Institution:</b> University of Liverpool		
<b>Unit of Assessment:</b> UoA 17 Business & Management		
<b>Title of case study:</b>  Developing a new national procurement standard for delivering value in social housing and healthcare		
<b>Period when the underpinning research was undertaken:</b> 2012-2020		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b>	<b>Role(s) (e.g. job title):</b>	<b>Period(s) employed by submitting HEI:</b>
Dr Joanne Meehan	Senior lecturer	2012-current
Dr Laura Menzies	Lecturer	2011-current
Dr Bruce Pinnington	Lecturer	2012-current
Dr Roula Michaelides	Senior lecturer	2002-2018
<b>Period when the claimed impact occurred:</b> August 2013 - November 2020		
<b>Is this case study continued from a case study submitted in 2014?</b> N		
<b>1. Summary of the impact</b>		
<p>Research by the University of Liverpool Management School adapted Value-based Procurement (VbP) to transform national public procurement in social housing and healthcare. From 2014, the research led <i>Inprova Group</i>, who procure for approximately 3.7m social housing properties, to change their business model and processes to set VbP as the new procurement standard for social housing. The changes reach 90% of the UK's social housing market and have delivered procurement savings totalling £102m for over 1,000 housing organisations. Savings have been reinvested to fund employability projects, housing improvements, and rent reductions delivering social benefits for tenants. The impact's significance and reach increased from 2019 when NHS Wales and NHS Supply Chain Coordination Ltd used VbP in their procurement policies to reduce healthcare costs, increase service capacity and improve clinical outcomes for patients across their respective procurement spend of £800m and £6.6bn.</p>		
<b>2. Underpinning research</b>		
<p>Research at the University of Liverpool Management School from 2012-2020 used value-based procurement (VbP) to assert the centrality of both economic and social value in public procurement. Contrary to conventional views that these are contradictory, the research identified their mutual complementarity, offering opportunities for national purchasing organisations to substantially improve the extended value delivered through procurement.</p> <p>The research was initially conducted in collaboration with the <i>Inprova Group</i> (2012-2020). <i>Inprova</i> operate as <i>Procurement for Housing</i> (PfH) to provide procurement services to approximately 1,000 social housing organisations that collectively manage 3.9m of the UK's 4.1m social housing properties. PfH are the sector's largest procurement provider and are supported by standard-setting professional bodies - the National Housing Federation, the Chartered Institute of Housing, and HouseMark. Additional sector research funding was via a Knowledge Transfer Partnership with Cartrefi Conwy Housing (Technology Strategy Board, 2011-2013); a CASE-funded PhD with Equity Housing Group (ESRC, 2016-2020), Liverpool Mutual Homes, and the Re:Allies procurement consortium (2015-2016). From 2015, the research developed in the NHS with research funding from NHS NW Procurement Hub. Research funding total £283,000.</p>		

The research took a systems-level perspective to investigate the legacy of government policy on regulated procurement. The data evidenced how public sector environments have historically been shielded from commercial realities in their procurement decisions [3.1] and revealed why this has resulted in procurement's low status despite spend profiles of national economic importance [3.2]. Specifically, the research identified systemic problems in public procurement stemming from government policies [3.4], and revealed how process compliance, as opposed to value delivery, had become the dominant focus [3.5]. The research explained why prior approaches fail to deliver public benefit, notably: that standardised demand aggregation methods were commercially suboptimal and create supply market concentration over time [3.4]; the universal lack of supply market and spend data intelligence to aid value assessments [3.2]; and annual performance metrics that prevent suppliers' investment in innovation [3.3].

By using VbP, alongside an explicit recognition of the political context, the research offered novel collaborative solutions for procurement centred on long-term value rather than annual unit prices alone [3.4] and identified procurement methods that are able to re-balance commercial priorities with long-term social/health outcomes [3.1, 3.4]. The research argues for the application of new data-led business models for procurement consortia [3.1] that leverage spend data to shape equitable commercial outcomes and social value over the longer-term [3.4, 3.6]. Applying these insights to social housing and healthcare contexts has resulted in a fundamental reframing of how, and when, beneficiaries, cost, and value are considered and managed in procurement processes.

The research challenged dominant methods and positions procurement as the precursor to achieving wider public policy goals of Value-based Healthcare and Best Value. Since 2012, our emerging research evidence had high-profile dissemination via 35 invited articles in the professional press and over 55 keynotes, roundtables, workshops and talks at national events to CEOs, CPOs, CFOs, public procurers, trade associations, and strategic suppliers, placing the research at the forefront of critical national procurement policy debates about why existing procurement methods were not fit-for-purpose in emerging market contexts, why it mattered, and crucially, what to do about it.

### 3. References to the research

References 3.1-3.4 are published in international peer-reviewed academic journals. Reference 3.5 is an NHS-commissioned research report submitted to the NHS NW Procurement Hub on the feasibility of VbP for the NHS. Reference 3.6 is a report for the NHS on how to deliver VbP, co-authored by Dr Meehan (University of Liverpool), NHS procurement leaders, and independent legal experts. The latter two publications have been widely disseminated outside of academia and form the basis of the NHS's procurement policy reforms and training material.

