


Trial project: Anchor Property	New delivery model / procurement route: Cost Led Procurement
Cost savings achieved: Achieved cost savings on an out-turn cost of £3,400,000 of 9% (£306,000).	
Other key benefits achieved: Improved procurement processes, continuous improvement of Client skills especially cost awareness, Client capability in Risk and Value Engineering, relationship with suppliers due to ECI and collaborative working principles.	

Trial report sequence:	Kick off meeting	Brief / Team Engagement	Decision to Build	Build and Occupy
Cost saving basis:	Outline saving aspiration	Challenging cost target	Award Cost	Outturn Costs

Trial project details	
Project title	Anchor Property Transformation Project
Client department	Anchor Trust
Project value	£3.4 million
Form of project	General Property Improvements across a defined area from Birmingham to Devon
Main contractors	Novus, Ian Williams and Newfield
Lead designer / suppliers	Design is the responsibility of the Client through key suppliers such as Symphony Kitchens and Procure Bathrooms



Executive summary:

The project was the vision of Paul Hopkinson the Property Director at Anchor, who extended a 'light touch' approach to reactive and planned maintenance to a more formal target cost basis with only 2 suppliers namely Novus and Ian Williams on a trial in the Midlands. The 'tendering' aspect was removed and replaced with a new commercial process involving Job Pack, Target Cost, Award, Execution and Final Account. The work was measured against Target Costs that were set at 2012 levels and an initial target of 15% was set. For a total of £2m of planned and £1.4m of reactive, a blended saving of 9% was achieved taking account of projects that were negative of the Target Cost. There was a gain share aspect and the client kept the first 10% and the excess was shared with the consultant and the contractor on a job by job basis. Lean activities undertaken during this project will impact on an extension to this project and the implementation of this approach across the whole estate which will take place from October 2014.

Project summary

This approach to the management of the property held by Anchor has been coming for some time and Anchor have been working with a framework dealing with only a few companies for some time.

The Director of Property had a strong belief that there was considerable waste and cost in the old ways and decided with full Board backing to embark on a transformation using CLP as the way forward.

Project time line

- Brief and team engagement May 2013
- Decision to Proceed - May 2013
- Build and Occupy – June 2013 - July 2014

Key project features

- Achieved considerable saving in cost through understanding of cost
- Collaboration and integration of the team from the outset
- Development of client capability
- Innovation
- Lean Construction
- Significant client cost savings

Client objectives and vision

The clients' objectives and vision was set down in a Handbook which points strongly to the direction of travel for the whole organisation. This handbook was created to be guidance for the participants.

The pilot was to establish and generate efficiencies across the 'Midlands' region applying to the following contractors delivering the services across this region:

The handbook set out how the parties had agreed to work in a spirit of mutual trust and co-operation. It is based on the concept that organisations working together often achieve much more than if they work alone.

The handbook clearly stated that the objectives of collaborative working were:

- Efficiencies leading to reduced cost

- Less duplication and a reduction in waste
- Integration of teams and systems
- Common strategies and objectives
- Maximising innovation throughout the Supply Chain
- Mitigation of risk through joint management

New procurement techniques and processes

A great deal of time was spent establishing the benchmarks against which the outturn costs were to be measured. The Director of Property declared openly that he wanted a reduction on what Anchor had paid in 2012.

Accordingly 2012 costs were analysed for responsive repairs, new kitchens, new bathrooms, internal redecoration, external redecoration, carpeting, external works, fire alterations and DDA work.

The benchmarking was not easy and required a great deal of work analysing past performances.

Benchmarks were in a variety of forms. The cost per flat was adopted for kitchens and bathrooms, whilst 2012 benchmark rates were adopted for external and internal painting and carpeting.

For response repairs the previous year's costs were analysed and a cost per callout of £119 was established. This varied on a trade by trade basis but it was decided that that would be the target against which all call out cost would be measured. The actual costs as demonstrated by the contractors IT system would be reimbursed. This was the same for both planned and reactive.

