

UNLOCKING CASHABLE SAVINGS AND DRIVING VALUE FROM REPAIR, MAINTENANCE AND IMPROVEMENT PROGRAMMES



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Having taken a leap of faith into the world of agreed maximum price contracts with associated shared savings post Egan; many of the sector's repair, maintenance and improvement programmes are being delivered by main contractors under fixed term contracts up to ten years in duration. Many of these contracts were set up pre-recession with associated rates.

Post recession and the advent of a new coalition government, providers' business plans are being squeezed from all directions; with limited opportunity to supplement income through sales receipts such as low cost home ownership stair-casing; whilst the housing market is still on a somewhat slow recovery.

Reform in housing benefit and the impacts of deflation on already constrained revenue streams further exacerbate the issue...



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With market pressures impacting the supply chain, providers who chose to lock in for long periods with their main contractor, sense that value for money is diminishing (and fast); particularly against current day benchmark data.

With VAT set to rise in January 2011 by a further 2.5%; there has never been a better time to establish transparency of 'actual' cost and reshape contractual arrangements to ensure sustainability of relationship and deliver programmes of reactive and proactive investment, whilst improving budget and overall cost certainty.

Where there is opportunity to set up new contracts; now is time to adopt innovative approaches in procurement, contract strategy and performance management to ensure operational efficiency and best in class service for tenants.



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HOW WE CAN HELP OUR CLIENTS?

EC Harris' Contract Solutions and Forensic Cost Assurance teams provide bespoke client solutions, underpinned by deep sector knowledge.

We unlock cashable savings through Forensic Cost Assurance by:

- Undertaking a full appraisal of constructors' costs and contract administration systems and processes to ensure delivery within full requirements of the contract
- A Risk-based audit of 100% of 'actual' costs to provide improved visibility of incurred costs, whilst providing assurance over contractual compliance; regularly creating a return on investment of 5:1
- Value for money analysis of constructors' spend, whilst identifying insights and opportunities to improve providers' expenditure efficiency further down the supply chain where feasible
- Strategic stakeholder management, which underpins the sustainability of relationship with providers and constructors, whilst aiding the smooth agreement and recovery of cashable and non cashable findings.



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WE DRIVE VALUE THROUGH CONTRACT SOLUTIONS BY:

- Developing and implementing procurement strategies for capital and operational expenditure; balancing certainty of output and risk allocation in order to better deliver providers' desired business outcomes
- Contracts and control mechanisms which limit providers' exposure to the dangers of unrestrained costs and delays; leading to increased predictability and efficiency
- Interventions to mitigate implications for providers, should contractual problems arise without recourse, to formal dispute resolution
- Training for providers and constructors; supporting accurate application of modern and innovative contract procedures and protocols (e.g. in relation to NEC contracts).

A PROCESS THAT DELIVERS

Recent success in applying this approach has resulted in:

- Providing a refreshed contractual environment that provided transparency of 'actual' cost through a bespoke excess profit recovery arrangement with shared excess profit between provider and constructor
- Achievement of cashable savings for the provider in the order of 9.5% of the total value of works
- Enhanced visibility of constructor rates, which when compared with industry leading peers, also operating in the sector, highlighted the potential to achieve additional savings in the order of 10% of total works
- Savings back to the provider being reinvested in previously 'shelved' community initiatives.

Our expertise is proving to increase our clients' ability to invest in their housing stock, whilst enjoying improved and more sustainable relationships with constructors and providing better services for tenants.

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TO FIND OUT MORE, CONTACT:



Rebecca Bennett Casserly

Partner, Head of Residential Affordable

t +44 (0)1642 343 441

e rebecca.bennett-casserly@echarris.com



Adam Sutton

Partner, Strategy & Transformation

t +44 (0)2078 336 637

e adam.sutton@echarris.com



Simon Hughes

Associate, Lead Consultant

t +44 (0)7917 520 599

e simon.hughes@echarris.com



Martyn Cowley

Associate, Residential Affordable

t +44 (0)7810 850 459

e martyn.cowley@echarris.com