

Workshop 1a:

Procurement clubs: how effective are they?

Speaker: Karen Thody, Cameron Consulting
Chaired by: Paul Isherwood
Room: Blenheim Room



National Housing Maintenance Forum

served by



WWW.NHMF.CO.UK

Procurement Clubs – 'How Effective Are They?'

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A little about me

What I Do.....

- Procurement Professional
- 7 years in this industry
- Broad sector experience
- Procured over £5bn of works, services and goods

What my kids think I do....



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What I'm going to focus on

- The aims and objectives of 'clubs'
- What's on offer
- The Good, The Bad & The Ugly
- Significant Sticking Points
- Controversial Elements/What's In It for you?
- Recommendations for use

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What are we actually talking about?

Procure(ment)

● Procure

- Obtain (something), especially with care or effort

● Procurement

- The action of obtaining or procuring something

Club

● Socially

- An association dedicated to a particular interest or activity


● Commercially


- A commercial organisation offering members special benefits

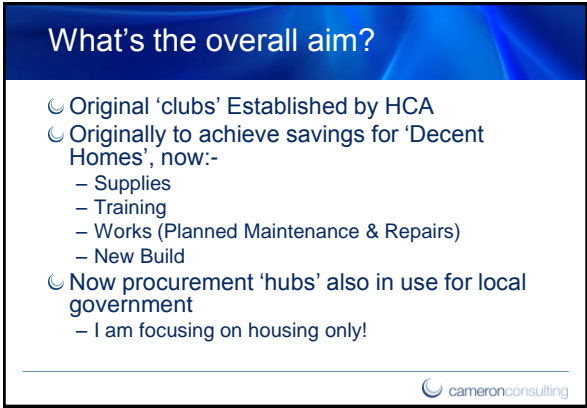
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What's the overall aim?


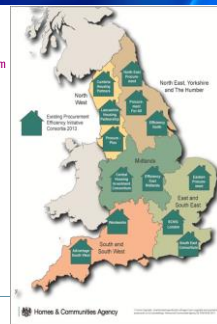

- Original 'clubs' Established by HCA
- Originally to achieve savings for 'Decent Homes', now:-
 - Supplies
 - Training
 - Works (Planned Maintenance & Repairs)
 - New Build
- Now procurement 'hubs' also in use for local government
 - I am focusing on housing only!

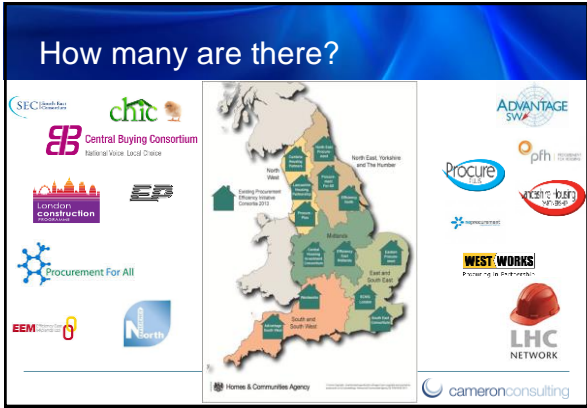
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How many are there?

		
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Let's break it down further

The map of the United Kingdom is divided into several regions, each color-coded and associated with specific housing and supply focus areas. The regions and their associated focus areas are:

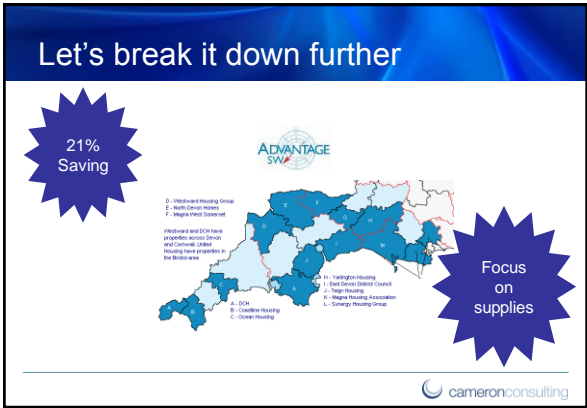
- North (Dark Blue):** D - Midland Housing Group, E - North Devon houses, F - Major Free Contract
- Midland (Light Blue):** Midland and DCL have properties across Devon and Cornwall. L805 Housing has properties in the Bristol area.
- West (Dark Blue):** A - DCL, B - Cavalier Housing, C - Cavalier Housing
- East (Dark Blue):** D - Cavalier Housing, E - Cavalier Housing, F - Cavalier Housing
- South (Dark Blue):** G - Cavalier Housing, H - Cavalier Housing, I - Cavalier Housing
- London (Dark Blue):** J - Cavalier Housing, K - Cavalier Housing, L - Cavalier Housing
- South East (Dark Blue):** M - Cavalier Housing, N - Cavalier Housing, O - Cavalier Housing
- South West (Dark Blue):** P - Cavalier Housing, Q - Cavalier Housing, R - Cavalier Housing
- Wales (Dark Blue):** S - Cavalier Housing, T - Cavalier Housing, U - Cavalier Housing
- Northern Ireland (Dark Blue):** V - Cavalier Housing, W - Cavalier Housing, X - Cavalier Housing
- Scotland (Dark Blue):** Y - Cavalier Housing, Z - Cavalier Housing, AA - Cavalier Housing
- Republic of Ireland (Dark Blue):** AB - Cavalier Housing, AC - Cavalier Housing, AD - Cavalier Housing

