



Strategic review consultancy brief

December 2020



Strategic Review of CIP

In light of the impact of COVID-19 and the current inability for CIP to be able to pivot in future, the CIP Board have decided to wind down the existing fund in 2021

A strategic review is now underway, exploring the potential impact thesis and strategic objectives for developing a future CIP proposition

Any business case for a future proposition needs to –

- Have a commercial and impact case, addressing future drivers within the HA sector
- Establish a structure that allows for delivering medium to long-term impact
- Have the potential to deliver over and beyond what each HA partner could deliver individually
- Provide a pragmatic and incremental approach

HA impact thesis – starting point

HA Total Impact

As social purpose businesses, it is incumbent on all HA's to make best use of their assets to achieve, and further, their mission and values.

Social impact as a concept is predominately confined to community investment currently

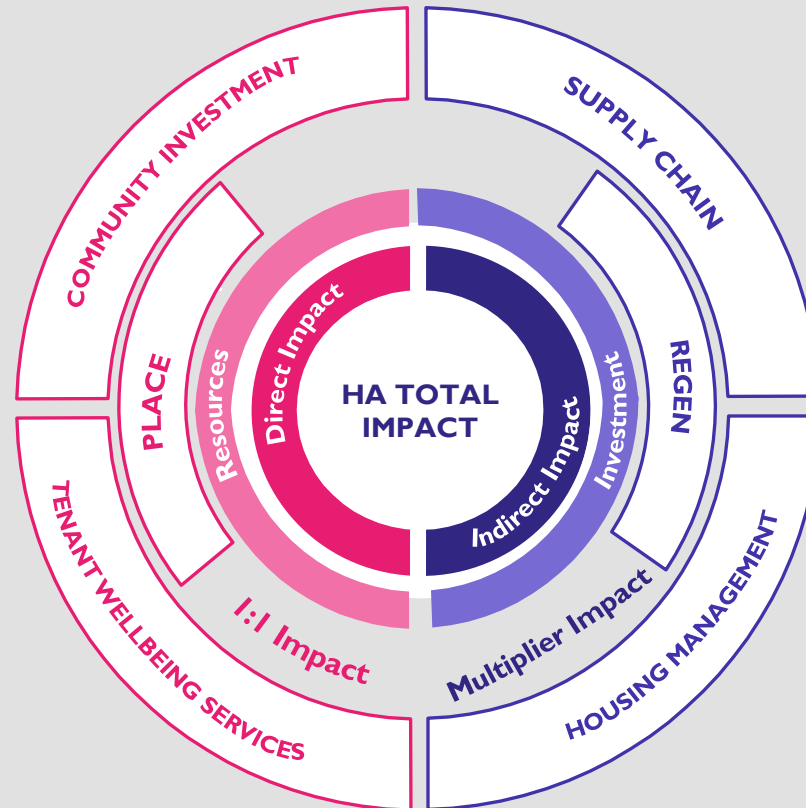
Direct Impact

Programmatic and contracted wellbeing services, delivering resources directly into communities for the benefit of local people

Deficit Approach

One-off expenditure, 100% impact return expectation

Supports resilience at the point of delivery but unsustainable due to unrecyclable resource



Indirect Impact

Procurement and operational practice supports a more social/circular economy and resilient local communities

Asset Approach

Profits are reinvested into local areas, sustainable materials, sustainable job creation and community ownership

Potential for financial and impact return

Present positions

In general...

HA's....

- Are not driving the maximum impact from available assets
- Have not consciously looked at impact in its widest sense across all aspects of the business
- Have not been patient enough in pursuit of impact
- Do not have adequate structures or resources in place to drive greater impact through an investment enterprise lens
- Are not delivering on key impact areas that create commercial pressures on the business models

CIP....

- Has concentrated on the community investment side of the HA work while trying to achieve change across other parts of the businesses
- Has continued with a difficult path because of formally constituted structure
- Has built skills and demonstrated new / wider impact than just traditional models of community development
- Has only been able to react to opportunities that come to it
- Has been constrained by parameters set by others
- Does not currently have the right tools to achieve the long term ambitions set out for it
- Is in a crowded part of the Social Investment market – others can serve it better

Consensus there is a need to focus on the right 'Supply Chain' side of the thesis

