

A red alarm clock with a white face and black numbers is on the left. In the foreground, there are several keys. To the right is a small white house with an orange roof and a door. The background is a warm, blurred indoor setting with a vase of pink flowers.

SMART PROCUREMENT THROUGH CONSORTIA

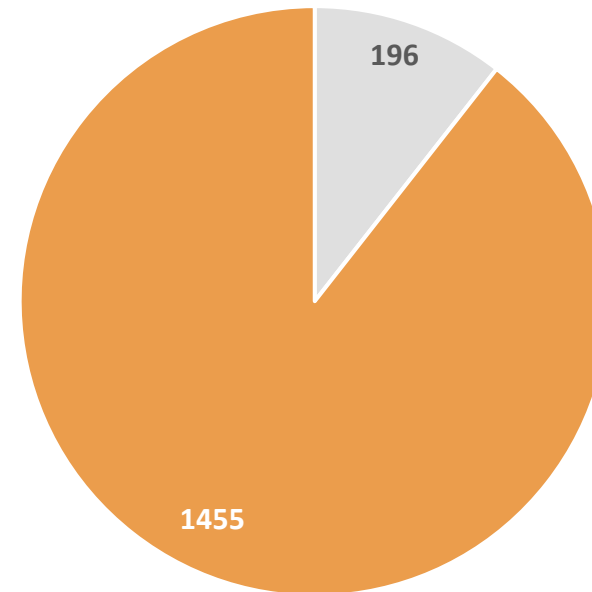
LUKE HURD
CHIEF OPERATING OFFICER
CHIC Ltd

Housing Asset Management MARKET

There are total of **196** Registered Providers (Local Authorities) and **1455** Private Registered Providers. The total number of Registered Providers in January 2020 was **1627**.

Future capital commitments of **£28.6bn**, of which **£12.4bn** has been contracted (Private Registered Providers)

70% of the top 20 Registered Providers in the UK have an in house contractor



■ Registered Provider (Local Authorities)
■ Private Registered Provider



What is a CONSORTIA

- An organisation through which members collaborate to increase their purchasing power
- Purchasing in volume saves money and generates cost savings
- Achieves efficiencies of process through sharing information and best practice
- Provides the opportunity to develop procurement-related expertise

Greater Volume = Greater Buying Power



Benefits (HOUSING SECTOR)

1

GREATER SAVINGS & EFFICIENCIES

Better purchasing position / competitive pricing

2

FAST & EFFECTIVE PROCUREMENT

A tried and tested solution to OJEU regulations

3

KNOWLEDGE & EXPERTISE

Stronger relationships generate added value

4

BUILD SAFE HOMES FASTER

A quicker route to market through contracts & frameworks



Consortia brings **SPECIALISM**

- Depth of sector knowledge from experienced teams
- Gateway from procurement to smart procurement
- Reduce the workload for an organization's employees
- Faster solutions through sharing best practice

One size DOESN'T fit all



Market ANALYSIS

45

Housing consortia
across England &
Wales

£248bn

Total government
procurement
expenditure
(2017/18)

8%

Average savings
through
procurement
consortia (CHIC)



Industry **BUYING HABITS**

- **Spot buying over long term investment** – doesn't achieve the best value
- **Fee vs strategic benefits** – not realising the added value and saving potential

A GREAT CONSORTIA SHOULD OFFER...

EFFECTIVE MEMBER REPORTING – transferable data to increase savings

CRITICAL FRIEND SUPPORT – dispute resolution and regular review meetings

COMMERCIAL ADVICE – market insight through strong relationships

CONTRACT NEGOTIATION – dedicated supply chain management

SOCIAL VALUE INVESTMENT – making a difference in local communities



Future BUYING HABITS

- **COLLABORATIVE PARTNERSHIPS** - with consortia sitting at the centre
- **LEARNING FROM BEST PRACTICE** – consortia encouraged to become the conduit for sharing and learning
- **CUSTOMER FIRST** – tenants are our core responsibility so how can consortia influence sector spending habits?
- **SUPPLY CHAIN ENGAGEMENT** – cheapest is not always best value therefore consortia need to help the industry buy smarter for the future
- **POLITICAL** – should consortia become power houses to lobby government on housing policy/spending?
- **WIDER PUBLIC SECTOR** – how much does the industry want to share its expertise in asset management with other public bodies?



