

Partnering in the Social Housing Sector

Partnering in the social housing sector

A handbook

An ECI Publication

Bob Loraine and Ivor Williams



Thomas Telford

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Foreword



The social housing sector, comprising more than 2000 housing associations which are responsible for a programme of building, maintenance and refurbishment valued around £1 billion annually, is an extremely important component of the housing industry. As Chairman of the Housing Corporation, which is charged with the responsibility for regulating the activities of the housing associations, I recognise how important it is that they offer the best possible value to their tenants and get value for money within the bounds of fair and equitable terms from their contractors and suppliers. I believe that partnering offers an opportunity to achieve this.



Partnering, with its emphasis on aligned objectives, trust and mutual respect between the parties has, since its strong endorsement by Sir Michael Latham and Sir John Egan, made a valuable contribution to improving performance in the building and civil engineering sectors of the construction industry. It brings equal benefit to the social housing sector.

The introduction of this step-by-step guide on how to implement partnering is timely. It coincides with the introduction of the Government Best Value requirements, which my own organisation expects associations to embrace. It also coincides with our requirement that associations comply with the principles of Sir John Egan's report *Rethinking Construction*, of which partnering is one of the most important.

While there are a number of large housing associations which are well down the road of partnering, the majority still have to take the initial step. As a consequence, there is a generally perceived need for comprehensive guidelines in partnering that are tailored to the specific circumstances of the sector. The Department of the Environment Transport and the Regions has commissioned this Handbook to satisfy this need, and I am pleased to commend its use.

Baroness Brenda Dean

Chairman of the Housing Corporation



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The ECI

To learn more about the European Construction Institute (ECI), its members and work, contact the ECI at the address below or visit the ECI website at <http://www.eci-online.org.uk>

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About the Handbook



Background

This Handbook was the subject of a proposal for funding from the European Construction Institute (ECI) to the Department of Transport, the Environment and the Regions (DETR) under the DETR Construction Process Business Plan Priority 2.

The ECI was set up in 1990 as an association of major European construction clients, contractors and consultants. The founder members are some of the world's largest companies. It is dedicated to improving the performance of the construction industry. The ECI was modelled on the Construction Industry Institute of the USA, and like that organisation has been involved in the development and encouragement of partnering from its beginning.

In 1997 the ECI published a toolkit for Partnering in the Public Sector sponsored by the Construction Sponsorship Directorate of the Department of the Environment. The Toolkit has been in continuous demand since its introduction and this Handbook is a further development of the very successful format used in the Toolkit.

While this Handbook focuses primarily on the requirements of the social housing sector, it is also likely to appeal to the same market as the Toolkit, which includes local authorities and utilities.

Purpose and content

This Handbook is intended to help organisations and individuals in the social housing and other sectors of the construction industry understand partnering and to apply it to their own activities with the minimum of external help. It will assist in the development of a business case for adopting partnering and in the application of partnering when the business case has been accepted. Further

information to support a business case is available in other publications, some of which are referred to in the References and Further Reading sections of this Handbook.

However, much of this information is provided in the review of current practice in partnering in the British public and social housing sectors in Chapter 1. There is reference in this chapter to the benefits and barriers to partnering, with a number of concrete examples of savings achieved. It is hoped that, by reporting the best practice performance in the sector and the wider industry, confidence will be increased in the partnering process. This Handbook applies to both new build and maintenance, and covers the whole scope of housing management.

This Handbook concentrates in Chapters 2–6 on describing the processes that are involved in partnering and in taking would-be participants through these processes step by step. In doing this, particular reference is made to the roles and activities that support the partnering process. These include:

- workshop
- champions
- dispute resolution
- continuous improvement.

Chapters 7–9 are devoted to describing matters that provide support to the processes. These are:

- Contractual matters – giving guidance on the formation of agreements and contracts.
- Audit trail – describing the information made available by the partnering process that can be used in auditing its performance.
- Training – describing the activities that ensure the development of the required culture change.