Opportunity - Harnessing buying power

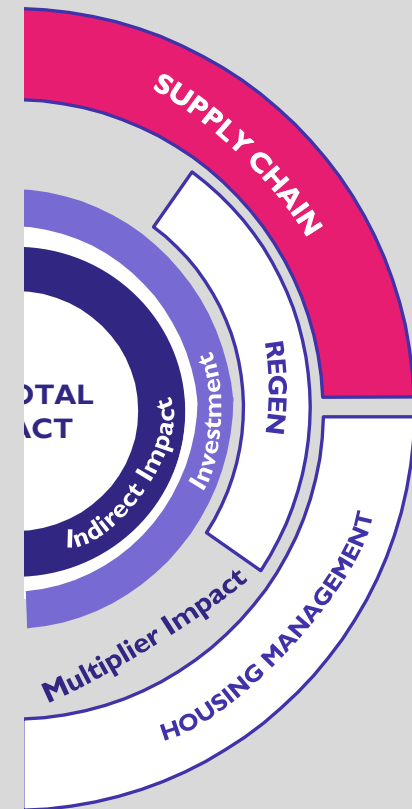
HA's are under-utilising their commercial spend from an impact perspective and not maximising the potential environmental and social impact in their operations and commercial spend, primarily in terms of procurement and within supply chains.

Embedding an “impact lens” (or an approach to impact) in the commercial and financial operations of HAs is a complex area that will need a multi-faceted approach to achieve sustainable change.

CIP as a partnership was established to support purpose-driven enterprises and facilitate access to HA supply chains by providing investment, business (or “capacity building”) support and develop understanding of the procurement process and standards required. The tools and resources available through its first fund has limited the potential of CIP to achieve its longer term ambitions.

The ‘buying power’ of HA's is huge but there are only a very small number of suppliers identified as purpose-driven enterprises within the supply chain. Increasing the market share of purpose-driven enterprises (by value and number) in HA supply chains would drive greater impact directly through spend and the ensuing multipliers, supporting a more inclusive economy, greater social value through purchasing and reinvestment to further social mission.

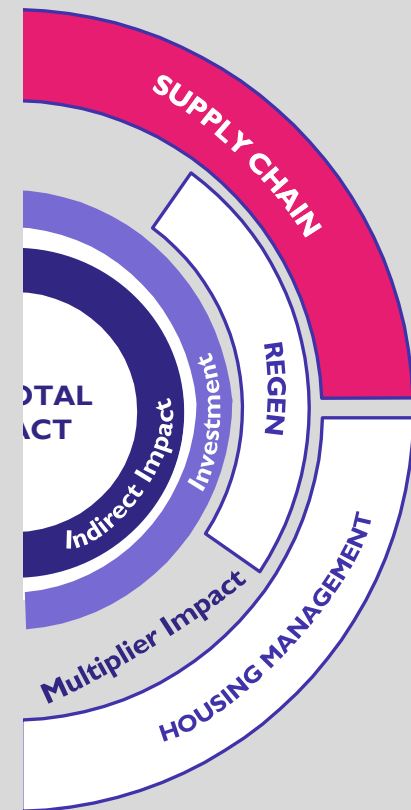
We believe there is a role for **enterprise, investment, innovation and collaboration** to help tackle the challenge of increasing the level of impact achieved through the supply chain. This will need a long-term approach but CIP needs to identify an incremental first step



Purpose-driven enterprises

In the context of public-sector supply chains, CIP defines a purpose-driven enterprise as any business or organisation with a defined social mission or commitment to achieve social or environmental impact through the delivery of goods and services.

This includes organisations with a formal mission and asset lock written into the company articles and wider commercial businesses that can evidence a 'profit-with-purpose' commitment and ethos.



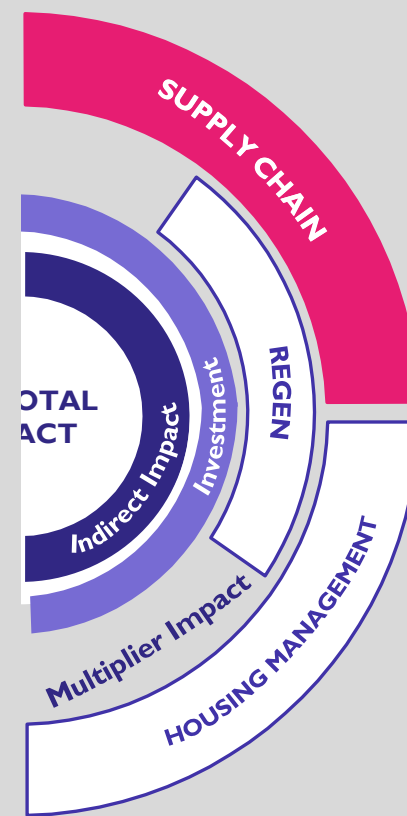
Consultancy Brief

We are looking to understand if there is a business proposition for CIP, addressing the critical hurdles posed by the Board -

Any business case for a future proposition needs to –

- Have a commercial and impact case, addressing current and future drivers within the HA sector
- Establish a structure that allows for delivering medium to long-term impact
- Has the potential to deliver over and beyond what each HA could deliver individually
- Provide a pragmatic and incremental approach

CIP is looking for consultancy support to help identify the next step as we seek to pivot and find the appropriate governance structure, suite of resources and strategic approach to drive greater social and environmental impact through HA spend.



