



**PROCUREMENT EFFICIENCIES – WHY  
YOU SHOULD PURCHASE TOGETHER**  
**Central Housing Investment Consortium**  
**NHMF Conference – 25 January 2011**



**Presentation Team**

- Richard Grounds – Commercial Director - Festival Housing Group – CHIC Board Member
- John Fisher - Partner – Ark Consultancy – CHIC Director
- Mark Robinson – Solicitor – Shoosmiths – CHIC Legal Advisor





## Presentation

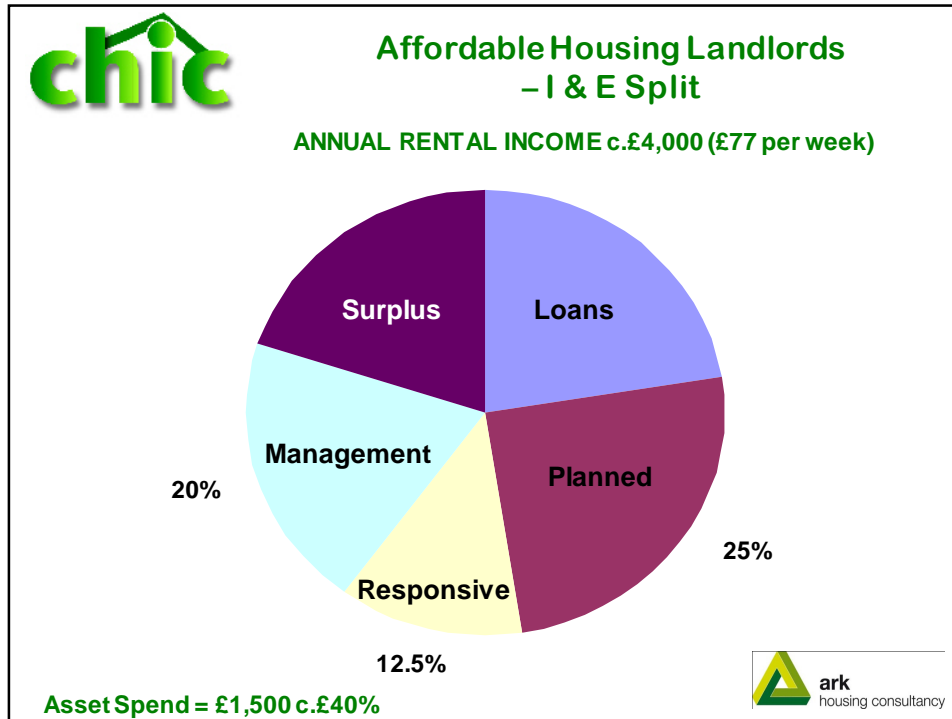
1. The Client Perspective – Richard
2. Background & Consortia – John
3. What is CHIC? – John
4. The CHIC Model and Benefits – John
5. Is it legal? – Mark
6. Opportunities – Richard
7. Q & A



## The Client Perspective

Working with 'competitors' – an opportunity or a threat?





**The Client Perspective**

Why collaborate?

- DLO's combined buying power
- Shared procurement costs/expertise
- Cost & performance benchmarking – compare apples with apples
- Combined volumes = employment and training programme we can't support alone
- Avoid duplication and repetition

**ark**  
housing consultancy



## The Client Perspective

- Opportunity to save
- Opportunity to share best practice
- Opportunity for real market impact
- Potential for added value benefits beyond those possible individually

