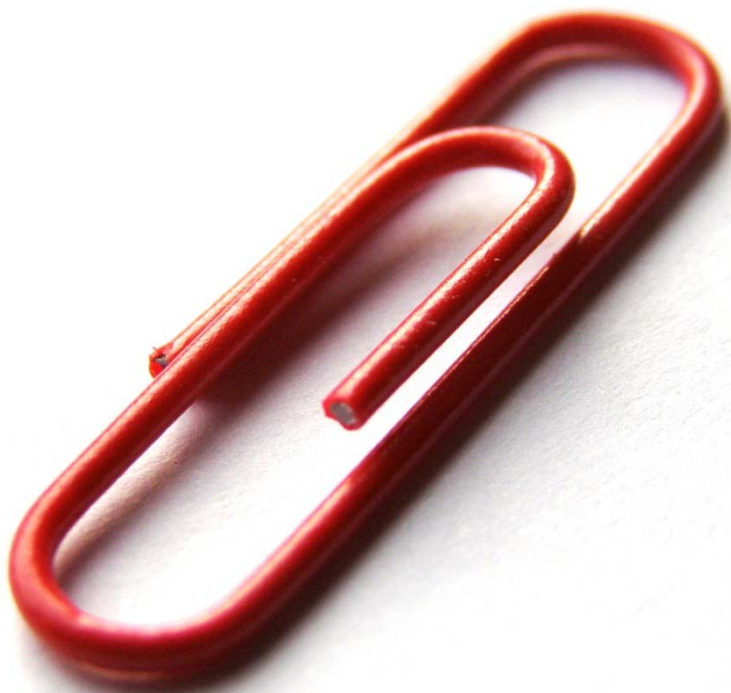




Best Practice Case Study

Collaborative Long-term Integrated Procurement – CLIP

CYNTRA has worked with Users and the Homes and Communities Agency to create a new suite of procurement tools that deliver innovation, quality and value for money and maximise the skills and expertise of the construction industry to provide better solutions for Social Landlords and local communities in one of the most important areas of the nation's life



cyntra

Collaborative Long-term Integrated Procurement (CLIP): Best Practice Case Study

Executive Summary

Social Landlords have been facing a range of complex challenges in delivering high quality, social housing: they now require on-going, long term asset management, need responses that are compliant with changes in the position of leaseholders and which deliver value, innovation and quality. CLIP provides them with the solution.

With support from users and the Homes and Communities Agency, CYNTRA has created CLIP – a suite of products for Social Landlords designed to maximise the benefits of procurement, secure value, innovation and predictability, and enable users to reflect the increasingly complex EU and leaseholder legislative environment.

The CYNTRA suite of products builds on the key advantages of Frameworks but adds an additional new approach in the shape of Partnering Long-Term Contracts and offers an approach which fully reflects the legal position.

The CLIP approach anticipated and embraces the Government's new Construction Strategy. This highlights the importance of an efficient construction industry and the need for reform of public sector construction procurement to improve value for money and enable the industry to focus on bringing forward innovative solutions.

CLIP maximises and demonstrates the benefits of TPC and PPC forms of contract, which have been selected for inclusion because of their reliability, ease of use and practical applicability to the needs of the sector.

