

**Association of Consultant Architects Annual Awards  
2013:  
PRACTITIONER AWARD for Innovation in Partnering  
using PPC 2000 & TPC 2005**

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## **1. Summary**

Circle Housing Group, is one of the UK's largest providers of affordable housing, with 66,000 homes across the UK. One of our key goals is to use our scale to deliver better value to our customers and our Repairs & Maintenance (R&M) strategy, has pioneered a sector leading procurement which has put our customers at the heart of designing the innovative new service.

Not only will the transformed service deliver savings in excess of £120million over ten years, it will also offer a more consistent sector leading service to Circle's customers, and a range of social benefits such as apprenticeships, work placements and community development investment.

To carry out the EU procurement process, Circle adopted a Two Stage Open Book approach and the related Supply Chain Management going forward.

Circle complimented individual TPC 2005 contracts with a Strategic Alliance entered into by Circle, Circle's Direct Labour Organisation and the Service Providers establishing genuine partnerships which promote innovation, service improvement and supply chain development.

Circle has engaged in Early Service Provider involvement during the EU procurement processes to develop bidders' proposals for efficiencies and added value.

Through the implementation of the R&M Strategy, Circle is realising cost savings, based on historic costs, of between 10% and 30% on responsive repairs and between 5% and 40% on Planned & Cyclical Maintenance

## **2. Sector Leading Transformation**

Circle has recently undertaken the consolidation of the repairs service for its nine registered providers and related support companies as part of a business transformation strategy.

Repairs and Maintenance (R&M) is the single largest service Circle provides to its customers, and it is recognised as a service on which our customers rely heavily. We also understand and acknowledge that it is a key driver of customer satisfaction and in delivering our mission to 'enhance life chances'.

For this reason, over the last two years Circle Housing Group has invested in designing a sector leading repairs and maintenance service, which is now being implemented across the Group.

At the start of this transformational initiative, Circle's vision was to specify, procure and implement an enhanced repairs and maintenance service for our customers, which assists in:

- (1) Achieving excellent customer loyalty (service)
- (2) Delivering a standardised service that maximises group efficiencies, and
- (3) Demonstrates Value for Money (VFM).

The approach adopted in developing this new service offering was shaped by our teams, customer user groups and industry best practice. This holistic approach has enabled us to develop a new service offering which will remain flexible and fit for purpose for at least the next 5-10 years.

Against this backdrop the following guiding principles were agreed in consultation with our customers and group partners:

- Customers at the heart
- Influenced, delivered and owned by the business

- Ownership, accountability and responsibility of staff
- Strong client management
- Minimum of 10% efficiency savings
- Flexible service that can react to market conditions between now and 2020

### 2.1 Objectives of R&M Service:

With an aggregated annual R&M spend in excess of £120 million, £1.2 billion over the potential life of the new R&M contracts, we have been able to achieve sector leading VFM. As we have a business head and social heart, equally important are the variety of innovative soft benefits we have secured as part of the procurement, which include apprenticeship opportunities, training opportunities, community investment and other opportunities to enhance life chances.