Production strategy

In order to ensure that this Handbook would be appropriate for use by the social housing sector and that there would be sufficient

supporting information, maximum involvement of participants in the sector was sought in its development. This was achieved through the participation of three groups in the project:

- A Working Party, consisting of representatives from three housing associations and one contractor. The core group was supplemented by the addition, on occasions, of members with special knowledge when this was needed. Examples of these were auditing processes and legal matters. The Working Party met four times during the project in interactive workshops, which were supplied with information by the Project Co-ordinator who was appointed from the ECI to manage the production. This information was supplemented by the Working Party from their own knowledge. The Working Party reviewed all the material in the light of their own experience. Action plans were drawn up at these workshops, implemented by the Project Co-ordinator and reported back to the Working Party.
- A Steering Group, with a broad range of knowledge of the partnering process and the industry, including current practitioners in partnering both in the social housing sector and in the wider construction industry. These include regulatory organisations, professional associations and practices, clients, contractors and suppliers. The Steering Group provided guidance to the project and commented on and approved the material it received from the Working Party. It met on six occasions during the project, including an introductory meeting at the beginning of the project. The final meeting of the Steering Group approved the Handbook for publication.
- A Consultation Group of other housing associations and practitioners in the sector was formed, to ensure that a broad spectrum of opinion from the social housing sector was incorporated in the Handbook. This group was consulted from time to time by the Project Co-ordinator, who reported their views to the Working Party for consideration in the project.

Consultation workshop

Towards the end of the project an interactive consultation workshop was held, attended by members of the Working Party

and Steering and Consultation Groups, 28 participants in all. At this workshop the Handbook was reviewed in draft form. Feedback from the workshop was used to modify the draft and complete the Handbook.

Application

The Handbook is arranged so that users can proceed from acquiring a basic understanding of the partnering process to the application of this for their own purposes, with the minimum of external help. It is designed for use by contractors, subcontractors and suppliers as well as clients. It can also be used by small organisations with limited resources. These can take from the menu what they want and still obtain some of the benefits of partnering.

The Handbook takes the user through the mechanisms, which describe the separate stages of:

- setting up a partnering organisation
- selecting partners
- setting up the relationship with partners
- maintaining the relationship with partners.

Each of these can be used independently, which causes a certain degree of duplication in the text. There is also no need for an organisation to adopt the full agenda recommended in the mechanisms if they feel that their resources are too limited to allow this. They can 'pick and choose'.

Although handbooks do not normally provide executive summaries it was considered appropriate to provide one to assist in securing support for partnering at the very highest levels within the organisation, a necessary pre-requisite for its success, and to satisfy the needs of readers who want only a general knowledge of the process.

Case studies are provided to illustrate each of the partnering processes described in Chapters 2–6. These are also designed to give new practitioners confidence in committing themselves to the

partnering process. They draw attention to lessons learned by existing practitioners. The demonstration projects mentioned later in the Handbook provide a valuable source of up-to-date case-study material.

The following web sites should be visited for this information:

- M4I www.m4i.org.uk
- Construction Best Practices Programme www.cbpp.org.uk
- The Housing Forum www.thehousingforum.org.uk.



Executive summary

Partnering has extended its scope rapidly, both in the public sector and other sectors that are in receipt of public money, since the publication of the Latham Report, *Constructing the Team*, in July 1994. This process was accelerated by the Egan Report, *Rethinking Construction*, published in 1998.

The implementation of the recommendations of these reports was placed in the hands of a number of Government sponsored bodies; mainly the following:

- The Construction Industry Board
- The Movement for Innovation
- The Construction Best Practices Programme.

From these a number of sector-specific task forces have been set up. The ones that affect housing are:

- The Housing Forum
- The Local Government Task Force.

Through demonstration projects and other measures the task forces have spread awareness of the benefits and problems associated with partnering. This Handbook also comments on the benefits and problems associated with partnering.

