



**Central Housing Investment Consortium Ltd (CHIC)**

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**SUBMISSION FOR PRACTITIONER AWARD  
INNOVATION IN PARTNERING USING TPC 2005**



**October 2014**

## 1. EXECUTIVE SUMMARY

- 1.1 The Central Housing Investment Consortium (CHIC) was launched in 2010 with eight founder members. It now comprises 32 housing organisations working in partnership, to achieve efficiencies across their asset investment and new build programmes.
- 1.2 With a preference for contracts, as opposed to the creation of frameworks, CHIC offered its members a suite of works and services contracts based on the ACA TPC 2005 contract. CHIC is also introducing new contracts and contract frameworks in 2015 and will be using the TPC 2005 contract.
- 1.3 Each of the 19 contracts (EU procurement compliant) provided the opportunity for multi-client/single contractor relationships to be developed for a term of up to 10 years.
- 1.4 The longevity of these relationships, possible through the creation of contracts (based on the TPC 2005), complemented CHIC's partnering ethos and laid the foundations for greater innovation.
- 1.5 The portfolio of works and services contracts underpinned by tried and tested partnering terms, were the perfect stable mate for CHIC's innovative materials supply contracts, through which members buy direct from manufacturers.
- 1.6 CHIC has recently gone to tender to procure a further 9 contracts based on the TPC 2005 to complement those already in our vast portfolio. They will be implemented in early 2015.

- 1.7 This use of CHIC's combined 'buying power' created a level playing field across SME's and larger contractors, eliminating the disproportionate burden on SME's of sourcing and cash-flowing materials. It also enabled a sophisticated multi party relationship with the supply chain.
- 1.8 Corporate Social Responsibility has been high on CHIC's agenda from inception. All TPC and materials contracts set clear criteria for employment and skills outputs. Through partnership working, CHIC's initial targets have been exceeded.
- 1.9 Savings to date have been impressive; on a combined spend of £26.15m (excluding materials) savings of £4.85m (13.5%) have been achieved, proving the case for innovative partnership working.



Above – Two of CHIC's Residents Forum Members celebrate successes at an Awards ceremony



## 2. INTRODUCTION

- 2.1 The Central Housing Investment Consortium Ltd (CHIC) is a consortium of social landlords launched in 2010 with support from the National Change Agent (NCA); CHIC continues to be supported by the Homes and Communities Agency (HCA).
- 2.2 Facilitated by Ark Housing Consultancy LLP (CHIC's Managing Agent), eight 'founder member' social landlords across the Midlands came together to achieve efficiencies by working collaboratively.
- 2.3 CHIC's aim was to reduce the cost of housing maintenance, repair and development works through a collaborative, efficient and innovative procurement approach.
- 2.4 CHIC's vision (now realised) was to develop a consortium of social housing landlords and their partners, who work together to secure efficiencies and improve upon working practices year on year across a full suite of asset investment and new build programmes.
- 2.5 CHIC's model differs from other procurement consortia as materials are procured separately to labour (works and services). The outcome of which is two suites of contracts that operate in parallel comprising:
- 19 ACA TPC 2005 contracts with service providers (with more to be introduced by April 2015)
  - 30 bespoke materials supply contracts with manufacturers, distributors and merchants
- 2.6 CHIC was set up with the intention of sharing benefits with organisations across the affordable housing sector. Since 2010, membership has grown from 7 social landlords managing 40,000 homes to 32 organisations managing over 422,000 homes across the UK.
- 2.7 CHIC is now into its fourth operational year and has fulfilled all of its initial objectives set out below:
- To procure a full suite of works and services (labour only) contracts.
  - To procure materials supply contracts together with an e-commerce provider to manage these contracts.
  - To promote opportunities for Small and Medium-sized Enterprises.
  - To establish and operate a common cost and quality database.
  - To encourage the creation of more job opportunities for people from disadvantaged communities and promote training and personal development for client, contractor and supplier staff.
  - To set up an active Residents Forum to participate in CHIC operations, such as procurement exercises.
  - Through procurement and delivery, achieve cashable savings of 10% or greater for members.
- 2.8 This submission centres around CHIC's 19 works and services contracts that all operate the ACA Term Partnering Contract 2005 (Amended 2008) form of contract.



