



**Association of Consultant Architects
Annual Award 2013**

**PRACTITIONER AWARD FOR INNOVATION IN PARTNERING
using PPC2000 & TPC2005**

**TPC2005 - the link in our (integrated supply) chain
A Case Study - submitted by Futures Housing Group**

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TPC2005 - the link in our (integrated supply) chain

Introduction

Futures Housing Group is a social business with a strong community focus. We provide c9000 affordable homes in the east midlands through Futures Homescape (FHL) and Daventry & District Housing (DDH), social enterprise, apprenticeships and training.

At the heart of Futures' partnership and procurement strategy is the aim to implement efficient working practices and maximise value for money, while boosting employment and the local economy.

Our case study describes how we have achieved partnering innovation with TPC2005 at the core of our toolkit.

Why change and why TPC2005?

In May 2011, we adopted TPC2005 for the renewal of contractor Frameworks for property repairs, refurbishment and maintenance for local housing associations, FHL and DDH.

We had used TPC2005 on a variety of contracts since 2008. However, all the Framework contractors had separate agreements, ending at different times, with large differences in rates.

We had already done significant work in the area of materials to achieve consistency in product and tenant selection and were focused on standardising our material supply, by tendering through a single source.

This changing procurement landscape gave us the perfect opportunity to fulfil our overarching objective – to create a fully integrated supply chain by putting theory into practice.

TPC2005 was already Futures' preferred Contract Terms Standard due to its simplicity of use and consistency in contract management. It had proved ideal for our asset management teams and contractors. We had also moved to electronic Contract Management tools to create standard methods of control that smaller contractors, in particular, found easier to understand. In moving the tender project forward, we felt that TPC2005 would cement our commitment to partnering, particularly through its versatility and ability to capture most services and supplies. It offered the opportunity to simultaneously encompass all contractor needs and drive culture change through a more holistic approach to tendering.

What opportunities would TPC2005 create?

Opportunities were many and varied, including:

- Capturing all Framework contractors within a single set of terms and conditions - with each contractor having an individual brief and pricing Framework.

John Beeby

Director

Elite Construction CNR Limited

“Our company structure and operations have improved significantly since being awarded the TPC2005 Contract with Futures Housing Group. This has made our communications so much easier and open which in turn makes for a much smoother operation. The partnering aspect within the supply chain has made it possible to share premises with FHG key materials supplier, Travis Perkins, which has direct impact on our performance and our carbon footprint.”

- A standard method of contract management and single set of measurable KPIs driven through our Contract Manager portal (XantiveCM2).
- Spend driven through a single outsourced material provider linked to all contractors; giving in-house repairs teams and contractors predictability in delivery of maintenance and repairs. Better anticipation and carrying the right materials would result in a positive improvement to our 'Right First Time' commitment.
- The ability to negotiate hard for the best procurement deal for our contractors, where items are manufacturer-specific, such as windows and doors.
- Creation of a network of contractors and suppliers using collaborative forums and joint meetings to encourage cross-team working, best practice and explore risk and opportunities.
- Employment and training opportunities created across the supply chain and delivered within our local communities.

“Now into our third consecutive period as a contractor with Futures Housing Group but the first under the TPC2005 partnering agreement. I would like to make the observation that not only has it allowed us to see opportunities to benefit both ourselves and yourselves. The TPC2005 partnering agreement has also fostered a great culture and open communication between our two organisations.”

Meeting the challenges

- The value of spend for the length of our proposed Framework tender was well above the threshold for OJEU notification.
 - ✓ As Futures' is well-versed in EU procedures, we applied a Restricted Tender within the rules.
 - ✓ Through the tender process, we were also able to put our new web-based tendering portal through its paces, testing and auditing our own procedures and governance for robustness.
 - ✓ Over 60 expressions of interest were received.
- The law allowing Frameworks to exist for just four years could have been a barrier to our long terms aims.
 - ✓ We ensure the process remains competitive by building in re-tendering. Changes to EU rules in the future means that previous experience of current contractors can be taken into consideration by the time we arrive at our next round of tenders.
- Attracting local contractors would need careful consideration to ensure we avoided overstepping what could/could not be communicated under tender conditions.
 - ✓ All contractors were invited to attend initial joint forums. We presented our proposals and advised them to register their interest on our web-based procurement portal. This was specified in the OJEU notice as the only route for entering the tender process.