### BUT

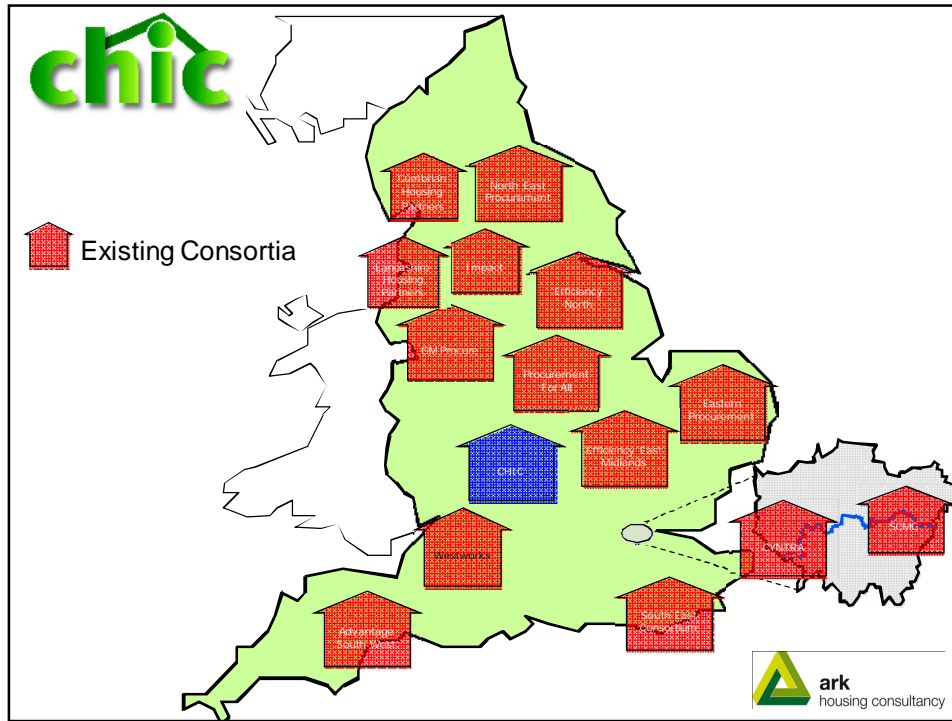
- Needs a willingness to do things differently
- Needs a long term view
- Needs corporate buy-in



## Background to Consortia

- NCA formed 2005
- Grants for Consortia Infrastructure
- 15 Consortia
- Now HCA sponsored





**chic** **NCA Consortia Efficiencies**

**NCA Consortia Efficiencies – Annual Review to March 2010**

- **Spend of £1,677M (11 consortia)**
- **Cashable Efficiency Gains**
  - **£227M** or 12% against baseline
  - One big Consortium focussed more on performance – other 10 consortia averaged 24.5%
- **Non Cashable Efficiency Gains**
  - Trainees/ Apprenticeships
  - CPD for in-house staff



