

TPC2005 - A Case Study in delivering a “Total Asset Management” Solution

Project Particulars

Client:	Catalyst Housing Ltd
Procurement Adviser:	Cameron Consulting (UK) Ltd
Partnering Adviser:	Neil Thody of Cameron Consulting (UK) Ltd
Service Providers:	Chas Berger Ltd Quinn London Ltd DW Contractors Ltd Stapletech Ltd East West Connect Ltd
Client Representatives:	ig9 Consulting Consul Chartered Surveyors

About Catalyst

Catalyst Housing is a medium sized housing association. A brief summary is provided below:-

- Established for over 80 years
- Manage over 20,000 homes in London and the South East
- More than 400 staff
- Annual turnover circa £125m
- £30m per annum is spent on repairs, maintenance and improvement of the existing assets

Introduction

In preparing this case study, we have set out our project under four main headings:-

1. Where we were
2. Where did we want to be?
3. How did we get there?
4. What have we learned?

Before responding to these questions, it is important to understand the background and context to the project.

Background

Prior to 2010, Catalyst delivered its planned maintenance on a regional basis, using different procurement models. In particular, there were four principal areas:-

- Brent
- Kensington
- Ealing
- South East

Each area had its own team to manage the delivery of planned investment. As a consequence, the contract models used in each area varied greatly; a legacy of traditional contracts survived in some areas despite Catalyst’s commitment to the partnering ethos. The drive to fully embrace a partnered approach was spearheaded by the work

being undertaken in Kensington, where there had long been recognition of the benefits of partnering- so much so that a number of contracts were awarded when TPC2005 was launched in April 2005. Indeed, some of these contracts are still in place!

Although only representing around 20% of the total stock, the delivery model established in Kensington was one that would prove to be so successful that it could be “rolled out” on a wider scale, and was to become the underpinnings of the new group wide strategy.

In 2010, the disparate parts of the group joined together to form a centralised group asset management team (GAMT). GAMT became responsible for the delivery of planned maintenance across the group and in particular, to over 20,000 properties.

Where we were

When GAMT was formed, a strategic approach to procurement was required looking at the delivery of planned maintenance across the entire property portfolio.



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The pre-existing arrangements involved many different providers undertaking a range of works including:-

- Cyclical repairs and redecorations;
- Internal refurbishment works including kitchen & bathroom replacements;
- Voids
- Window replacement
- Heating replacement
- Electrical replacement



Task	Start	End
Task 1	1/1/2005	31/12/2005
Task 2	1/1/2005	31/12/2005
Task 3	1/1/2005	31/12/2005
Task 4	1/1/2005	31/12/2005
Task 5	1/1/2005	31/12/2005
Task 6	1/1/2005	31/12/2005
Task 7	1/1/2005	31/12/2005
Task 8	1/1/2005	31/12/2005
Task 9	1/1/2005	31/12/2005
Task 10	1/1/2005	31/12/2005
Task 11	1/1/2005	31/12/2005
Task 12	1/1/2005	31/12/2005
Task 13	1/1/2005	31/12/2005
Task 14	1/1/2005	31/12/2005
Task 15	1/1/2005	31/12/2005
Task 16	1/1/2005	31/12/2005
Task 17	1/1/2005	31/12/2005
Task 18	1/1/2005	31/12/2005
Task 19	1/1/2005	31/12/2005
Task 20	1/1/2005	31/12/2005

Existing contracts in place were regional and the move to a centralised delivery system would involve a major re-procurement exercise.

Where did we want to be?

Looking to build on the success of the Kensington delivery model, based on separate workstreams, Catalyst adopted a group-wide “component” delivery system covering:

- Cyclical decorations and repairs;
- Internal refurbishment (kitchens & bathrooms)
- Heating installations
- Electrical and door entryphone Installations

We believed that this model could work on a

wider scale, with an increase in the number of providers and clearly defined contract structures. We also wanted to establish mechanisms for collaboration at a strategic level between the service providers, to improve on-site co-ordination and maximise opportunities for adding value through CSR initiatives.

In addition, one of the key drivers was to enter into long term arrangements with a number of providers. Framework Agreements limited the length of contract to four years and were considered to be burdensome from an administrative perspective. We were looking for a simple long term solution and felt that entering into single term contracts would achieve this objective.

Initially, a Group Procurement Strategy was developed, with the assistance of our Procurement Adviser, Cameron Consulting. This entailed:

- Workshops with client officers and current providers to identify “what worked well” and “what didn’t work so well”;

- A detailed analysis of the Group Asset Management Strategy to identify component spend over the next five years;
- Consultation with the Resident Steering Group;
- Horizon Scanning of the market to identify potential service providers and the market to tender for these works.

How did we get there?



Following approval of the Procurement Strategy, we were ready to go! The Strategy contained sufficient information to go straight to tender, using the OJEU restricted procedure. Separate notices were published for the following contract workstreams:-

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1. Internal Refurbishment (Kitchen & Bathrooms) – x2 Providers;
2. Heating Installations & associated services – x1 Provider;
3. Electrical Installations & associated services – x1 Provider;
4. External Refurbishment (Cyclical decorations, repairs and component renewal) – x2 Providers.

