

**NHMF Maintenance Conference 2007**

**Contracts for modern methods of procurement**

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**Outline**

- What are we trying to achieve?
- What are the pressures on us?
- What are the characteristics of maintenance contracts that affect strategy?
- What should we consider as strategic issues?
- What contracts are available?
- Any other things to consider...?

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**Maintenance – what are we trying to achieve?**

- Value for money – reduced cost?
- Improved performance
- Customer (tenant?) satisfaction
- Infrequent tendering
- Reassurance about the cost and ability to exit
- Satisfying regulatory requirements

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**What are the pressures?**

- EU Procurement process
- Housing Corporation – partnering
- Limited contractor supply
- Use of local contractors and suppliers
- Limited management resources
- In-house maintenance teams
- Timescale

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**What are the characteristics of responsive repairs contracts?**

- By their nature they are term contracts; for a period
- Working in tenants' (and leaseholders'?) premises
- There are usually pre-existing contracts and contractors
- Durations of three to ten years
- Very difficult to measure value for money – many existing contracts have no KPIs
- The promise of an extension is often the principal incentive
- Large number of small work orders

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**What are the characteristics of planned maintenance contracts?**

- Can be individual or term contracts
- Working in tenants' (and leaseholders'?) premises
- There are usually pre-existing contracts and contractors
- Durations of up to ten years
- Very difficult to measure value for money – many existing contracts have no KPIs
- The promise of continuing contracts or an extension are often the principal incentives
- Smaller number of contracts or work orders

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So ...  
What's the strategy for the future?

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### How not to do it...?

- A story ..... setting the scene!

“Let me introduce you to .....”

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### The issues – setting the strategy

- Mixing repairs and planned maintenance
- Number of contractors – spreading the risk?
- Period of contract
- Framework agreement or a contract
  - EU implications
  - Issue of exclusivity and quantity
- Incentivising the contractor
  - Price vs cost
  - True partnering?
- Leaseholders and Section 20

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### Forms of contract

- Differ in terms of
  - Culture
  - Partnering
  - Language
  - Usage

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### What is available? Term Contracts

• JCT Measured Term Contract 1998	• Price based, not partnering (2005 awaited)
• NHF Schedule of Rates	• Price based, can include partnering agreement
• NEC3 Term Service Contract (2005)	• Cost or price based, can include partnering (X12) – shorter form awaited
• TPC 2005 Term Partnering Contract	• Usually cost based, includes partnering
• JCT Constructing Excellence Contract (2006)	• Partnering contract aimed at public sector - just published. Is it a term contract?

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### What is available? Individual “Project” Contracts

• JCT Standard Building Contract 2005 etc	• Price based, could include non-binding partnering
• JCT Repair & Maintenance Contract 2005	• Minor works, price based
• NHF Schedule of Rates?	• <i>Not without modification</i>
• NEC3 Engineering and Construction Contract (2005)	• Cost or price based, can include partnering (X12) – shorter form available
• PPC 2000 Project Partnering Contract	• Usually cost based, includes partnering
• JCT Constructing Excellence Contract (2006)	• Partnering contract aimed at public sector - just published.
• <i>May need Framework Agreement for Term approach</i>	

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## **“Beware”**

- Learning about a new contract – the culture change
- Managing subcontractors – the supply chain
- Finding the time to get it right – preparing the documentation
- Instructing the work – the process
- Managing and measuring KPIs
- Handling inflation
- Managing defects
- Including retention

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