Hypothesis

There is a viable opportunity to accelerate and scale social and environmental impact through HA direct commercial spend using an enterprise investment lens via:

1) an independent partnership vehicle seeking to support and embed purpose-driven enterprises in the supply chains of HAs

OR, either as an alternative or in parallel;

2) via an in-house model working within HAs seeking to deliver an effective approach to drive impact across direct commercial spend

Either and/or both should be supported by evidence and if proven, have routes to market and deliverables identified by the end of the process. If appropriate, the hypothesis will be revisited and refined based on the findings from each phase.

Approach

We envision this work being undertaken through a phased approach with agreed 'stop-go' decision points where the evidence for direction of travel can be considered by the CIP Board. If the Board takes the decision to stop at a given decision point the consultancy will come to an end.

We are seeking a suitably experienced lead consultancy to work with CIP and its partners on this proposal. We would actively encourage, and to some extent expect, partnership working to engage the appropriate skills and expertise to inform each phase with a clear line of sight back to the hypothesis and hurdles set by the Board.

The consultants will be given access to an expert Advisory Panel available to help support, shape and inform the strategy development process and provide expert opinion and advice throughout.

Three phases have been identified, it is likely phases 1 & 2 will run in parallel. We would welcome suggestions to help enhance the brief and further define the objectives.

Timeframes and Budget

- We are keen to start the work as soon as possible
- This is a broad ranging piece of work and we would encourage collaborative working, coordinated by the lead consultants, to engage the appropriate breadth and depth of skills and experience
- We are looking for significant experience and understanding of the social housing sector, social/purpose-driven enterprise and expertise and experience in social investment is desirable
- The indicative budget available for the work is -
 - Phase 1: £5,000
 - Phase 2: £7,000
 - Phase 3: £15,000

Further details on the logistics of the work and how to apply are outlined in the accompanying document 'Application Process'

Phase I

What is the evidence of market need and opportunity?

What is the size of the opportunity to drive impact through enterprise in HA supply chains?

- How can HA's practicably drive impact through the commercial aspects of the business?
- What are the commercial incentive/s and drivers for doing this?
- What is the market opportunity and does this differ across categories of spend, size of HA or place-based spend?
- How can the 'impact need and opportunity' be articulated to engage different audiences across the HA sector?
- What are the potential challenges and mitigations?

Method - Likely desk-based analysis together with significant engagement from different stakeholders within housing associations.

Focus on 'spend data' and categorisation of supply chains.

Output – comprehensive report with findings to inform the second stage of this process

Phase 2

What is the capability / need of the enterprise / business sector?

- What is the current market ability of social / purpose-driven businesses to deliver goods and services into HA supply chains?
- Where are the realistic entry points?
- What are the barriers to accessing parts of the supply chain?
- Do these vary depending on category of spend, market competition etc?
- What is the most conducive environment for enterprises to succeed? Funding, time, wider resource?

What wider market opportunities exist for these enterprises (in brief)

What is needed to enable greater ability to service the supply chains?

- From housing associations themselves, be it resources, investment, opportunities
- From enterprises, be it collaboration, types of support or investment

Method – opportunity analysis to be based on real market examples

Focus on case studies of those enterprises in the market to demonstrate the opportunity, gap analysis and risk/s

Output – Provide and provoke the next stage by outlining the realistic ‘sweet spot’ for delivering greatest impact

Phase 3 – Part I

Outputs building on evidence and analysis gathered at phase 1 and 2 -

A summary of the outcome/s and analysis from the testing and refining of the hypothesis

A final agreed hypothesis

An analysis of different options available to deliver the hypothesis

Each option to include a high-level analysis as follows:

What would the legal, governance and operational structure look like?

What resources/tools would it need?

What potential investment would be required and on what terms (by the partners and/or others)?

What services or products could be offered?

What would be the estimated running costs / resource requirements?

Phase 3 – Part 2

With a clear line of sight to the final hypothesis, the preferred option(s) presented to the CIP Board, supported by more detailed analysis together with -

- A theory of change
- High level financial analysis of investment or business case
- Target impact goals / outcomes / deliverables
- Potential role of additional/external partners and stakeholders
- An approach to operationalising the investment or business case including team structure and required skills

Parts 1 & 2 -

Method: expectation is that this work will include interviews/roundtables with roles across CIP Partners, enterprises, investors and the wider housing sector. We expect more detailed analysis and potentially a financial model underpinning the investment or business case for the preferred option(s).

Focus: will be on understanding the priorities, interest and level/type of commitment of CIP Partners and other potential stakeholders.

Output: an options appraisal with a detailed analysis of the preferred option(s) with indicative level of investment required (both as investment capital if appropriate but also to invest in the partnership/developing and establishing the preferred option(s)).