For Planned Works a new process was developed based on the Clients own IWorld asset management system which identifies each job, its budget cost and planning information in respect of time. Each job is given a number which was used to identify each project.

Anchor surveyors initiated the process by issuing job packs to the contractor who 'priced' them to establish draft Target Costs.

These were negotiated with CWC to fix a Target Cost.

Target Costs were confirmed to the Anchor Property Surveyors who subsequently issued formal orders back to the contractor.

The contractor commences the works on site and works to completion. At completion the contractor prepares a Final Account to be submitted to CWC for consideration.

The Anchor Surveyor submits the completion certificate, site diary, list of variations and disallowed cost to the Contractor and to CWC to allow the Final Account to be agreed. The agreement of the final account consists of a review of all this information and the presentation of costs on the contractors COINS accounting system. Upon agreement of the final Account the Anchor surveyor then issues a payment certificate.

The general rule is that the Contractor is paid upon completion, with larger projects having some interim payments. These interim payments are to be agreed when Target Cost is agreed.

The detailed Flow Charts are included in the Appendix 1

Improvement Activities

The work on reactive maintenance was undertaken and paid on a cost basis, and improvement activities were in the main to do with establishing zoning and dedicated service gangs, allowing multiple jobs to be executed on single visits.

On planned work, new ways of working on kitchens and bathrooms were established to eliminate as much wasted activity as possible. As an example of this, they used a lean specialist to observe the new shower works, and using standard times formulated a more efficient way of working.

This established a manual of standard operations and also informed other matters concerning timing, preparation of job packs, specification changes, surveys, late instruction, variation and disallowed cost.

Cost targets and savings

The issue of target savings was discussed and agreed at an early stage and a 15% target was agreed. This caused some concern on

the supply chain side who thought it ambitious from a standing start.

Gain share incentives were also established early and it was decided that Anchor would keep the first 10% and the rest would be shared between the Client, the Contractor (Novus or Ian Williams) and the Consultant (CWC).

The share basis was Client 40%, Contractor 40% and Consultant 20%.

Anchor had decided on a very open and trusting approach with its supply chain and consequently there was to be no pain share.

Accordingly the savings made were around 9% when projects that failed to improve against targets were taken into account.

Percentage saving: 9%

Overall saving: £306,000

Specific savings: Savings were agreed with supply chain members for paint and kitchens and bathrooms, and formal agreements signed. The real saving was created by a common understanding of cost which was not there before as well as the simple activity of establishing a target cost on a plant, material, labour, subcontract and preliminaries basis.

Additional benefits

The whole trial project clearly established a baseline for cost performance as well as demonstrated clear evidence that open book, cost reimbursable methods really work.

The Client sought a 'light touch' approach to management of its property where nearly all activity is undertaken by the supply chain.

Further additional benefits were

- Roll out of this approach across the whole estate by way of a 5 area procurement exercise.
- Training Programme for all Anchor Property Staff in the Principle subjects of Collaborative Working
- Organisational transformation and job redesign.

Key lessons

No key lessons reported at this stage.

Miscellaneous

Authors

- This case study was prepared by Vaughan Burnand as Project Mentor, and by Adam Clemens of University of Westminster as Academic Partner

Background: Trial Projects programme

The Government Construction Strategy aims to change the relationship between clients and the entire supply chain within the industry. The trial projects perform a central role in delivering the Strategy's sustainable 15-20% reduction in costs and are currently testing three new procurement models (Cost-Led Procurement; Integrated Project Insurance; Two Stage Open Book) that were proposed by industry and developed by a joint task group. Case study reports are therefore an output of monitoring the progress and outcomes of the trial projects. They are produced at four stages: Kick-off Meeting; Brief/Term Engagement; Decision to Build; Build and Occupy. Other case study reports can be found at:

<https://www.gov.uk/government/publications/government-construction-strategy-trial-projects>

Project contacts

For Further information, please contact:

