

SCMG NON-CASHABLE BENEFITS REPORT – by Dermot Taylor, Davis Langdon.

Introduction:

Hackney Homes commissioned Davis Langdon to carry out an investigation into additional non-cashable benefits included in the Supply Chain members' contracts but which were not necessarily apparent from their tender bids.

A meeting was held at Hackney Homes CAH on 25th February between Hackney Homes and Davis Langdon to determine the method of analysing and reporting non-cashable benefits. To this end representatives from Veka windows were interviewed at the meeting to establish those items included within their bid which were of benefit to Hackney Homes but which had not formed any additional monies within Veka's tender.

The list of items generated at the meeting formed the basis for the matrix of questions used at interview with other members of the Supply Chain.

Procedure:

The following sample of Supply Chain members were interviewed over a period of several weeks by Davis Langdon:

Veka Windows; Scaffolding Access; Trad Scaffolding; Bauder Roofing; Moores Kitchens; Premiere Kitchens; Baxi Heating; Glow Worm Heating; Twyford Bathrooms; PTS.

Their responses are included in a matrix which evaluates the benefits established at interview.

Non-cashable Benefits Matrix:

The matrix comprised a list of items -on average 27nr. – ranging across a broad spectrum from matters of extended warranty, liaisons with planners, surveys, and risk, to those concerning, duty of care, KPI's and responsive maintenance.

The interviewees confirmed which items were relevant to them. They were then asked to assess each items' importance (on a score of 1-10) with reference to: -

1:Process Benefit 2:Client Benefit 3: Tenant/Leaseholder Benefit.

The scoring was discussed in depth with Davis Langdon prior to agreement by both parties.

A range of H(igh) , M(edium) or L(ow) was used to indicate likely costs where Hackney Homes would need to provide an item not included in the Supply Chain members bid and where the cost has been absorbed by Supply Chain members in supplying the benefit.

In certain cases, e.g. scaffolding, some of the items were not scored as they did not apply.

All those interviewed were asked to suggest additional items which they considered a benefit. Where relevant, these were included for review.

Analysis of Matrix:

The completed matrices were discussed by Alan Turner and Dermot Taylor (Davis Langdon) on 29th. March and issued to Hackney Homes on 31st. March by Davis Langdon.

The matrices were then reviewed by Hackney Homes and Davis Langdon at a meeting on 14th April.

It was decided to exclude Scaffolding Access, Premiere Kitchens, IPS and Glow Worm from the final detailed examination as it was felt that these companies were better represented by others in the same field, namely Trad Scaffolding, Moores Kitchens and Baxi Heating.

Of the remaining companies being reviewed certain scorings were adjusted to take into account Hackney Homes' expert knowledge of what they were already providing. To enable a total numerical score to be attained for each company the costs for Client and Supplier (which had been designated as High, Medium or Low) were given a rating out of a possible total of 70. This added to the total possible scoring of 10 for Process Benefit, Client Benefit and Tenant/Leasehold Benefit gave a maximum of 100 for each item on the matrix.

Those items which would cost Hackney Homes the most to provide independently were given the highest assessment, as shown below:

KEY		
COST CLIENT	COST SUPPLIER	TOTAL (out of 70)
H	L	70
H	M	62
H	H	54
M	L	46
M	M	38
M	H	30
L	L	22
L	M	14
L	H	6

Conclusion:

The analysis of non-cashable benefits established by an examination of a representative group of companies from the Supply Chain Group indicated that Hackney Homes are the beneficiaries of a broad spectrum of benefits which, should they have had to pay for them independently, would result in considerable extra cost.

The importance, therefore, of ensuring that the maximum amount of non-cashable benefits are included within every Supply Chain Members agreement is self evident and is something which needs to be addressed should other Boroughs be brought on board.

Indicated below are the final matrix totals for the companies interviewed. As certain items were not always applicable and additional items were added in some cases the overall possible scoring for each company differs.

The full matrix results are given on a separate schedule.

COMPANY	OVERALL TOTALS	
	Possible	Actual
VEKA WINDOWS	2700	1581
TRAD SCAFFOLDING	2000	971
BAUDER ROOFING	2600	1510
MOORES KITCHENS	2300	1359
BAXI HEATING	2400	1240
TWYFORDS	1500	796