Thank you for **listening**

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Central Housing Investment Consortium Limited webinar — 23 October 2020

Best route to market

Mark Robinson, Partner, Projects and Construction

Pioneering — Bahrain — Construction — Public sector — Energy — Real estate — London — Tax — IT — Dubai — Manchester — Connecting — Knowledge — Pragmatic — Malaysia — Exeter — Thought leadership — Housing — Agile — Creative — Connecting — Private equity — Local government — Manchester — Environment — Focused — Islamic finance — Projects — Abu Dhabi — Corporate finance — Passionate — Team v — Employment — Regulation — Procurement — Expertise — Specialist — Planning — Investment — Committed — Delivery — IT — Governance — IP — Corporate — Infrastructure — Value — Development — Private wealth — Oman — Governance — Birmingham — Corporate finance — Dynamic — Pensions — Dispute resolution — Insight — Banking and finance — Arbitration — Diverse — Regeneration — Care — Communication

Introduction

- OJEU - a brief refresher
- Framework Agreements
- Contracts
- Dynamic Purchasing Systems
- Observations

OJEU – a brief refresher

- Principal source of law – Public Contracts Regulations 2015
- Who does PCR 2015 apply to? – Contracting Authorities
 - e.g. Local Authorities, Registered Providers
- To what does PCR 2015 apply: procurement of
 - works, services, supplies
 - above relevant thresholds
- NB: exceptions

OJEU – a brief refresher

- Use of regulated procedures
 - choice of procedure to use: Regulation 26 PCR 2015
- Procurement begun by publication of notice/invitation to express interest
- Principles of procurement: Regulation 18 PCR 2015
- Timescales
 - impact of variations
- Availability of procurement documents
- Notification – of what and when?

OJEU – a brief refresher

- Watch out for government green paper on review of procurement law for post-Brexit (transition) period
 - Meanwhile:
 - the Public Procurement (Amendment etc) (EU Exit) Regulations 2020
 - the European Union (Withdrawal) Act 2018 (Relevant Court) (Retained EU Case Law) Regulations 2020
- laid before Parliament during week commencing 12 October

Framework Agreements

- Regulation 33 PCR 2015
- Relaxation of previous regime?
- Note definition – Regulation 33(2)
- Duration – four years “save in exceptional cases duly justified in particular by the subject of the framework agreement” (Regulation 33(3))
- Contracts, i.e. call-off arrangements awarded “in accordance with the procedures laid down in” Regulation 33
- Such contracts may “under no circumstances entail substantial modifications” to the form contained in the Framework Agreement (Regulation 33(6))

Framework Agreements

- Procedure to award Framework Agreements
- Procedure for call-off agreement – see Regulation 33(8)(a)-(c)
 - note: award of call-off agreements has been subject to challenge in court
- Notwithstanding Regulation 33(6) competitions under 33(8)(b) and (c) may be based on “more precisely formulated” terms “where necessary” and “where appropriate, other terms”
- Duration of call-off contract?

Contracts

- No specific portion of PCR 2015 applies to their procurement
- Therefore:
 - all regulated procedures available
- Duration:
 - works – as defined by the project/scope
 - other procurements? – see Pressetext (2010)
- Multi-user arrangements?
- Framework Agreements v Contracts?
 - duration
 - flexibility
 - parties

Dynamic Purchasing Systems

- Regulation 34 PCR 2015
- For “commonly used purchases the characteristics of which, as generally available on the market” meet the requirements of a contracting authority
- A DPS is operated as “a completely electronic process”
- A DPS is “open throughout the period of validity” of the system
- Division into categories of products, works or services – to be objectively defined
 - by reference to “characteristics of the procurement to be undertaken”

Dynamic Purchasing Systems

- To be procured under the restricted procedure but as provided for in Regulation 34
- All candidates that satisfy selection criteria are admitted to the DPS
- Any economic operator may request to participate in the DPS – for as long as it exists
- Once admitted must be invited to submit a tender for requirement to which it is admitted
- Issues: consider
 - forms of underlying contract
 - arrangements binding on economic operator and users of the DPS

Observations

- Contracts, Framework Agreements and Dynamic Purchasing Systems
 - tools for aggregated purchasing
 - Aggregation of spend, supports/encourages
 - collaborative working practices
 - costs savings but also
 - efficiencies to recoup further savings
 - best practice and new ways of working
 - managing the supply chain
 - future proofing
 - achievement of social value
-

Observations

- Significant challenges lie ahead
 - Brexit – Quotas & Tariffs
 - Continuing impact of COVID-19
 - Building Safety legislation
 - Construction products certification regime
- Consortia are well placed to meet these challenges

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Frameworks, Contracts or Dynamic Purchasing?