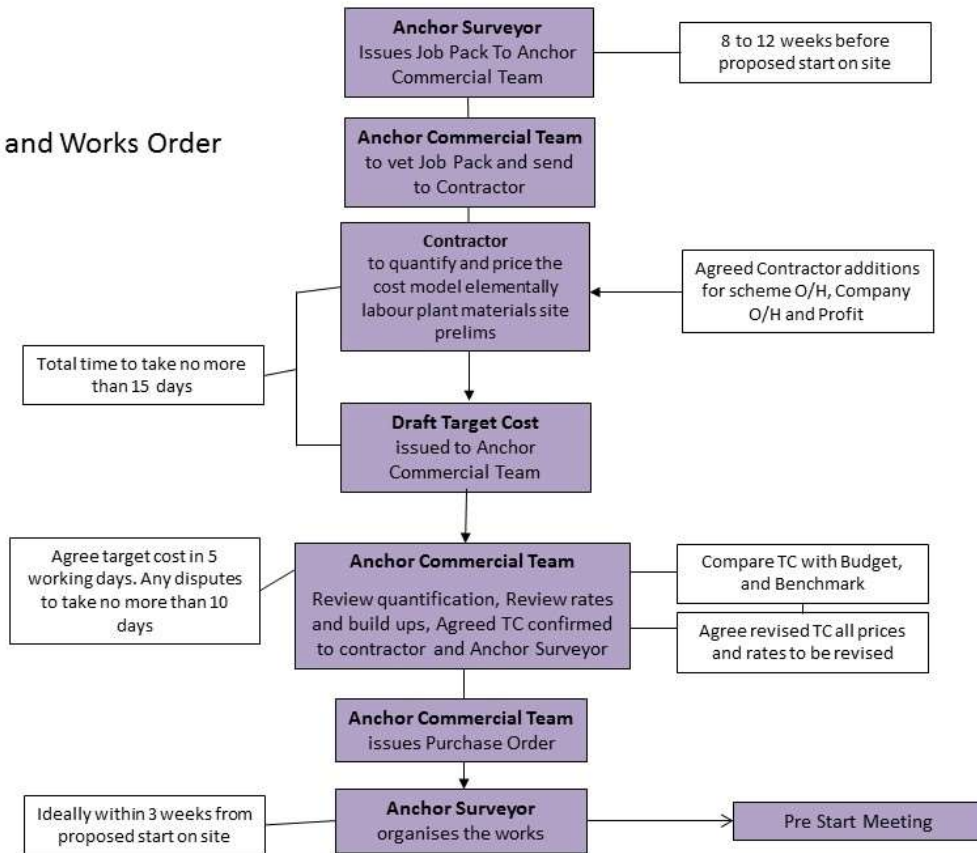
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How the reported 9% savings were achieved

Strategic context		Client	Collaborative	Supply chain
Aggregation of demand				
Significant committed spend				
Standardised procurement / streamlined approval processes	Yes			
Lean programming	Yes			
Client cost data base	Yes			
Performance management				
Common new delivery model characteristics deployed		Client	Collaborative	Supply chain
Challenging cost target / open book	Yes			
Early contractor involvement	Yes			
Lower tier engagement: fully integrated supply chain	Yes			
Lower tier engagement: innovation encouraged / achieved	Yes			
Standard form of contract with minimum amendments	Yes			
Effectively led change in team behaviours and practices	Yes			
Cost Led Procurement characteristics deployed		Client	Collaborative	Supply chain
Product repetition and framework continuous improvement initiatives facilitate downwards cost glidepath	Yes			
Mini tender undertaken with maximum 2-3 framework suppliers				
Approval to construct on basis of demonstrable ability of team to achieved targeted costs and progress against project objectives	Yes			
Other cross cutting initiatives deployed		Client	Collaborative	Supply chain
Building Information Modelling				
Infrastructure Procurement Routemap				
Government Soft Landings				
Project Bank Accounts				



Target Cost and Works Order





Work Execution, Interim and Final Account Payment

