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Partnering pays-off in small refurb projects

Western Challenge Housing Association's new *Home Challenge Partnering Agreement* has proved a hit with contractors. Aimed at house refurbishment contracts, the agreement includes measured KPIs, ring-fenced overheads and profit and a shared savings formula not normally found in minor works.

The Home Challenge approach derives its name from the Home Challenge Bed and Breakfast product that Western Challenge provides to local authorities. Initially developed for renovating houses offered as an alternative to B&B, Home Challenge is now used to renovate all the small houses that Western Challenge acquires on the open market. The renovation is completed in just two to four weeks.

By phasing acquisitions, Western Challenge aims to reward surveyors and contractors with continuity of work in exchange for their commitment to continuous improvement. The scheme also promotes local employment.

Partners in Home Challenge participate in six-monthly workshops to review KPIs and collaborate on improvements. Western Challenge's business development manager Rod Cossou says: "I've noticed a lot of enthusiasm. The less efficient are learning how to improve and we've even reached the point where partners are redistributing work."

Measured benefits

Prior to this demonstration project, Western Challenge had already completed some 40 renovations with Spetisbury Construction and had comprehensive performance measurements. The main criteria are completion to programme and budget.

Completing on time – Statistically, the rate of late completion has been low and consistent with the benchmark (in the range about 2.5 - 5%). Cossou is delighted that they have succeeded in transferring the process to the other two contractors.

Completing within budget – The historical figures show that although the benchmark projects (overall) cost about 5% less than budgeted, some 22% went over budget. The demonstration project performed much better. After the first year, Home Challenge was delivering 11% savings and only 4 out of 31 projects had exceeded budget.

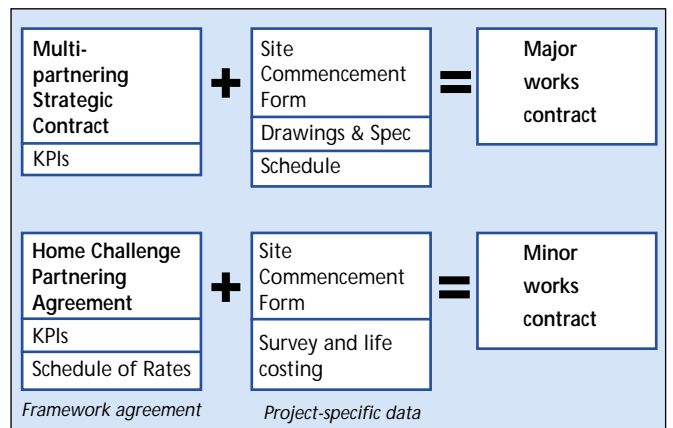
Profitability – Contractors' profit and overheads, typically 15-18% of the budget fixed by the surveyor,

Key Issues

- Partnering in small refurb projects
- Benchmarking between contractors
- Co-operation between competitors
- Smaller contractors performing better

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Western Challenge H A



Multi-partnering Strategic Contract and Home Challenge Partnering Agreement compared

are ring-fenced, regardless of out-turn cost. This creates an incentive to suggest innovative ways of saving money. There is a target for profit and overheads to increase by three percentage points and so far one contractor has achieved this goal. A proportion of out-turn cost savings is returned to the contractor as a further incentive.



TROWERS & HAMLINS
Solicitors



CREDITS

Client – Western Challenge Housing Association
 Client's Representative – David Richards Partnership
 Contractors – Spetisbury Construction in Dorset and Halsall Construction and Boyce Millington in Bath and Bristol
 Partnering Adviser – Trowers and Hamlins, Solicitors

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The challenge

Following its initial success with partnering on the £5m Longbarrow new-build development, Western Challenge Housing Association wanted to gain similar benefits in its single house refurbishments, typically less than £50k in value. Dealing with quite small businesses, it would need to be a no-frills solution for it to be viable.

Their objective is to have a property ready for occupation with the minimum of delay after purchase. They already had one small contractor achieving good results in Dorset, generally within two weeks, and they wanted to extend the scheme in the Bristol-Bath region.

The solution

Western Challenge had recently developed a bespoke partnering agreement - the Multi-Partnering Strategic Contract. What they now needed was a condensed version and their lawyer drafted the succinct, six-page Home Challenge Partnering Agreement. This three-cornered agreement between client, surveyor and contractor defines how the partners intend to work together, under eleven headings – partnering, term, pre-conditions, prices and periods, supply chain, orders, consultant, KPIs, termination, general provisions and dispute avoidance and resolution.

The agreement and accompanying schedule of rates is renewable annually. Each contract is formed by the client issuing a project specific order on a site commencement form.

The process for renovating a property has five stages:

1. The consultant surveys the property and prepares a budget cost.
2. An order is placed with the contractor.
3. The consultant and contractor have a pre-contract meeting to identify potential savings and confirm the scope of work.
4. The contractor executes the work under self-supervision.
5. The consultant and contractor do the handover inspection and agree the final account.

The tenant moves in typically two to four weeks after the property is purchased and the consultant and contractor are paid within 21 days of submitting the final account.

Next steps

Home Challenge Partnering Agreements have been renewed with the three contractors and the consultant from this demonstration project.

Western Challenge is also trialling its Multi-partnering Strategic Contract and a related supply chain development initiative in two further Housing Forum demonstration projects.

Lessons learned

- *Benchmarking contractors against one another has created a spirit of competition that fosters co-operation and learning from each other*
- *Keeping it simple is the key to partnering on minor works*
- *Focus on a small number of KPIs*
- *The client should strive to maintain continuity of orders but this is difficult to sustain*
- *Continuity in the team of consultants and contractors is a pre-requisite to continual improvement.*

Contact

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Links

'Delivering better business by performance measurement', published by Rethinking Construction, telephone 020 7691 0220

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