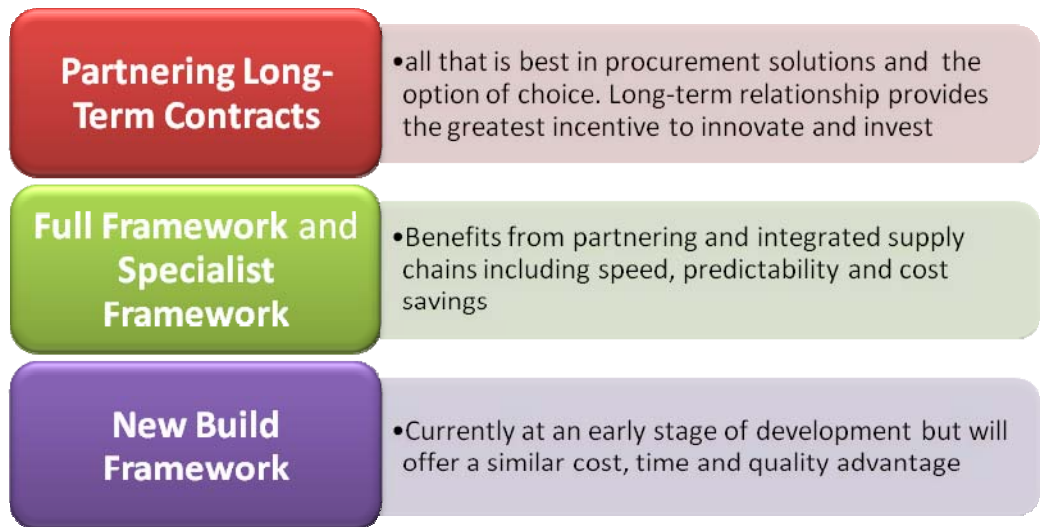
CYNTRA has developed a robust procurement process to identify appropriate contractors to meet the full range of needs of the sector. Social Landlords can select from four procurement options in the CLIP suite, each of which enables the user to deal with a specific issue and need. Three are underpinned by an extensive library of high quality specifications, cost models, contract documents and opportunities for efficiencies through their long-term nature and collaboration within their supply chains:

About CYNTRA

CYNTRA was set up in 2005 by 10 London Arm's Length Management Organisations (ALMOs) – bodies created by London Councils to manage the day to day operation of their 140 000 homes.

Since then CYNTRA's membership base has expanded to over 30 landlords and ALMOs. Over the last five years CYNTRA's approach to joint procurement and collaboration has saved Members £35 million

CYNTRA



CLIP delivers the following benefits for Social Landlords at a time of major economic challenge, saving them the time, cost and uncertainty that finding their own solutions individually would entail:

- Gain **predictability, substantial time and money savings** through a guaranteed maximum price, a built-in drive to increase value, and reduced procurement and legal costs
- Secure effective **long-term strategic asset management**
- Maximise the benefits of long-term partnering arrangements between client and contractor which drive greater innovation and better performance and include regular reviews and incentives for contractors to keep improving and increasing efficiency
- **Access high quality** contractors chosen for value, technical skills, sustainability, equality and diversity, and ability to work well with residents and the local community
- Reflect Government policy, deliver **best practice**, robust and **legally compliant** solutions
- Meet **major policy drivers** through two **unique innovations**:
 - Contractors and suppliers will work together in a **“Supply Chain Alliance”**, seeking and sharing better ways of working and cost savings on materials and services. This will encourage innovation, drive down cost and create more sustainable solutions and benefits such as extended warranties and on-going maintenance support
 - **“CYNTRA Community”** promotes **community-orientated** and sustainable approaches by combining the expertise of individual contractors - for instance on apprenticeships, employment and training. The focus on **sustainable construction** promotes energy efficiency, reduction of waste, improved lifespan and reduced maintenance requirements which will deliver real benefits for all parties

CLIP: Responding to the Challenge for Social Landlords

Since its creation, one of CYNTRA’s major successes has been the provision of “call off” construction frameworks to Social Landlords. Eighteen months ago CYNTRA, in anticipation of replacing them, realised that the traditional models for frameworks were losing their efficacy, and that at the same time Social Landlords were increasingly looking for long term strategic asset management and for a solution to the changes in legislation affecting leaseholders.

The EU has placed a four year limit on framework agreements (*except in very exceptional circumstances*). Frameworks most certainly do still have many benefits, but four years may not be enough to gain all the rewards of partnering and may mean cutting the relationship off just when the benefits are coming through. This, coupled with emerging case law and challenges in the UK relating to leaseholders, means that some of the previous benefits of using call off frameworks have been curtailed.

As a result, Social Landlords now need vehicles and approaches which enable them to deliver long term asset management, maximise their resources, reflect best procurement practice and which are legally compliant.