Which route to market is going to give your
organisation the best value for money and
drive efficiencies /

Peter Hordley – Head of Partnerships

What does Value for Money mean? /



- ✓ Economy
- ✓ Efficiency
- ✓ Effectiveness
- ✓ Strengths of the links in the chain

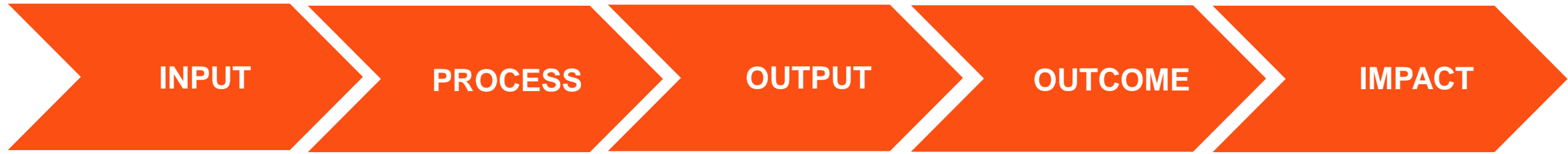
How these elements combine /



ECONOMY

EFFICIENCY

EFFECTIVENESS



VALUE FOR MONEY

FRAMEWORK, CONTRACT or DYNAMIC PURCHASING SYSTEM



Which Route? /

	Economy	Efficiency	Effectiveness	Strength of the Links	VfM	Works Type
DPS	✓				X	One-off low value
Contract	✓		✓		?	One-off higher value or specialist nature
Framework	✓	✓	✓	✓	✓	Cyclical & Planned (Maintenance, Refurbishment & Development)



People do Business With People /



Organisational Fit

Comfort Factor

Cultural Fit

Social Value

Collaboration

Previous Experience

Evolution of the routes/

Standardised Pricing:

Greater cost certainty, more collaboration

True Risk Sharing:

Lowering prices

Compliance & Accountability:

Documented evidence, Information management

Focus Shift to Impact:

Zero Carbon Homes



Thank you

For listening, I welcome your questions.....

Martin Cawthorn

Director of Procurement

23 October, 2020

L&Q



Best Route to Market

Compliance with the Public Contracts Regulations 2015

The challenge!

Internal clients might say.....

“It takes too long to procure – can’t we just appoint someone?”

“I haven’t got time to write a specification! I need the job started now!”

“We need to have as many suppliers as possible, just in case!”

Best Route to Market

Compliance with the Public Contracts Regulations 2015

Suppliers might say.....

“A competitive procurement restricts our creativity! Our solution needs to evolve as we work with the client.”

“We know we didn’t respond to the OJEU Notice but can’t we just join the framework?”

“Inviting tenders electronically disadvantaged us...we’re not good at that sort of thing!”

Best Route to Market

The Silver Bullet?

Contract?

Framework?

Dynamic Purchasing System (DPS)?

Best Route to Market

Contracts

Client and Contractor
are clear what is
intended

Goods/services
covered, commercial
terms, service levels

Certainty around the
relationship, with a
chance to build
something better

You are stuck with
each other!

Change is rarely easy!

If things don't work
out it could be a long
and painful journey!

Best Route to Market

Frameworks

No irreversible commitment on day 1 from either party

A relationship can develop over time if things go well

Purchaser has a range of options..... eggs in a number of baskets

Supplier/contractor has little idea how much work they will receive

Commitment from Supplier and Purchaser seen as low

Can lead to sub-optimal levels of performance and satisfaction

Best Route to Market

DPS

Unlimited
suppliers can join
at any time

Simpler process,
reduced admin
and timescales

Fully electronic

No Direct Award

Tender exercise
every time,
comprising all
suitable applicants

No certainty of
work

In Summary

CONTRACTS

For

Clear commitment by Purchaser and Supplier
All aspects documented and agreed
Market competitive at time of contract award

Against

No opportunity to add new suppliers
Loss of competition during contract term

FRAMEWORKS

For

Number of suppliers decided before procurement
Direct Award may be permissible
Less competition during framework term
Mini-competitions may be permissible

Against

No opportunity to add new suppliers
Limited to 4 years' duration

DPS

For

Unlimited suppliers can join at any time
Simpler process, reduced admin and timescales, fully electronic
No time limit
More competition

Against

No direct award/certainty of work
Tender exercise every time/all suitable participants
Ongoing admin of suppliers, risk of obsolescence

Thank you