### Central Housing Investment Consortium

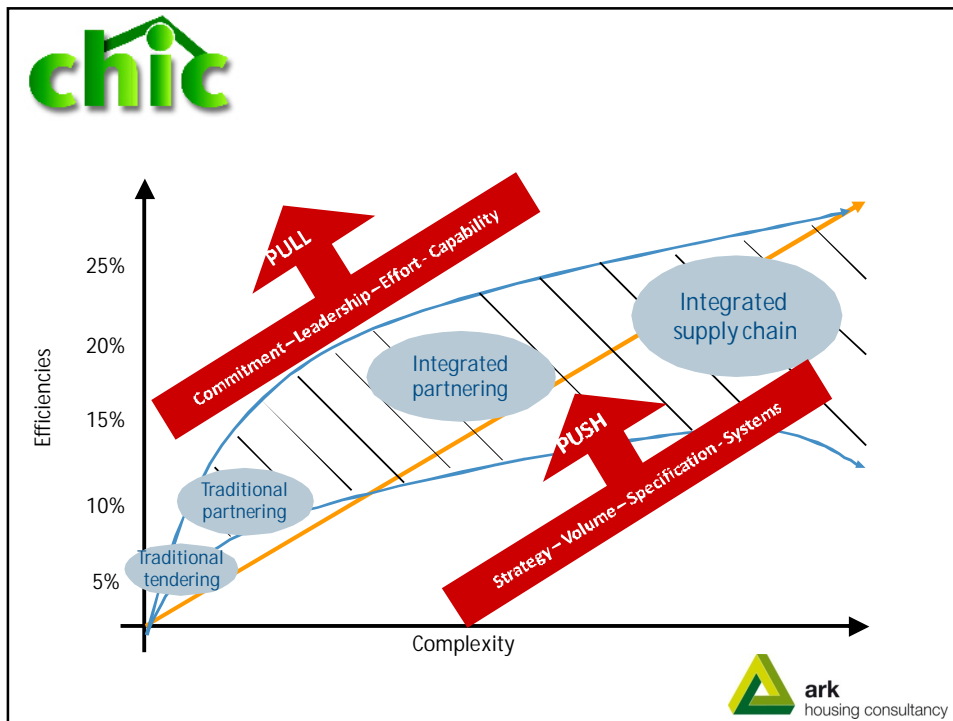
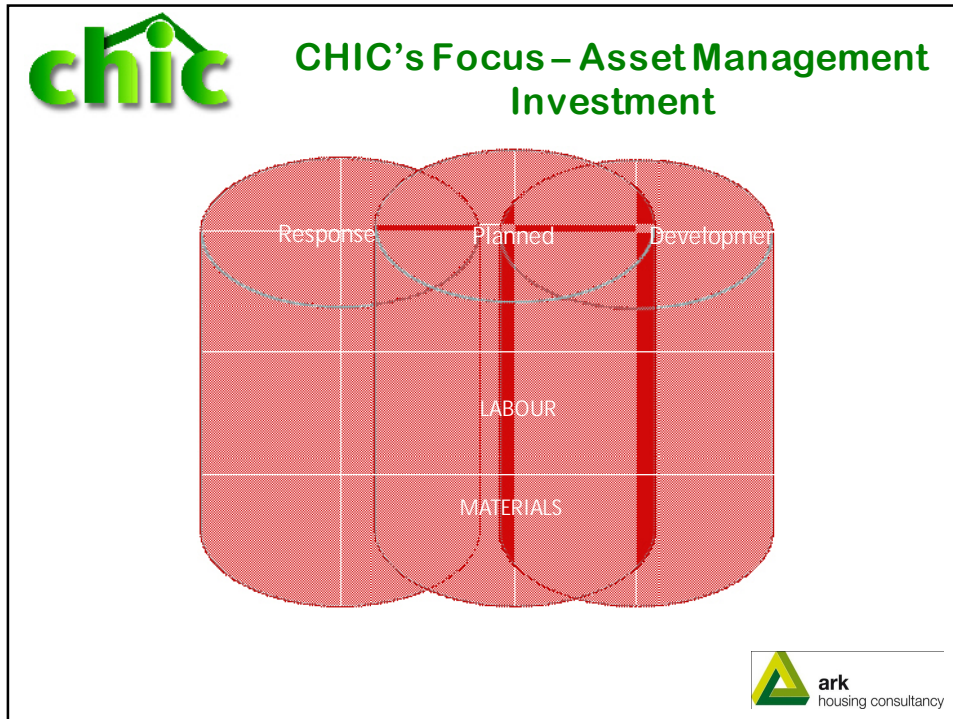
- A new consortium – collaborative company
- Midlands based
- 8 founder members
- Ark is agent
- HCA business plan approval March 2010



### Founding Membership - Sponsors

	<u>Homes</u>
bdht	3,481
Festival Housing Group	8,628
fch	3,640
herefordshire HOUSING	5,808
L&H	8,000
shropshire housing group	4,472
tworivers HOUSING	4,770
wch	3,723
<u>Total homes = 42,500 = average of 5,315</u>	







### Business Objectives

- Savings (minimum net 10%)
- Efficiencies
- Added Value



### **Business Case**

Combined Stock	50, 000
Annual Spend on Assets	£75m
Materials	£18m
10% saving=	£1.8m
Extra VAT on £75m	£1.8m