3.1 Meehan, J and Bryde, DJ, (2014), Procuring sustainably in social housing: the role of social capital, *Journal of Purchasing and Supply Management*, 20(2), 74-81. Available from institution on request.

3.2 Meehan, J and Bryde, DJ, (2015), A field-level examination of the adoption of sustainable procurement in the social housing sector, *International Journal of Operations & Production Management*, 35(7), 982-1004. Available from institution on request.

3.3 Pinnington BD and Meehan, J, (2016), A grounded theory of value dissonance in strategic relationships, *Journal of Purchasing and Supply Management*, 22(4), 278-288. Available from institution on request.

3.4 Meehan, J, Menzies, L and Michaelides, R (2017), The long shadow of public policy; Barriers to a value-based approach in healthcare procurement, *Journal of Purchasing and Supply Management*, 23(4), 229-241. Available from institution on request.

3.5 Meehan, J, Menzies, L and Michaelides, R (2015), Value based procurement in the NHS (North West), Report of initial research findings (September), pp1-23. Available from institution on request.

3.6 Mangan, B, Ludbrook, M, Kelley, T, McGough, R, and Meehan, J. (2018), Value based procurement: an alternative approach to total cost reduction, improved efficiency and enhanced patient outcomes in the NHS. A framework for delivery. University of Liverpool & NHS NW Procurement Development. Available from institution on request.

#### 4. Details of the impact

##### Impacts on national public procurement policies

VbP has been adopted as the new procurement standard in social housing and NHS England and Wales. The high-profile dissemination of the research in the social housing sector led to PfH securing a mandate from its 1,000+ clients to change their procurement standards. Between 2012-2014, PfH used the research to implement a “*wholesale adoption of value-based procurement principles*” [5.1] across the management of their clients’ £0.5bn annual procurement spend. PfH are pivotal in setting the sector’s procurement standards as they represent 90% of the UK’s 4.1m social housing properties and are supported by the three standard-setting professional bodies - the National Housing Federation, the Chartered Institute of Housing, and HouseMark. Thus PfH’s “*wholesale adoption of value-based procurement principles*” sets the standard in the social housing sector, and as their Managing Director states: “*The value-based approaches have reached universal acceptance and now ‘this is how we buy’ in the sector*” [5.1]. He also confirms the extent of transformation and impact of the research on that process: “*Despite its apparent simplicity, balancing commercial and social value in regulated procurement is extremely complex and Dr Meehan’s research was critical in helping PfH develop appropriate solutions... and led to root-and-branch changes in our practice and outcomes*”. [5.1]

In the NHS, the research formed the basis for 80 workshops, strategy meetings, and away-days to policy working groups, procurement staff, and suppliers, and is referenced explicitly in the NHS Supply Chain’s VbP training delivered to 150 commercial procurement staff [5.2]. Supply Chain Coordination Ltd (SCCL), the management function of NHS Supply Chain, are adopting VbP across their £6.6bn annual spend to transform NHS procurement. SSCL’s Value Based Procurement Lead confirms the research “...*put VbP clearly on the map for the NHS*”, and states that: “*The University of Liverpool’s research, and the team’s continued engagement, has been instrumental in the pursuit to promote and engage the NHS’s journey to adopt VBP... [I]t has added a distinct level of credible evidence of what could be done, and it challenges us on how we need to change* [5.3].

The Head of Strategic Sourcing for NHS Wales confirms the importance of the research in identifying the “*changes needed to existing approaches [and] stimulating debate on the potential of procurement to deliver broader value*”. NHS Wales adopted VbP in 2019 as their procurement standard for their £800m annual spend [5.4].

##### Economic impacts to PfH and social housing organisations

Between 2014-2019, PfH’s adoption of VbP delivered substantial financial savings totalling £102m to social housing organisations [5.1]. Savings resulted from commercial opportunities identified by the research to reposition PfH as a knowledge hub. PfH introduced two new services to the market – bespoke consultancy and spend data analytics. In 2015, PfH’s parent company, *Inprova Group* acquired the firm *Valueworks* to extend their data analytics and they secured a 10-year £6.5m contract to introduce VbP to the North American housing market. PfH have grown their spend under management by 200%, despite an incredibly volatile period within social housing.

##### Social impacts for tenants

Consistent with the central logic of VbP, financial savings have led to significant social benefit as PfH’s clients have reinvested their share of the £102m procurement savings to improve tenants’

lives. The CEO for Newark & Sherwood Homes, states that: “*Categorically every penny saved [from PfH] has gone into social value*” [5.5a], enabling them in 2018-2019 to build 65 new affordable houses, fund 468 home adaptations enabling older tenants to live independently, and install 308 energy-efficient boilers [5.6].