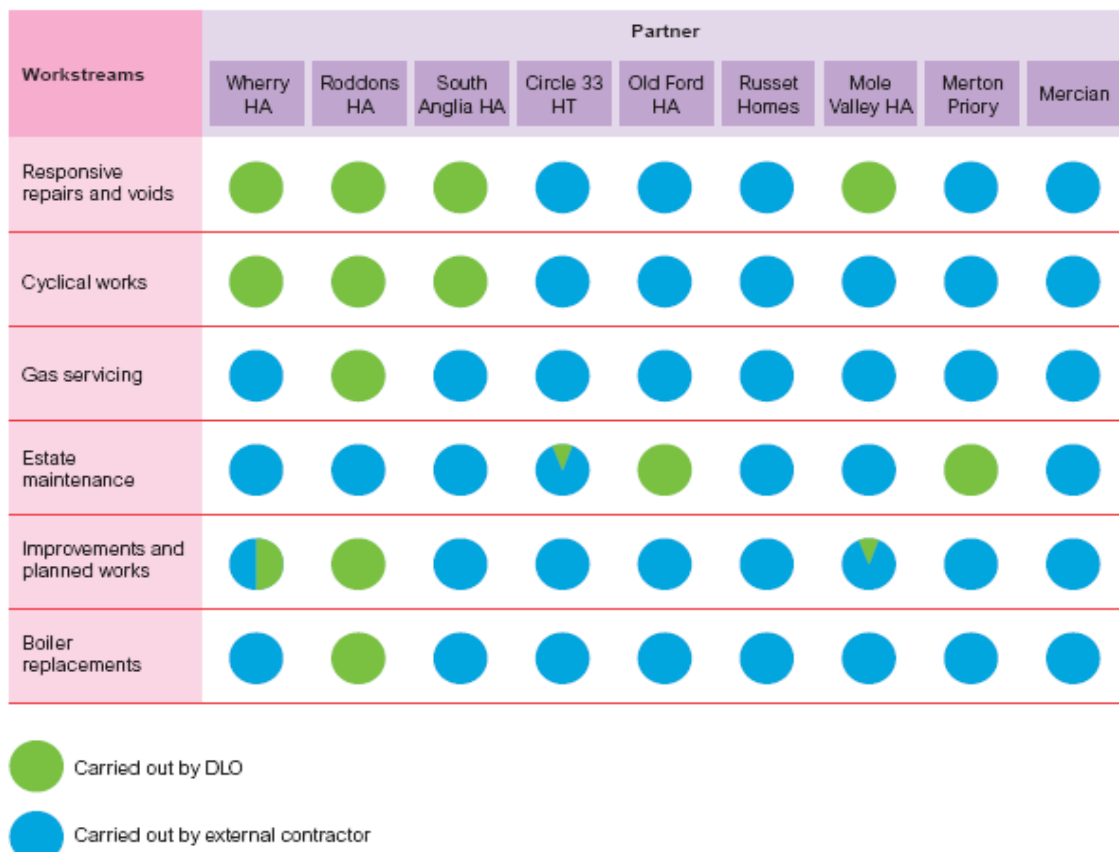
The objectives of the service are:

- Increased cost savings through aggregation of spend
- Increased cost control through robust contractual frameworks
- Increased standardisation of service offering to boost customer satisfaction
- Increased service continuity (ability to shift work between service providers)
- Improved operational efficiencies and improved IS&T
- Deeper customer engagement and reduced complexity
- Value added (soft) benefits

### 2.2 Previous Contract Arrangements

Prior to the development and implementation of the R&M Strategy there existed across the Group in excess of 300 repairs and maintenance contractual arrangements (see figure 1 below)