The solution

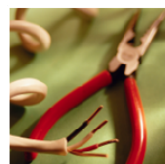
CYNTRA set about finding new approaches which kept the benefits of partnering but which were legally compliant and used lessons and best practice. With the support and an investment of £300k from Homes and Communities Agency / National Change Agent for Housing, CYNTRA enlisted legal and procurement experts, analysed the options and devised CLIP as an effective, value for money way for Social Landlords to gain even greater benefits and meet their policy and governance needs in a challenging economic environment.

When fully implemented the CLIP suite will have four options. In its most effective form, CLIP is a contract spanning five years or more with a principal supply chain partner selected to integrate every aspect of the supply chain. Such an approach allows time to develop relationships, encourage contractors to invest and



General Building

Heating, Plumbing & Gas



Electrical Works

Added Value Services



share learning with sub-contractors, meaning better results for clients, contractors, suppliers, local communities and residents. It also includes new, greatly improved frameworks, able to deliver the full range of services which Social Landlords require through rigorously selected contractors.

Using TPC & PPC: contributing to the Benefits

The CLIP approach can utilise a range of contract options, including TPC and PPC. The TPC & PPC forms of contract were included because these offer a wide range of crucial benefits to both clients and contractors, and lend themselves to the generation of innovation and increased focus on collaboration CYNTRA wished to see. For instance, they offer ease of access and use for both clients and contractors, allowed CYNTRA to build in shared risk management and provide clear guidance on use, and the clear focus on working together reflects the ethos of CLIP – securing better results for all through long-term, truly collaborative relationships. Clients and contractors alike welcome the focus on sustainability.

At some time most public sector organisations have faced legal challenge and seek clarity. A key attraction of TPC/PPC was its legal robustness. It has a clean sheet of no court cases or arbitrations after extensive use for several years.



TPC and PPC were selected following careful consideration of the type of work and the need to simplify the procurement process. Many of CYNTRA's Members carry out small one off pieces of work, minor construction, repairs and asset replacement schemes. A contract form was needed that was easy for contractors and clients to use, understand and apply but sufficiently comprehensive. The concise form of PPC/TPC provided for these needs in preference to a contract designed for major civil engineering projects.

CLIP's users will include Registered Social Landlords, local authorities and Tenant Management Organisations. CLIP needs, therefore, to allow for engagement with the full range of stakeholders whilst recognising that for some users and some contracts different levels of engagement will be appropriate. A kitchen refurbishment in a TMO would have limited wider interest whilst a multi million pound programme would have the potential to engage large numbers of people and groups. TPC/PPC provides for involvement of Interested Parties outside the team, creating a platform for resident participation and beyond.

Value, Pricing and Predictability

Value for money can be guaranteed by an innovative pricing mechanism. CYNTRA has compiled the social housing sector’s largest library of some 2,300 specifications and benchmark costs based upon national indexes. These costs are adjusted for regions – nine in all. At the tender stage interested firms submit prices for the works based upon + or – these benchmarks. This means prices for call off can only fall in real terms. The library will be updated to reflect developing Best Practice.

This has several benefits. Firstly, under-pricing – a perceived problem in the current market (where a firm submits unrealistic prices to win work in the hope of creating margin through, for example, increasing overheads or preliminary costs later on) is exposed. By pricing against specifications a firm putting in unrealistic prices can be challenged to explain how they are able to deliver so far below the index. Secondly a benchmark is created against which future cost savings can be shown. Future costs can then be compared against several dimensions, including the original indices and the tender prices – which represent market costs at the point the tenders were let. It also means contractors with real efficiencies can clearly demonstrate where they are adding value.

TPC/PPC has clear and controlled approaches to pricing, allowing CYNTRA to build a system to reflect Members' needs.

Collaboration, Innovation, Design Quality and Best Practice

The ethos of CLIP is about developing long-term relationships with contractors in a way that is flexible and complementary to the values of the public sector: fairness and equality as well as competitiveness and generating value for money. It is also about placing residents at the centre of the procurement process. TPC in its ethos, structure and terms fits well with the CLIP approach, and the goals of CYNTRA and its Members.



