



HouseMark- Contractor Maintenance Forum – September 06 

Partnering – benefits and pitfalls

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What this session will cover

- Why modern procurement practices
- Procurement strategies
- Forms of partnering
- What we have found
- Lessons learnt
- General procurement issues
- Further information


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New Study by Audit Commission to build on previous work - to report January 2008

- Looking at how HAs can make modern procurement arrangements work for them and how can this be best organised for smaller housing associations
- Will explore procurement of repairs & maintenance and housing management
- Will explore cost benefits of different procurement arrangements in context of sustainability
- Comparisons to be made with the private sector/ALMOS & between independent HAs & those in groups
- Volunteers for fieldwork please!


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Why Modern procurement practices

- Push to look at more efficient/effective ways of working
 - Gershon agenda
 - VFM
 - National procurement strategy
- Why – demographics and macro economic picture
- Annual Efficiency Statements – R&M identified as key area for cashable efficiency gains
- Annual efficiency statements submitted in April 2005 LA's identified 49 % of the £71m housing efficiency gains from procurement & partnering
 - 1% of R and M expenditure in LAs and ALMOs
- £94m LA projected efficiency gains for forward look 2006/7
 - Total of £26m from capital of which £2.4m cashable
 - Total of £30m from ALMOs of which £1.4m from capital

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Findings

'Patterns for Improvement' 2003 – CPA for upper tier and counties

- High performance – robust approach to procurement, based on a well developed mixed economy
- Blockages – traditional approach to client-contractor split and contract management
- Prevented open consideration of options
- Highest standards of service
 - Genuine competition
 - Choice for service users
 - Mixed economy rather than one supplier

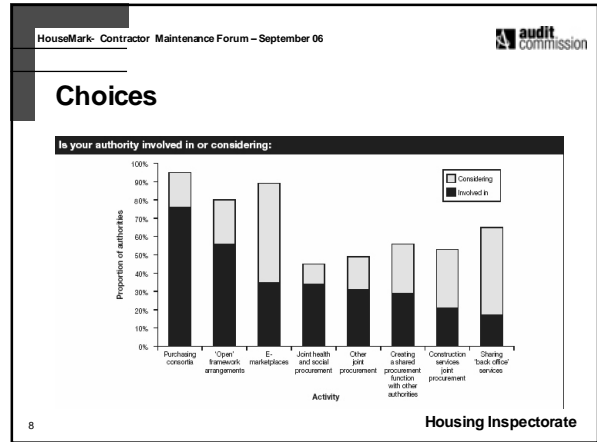
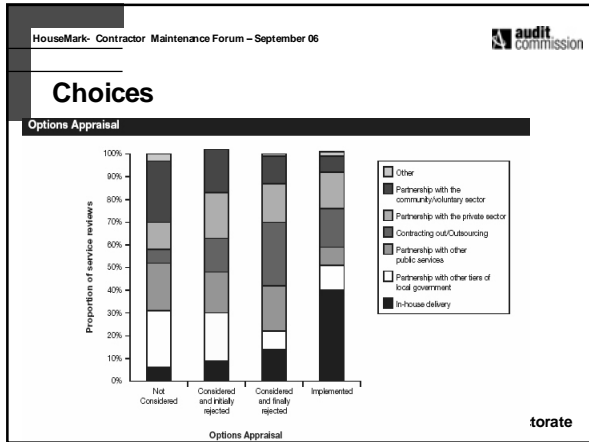
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Modern procurement practices - What are they?

- Package of initiatives
 - e.g. E procurement – materials, labour
- Consortia – commodities
 - 64% of HAs now buy commodities from a national purchasing organisation
 - National change agent for capital works- 7 consortia of social landlords covering 600,000 dwellings to procure jointly £2.5bn of works by 2010 – projecting net savings of 10%
- Working with existing providers
- Partnering
 - Many definitions of partnerships & peoples understanding- impact on outcomes
 - Significant growth not replicated in responsive & planned repairs