Irene Brown
Managing Director
Joe Brown Contractors Limited

- ✓ The tendered works were split into Lots, giving both small and larger companies the choice to bid for one Lot or more. The Invitation to Tender and the OJEU Contract Notice made it clear that we were not looking for a single large contractor to carry out the Works and that the Works would always be awarded on an elemental basis.
- ✓ 46 bids were received
- We recognised that some suppliers might be challenged by electronic tendering processes.
 - ✓ We supported smaller companies by coaching them in *how* to complete the required forms while managing the risk of not disclosing *what* they should include in their submissions.
 - ✓ We saw this as an opportunity for smaller contractors to gain a greater insight into how they should pitch for public sector work and learn that processes are required for a purpose and not there to discourage them.

“I wrote our tender submission and so when I took over the business last April, having a contract that was straightforward gave me confidence and allowed me to continue the relationship my husband Joe had built up with Futures Housing Group. The security it has brought allowed me to commit to two full-time apprentices.”

Who was involved, how did they contribute?

- Our lawyers helped us to manage risks and achieve our aim of having pre-chosen products in the tender. They guided us through the regulations in a way that our choices were ‘indispensable’ under the limited exception rule, allowing us to set out in objective terms the standards we required and disclosed in our ITT documents.
- Stakeholder involvement and tenant choice are key drivers for any social housing procurement that is customer-facing. Representative tenants had selected their preferred major items for previous contracts - windows, doors and kitchen units. We had to ensure consistency in what was being offered at tender stage. Our lawyers argued that the legitimacy of our requirements would minimise and standardise spares and training requirements for service regimes and repair processes.

The tendering process – key points

- Financial evaluation of the tender was detailed and lengthy as it contained 48,000 pricing lines using schedule of rates, elemental compound rates and quantity discount. The outcome was successful, achieving a saving of 5% equivalent to 145 gas heating installations, 240 bathrooms or 150 kitchen installations, some £650000 in Year 1.
- Tendering a system of Lots created a level playing field for smaller contractors; their lower overheads would provide a fair opportunity to secure places on the Framework. Ultimately, 23 contractors were awarded Framework contracts, the majority being businesses with turnover between £30,000 and £3million. Only four businesses were above this threshold.

- For materials, the outsourced proposal was tested through mini-competition using the Government Purchasing Scheme (formerly OGC). Four bidders were approved for use in this pre-tendered OJEU compliant group. The mini-competition between the four resulted in Travis Perkins being awarded a 4-year deal plus a 2-year optional extension to handle all of Futures' materials. Our agreed pricing rates for materials were made available to all of the Framework contractors carrying out work on our behalf. Before concluding the mini-competition, all bidders were asked to approve a 'Change of Contract Terms' to the TPC2005 Term Partnering Contract. This followed advice from lawyers that the standard OGC terms would not be suitable for an outsourced material arrangement. All bidders gave written approval for the change ensuring our objective for standard terms across the supply would be met. The outsourced solution guarantees agreed stock levels and cyclical availability of season-affected components.
- We were also able to ensure job security for two of Futures' employees who were transferred to Travis Perkins under TUPE regulations.
- We negotiated hard and direct with the manufacturer regarding 'big ticket' tenant-choice items, such as boilers, electric fire surrounds, kitchen and bathroom suites, This ensured clarity of the pricing starting point with Travis Perkins at the outset. In effect this is a form of open-book pricing which was made available to all bidders in the mini-competition for materials. The result was competitive pricing and extended warranties on items, like boilers, where we benefit from a 5-year parts and labour warranty.
- By both Futures and its contractors buying through Travis Perkins, prices remain competitive and regular benchmarking is undertaken. As with many other significant items, we are not buying direct from the person we are negotiating with. There is no contract between the product manufacturer and Futures; negotiation rests with the merchant, then the contractor on our behalf. The outcome of this approach to negotiation is that our results are as good as any consortium, and often better. Our recent tender for the supply and installation of uPVC windows and associated products was delivered for 7% less than a benchmarked consortium.

Successful outcomes for Futures Housing Group

- A Framework of 23 contractors under a single set of terms - with individual project briefs.
- The majority of the 23 companies are SMEs.
- Achieved cost reductions of 5% on an annual contractor spend of more than £13million.
- Saved £650,000 in the first year allowing us to achieve more for our communities.