## Business Model

1. Materials Contracts
2. Works and Services Contracts
3. Performance Management System
4. Community Investment Strategy



## Contracts not Frameworks

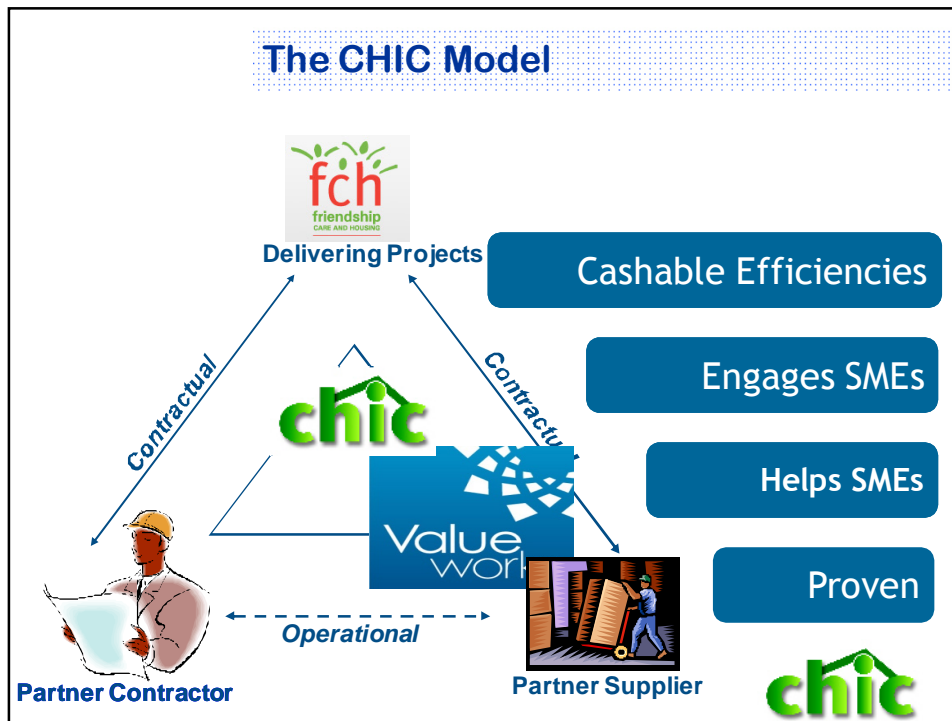
- A framework is an excellent option if you don't know what you want
- If you know what you want, procure a contract
- Longer term collaborative commitment from client(s)/contractor(s)/supplier(s)
- More potential for efficiencies and added value






## Materials

- Combined procurement with EEM – 160,000 properties
- Supply/distributor/merchant contracts – 30+ Lots
- 10 year contracts (5+5)
- Increased volume assumed – new members benefit
- Landlord specific catalogues






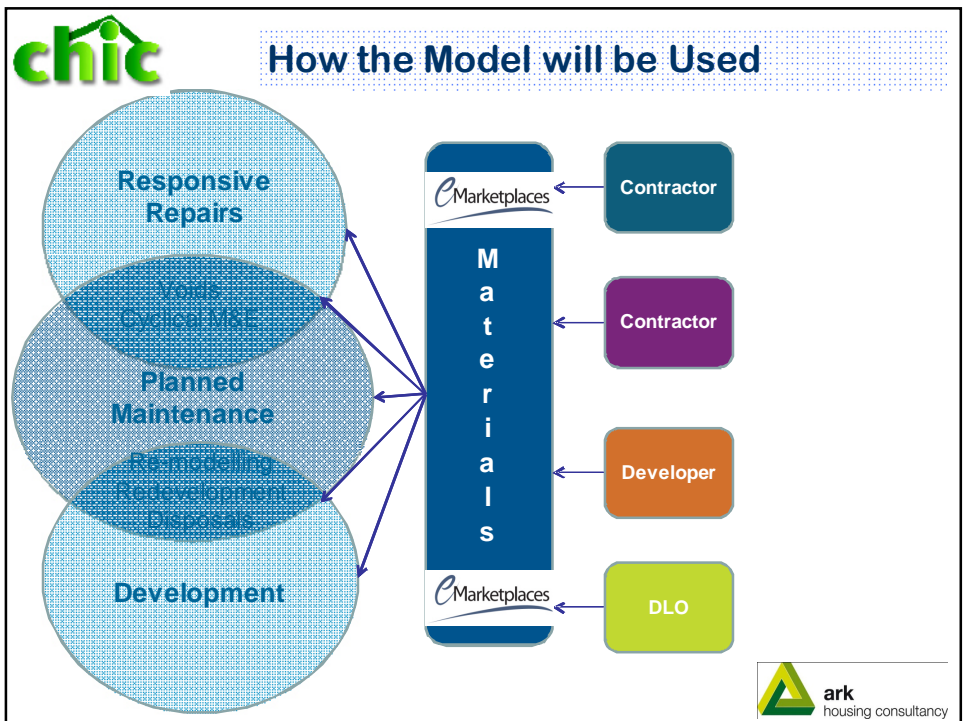
### CHIC's Materials Procurement Savings (Business Plan)

Percentage Saving					
	Member 1	Member 2	Member 3	Member 4	Member 5
Average Net	24.3%	33.8%	15.6%	19.3%	21.2%
<b>Gross Savings ranged from 5% to 51.3%</b>					

Likely Average Outcome – Current Tenders			
Kitchens	Bathrooms	Heating	Electrics
20-30%	5%-10%	15%-30%	10%-20%