Figure 1 Previous R&M Contracts within Circle



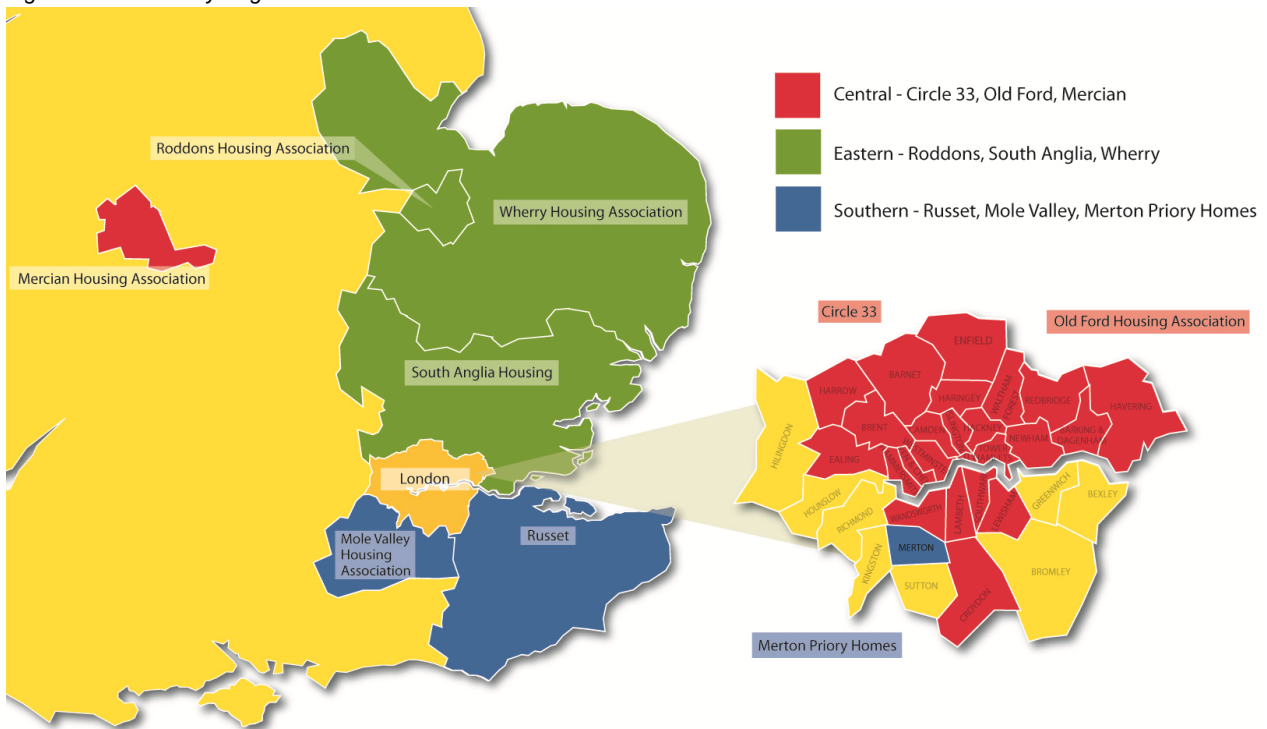
### 2.3 New R&M Structure

As part of the R&M Strategy Circle has moved from delivering services through its nine partners to a regional structure, incorporating three partner organisations within each. A key aim of the R&M Strategy was to create an internal vs. external competition model on responsive repairs. As part of the transformation Circle created a Direct Labour Organisation (DLO) from the four existing partner based organisations. The DLO provides responsive repairs services in the Eastern Region and works in partnership with our Service Providers to deliver responsive repairs services to one Provider in the Southern Region, (see figures 2 and 3 below).

Figure 2 Circle Housing Group National Repairs and Maintenance Service Framework

Lot	Service Delivered	Region	Service Provider
Lot 1	Responsive Repairs	East Region	DLO
Lot 2	Responsive Repairs	Central Region	Kier
Lot 3	Responsive Repairs	Southern Region	Apollo
Lot 4	Planned Works & Gas Servicing	East Region	Kier
Lot 5	Planned Works & Gas Servicing	Central Region	Kier
Lot 6	Planned Works & Gas Servicing	Southern Region	United House

Figure 3 New Delivery Regions



### 3. Two Stage Open Book

Circle's objectives in procuring new Service Providers through adoption of Two Stage Open Book have been to harness the contribution of all supply chain members to achieve service improvement, streamlining of systems, driving of efficiency and development/innovation throughout the life of the new contracts.

From the outset, Circle's commitment to collaborative working has driven integration both of teams within Circle and of their new Service Providers and tier 2/3 supply chain members. The multi-party strategic alliancing model includes an expectation and supporting machinery whereby Service Providers will work openly with each other and with tier 2/3 supply chain members.

#### **4. EU procurement process**

Circle has recently completed the EU procurement process using a "lean" version of the Competitive Dialogue, designed to ensure a tight timeframe and avoidance of wasted cost. Dialogue sessions were used as an opportunity for early engagement with Service Providers allowing Circle to test and refine its requirements for efficiencies and added value.

The EU procurement process has now been completed through the award of long-term contracts to United House, Kier and Apollo without successful challenge. The appointed Service Providers are committed to work alongside Circle' direct labour organisation (Circle Response) under a common system of engagement and performance management.

#### **5. Two Stage Open Book following contract award**

Following award of contracts (during the first half of 2013), Service Providers have been conditionally appointed on the basis of detailed timetables governing early activities designed to obtain added value within the scope of their respective works programmes ahead of work being authorised on site.

Relevant activities have included review and finalisation of Service Provider Proposals for:

- Sustainable communities
- Supply chain engagement
- Environmental sustainability and affordable warmth
- Information technology
- Risk management
- Development of pricing
- Employment and Skills (and related opportunities for residents).

The commitments finalised during the period of conditional appointment are now being taken forward on a collaborative basis by the Core Groups under each TPC contract.