### 3. THE INNOVATIVE MODEL

- 3.1 During the 2010/11 financial year, CHIC’s Agent was tasked with procuring a portfolio of works and services contracts that would satisfy a range of asset investment requirements by social landlords.
- 3.2 Many of the members have in-house contracting functions, but certain areas of work are still outsourced. For some members the focus was on more technically complex (M&E) servicing and repair contracts, whilst for others it was mainstream repair and planned maintenance contracts. Overall the scope of works and services was significant – but bound together by a regional geographical focus.
- 3.3 In light of the task ahead, ‘Project Teams’ were formed comprising member staff, their residents and consultants. Each Project Team was assigned to one of six workstreams (identified in Table 1 below).
- 3.4 Each workstream comprised a series of Lots of which there were 60 in total. Each Lot related to a particular service area or requirement by member e.g. kitchen replacements in Birmingham, kitchen replacements in Hereford.

Table 1

Workstream Title	No. of Lots
1. Heating systems servicing; repairs and installations	17
2. Responsive repairs, voids and planned internal improvements	13
3. Planned external upgrades	24
4. Mechanical and electrical specialist services	3
5. Asbestos management and removal	2
6. Aids and adaptations	1

- 3.5 At the heart of the procurement exercise was a set of common objectives:
- 3.6 EU Compliance
  - 3.6.1 All Lots and workstreams to be procured via an EU compliant process (Restricted Procedure) with legal services provided by Trowers & Hamblins LLP.
- 3.7 To Promote Opportunities for Small and Medium-sized Enterprises
  - 3.7.1 Separating larger volumes of work into separate Lots, often defined by geographical regions, encouraged SME’s to tender. Consequently, out of 19 contracts awarded, 10 (over 50%) were awarded to SME’s (8 medium, 2 small).
- 3.8 To Promote Financial Fairness
  - 3.8.1 All of our higher value works and services contracts are structured on an Open Book basis around bespoke Cost Models designed to eliminate hidden pricing and uplifts. The contracts also operate an incentivisation (Pain and Gain) scheme where contractors (and clients) are ‘rewarded’, if project performance and target costs are achieved. They also provide for the client to purchase materials direct from manufacturers, via CHIC’s supply chain.
  - 3.8.2 This approach to cost management allows parties to agree the most efficient delivery solutions and further induces a partnering ethic from day one between client and contractor, as supported by the TPC2005 contract.

### 3.9 To Promote Employment and Skills

3.9.1 The CHIC model placed emphasis on a long-term employment and skills (E&S) agenda for both contractors and materials suppliers (this was a first in our sector at the time). Bidders were required to submit E&S method statements and commitments to support their tenders.

3.9.2 The successful suppliers, contractors and service providers are now monitored and supported by CHIC to ensure that promised outputs are delivered. The successes so far have been summarised below in table 2; the partnership ethic facilitated by the TPC 2005 has assisted with these achievements.

*Table 2*

2011/12 (Year 1)	2012/13 (Year 2)	2013/14 (Year 3)
41 apprenticeships created or safeguarded	9 new apprenticeships created and 33 existing safeguarded	30 apprenticeships created and 40 existing safeguarded
31 new starts were created from the 6 months unemployed register	90+ previously unemployed young people progressing into employment	122 young people progressed into employment; 51 had been unemployed for over 6 months
70 NVQs were delivered through employer funding	466 short courses to enhance employee development	121 NVQs were achieved with 500+ high level focused short courses
Over 1,000 recorded health and safety courses and 90 CSCS cards issued	698 health and safety courses completed and 31 CSCS cards issued	1,386 health and safety courses delivered

2.9 Promoting training and employment opportunities is a key objective for CHIC. Examples of what we have influenced include:

- A marked increase in new apprenticeships across a wider spectrum of work areas including purchasing, business administration, customer service as well as heating, manufacturing and kitchen fitting in addition to construction trades.
- A trend toward higher level qualifications uptake amongst contractor staff including foundation degrees, HNCs, building services, HR management and Prince2 project management. Accountancy and auditor qualifications added for the first time.
- Innovative approaches from contractors with the aim of employing local disadvantaged people, such as partnerships made with local job centres and AKW Medicare linking with Shaw Trust.





### 3.10 Awarding Long Term Contracts

3.10.1 CHIC sought long term commitments from contractors and service providers open to the idea of partnering that in-turn would yield efficiencies and improved working practices year on year.

3.10.2 The ACA TPC 2005 contract made provision for this, resulting in 5 year (+ 5 year extendable) contracts awarded to all successful bidders. These contracts have just commenced their third operational year.