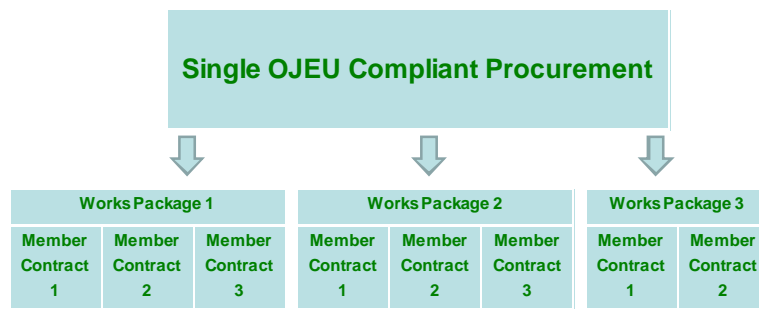


### Works & Services Contracts

- 1 Procurement Process
- 60 contracts
- Client side saving c.£1m (shared cost of procurement)
- Contractor saving? – Business plan estimate 7%

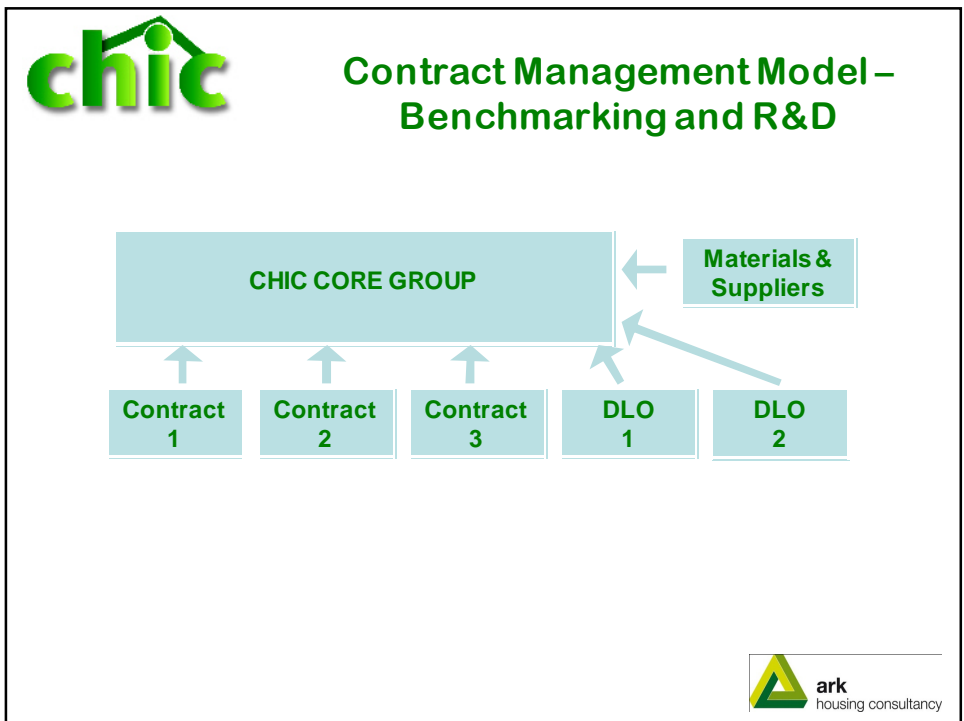
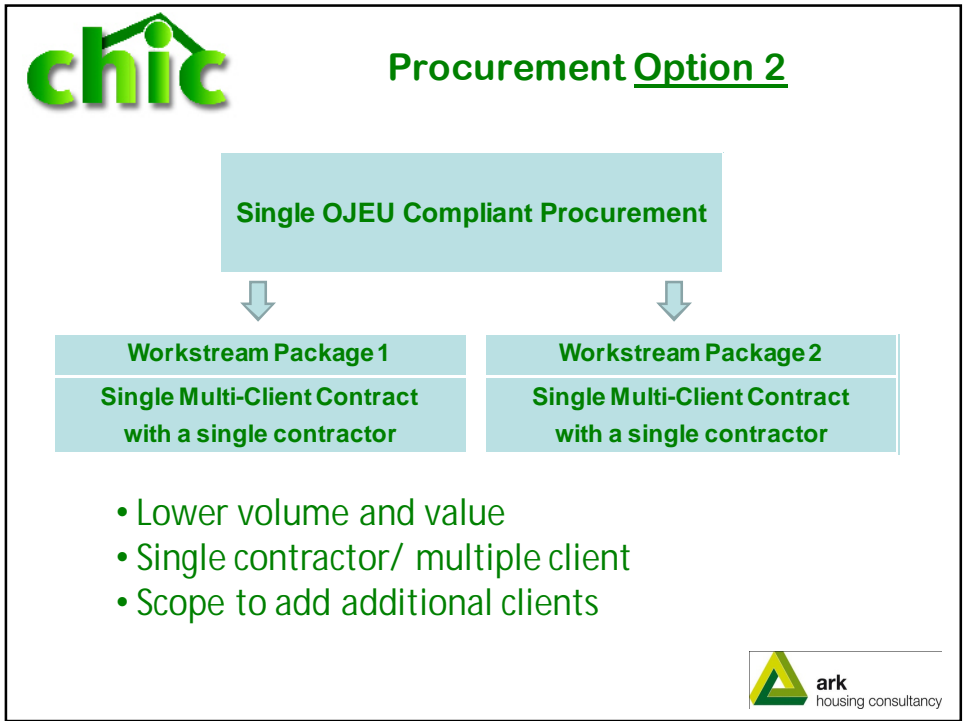