Other PfH clients, as explained by the CEO for First Choice Homes Oldham, “*...used the procurement savings [from PfH] to offset the 1% impact and protect frontline services*” [5.5b]. The ‘1%’ refers to the UK Government’s Welfare Reform and Work Act (2016) that mandated social landlords to reduce rents by 1% annually for four years. The 1% rent reduction protected access to affordable housing for an estimated 1.2m financially insecure households. Frontline social value initiatives that the savings protected for First Choice Homes included, home care support for 162 people discharged from hospital and training on employability skills for 487 unemployed tenants with 223 people sustaining jobs beyond six months [5.7].

### **Healthcare Impacts for Patients and Providers**

Although the NHS only adopted VbP from late 2019, impacts are already significant because of the scale of their procurement spend. For a national procurement of blood thinning solutions, NHS Wales adopted VbP to assess total costs over a longer timeframe, resulting in a new supplier collaboration that enables patients to self-monitor blood levels. Patients benefit by getting early indicators of life-threatening conditions, and self-monitoring requires fewer GP and hospital appointments. NHS Wales report drastic cost reductions as a significant percentage of their 400,000 annual blood test appointments are eliminated, deployment of ambulance services reduced, and GP/hospital service capacity increased [5.4].

In 2019-2020, NHS Supply Chain commissioned 13 ‘proof-of-concept’ pilot projects for VbP. Initial results have improved patient care and delivered operational efficiency, and VbP is being rolled out across NHS England’s £6.6bn procurement spend [5.3]. A proof-of-concept pilot, from Manchester University’s NHS Foundation Trust adopted VbP for parotidectomy sealants (the surgical removal of salivary glands) to assess tenders against patient pathway costs, a step change from the previous approach of only comparing sealant product costs. This use of VbP led to the procurement of a more expensive sealant, but crucially this enables patients to be treated as day cases eliminating 2.5 days in hospital per patient, improving patients’ experience, freeing up vital bed capacity, and reducing the cost per procedure from £880 to £75 [5.8].

## **5. Sources to corroborate the impact**

### **5.1 Testimonial from the Managing Director of Procurement for Housing (Inprova Group).**

*Outlines how PfH used the research to develop and implement a value-based approach across the whole organisation. The reach and significance of the research as standard setting for procurement policy in the UK’s social housing sector is confirmed. Figures are provided for the impact of new commercial services, business growth, and procurement savings achieved, and how these impacts stem specifically from the research findings is explained.*

**5.2 NHS Supply Chain Value Based Procurement training material.** *Slide taken from NHS Supply Chain’s 2020 training course that references two of our research outputs (references 3.5 and 3.6), as the initial starting points for the adoption of VbP across the NHS.*

**5.3 Testimonial from the Value Based Procurement Lead for NHS Supply Chain Coordination Ltd.** *Outlines how our research has directly led to VbP being adopted as part of the national procurement policy in the NHS. It confirms the extent of the research dissemination across the NHS and supply-based stakeholders and its strategic importance. Details of the 2020 proof-of-concept pilot are provided.*

**5.4 Testimonial from the Head of Strategic Sourcing for North Wales Shared Service Partnership Procurement Services, NHS Wales.** *Evidences how NHS Wales engaged directly with the research and provides support for how the research has led to the adoption of VbP as*

*national procurement policy across NHS Wales. Details of the impact from its use in the tender for blood thinning services are evidenced.*

**5.5a Quote from Roundtable Event, from CEO Newark & Sherwood Homes**

**5.5b Quote from Roundtable Event, from CEO First Choice Homes.** *The transcript extracts are from a half-day roundtable event organised to collate details on how PfH's adoption of VbP has impacted social housing organisations. The two direct quotes confirm the significance of the research and its impact on social value. The attendee list confirms the Chief Executives and Heads of Procurement who had used PfH's new value-based services. The agenda details the activities: Dr Meehan outlined the research's core findings and contributions; PfH's Managing Director then detailed how PfH used the research to develop new services and value-based processes; participants discussed if, and how, their organisations had benefited from the changes to PfH's value-based procurement services. Photographs from the sample outputs are included. Audio files and transcriptions of the full half day event are available on request.*

**5.6 Testimonial from CEO of Newark & Sherwood Homes and their Tenant Annual Report 2018/19, pages 4, 10 & 12.** *The testimonial confirms that the social value impacts detailed in the Tenant Annual Report were funded by PfH's procurement savings, as confirmed in the roundtable quotation (reference 5.5a).*

**5.7 Testimonial from CEO of First Choice Homes Oldham and their Social Value Report 2018/19.** *The testimonial confirms that the research underpins PfH's value-based services. Confirms that the savings First Choice Homes received through using PfH were used to fund the 1% rent reduction, and to provide front line social value initiatives detailed in the annual social value report, as confirmed in the roundtable quotation (reference 5.5b).*

**5.8 Testimonial from Head of Purchasing at Manchester University NHS Foundation Trust and their Powerpoint slide deck detailing the pilot results presented by the Head of Purchasing to the Healthcare Financial Management Association.** *The testimonial confirms the role of our research in the NHS's development of VbP and proof-of-concept trials. The results of the parotidectomy sealant VbP trial are confirmed.*