

**Committee:** HEALTH & HOUSING COMMITTEE

**Agenda Item**

**Date:** September 08, 2005

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**Title:** PARTNERING WITH CONTRACTORS

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Item for decision

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## Summary

This report advises the Committee of the ideology of partnering in the construction industry and seeks approval for this procurement method to be implemented, initially on a pilot project basis, for future housing projects where this would be of benefit to the Council.

## Recommendations

The Committee is recommended to:

1. Note the origins and drivers of the partnering approach in the construction industry.
2. Agree that the partnering approach be tested on a suitable project on a pilot basis to evaluate the benefits of this procurement method and review the outcome with a report back to Committee at a later date.

## Background Papers

The following papers were referred to by the authors in the preparation of this report and are available for inspection from the authors of the report.

1. Housing KLOEs
2. Uttlesford District Council's Financial Regulations
3. Action plan developed from workshop held on 14 July 2005

## Impact

Communication/Consultation	Tenant consultation regarding planned work.
Community Safety	N/A
Equalities	N/A
Finance	Project aimed to improve value for money.

Human Rights	N/A
Legal Implications	Contractual agreements.
Ward-specific impacts	Will be District wide.
Workforce/Workplace	Could provide better relations between Council staff and contractors.

## Situation

1. The report has been presented to the Committee to explain new ways of procuring work to the Council's housing stock.
2. As part of the Housing Services department's continuing drive for best value, alternative forms of procurement are actively investigated to ensure that the Council's construction projects are delivered in the most advantageous manner.
3. Housing Services currently procure service, response maintenance, window, boiler replacement, rewiring, decorating and modernisation contracts. These contracts are procured using traditional competitive tendering procedures whereby the lowest price is the single most important criterion for selection of a contractor. We feel that this situation is in need of review and updating. This is because of research that has taken place.
4. For information the Committee may wish to note that the construction industry has been the subject of two eminent government-led reports (Latham and Egan) attempting to improve performance and reduce conflict in the building process. 'Constructing The Team' was produced by Sir Michael Latham and published in July 1994. This report was aimed at reducing conflict and litigation and improving the industry's productivity and competitiveness. Sir John Egan continued this theme in the second report 'Rethinking Construction' which was published in July 1998. This report called for five essential improvements including committed leadership; a focus on the customer; integrated processes and teams; a quality driven agenda and commitment to people. The ethos proposed to attain these improvements imposes a radically different operational culture on all the parties currently involved in the building process and is generically referred to as partnering.
5. Partnering is primarily aimed at promoting teamwork and by its very nature introduces the concept of selecting contractors not on the basis of lowest price alone but assessment of the overall value that a contractor can make to a project. The areas where a contractor can add value by making positive contributions to the successful delivery of a project must be identified.

## Targets

6. What we are trying to achieve is building on a number of key areas such as:-
  - better teamwork - critical to the success of any project.
  - better programming - shorter project delivery times, or better fit to client constraints.
  - better design and specification - more cost effective sourcing.

- better care of the environment - less waste and damage, better public perceptions.
  - better budgeting - greater sensitivity to the market, specialist knowledge.
  - better management of risk and value.
7. A key driver for adopting a partnering approach to procuring construction works is being able to demonstrate significant cost savings and/or quality improvements through partnerships. In October 2004 Housing Key Lines of Enquiry (KLOEs) were published. These KLOEs represent sets of questions and statements around either service or judgement specific issues and are designed to provide the housing inspectors with a framework through which they can assess and measure the effectiveness and efficiency of a Council's housing service. A recurring theme of the KLOEs is the need for housing services departments to adopt a partnering approach when procuring construction works.

## Options

8. Given the potential complexities of partnering and the fact that some forms of partnering represent a reasonably significant departure from the approach to procurement traditionally used by the Council, we feel it is now appropriate to seek the approval of the Committee to the general principles before going forward with any specific projects.
9. We fully acknowledge that the partnering approach will require careful management to ensure that all areas of concern within the process are properly addressed. We feel it prudent therefore to take this initiative forward cautiously by testing out the concept on a pilot project basis.
10. This would provide an opportunity to allow the concept to be introduced without the Council making a firm commitment to the process prematurely. Once some experience has been gained officers can evaluate the success or otherwise of the approach. The evaluation would include consideration of the issues including customer/client satisfaction and overall value for money. The outcome of the review would be reported to the Committee and depending on the outcome, we could give further consideration of the partnering approach as to its suitability as an alternative to conventional procurement methods.
11. We suggest that, if this proposal is agreed by the Committee, we identify, in due course, a suitable project to pilot the partnering concept.
12. It should be noted that a partnering workshop was recently held. An action plan was developed which included defining a pilot project.

13. The introduction of a partnership by the Council would, according to legal advice, require no changes to the financial regulations as these already encourage partnerships to be used. However, it should be noted that at present there is no specific reference to using a partnership approach in the procurement of construction projects.
14. The Committee should be aware that partnering is primarily aimed at promoting teamwork and by its very nature introduces the concept of selecting contractors not on the basis of lowest price alone but assessment of the overall value that a contractor can make to a project.

### **Pay-Offs/Penalties**

15. The vast majority of construction work carried out for Housing Services has been procured through competitive tendering with a great deal of success. One of the most important criterion for the recommendation of acceptance of a valid competitive tender has been to utilise the lowest price available. It is possible that a new way of working could increase costs for contracts.
16. However, before embarking on a range of projects procured by partnering we recommend we test the process on a pilot basis, as outlined in the report.

### **Risk Analysis**

17. The following have been assessed as the potential risks associated with this issue.

Risk	Likelihood	Impact	Mitigating Actions
Higher costs for work.	LOW	MEDIUM	Careful assessment of pilot scheme.