#### **6. Strategic alliancing**

Circle, together with United House, Kier and Apollo plus Circle Response, is entering into a Strategic Alliancing Agreement that will support an innovative approach to Two Stage Open Book/Supply Chain Management by means of:

- Joint supply chain arrangements to achieve improved efficiencies, including improved prices, improved warranties and improved training/employment/ sustainability commitments
- Use of consistent long-term contracts of all key supply chain members to ensure complementary relationships
- Realisation of efficiencies in delivery and savings through contractual processes, efficient supply chain management and continuous improvement
- Effective management of subService Providers and suppliers through robust processes of engagement, ongoing management and integration with employed operatives
- Efficient procurement of materials and equipment that offer maximum/extended warranties and the timely access to spare parts/replacements
- Individual customer input into and feedback on the service delivered.

The Strategic Alliances Agreement will be subject to its own Core Group style governance arrangements and will support further collaboration through a common supply chain process designed to establish:

- Longer term tier 2/tier 3 appointments
- Consequent savings and added value
- Incentivisation for the entire supply chain through the prospective award of additional works.

## **7. R&M Benefits**

**Cost Savings:** Through the aggregation of Circle's purchasing power at a regional level considerable cost savings have been achieved, which have been independently validated by Savills. The forecast savings the new contracts will deliver are:

- Responsive repairs savings between 10 % and 30% vs. historic costs.
- Planned & cyclical maintenance savings between 5% and 40% vs. historic costs.

**Cost control:** New rigorous and robust pricing frameworks based on a series of all inclusive rates are now operated through regional Term Partnering Contracts (TCP 2005), enabling high levels of cost certainty and cost control.

**Standardised service:** Our customers want a dependable and reliable repairs service which is delivered in a timely fashion, with good quality materials and good quality workmanship. Under our new repairs and maintenance framework all our customers benefit from two hour appointment setting plus methodical pre, interim and post inspection regimes which help maintain standards.

**Service continuity:** The nature of our new repairs and maintenance framework means that if for any reason a particular Service Provider fails to deliver as promised - it is permissible to migrate work between contracts within the Strategic Alliance thus maintaining service continuity.

**Operational efficiencies:** Aggregation of spend and consistency of contract terms also reduces the contract administration and management burden on staff creating operational efficiencies. For example the number and type of meetings required by Service Providers is significantly reduced.

**Improved IS&T:** Circle's new contracting arrangements require suppliers to interface with Circle internal systems reducing the opportunity for human error and double handling. Similarly job completions and notifications of other customer relevant events are issued real-time by operative PDAs to our internal systems.

**Reduced complexity:** Circle has substituted in excess of 300 historic contractual relationships into six larger regional contracts. Each contract benefits from a dedicated contract manager - to help guarantee Service Provider performance.

**Value added (soft) benefits:** Through the competitive tendering process all Service Providers were required to make commitments to demonstrate 'added value'. Figure 4 provides an example.

**Deeper customer engagement:** Customers have been involved and continue to be involved throughout the process from; development of the strategy; development of the service standards (you said; we did); competitive dialogue with short listed bidders; and the evaluation of the tenders. Moving forward a customer representative sits on the Core Groups for each of the contracts and customers will be involved in the day to day contract management of the contracts at both a local and a regional level.

Figure 4 Summary of Added Value Benefits in one Region

Lot 5 Central Region	Soft 'Added Value' Benefits
Apprenticeships	1 per £0.5m spend - tender requirement
Graduate placement and internships	13 weeks per £5m
Work Experience school placements	4 placements of 2 weeks every 4 months
Work Experience placements	32 person weeks (4 groups of 8) per year
Volunteering Circle Staff	2 x 3 months
Volunteering Customers	40 days
Long term unemployed	6 placements (1x 6 months per year)
Nature of Benefit	Specific Service Provider offering
Training	Training for resident (customer) representatives
Training	Enhancing Life chances and by providing opportunities for Customers to work within the contract.
Procurement	Implementation of joint supply chain arrangements working in collaboration with Circle to achieve improved efficiencies.
Supply Chain	Integration of Client and Service Provider Supply Chain harnessing Service Provider buying power and driving down cost.
Other	Reduction in repairs per property by 5% with potential savings of £250k pa
Other	Co-location
Other	We will provide 1% of the overall contract value in the form of a cash advance for you to use in your 'investing in community developments' initiative.