The procurement was staggered to allow for sufficient resources to be deployed during the procurement process, recognising the resource intensive periods at critical stages in the process. The first contract notice was published in March 2010 and the last one in November 2010.

The next stage in the process was to develop the tender documentation. A broad decision had already been made to use the ACA Term Partnering Contract TPC2005 (Amended 2008) based on previous experience. However, the detail of how the contract was to be used required careful consideration. The key objectives for the new contract arrangement were:-

1. A consistent approach across all workstreams;
2. The inclusion of contractor design;
3. The ability to link workstreams together;
4. The inclusion of open book pricing;



5. The opportunity for “value added” innovations;
6. Opportunities for training and employment through the contract.

The tender documentation was developed to ensure that these objectives could be met. Key features included:

Contractor Design

The majority of the component renewal programme is straightforward in nature with low complexity design. Therefore, the contracts were established on the basis of contractors being responsible for design. This transferred the risk and also enabled contractors to bring in their supply chain early into the process to contribute to design. TPC2005 was amended accordingly to allow for this.

Collaboration Across Workstreams

Some of the works required operational collaboration between contractors operating on different workstreams. For example, the heating contractor would install a boiler, prior to the internal refurbishment contractor installing a kitchen.

Therefore, communication and collaboration was key to ensuring good planning and works execution. In addition, we wanted to enable all contractors to collaborate on strategic matters and in particular, those offering “added value”. Each Service Provider was therefore required to sign up to a Strategic Alliancing Agreement (SAA) designed to drive collaboration and efficiency throughout the term programme.

Open Book and Value for Money

The Price Frameworks for all workstreams are identical, insofar as they are all based on a schedule of rates, with separate site overheads, central office overheads and profit. Open book was specified, with the intention that annual inspections take place to validate income received through contract payments against actual cost of delivering the service. Service Providers were incentivised to drive efficiency through a pain/gain mechanism, comprising a 75:25 pain/gain, whereby surplus amounts were reimbursed to the contractor at 75%, whilst deficit amounts were absorbed by the contractor at 75%.

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Incentivisation

In addition to the pain/gain mechanism, the contractors were required (at tender stage) to provide an “enhanced” and “normal” level of profit. The “enhanced” profit levels were based on the achievement of KPIs and only payable if all KPIs were met or exceeded.

Training & Employment

Catalyst Gateway is a training and employment division of Catalyst Housing. It provides opportunities for residents and others in the communities in which Catalyst operates to obtain skills and qualifications to enable them to find paid employment. As part of the tender, it was a requirement for bidders to participate in the scheme. Gateway identifies suitable candidates for an initial 13 week training programme with the contractor. Beyond this, the contractor has the option to take on the candidate on an apprenticeship scheme. To date 8 young people have found permanent placements through the scheme.

Managing Risk

Core Group meetings take place every six months to review the strategic issues on each workstream.

An essential aspect of the core group meetings is the proactive approach to risk management. Each workstream has its own risk register. This is reviewed and updated every six months and documents the partnering team’s approach to effective risk management. In addition, operational meetings are held monthly to monitor day to day progress and risk.

Sustainability & The Environment

Sustainability and the Environment is important for Catalyst and in particular, how its partners operate in line with our own high standards. We have therefore outlined our vision and aims and expect our partners to do their small bit to contribute. In particular, we ensure that each contractor monitors its performance against environmental targets.



What have we learned?

The term programmes have now been in operation for 15 months, 12 months and 9 months since they all started in 2011. When issues have arisen, the nature of the relationship fostered by the partnering approach has enabled solutions to be found promptly and consensually. The cohesive group-wide approach was strengthened further when the previously distinct entities managing properties in Brent, Kensington, and London and the South East, merged to form a single Company, with a simpler and more direct asset management hierarchy.

We have recently undertaken Annual Term Reviews on all programmes of work, as is a requirement under the Term Partnering Agreement. Open book inspections are underway and will be concluded by end of Q2 2012/13. We are delighted with some of the initial outputs and these are summarised below:-

- Resident Satisfaction is over 95% across all workstreams;
- All Partnering Team members consider that partnering adds value to the project*;

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- Most Partnering Team members thought that partnering leads to innovative ways of working*;
- All partnering team members clearly understood their role in the partnering team*;

* A survey of all partnering team members was undertaken using Survey Monkey.

After the first year, some aspects of the programme suggest room for improvement as part of a continuous improvement regime. For example:-

- Works programmes need to be planned as far ahead as possible to enable the various workstreams to work in the most efficient manner;
- Resident engagement post contract has not matched the significant input at pre-tender stage;
- There are areas where efficiency could be improved.

In summary, the arrangements to deliver a “Total Asset Management” solution at Catalyst work very well. This is largely due to the strong leadership in the client team and the partnership approach adopted with our key partners. .

Colleagues in other Housing Associations are beginning to take an interest, and early discussions are taking place around deploying our solution in their own organisations on a shared service basis.

At Catalyst, we concentrate on operating our business in a collaborative way, treating our partners fairly, on the basis that these are long term relationships that will only prosper if they are underpinned through trust, mutual co-operation and collaboration, and we recognise that the systems we have in place, including the contract management systems and governance, need to support the effective delivery of the term programmes. The TPC 2005 contract form perfectly reflects our approach to partnering, and by combining flexibility and legal robustness provides a highly effective platform for realising our ambition.