Advantage SWA logo is present in the top right corner of the map area.

21% Saving

Focus on supplies

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[illegible]

- # Typical Supplier List!?!?
- Framework suppliers
-
- The grid contains logos for numerous companies, many of which are part of major procurement frameworks like AECOM, ERM, and others. The logos are arranged in rows and columns, with some larger than others.
- For each 'club' there can be:-
 - Any number/type of framework
 - A wide variety in supplier/provider numbers
 - Different mechanisms for calling off
 - Different methods of 'paying for the service'
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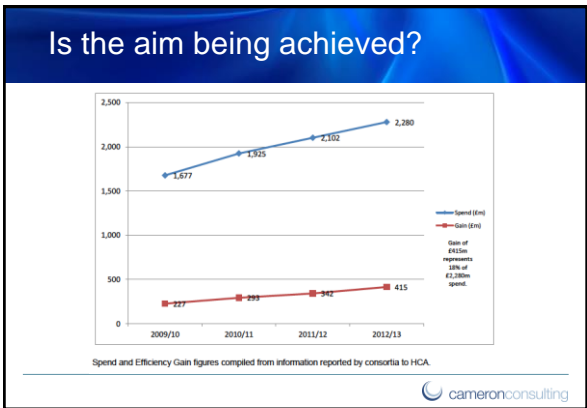
Is the aim being achieved?

Year	Spend (£m)	Gain (£m)
2009/10	1,677	227
2010/11	1,925	293
2011/12	2,102	342
2012/13	2,280	415

Gain of 84.5% represents 88% of £2.280m spent.

Spend and Efficiency Gain figures compiled from information reported by consortia to HCA.

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Workstream	Spend 2012/13 (£m)	Efficiency Gain in 2012/13 (£m)
Kitchen Refurbishment	52.49	33.64
Bathroom Refurbishment	11.82	8.04
Boilers	6.32	2.97
Central Heating	35.81	14.97
Gas Servicing	2.44	0.80
Radiators	0.29	0.25
Heating Controls	0.06	0.01
Electric Rewiring	5.64	0.91
Asbestos Removal	2.10	0.15
Windows and Doors	18.01	11.66
Roofs	1.13	0.08
Ground Maintenance	0.60	0.04
Total	136.71	73.52



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NIEP Framework Fundamentals

"There is not a 'one size fits all' model for construction frameworks, as local market conditions and regional economic influences will shape how a framework is procured and contractors are selected. However, there are fundamental characteristics of quality construction frameworks....."

- Jobs & Apprenticeships
- SME Engagement
- Fair Payment
- Value for Money
- Sustainability
- Programme Management
- Early Contractor Engagement
- Framework Management
- Standardised Processes
- Performance Management



What has your experience been?

- Useful tool?
- Met your requirements fully?
- Stumbling blocks?
- Promises kept?
- Levels of work achieved?
- Cost
 - Contractor/Supplier bidding
 - Client use



The Good, The Bad & The Ugly

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The Good – Collaboration & Savings



- Taking HCA vision one step further
 - Re:allies are responsible for the repair and upkeep of over 800,000 properties across the North of England
 - Reinvest volume cost savings directly into *local businesses, jobs and skills*.

What's not to love.....

