

NCA HOUSING NATIONAL CHANGING AGENT

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NHMF Conference
The National Change Agent for Capital Works and Social Housing

Emerging consortium procurement models
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Consortium approaches to procurement need to address:

- Objectives
- Procurement processes
- Contract structures
- Techniques and options

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Consortium objectives comprise improved efficiencies including:

- Reduced costs
- Reduced time
- Improved quality
- Related employment/training opportunities

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Links to procurement processes need to take account of:

- Constraints of EU Procurement Regulations
- Particular constraints on frameworks
- Requirements of Section 20/Section 151 procedures affecting leaseholders

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Links to contracts need to achieve:

- Straightforward practical contract structures
- Benefits of long-term arrangements
- Revisions necessary to bring in additional Consortium Members
- Contractual links between Consortium Members
- Contractual links between Contractors
- Direct contractual influence over Subcontractors and Suppliers

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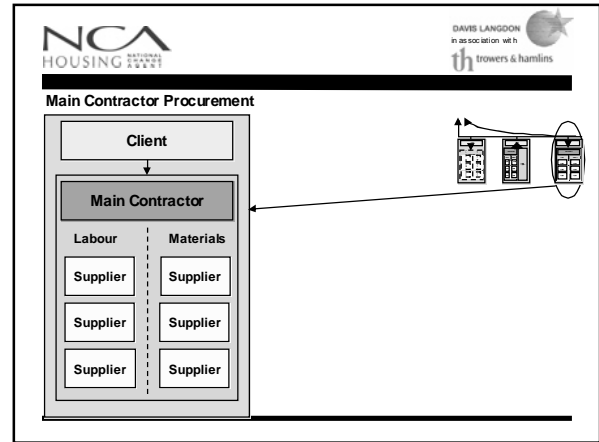
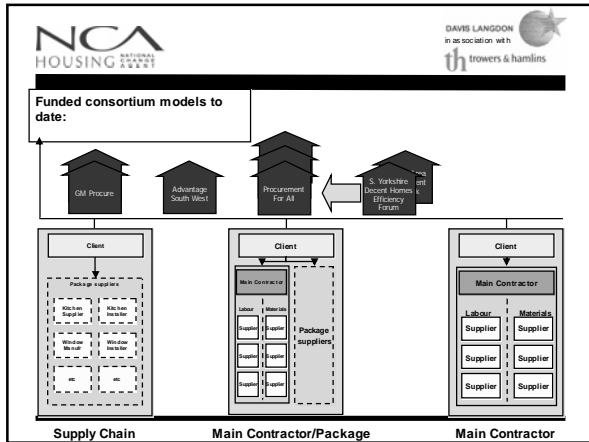
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Consortia are adopting a range of procurement approaches, for example:

↑ More intervention into the Supply Chain
 Greater cost Transparency
 Better Value for Money
 Higher Risk

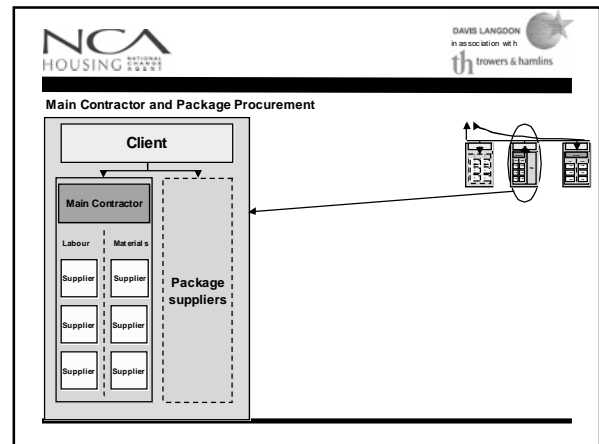
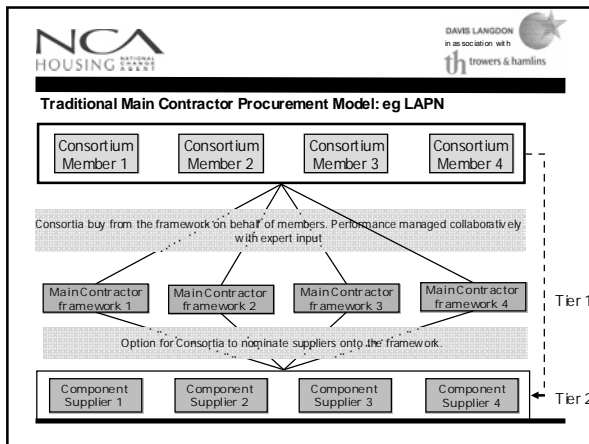
No single solution!

Supply Chain **Main Contractor/Package** **Main Contractor**



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- Analysis of Main Contractor Procurement Model**
- Benefit of Main Contractor warranty
 - Savings/efficiencies can be obtained through increased volume/continuity of work
 - Limited access for consortium members to obtain savings/efficiencies from Specialist Trades/Suppliers unless combined with supply chain integration
 - Assumes pre-agreed timing of programmes of Consortium Members
 - Section 20 problems for additional Consortium Members who wish to use same Main Contractors

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- Traditional Main Contractor Procurement Model: eg LAPN**
- Established Limited Company (LAPN Ltd)
 - 10 Members (Local Authorities and ALMOs)
 - 100,000 Homes
 - £640 million Capital Works budget to 2010/11
 - Framework of Main Contractors supply all labour and materials
 - Contracts between Main Contractors and LAPN Ltd
 - Open book accounting
 - Consortium own commercial and performance knowledge and thereby achieve:
 - Performance management
 - Continuous Improvement
 - Moving forward will market test some supply only and supply and fit contracts which Main Contractor agrees to take on if better value can be achieved