### Procurement Option 1



- Higher volume and value
- Multiple contractors
- Client and contractor collaboration through CHIC







## Benefits


- Savings – shared shopping cost
- 1 x S.20 notice for multiple contracts
- 10 year contracts - certainty = overhead / profits savings
- Open book cost models
- New members can join contracts
- Suite of standards documents
- Contractor collaboration



## Performance Management System

- Standard KPIs
- Standard Cost Model
- Compares Cost
- Compares Quality
- CHIC managed/externally hosted





## Employment & Skill Strategy

£000's	band 1 £1-100	band 2 £100 - 500	band 3 £500 - 1,000	band 4 £1,000-3,500	band 5 £3,500-10,000	band 6 £10,000+
<b>New Entrants</b>						
1. School / college / university site visits					×	×
2. School / College workshops				×	×	×
3. Research projects					×	×
Work experience 14 – 16 Years					×	×
5. Work experience 16+ years			×	×	×	×
6. Apprentices – existing (safeguarded)	×	×	×	×	×	×
7. Apprentices – project initiated (created)					×	×
<b>Existing workforce</b>						
8. Health & safety training	×	×	×	×	×	×
9. Vocational Qualifications				×	×	×
10. Construction Skills Certification Scheme (CSCS) skills cards			×	×	×	×
<b>Skills Culture</b>						
11. Short courses			×	×	×	×
12a. Progression into employment (under 6 months)			×	×	×	×
12b. Progression into employment (over 6 months)				×	×	×

**Applies to works/services and materials contracts**




## Summary – CHIC Year 1 - Outcomes

- Materials Contracts
- Works and Services Contracts
- KPI Platform/ System
- Employment and Skills Plan
- Operational Infrastructure
- Platform for Growth





## The procurement process – is it legal?

- (Pure) legal issues which affect the process:
  - Status of long term contracts under procurement law: **Pressetext** (2008 – para 74)
  - Limitation on using frameworks
    - duration (PCR19(10))
    - number of participants (PCR 19(6))
    - access to use : OGC Action Notes 15/10 and 16/10
    - call off arrangements (PCR19(7), (8) and (9))
  - Nature of consortia arrangements
  - Drafting the Contract Notice: OGC Action Note 03/09
  - Type of procurement procedure to adopt
  - Evaluation and award criteria



## The procurement process – is it legal?

- (Commercial) legal issues which affect the process
  - Standardisation of documents
  - Partnering and governance arrangements
  - Joining arrangements
  - Direct purchasing and discounts/rebates
  - Keeping the plates spinning: use of clarifications during the tender stage
  - Achieving community benefit







## Opportunities For Others

- Membership open to RPs/ LAs/ ALMOs
- Materials contracts can be used by new members
- Works and services contracts can be joined by new members
- Procurement infrastructure can be used again
- Central pool of expertise
- New programmes – e.g. retrofit
- Savings!



## How to join CHIC

- Speak to Richard or John after the meeting
- Contact Ark: [jfisher@arkconsultancy.co.uk](mailto:jfisher@arkconsultancy.co.uk)  
or 0121 515 3831
- Contact one of our members
- If not CHIC - Consider joining a consortium that operates in your region