A key element of CLIP and indeed one of its USPs is the Supply Chain Alliance: an agreement between suppliers which ensures they will exchange good practice to drive down costs, improve design and product quality and stimulate investment. This approach highlights another reason why TPC/PPC was adopted. TPC has a built in system for regularly reviewing and improving on prices and quality after selection of

the Service Provider. CLIP uses these elements of the contract form in to drive cost reduction and the adoption of best practice.

The CLIP frameworks and long-term contract model incorporate provisions for retendering through mini competition. Moreover, the long-term contract version of CLIP has a mechanism where a principal supply chain partner (PSCP) is appointed whilst a selection of sub-contractors or suppliers are approved and drawn upon by the PSCP when required. This model is well catered for in TPC's system of regular sub-contractor/supplier business cases.

Sustainability

In addition to their major public responsibilities, all CYNTRA's Members are accountable to tenants and often a wider group of residents. That means giving due prominence to issues of sustainability and finding approaches which ensure that, over time, they become ever more sustainable in every aspect of operation. TPC/PPC provide for programmed improvements in sustainability.

CLIP's focus on **sustainable construction** encompasses energy efficiency, reduction of waste, improved lifespan and reduced maintenance requirements which will deliver real benefits for all parties, such as less disruption for all residents as contractors are enabled to deliver more durable solutions

CLIP builds on past successes: through its previous frameworks CYNTRA Members put cavity wall insulation into London homes for 40% less than non-member landlords. Future work will be carried on under the new contract form to a greater extent, offering more savings and more sustainable solutions because CLIP provides clients with a whole house retrofit solution including:

- Insulation (cavity, loft, external and internal);
- Photovoltaic panels;
- Energy efficient heating systems; and
- Water conservation measures.



Sustainability issues, photovoltaic cells installed by one of CYNTRA's contractors

Training and Employment Initiatives

CLIP goes beyond the standard recycling and carbon reduction and allows us to realise training and employment opportunities through “CYNTRA Community”. This is particularly important to CYNTRA’s Members and is another objective at the heart of CLIP.

All CLIP contractors and suppliers must join CYNTRA Community, which obliges them to work together as an integrated body to create and maintain community benefits, creating a critical mass of skills and expertise. This innovative focus on engaging throughout the supply chain, creates more sustainable initiatives and overcoming some of the stop-start, fragmented approach of the past: the long-term nature of CLIP relationships means there is time and stability in which to design and deliver sustainable programmes of training and work experience, and collaboration between suppliers to maximise the likelihood of training and employment continuing.



This approach meets Social Landlords’ priorities to support their most disadvantaged local communities by creating sustainable training and employment opportunities, for instance for young people and the long term unemployed. It also supports Social Landlords in delivering Government and Homes & Communities Agency objectives to strengthen local communities through the development of the Construction Industry and social housing programmes.

Examples are likely to include:

- working with local communities to recruit and support people to find out about and acquire skills to take up training, apprenticeships or jobs
- working with schools and community groups, promoting opportunities in industry, providing employability skills, helping

with CV writing and interview techniques

- providing work experience and taster sessions
- developing and maintaining training programmes, apprenticeships and accreditation
- creating jobs, job matching and support for employers and employees to sustain jobs
- larger companies supporting and raising standards in SMEs
- creating a culture of on-going improvement, mentoring and continuous professional development

Contributing to the Knowledge Base

Applying TPC & PPC principles and forms of contract to this huge and developing field will add substantially to the evidence base. Innovations such as CYNTRA Community and the Supply Chain Alliance will demonstrate how effectively the construction industry and its clients can work together to gain better value and better results, for the health of the industry, the satisfaction of the client and the quality of life of residents and local communities.

Conclusions

As a result of using expertise and experience, CYNTRA has created a new suite of products especially designed for and with the Social Housing sector utilising the PPC/TPC contracts. CLIP effectively demonstrates how PPC/TPC contracts and ethos can drive and deliver fundamental benefits to Social Landlords, and can contribute to unique innovations such as the CYNTRA Supply Chain Alliance and CYNTRA Community which drive on-going improvements and savings and have an integral focus on **supporting local communities** and promoting **sustainability**.