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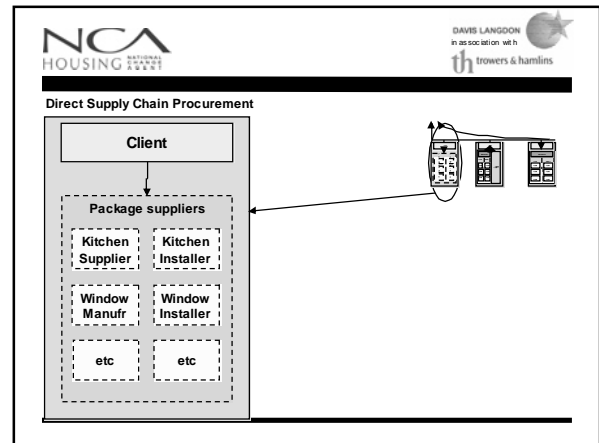
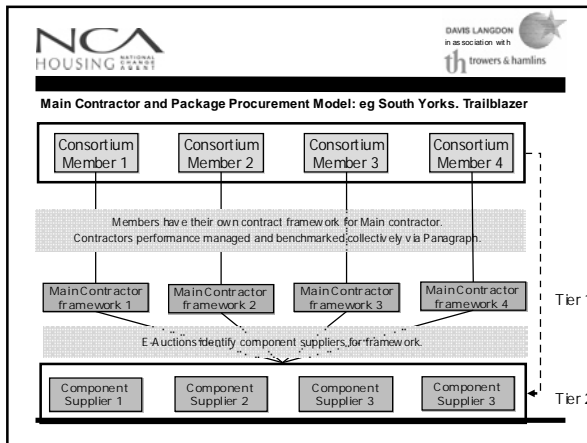
■ **Analysis of Main Contractor and Package Procurement Model**

- Benefit of Main Contractor warranty
- Savings/efficiencies can be obtained from joint selection of Main Contractors
- Additional savings/efficiencies through involvement of consortia with Main Contractors in the procurement of Specialist Trades/Suppliers
- Can supplement with EU procurement process for selection or re-selection of Trades/Suppliers
- Can connect to other initiatives
- Greater flexibility as to timing of Consortium Members' programmes
- Greater flexibility in respect of Section 20/Section 151

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Main Contractor and Package Procurement Model: eg South Yorks. Trailblazer

- Consortium does not contract collectively
- **8 Members (Local Authorities and ALMOs)**
- **120,000 Homes**
- **£1.4 billion Capital Works budget to 2010/11**
 - Framework of Main Contractors supply all labour and materials
 - Contracts between Main Contractors and Individual Members
 - Collaborative e-auction tendering of key components for use by Main Contractors
 - Value Engineering existing contracts based upon future volumes
 - Shared resources for surveys/planning supervision and combined leasehold management
 - Procurement leverage to create 500 apprentices across South Yorkshire



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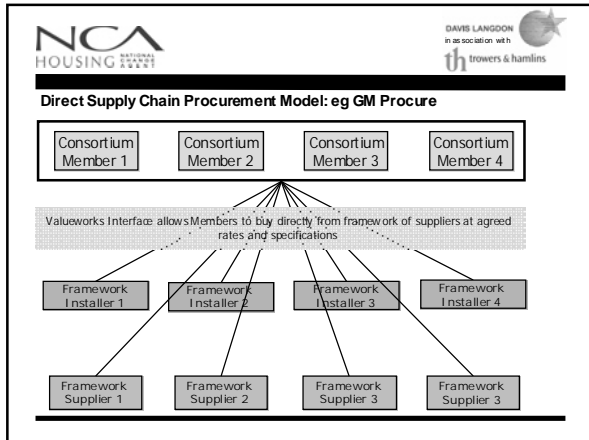
■ **Analysis of Direct Supply Chain Procurement Model**

- Savings/efficiencies can be obtained through omitting Main Contractor Profit and Overheads
- Savings/efficiencies can be obtained through direct access to/management of Specialist Trades/Suppliers
- Section 20/Section 151 problems for additional Consortium Members who wish to use same Specialist Trades/Suppliers
- Greater risk for Consortium Members (and cost) of managing integration on site between Specialist Trades/Suppliers without benefit of Main Contractor warranty

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Direct Supply Chain Procurement Model: eg GM Procure

- Established Limited Company (GM Procure Ltd)
- **Over 10 Members (RSLs)**
- **195,000 Homes**
- **£600 million Capital Works budget to 2010/11**
 - Framework of labour and materials suppliers
 - Contracts between Suppliers and GM Procure Ltd
 - Standard specifications and catalogue of items
 - Supplies drawn down via IT interface against agreed service levels to ensure:
 - Contract compliance
 - Performance management
 - Continuous Improvement



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- Summary**
- all structures benefit from joint consortium procurement
 - open-book access to prices to identify savings
 - contractor frameworks have benefits of securing Main Contractor warranty
 - problems with Section 20/Section 151 and EU procurement
 - supply chain integration allows greater flexibility in selection procedure
 - procuring suppliers through contractor avoids Section 20/Section 151 and EU problems
 - savings on main contractor profits/overheads

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Or visit the NCA website: www.ncahousing.org.uk