

Contractors collaborate with council to make homes decent

Portsmouth Gas Central Heating Project

Client – Portsmouth City Council Housing Services

Designer and constructor – United House Ltd

Boiler manufacturer – Alpha Boilers

Maintenance contractor – Clenmay Maintenance Services

Facilitator – Be Collaborative Working Centre

Case Study Ref. No: 258 **Date:** February 2004

Theme(s): Partnering, Procurement

Sector: Social housing

The government's Decent Homes target is that by 2010 all social housing will be wind and weather tight, warm and have modern facilities. Modern central heating is essential to meet this standard. Looking for a system that would accelerate upgrades, reduce costs and boost customer satisfaction, Portsmouth City Council (CC) abandoned its inflexible lowest-price short contracts in favour of strategic partnerships.

The solution was highly commended at the *Construction News* Quality in Construction Awards 2003, and won a national Deafblind Friendly award for taking into account the unique needs of deaf and blind people.

Key benefits

Portsmouth CC – Ability to manage a significantly increased spend; reduced unit costs of installation, supervision and administration; tendering costs spread over five years; and meeting the Decent Home target sooner and cheaper.

United House – A stable long-term relationship; predictable workflow; and an incentive to invest in the community, project and the business.

Residents – A voice in selection of contractors and project management; less disruption; and lower heating bills.

Community – Lower energy consumption leading to less pollution; recycling of waste; local training and employment.

Specific achievements include:

- System costs are still below PCC's historic costs two years on.
- The number of visits to complete a job has reduced from six to less than five and the call-back rate has plummeted from 25% to under 5%.
- Customer satisfaction has risen from 80% to more than 95%, reflecting less disruption and more opportunity for involvement.
- 5% of the site workforce has been recruited locally via a project initiative to train technicians.
- About 65% of waste is recycled.
- Portsmouth CC is overseeing the project with a smaller staff team.

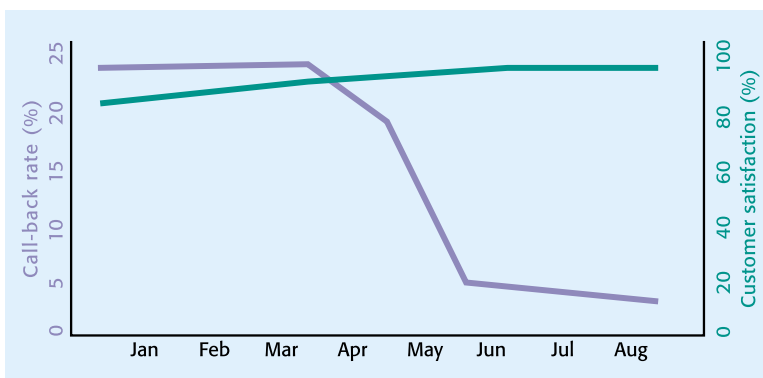
The demonstration

Portsmouth CC is renewing heating systems in 4500 houses in a five year scheme ending mid 2005. Michael Barber, Surveyor in Portsmouth CC's Housing Service, says: "We wanted a model that would reduce our supervision workload and give contractors an incentive to improve service and value for money – whilst also putting something back into the community."

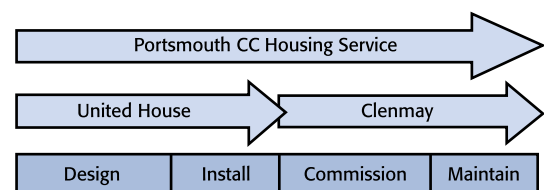
Lessons learned

- Partners provide the innovation – leadership is the key.
- The contract provides the framework – the ECC target cost contract works best when the parties collaborate.
- The people make it happen – select, train and develop individuals.
- The KPIs prove that it works – decide what are the critical success factors and monitor them.