3.10.3 All participating clients and service providers on these contracts are achieving savings on procurement and tendering activity that will progressively increase as usage of the contracts continues year on year.

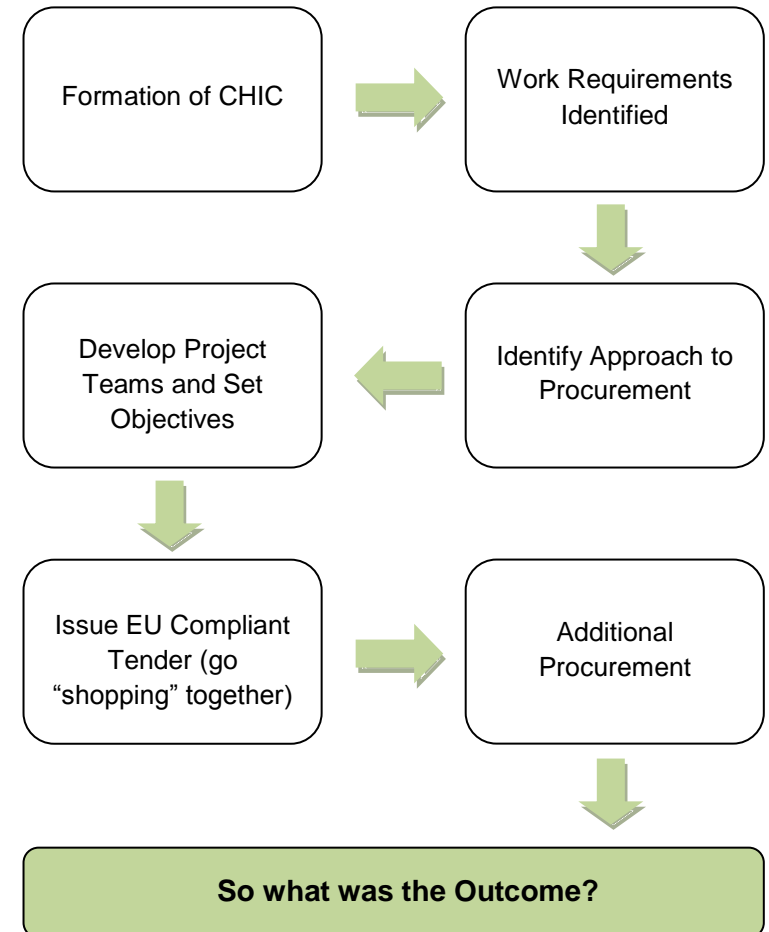
### 3.11 Provision for New Members to Join the Contracts

3.11.1 CHIC's vision was to grow its membership of social landlords within and beyond the Midlands. Contracts were intentionally procured so they would be accessible by new members anywhere throughout the UK, passing efficiencies far and wide across the sector.

3.11.2 To date, 18 additional landlords have joined contracts (with many more in active discussions), resulting in procurement savings and accessing competitive rates. Combined procurement savings have reached £1.85m so far, this includes savings from the 'shared cost of shopping' in 2010/11.

3.11.3 Further procurement savings are expected with the introduction of additional contracts for planned maintenance and new build works.

3.12 The journey so far:



#### 4. THE OUTCOME

- 4.1 Once contract award decisions were confirmed, 60 lots were condensed to 19 contracts, awarded to a total of 17 contractors/service providers, 10 of these are SMEs. Where appropriate, multiple lots became multi-client/single contractor contracts.
- 4.2 The procurement process provided for this outcome. Bidders were clear that the award decision for each lot would be client specific but that clients reserved the right to consolidate lots into single contracts. These could be multiple lots for a single client or multiple clients.
- 4.3 The process also reserved the right (and built in headroom) for new clients to join any awarded contract (subject to the agreement of the existing parties thereto).
- 4.4 All contracts operate in accordance with the ACA TPC 2005 standard terms supplemented by bespoke special clauses. Contracts are either 'single-client' or 'multi-client' of which there are 6 and 13 respectively.
- 4.5 All contracts are 'active' and 17 additional client participants have joined contracts to date, as a result of which some 'single-client' contracts have evolved into 'multi-client' contracts.
- 4.6 The term of each contract is 5 years with an option to extend for an additional 5 years thereafter (subject to performance), allowing long-term partnering relationships to form and develop over time. Contracts are now in year 4 of an initial 5 year term.