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- General Procurement Issues**
- Not all had a strategy
 - Housing Organisations £9.630 million expenditure annually
 - Growing number of strategies in place
 - Raising awareness of importance of procurement
 - Corporate and service activity often not joined up
 - Increase in qualified procurement staff
 - But still lots of teach yourself
 - Skills and advice available to housing sector on repairs and maintenance partnering is under-utilised
 - Constructing excellence partnering toolkit
 - Gap between having the strategy and using it!
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- Procurement Strategy - Byatt**
- General procurement principles & methods
 - Updated information on procurement activities.
 - Strategic aims & their relevance to procurement activities.
 - An analysis of key goods & services & their costs.
 - Information on how goods & services are purchased.
 - Details of current contracts with renewal/replacement dates.
 - How advertising future procurement exercises.
 - Performance of key contractors & suppliers.
 - Structure & performance of the procurement function.
 - The identification of current skills & future training needs.
 - Issues of probity & good governance.
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- Perceived Procurement Barriers**
- Size
 - Legal complexity
 - Risk Aversion
 - Restricted supply side
 - Lack of client side capacity
 - Narrow approach
 - Organisational culture – adversarial approach
 - How many do you recognise?
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- Gaining efficiencies through effective procurement**
- Understanding the market
 - Share market knowledge
 - What is available out there how to engage with it
 - Sharing skills
 - Define the product
 - Understand your costs, demand & quality
 - Risk analysis on provision of an improved service
 - Look at your last few contracts- has it been worthwhile?
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Partnering formats


- 'Rosette' Partnering
- 'Lawyer' Partnering
- 'Carrot' Partnering
- 'Any old project' Partnering
- 'Your on your own' Partnering
- 'You will save money' Partnering
- 'Innovation' Partnering
- 'Big Bang' Partnering
- 'It has to be Big' Partnering
- 'Default' Partnering'

Clarity of purpose will make it meaningful



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Some thoughts on Partnering

- Partnering is not right for everyone?
- Be clear why it is being used?
- Organisations not always able to quantify the benefits or gains
- Organisations not routinely evaluating the outcomes (i.e. costs/benefits) of partnering or involving residents in this review work
- Level of commitment to the process of collaborative working.
- Significant time, energy & resources is required to:
 - Challenge existing working practices,
 - Get all levels & parties to embrace new working methods
 - Develop trusting non adversarial relationships.
- How do you maintain the momentum?

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Organisational practice

- Variable involvement of customers in procurement & delivery?
- Lack of usage of standard forms of partnering contract even where repairs and maintenance partnering is taking place
- Limited joint commissioning
- Risk analysis of an improved service
- Improving performance management

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Contracts

- Typically 3 – 10 years
- Typical extension period 3 years
- Construction News survey – 226 contracts – 82% cheapest price
- Responsive repairs and planned maintenance not commonly linked in the same contract
- Did not identify any organisations who had joined together to procure responsive and planned in a partnering arrangement

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Improvements in repairs processes - Labour

- Use of dedicated teams for different work; formalised multi-skilling
- Removal of a operative bonus scheme,
- Flexible working patterns
- Investment in apprentices and intermediate labour market
- Less officer pre inspection, greater autonomy on variations
- More jobs completed first visit

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Improvements in repairs processes - Cost?

- Understanding key costs an area of weakness across all sectors
- Existing knowledge on costs and quality of partnering is not being pro-actively used by the sector
- Open book accounting used for cost identification purposes
- Underused as a tool for identifying and reducing risk
- But growing awareness
- Difficulties in who & what to compare
- Growing numbers undertaking some form of benchmarking
- Some areas more info than others
- What happens to the benchmarking
 - made a difference ?
 - Improved outcomes?

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Improvements in repairs processes – Cost

- No annual inflationary increase on contract price
- Sharing of information on overhead costs
- Greater challenge on cost from both sides
- Reduction in number of invoices e.g. 1/month
- Shared IT systems for appointments, stock information, performance management
- Greater use of IT e.g. handhelds
- Shared staff, office location
- No cost uplifts applied to urgent or emergencies jobs;
- How this is being linked to quality of service?

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Lessons learnt from those who partnered - 1

- Not an easy option
- Risk analysis important
- Attitude of those involved,
- Flexibility,
- Clear vision,
- Trust, openness, cooperation,
- Need good reporting tools, good benchmarking,


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Lessons learnt from those who partnered - 2

- Regular meetings & good communication with all stakeholders
- The importance of relationships
- Ability to reengineer services to drive continuous improvement
- Need to consider issues around sub-contracting
 - sub-contractors embody partnering culture?
 - Limits mostly informal
 - Quality and monitoring

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Further Advice

- It is an area of lots of change
- To find out more :<http://www.audit-commission.gov.uk/housingefficiency>
- Or contact Alison Brown: 07876 217698 but not until after March
- Or to contribute to study: Janet Williams 07818 075523 – janet-williams@audit-commission.gov.uk
- Martin Palmer – mj-palmer@audit-commission.gov.uk

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