Portsmouth CC has ECC target cost contracts with United House and Clenmay (see diagram below). Although they have no direct contractual relationship, United House and Clenmay ensure the interface between installation runs smoothly. Clenmay pick up complete responsibility for commissioning United House's systems and all maintenance and customer care thereafter.



Improvement over eight months in 2002



The challenge

In June 2000, Portsmouth City Council got advice from Dr Neil Jarrett of Be Collaborative Working Centre about a strategy to promote collaborative working. It was a radical departure from the lowest-price, at-arms-length practice in local government at the time. The solution had four facets: procurement, contract, objectives and integration.

Procurement process

Advertising in the technical press and the Official Journal of the European Union, and a pre-qualification questionnaire led to four companies being shortlisted. A panel, on which residents held 15% voting rights, scrutinised their business plans. Two successful bidders emerged – United House to survey and install the systems and Clenmay to maintain them. Portsmouth CC briefed unsuccessful bidders.

Contract

The idea here was to create a framework that encouraged innovation and collaboration. Portsmouth CC went for separate contracts with United House and Clenmay, both ECC Option C (target cost with activity schedule), with open-book accounting and a pain/gain incentive to save money. Contracts are renewable annually, subject to reaching agreed key performance indicator (KPI) targets, which are ratcheted up each year.

Objectives

Three-way partnering workshops led to Portsmouth CC signing collaborative working protocols with United House and Clenmay. Commitments included more cost-effective solutions, improved resident satisfaction, enhanced measures to protect the environment, a local training initiative and an expectation of sustainable profit margins.

Supply chain integration

Critical suppliers, such as the boiler manufacturer, are involved in continuous improvement workshops. United House's just-in-time delivery service has been a particularly successful integration tool. It ensures packaged kits of parts get to the right house at the right time. Clenmay took control of commissioning and all subsequent customer care work, via a single helpdesk.

The key performance indicators cover unit cost, satisfaction of the residents, client and contractors, and profitability. Secondary indicators monitor installation time, the number of accesses needed to complete each job, the number of call-backs, urgent repairs time, a 'risk cost' ratio, productivity of the client's administration team and contractors' labour, safety and waste.

Residents have their say through a customer feedback process and ongoing involvement in project management meetings and continuous improvement workshops.

Next steps

■ About procurement strategy:

- Read the fact sheet *Procurement for construction clients* at www.constructingexcellence.org.uk.
- Attend *Developing an integrated supply chain* – one of the Constructing Excellence 'Learning by Doing' workshops. Book via Carmargue, T 01242 577277.
- Visit the Client Zone at www.constructingexcellence.org.uk.

■ About partnering:

- Read the fact sheet *Partnering* at www.constructingexcellence.org.uk. Attend *Making partnering work* – one of the Constructing Excellence 'Learning by Doing' workshops. Book via Carmargue, T 01242 577277.

■ Constructing Excellence has:

- a network of advisors to help you
- fact sheets on a range of best practice business topics
- a Constructing Excellence club near you.

■ The Construction Productivity Network holds workshops on best practice business topics,

T 020 7549 3300, www.ciria.org.uk.

A special feedback sheet for operatives and sub-contractors asks "how do you feel about this project" and gets their steer on where improvements could be made.

The satisfaction of the client team is surveyed systematically before continuous improvement meetings.

Portsmouth CC brought its existing boiler supplier into the team, to get the project moving quickly, but it soon became apparent that the quality of their product and service would not pass muster. One in four installations needed a call back to rectify defects. Once Alpha Boilers was brought into the partnership and its operatives trained, the call-back rate fell to fewer than one in twenty jobs, still significant but much better.

What happens next

This project, planned to run to mid 2005 is a valuable pilot for Portsmouth CC to move away from lowest-price procurement. Housing is leading the way by transferring its experience into responsive contracts for gas servicing, lifts and estate maintenance.

Portsmouth CC has undertaken the heating system upgrades in tower blocks, using a similar process of strategic partnering.

Despite the three-way relationship, there are no plans to move to multi-party contracts. The evolved system relies on trust but it works.

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