- 4.7 CHIC's Agent, Ark Housing Consultancy LLP, acts as 'Partnering Advisor' across all contracts. Ark has a wealth of expertise in Procurement, Contract Administration and Project Management.
- 4.8 As Partnering Advisor, Ark facilitates Strategic Core Group meetings between all parties involved in each contract. These Strategic Core Group meetings occur on a quarterly basis, or more frequently if necessary. In addition to reviewing contract performance, these provide a forum for the sharing of best practice. A materials focus group complements these Core Group meetings.





4.9 Contracts awarded were as follows:

Short Description	Contractor/ Service Provider
1. Responsive repairs, voids, PAT testing & call handling	Laker Building Management Services
2. Drainage Maintenance	UK Drainage
3. Kitchen, bathroom & electrical works	G F Tomlinson
4. Kitchens & bathroom works	Bullock Construction
5. Various heating system fuel types – service, repair & installation	Laker Building Management Services
6. Gas Auditing	Blue Flame Associates
7. Various heating system fuel types – service, repair & installation	PH Jones
8. Various external planned works including ECO improvements	Keepmoat
9. Window & door installations	Wrekin Windows
10. Decoration	Novus
11. Fire Safety	Sunfish Services
12. Mobility lift servicing	Lift & Engineering Services
13. Water Hygiene	Pure Group
14. Asbestos Management	DMW Environmental
15. Asbestos Removal	Consortia Group (EMS)
16. Various heating system fuel types – service, repair & installation	Aaron Services
17. Responsive repairs & Void works	Kier Services
18. Kitchen & bathroom works	G Purchase Construction
19. Aids & adaptation works	Keepmoat

4.10 Due to the successes of our existing TPC 2005 contracts, CHIC is currently in the process of introducing a further 3 contracts by April 2015.

## 5. SAVINGS AND EFFICIENCIES ACHIEVED

5.1 CHIC's Business Plan aimed to secure savings for members of at least 10% across the range of CHIC's activities.

5.2 For works and services contracts, individual members have benchmarked their spend against pre-CHIC costs under similar contracts. These savings (excluding materials) in years 1, 2 and 3 are summarised in the following table:

Category of Work	Actual Spend To Date £	Savings (Net of VAT) £	Average Percentage Saving %
Responsive Repairs & Void Works	11.25m	3.10m	21.6%
Kitchen & Bathroom Replacements	4.35m	0.75m	14.7%
Central Heating Renewals	2.00m	0.35m	14.9%
Gas & Heating System Servicing	1.75m	0.30m	14.6%
Windows & Door Replacements	0.70m	0.15m	17.7%
Other	6.10m	0.20m	3.2%
<b>Total (All years to date)</b>	<b>26.15m</b>	<b>4.85m</b>	<b>13.5%</b>





- 5.3 This average saving of 13.5% across works and services contracts is in addition to an average saving of 21% on materials purchases. These exclude savings on initial procurement costs (£1.85m for CHIC's members collectively).
- 5.4 If usage of these contracts by the current membership continues at a similar rate, and contracts are in place for 10 years, then members are predicted to collectively save up to c. £15m; this excludes additional savings on procurement and where materials contracts are also utilised.
- 5.5 To date, savings achieved have already benefitted the communities in which members have housing stock, positively impacting the lives of residents through:
- Investing in new homes - savings help replace reduced grant and funding.
  - Maintaining existing homes, often to a higher standard than before.
  - Investing in initiatives to improve insulation - lowering energy bills for residents and combating fuel poverty.
  - Securing training and employment opportunities for people of all ages, in their local communities and surrounding areas.
  - Investing in financial advice and services, supporting residents through Welfare Reform changes.

## 6. BREAKING THE MOULD

- 6.1 The main changes that CHIC and its members introduced were:
- (a) A focus on contracts, not frameworks
  - (b) Multi party contracts.
- 6.2 The focus on contracts was strongly enabled by the use of the TPC 2005. The embedded partnering principles enabled clients and contractors/service providers to work together, to develop services, raise progressive task orders, engage the supply chain and be open about cost management and value.
- 6.3 The multi-client contracts work very well for lower volume services, such as asbestos management or fire alarm servicing. Clients can aggregate their service needs and offer a meaningful and sustainable order book to service providers. CHIC are keen that this model be replicated by other clients working collaboratively to drive efficiencies in the sector.

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