“I purchased the MEWP (Mobile Elevated Work Platform) in 2012 to assist with our Tree Surgery operation and comply with working at height legislation. After speaking to Futures Homescape staff on site and personnel in the office, we agreed there would be a trial period to try out using the MEWP for roof and chimney repairs working with different gangs. The feedback was encouraging, not only did the operatives enjoy the experience but also a considerable amount of money was saved on scaffold. However the main benefit is that the operatives are SAFE!”

- Significant positive impact on the local economy; an impressive 88% of all contractor-spend is within 25 miles of Futures' areas of operation.
- Realised massive improvements and consistency in contract management through sector-leading Xantive Contract Manager software. This collaborative tool aids communication and enables all contracts to have up-to-date reviews with any action points completed quickly.
- Ensured training provision and community payback initiatives built into the tender. 15 full-time apprentices were taken on by contractors in Year 1; a further 14 will take up posts through our contractors in Year 2.
- Improved health, safety and environmental standards through collaborative working and sharing risk knowledge, cementing our commitment to the Social Value Act 2012
- Tenant satisfaction rose from 91% to 95% in the last survey with tenants expressing satisfaction on the quality of their homes, repairs and maintenance.
- Long-term maintenance benefits through product standardisation resulting in reduced asset management costs.
- Higher standards and better quality achieved through contractors working closely with our Asset Standards Teams.



Camlen Fabrication

Makes fencing panels next door to us, using timber sustainably harvested from Derbyshire's Chatsworth estate

See Item 1



Joe Brown Contractors

Owned and managed by a retired lady schoolteacher with a work ethic that is embraced by her 'boys'

See Item 2

Successful scenarios

- 1 Framework Contractor, Camlen Fabrications, provides fencing works for Futures Homescape. Fencing panels are made right next door to our offices in Amber Valley, with timber sustainably harvested from the famous Derbyshire Chatsworth Estate.
- 2 Our tarmac repairs company, Joe Brown Contractors, is owned and managed by a retired lady school teacher. On the death of her husband Joe, she decided to forsake teaching and run his family business. We've been impressed with her commitment and work ethic.
- 3 Dovedale Damp, a small contractor with fewer than five employees, provides damp-proof course services to FHL. Owner Dave Lowe has carried out practical assessments for FHL's plasterers as part of their NVQ courses.
- 4 PJ Lilley, a Nottinghamshire contractor, carries out voids repairs for DDH. Working collaboratively to maximise workflow, the parties employ a team of eight local tradesmen. Although, the team's supervisor travels from Leicestershire, there are no daily commutes to Daventry from the Nottingham area.



Dovedale Damp

Helps our plasterers to achieve their NVQs through practical assessment

See Item 3

PJ Lilley Limited

The creative local labour policy in Daventry saves £12,000 per year in transport costs, 31,200 carbon miles and 5,760 hours of combined travel time

See Item 4

- 5 FHL and DDH share the services of Tree Surgeons from Landscape Maintenance of Ashbourne. Collaborative-working has extended even further as the contractor is putting his narrow-access cherry-picker to good use when not pruning trees. With Simon driving and our trained operatives carrying out minor roof/chimney repairs, we have reduced costs. As many as four roofing jobs can be completed in a day, with a daily saving of around £1000 in scaffolding costs.
- 6 Partnering has enabled us to facilitate co-location of contractor and material supplier. Travis Perkins had vacant office space above their Ripley branch. Our contractor, Elite Construction, took advantage of the opportunity to co-locate with an immediate effect on their efficiency.

Conclusion

Futures is proud to have a nucleus of local contractor-partners providing employment in our local communities, using materials where we control standards and cost. Benefits are clear

- 23 contractors, mostly SMEs, operate under a single set of terms but with individual project briefs.
- They have stability while we have long-term visibility of future maintenance needs and costs.
- Tenants have high-quality fittings in their homes installed by contractors they see regularly.
- We have simple contract management with shared goals, consistent standards and high performance at an affordable and sustainable price.

John Thornhill, Procurement and Contracts Manager, Futures Housing Group

“TPC2005 is, and will remain, the first item in our toolbox.”



Landscape Maintenance Ashbourne

Collaborative working when the cherry-picker is not being used for tree surgery, saving money on scaffolding
See Item 5



Procurement Team Futures Housing Group

From left to right:
John Thornhill
Wendy Jones
James Coleman
Jonathan Tomalin

A TRULY INTEGRATED SUPPLY CHAIN

Futures Housing Group commends its Procurement Team for their diligent and creative approach to this change programme.