- saves time (up to 77 days) and resource / procurement costs
- is compliant with UK and EU legislation
- incorporates achieving excellence and best practice initiatives
- provides demonstrable value for money
- assures quality and flexibility of service provision



The Bad – Delays to Market

Government delays £750m consultants framework yet again

16 January 2014 | By Ian Withers

Framework now estimated to go live in June - over a year later than originally intended

The government has yet again put back the procurement timetable for a repeatedly-delayed £750m public sector framework for consultants.



In an email to bidding consultants yesterday, the government's private sector procurement partner UK SBS said it had pushed back the scheduled contract award date for the Project Management and Full Design Team Services framework to the week commencing 23 June, two months later than its previous estimate of April.

This means the framework will go live over a year later than the government originally intended.

The framework was originally meant to go live when the previous iteration expired on 16 June 2013, but has been repeatedly delayed due to a prolonged consultation period, alterations to the framework requirements and over 400 tender clarifications in the weeks leading up to bids being submitted last month.

In the email to bidders yesterday, seen by Building, UK SBS said the latest delay was "to take into account the internal and external evaluator input required to ensure a robust evaluation process."



The Ugly – When things go 'pop'



Significant Sticking Points

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'Our' Needs

VALUE FOR MONEY

- Do these clubs allow:-
 - Resident Consultation
 - Specification alignment
 - Adoption of client protocols/procedures/policies
 - 'Value Added'
- How do I know
 - Whether I am getting best value
 - How much use of the framework will cost the organisation
 - Whether social benefit will have been achieved

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Leaseholders

- Framework agreements used to set up 'procurement club' arrangements not classed as **qualifying long term agreement**
 - No specific projects have been consulted on
- Still need to consult with leaseholders
 - Leasehold nominations
 - Consider EU thresholds

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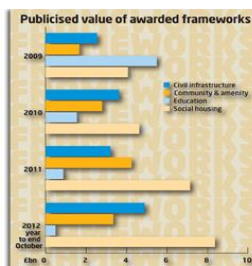
Leaseholders

- Where s20 required, Procurement Club not appropriate
- How did procurement club initially consult with leaseholders?
- Any experience of this?



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Promises Promises



- Do bid costs and costs of operating the framework can actually exceed the value of any savings made?
- Housing Forum (2012) quoted overall cost of bidding and running framework at £1,011,340
 - 30% by the client
 - 70% by the bidders, including PQQ costs of £2,850 each for 80 bidders, and mini-tendering costs for the five contractors of £234,000.
- The report authors suggest this could represent **5% of the overall framework value**, assuming 40 projects at £500,000.
- What % of quoted framework value is actually being realised?

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SME's and Social Value

SME Inclusion

- "An important part of consortia work involves supporting growth in the SME sector".
- NEP:-
 - £13m transacted through SMEs in 2012/13 and >£16m allocated to SMEs in 2013/14
- Westworks:-
 - Set workstream or product lots, rather than geographical lots, and asking potential providers to indicate where they can deliver and to demonstrate their ability to do so.

Achieving Social Value

- Is it quantifiable to your individual organisation?
- How can you enforce/implement your own Social Value requirements?
- Has the framework allowed for consultation with your own residents on Social Value?

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WIIFY

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WIIFY

Client

- Quick Turnaround
- Limited procurement investment
- Reduce client time require for specification development etc
- Already market tested?
- Benchmarking available
- Works with national agenda

Contractor/Consultant

- Access to framework *may* secure a fruitful pipeline
- Reputation/PR
- However, appointing directly may offer greater reward:-
 - Supply chain discounts
 - Employment
 - Local Labour
 - Apprenticeships & Training

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WIIFT

Provider

- LCP Scoping document states:-
 - "For reference it is estimated that it costs approximately £90,000 to set up and maintain a complex Framework Agreement per year. Therefore a budget for the levy to cover costs would be in the region of £355,000 for something as complex as this..."
- Where do these costs fit in?
- Who actually pays for framework managers etc.
- Different models used:-
 - Charge for entry
 - Charge on contract award
 - %rebate for every let contract
 - Charge per property/leaseholder
 - Flat annual fee

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Final Thoughts

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Win Some, Lose Some

- HCA keen to demonstrate value
- Procurement Clubs *are* showing value specifically for supplies
- Query leaseholders.....LvT not the place to be!
- Does framework genuinely offer best value?
- Will you achieve your aims & objectives?
- What is the **true** cost for all participants?

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Your Experience & Questions?



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An Altruistic Request

- Final semester of my MBA
- Focusing on use of Special Purpose Vehicles to procure Public Services
- Will need assistance during research phase
- Don't be embarrassed to say no, but your help would be very gratefully received



Thank You

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