

Collective procurement of works contracts

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NHMF Conference 2006



Introduction and overview

- Statement of current position
- Reasons to join a procurement club and why not to!
- About Procurement for all
- Why Hyde chose to join
- What the future holds
- Questions



About Hyde Group

- The Hyde Group is one of the largest housing associations in the country, owns/manages over 30,000 units
- Operates predominately in the south east
- Over 900 staff
- Regionally based
- Local procurement solutions
- Broad ranges of services



About Hyde - Asset management

- Business plan spend of £160M over 10 years
- 12% Non decent at 31.3.05 and falling
- Stock profile is a mix of dispersed street properties (rehab) and new build estate-based stock roughly 65/35 split
- Stock survey based upon 2002 prices (factored to RPI) recent non PFA tenders are a cause for concern i.e. Condensing boilers etc.



About Hyde - Current procurement arrangements

- A mix of very good and not so good
- Inconsistency of documents and process
- Process and role duplication
- EU procurement directive
- Difficulties in creating a critical mass for tendering in some parts of the group



Reasons to change

- The efficiency agenda – Gershon/Housing Corporation
- Rethinking construction – Egan
- Increasing demands on budgets – Decent homes etc.
- Protect supply – Olympics/Decent homes
- Skills Shortage – work with contractors /training and recruitment



Reasons to not join a procurement club?

- Size - are we so big we can go it alone?
- Value - can we effectively compare costs within Hyde?
- Specification – difficult to get agreement
- Choice - too many clubs, too many fees
- Bureaucracy – meetings, paperwork etc



Reasons to join a procurement club

- Collective purchasing means collective power
- Improve the supply chain – critical mass
- Pressure within the sector to demonstrate VFM – Efficiency statement
- Meaningful benchmarking opportunities
- Sharing of ideas beyond just components
- Creation of training opportunities
- Enhancing non-cashable efficiencies

- And possibly:
- Fear of losing out on something
 - The next big idea
 - Save money



So what is PFA?

- May 2005 - NHMF joins forces with the Accent Group and others to launch "Procurement For All"
- Procurement For All organised nationally, attracting those organisations that operate on either a multi-regional basis or just locally
- Supply of products and services (installation) from at least three providers
- takes the 'nominated supplier' approach i.e. not involved in direct ordering of components
- Holistic approach from start to finish



National Change Agent

- ODPM offering grants & loans via NCA (£33M to pump-prime procurement clubs)
- Business Plan development
- Marketing & promotion
- Accent to act as 'Account Holder' (ODPM requirement)
- Grant application recently approved by ODPM (Green Light)
- Important to gain this national recognition



PFA Founder Members

- | | |
|----------------|--------------------------|
| • Accent Group | • Nene Housing Society |
| • Muir Group | • South London Family HA |
| • Mercian HA | • London & Quadrant |
| • Hyde Housing | |
| • Waterloo HA | |

Circa. 105,000 units



Prospective Members of PFA?

Additional RSLs have been attracted to join PFA. These include:-

- | | |
|---------------------|-------------------|
| • Yorkshire Housing | • Stroud Council |
| • St. Vincents | • Longhurst Group |
| • Northern Counties | • Minster HA |
| • Harrogate Council | |

+ Others anticipated as news spreads!



PFA Governance Issues

- Each member is a share holder
- Board of Directors nominated
- Governance structure being determined
- Steering Group set up to manage affairs
- Potential for regional board development
- Annual subscriptions from membership



Aims & Aspirations of PFA

- Be of a size to optimise economies of scale in respect of components & services (200k by 2008)
- Increase training & employment opportunities - disadvantaged youth, adult unemployment, women in construction and BME communities
- Pool best practice & act as an innovator within the sector
- Be completely self-financing via annual member subscriptions



PFA's work so far

- Accent & Nene Housing so far
- Two stage procurement process
- OJEU notices posted
- Desktop evaluation, short list and robust selection via interviews
- Price/Quality assessed at 40:60
- Tenant involvement in both contractor and component selection



PFA's work so far

- Soft market test – Components
- 10 works packages identified
- 5 year + 5 year contracts (10 year potential deals)
- Contracts now LET and work completed on site
- Learnt lessons on the way as model matures



Why Hyde chose Procurement for all

- A best fit for Hyde - PFA operates on a national basis – no other equivalents
- Complete supply chain
- Single fee for national coverage
- Strongly supported by NHMF
- Flexible approach maintained
- In at the start – a chance to influence (hurry up and join!)



Efficiency & Potential savings

- Both Cashable and Non-Cashable efficiencies available
- Reduction in central administration
- EU procurement
- Standardisation across the group
- Demonstration of VFM either as a benchmark to existing arrangements or to achieve further savings
- Sharing of intellectual resources with other organisations
- Accent seen typical 15% cashable savings so far



Operational benefits

- Business growth
- Cost certainty (RPI annual increase)
- Reduction on contract management and specification resources
- Simplicity



The future

- Rationalisation
- Ideas
- Ideas



Questions