On 1 April 2000, Best Value, the Government's replacement of Compulsory Competitive Tendering, came into force for local authorities. This requires councils to show continuous improvement in their procurement in terms of efficiency, effectiveness and economy. It is expected that Best Value will lead to more partnerships between local government and the private sector. As independent bodies, housing associations are not currently subject to the statutory duty of Best Value, but the

Housing Corporation and the National Housing Federation have made it clear that they expect housing associations to embrace Best Value.

The Housing Corporation has taken the initiative by making demonstrations of compliance with the principles outlined in the Egan Report, an increasing requirement of allocations of grant funding, moving to 100% by 2004. This has the effect of setting a time scale for housing associations to equip themselves for these new practices. Partnering is one of the most important of these.

Partnering is best defined as 'A relationship between purchasers and providers of goods and services throughout the supply chain. The relationship is designed to achieve specific business objectives by maximising the effectiveness of each participant's resources. The relationship is based on mutual objectives, an agreed method of problem resolution and an active search for continuous measurable improvements'. Partnering is an attitude of mind based on trust rather than a prescriptive process. However, it is reinforced by a series of procedures that commit the parties to cooperation and avoidance of confrontation.

While there is no one model that will satisfy all partnering arrangements, there is a common set of mechanisms that encompasses the procedures referred to in the definition above and make up the partnering process. These mechanisms can be applied to a number of options, which range from purely non-contractual arrangements to those where the partners' interests and objectives are fully aligned. These mechanisms are used to make and implement decisions to partner, to effect the selection of partners, to align the partners and to maintain and develop the process.

The decision mechanism requires top-level commitment, ensuring that the organisation is fully behind that commitment and communicating the intentions both internally and externally to all interested parties. It also requires ensuring that organisations and roles have been structured appropriately. Deciding to partner should involve the whole team, including all stakeholders.

The selection mechanism defines the process of choosing partners. It must take into consideration all perceived restraints. These may be imposed by other stakeholders, by regulatory authorities or by internal rules and standing orders. The mechanism must be flexible enough to ensure that risks are controlled and benefits secured. Because it is absolutely vital that the most appropriate partner is chosen, the selection process should include interviews with responses validated independently.

The implementation mechanism is designed to ensure the alignment of all parties to the arrangement through team-building, communications and empowerment. It involves setting up processes and activities to monitor the achievement of the objectives of the arrangement, to identify opportunities for continuous improvement and to avoid disputes.

The maintenance mechanism provides continuous monitoring and development of the process, with regard to both individual arrangements and to the partnering programme being undertaken. It provides for issues to be dealt with promptly, thereby resolving problems and maximising opportunities. The communication system established provides continuous review, benchmarking and feedback.

These mechanisms are supported by a variety of contractual forms and procedures that are designed to fit the particular requirements and perceived restraints of the parties. The mechanisms are also designed to yield sufficient information to make auditing of the process effective.

While there is emphasis in this Handbook on structure, it must not be forgotten that partnering is about people and, while there is a considerable attempt to make the mechanisms user-friendly, effort must be continuously made to get people to buy into the process. Much of this is achieved by the adoption of new activities and roles. These are referred to in detail in this Handbook and include the following:

-
- Interactive workshops, where all participants can contribute to the effectiveness of the partnering process.
 - Champions, who are selected to guide the process through its various stages and who mentor and advise participants.
 - Charters, which identify the objectives of the process and provide for full commitment to them.
 - Monitoring procedures, which allow all participants to measure performance and identify opportunities for improvement and generally have their say in the way the process is conducted.

Finally, widespread training is needed to ensure that the new practices are understood by all and can be reacted to instinctively. A fundamental culture change is required, and this should not be underestimated. It involves both initial training and continuous reinforcement. Chapter 9 on training does not attempt to detail specific training courses, but identifies training needs and indicates where provisions to satisfy these may be found.

All these matters are fully described in the Handbook, which is designed for self-application with the minimum of external help. This objective is assisted by the use of case studies, which illustrate the individual mechanisms and highlight problems in their installation.

The proposals in this Handbook may seem daunting to small organisations with limited resources, but abbreviated procedures may be adopted to suit the circumstances. This Handbook, however, should be used as a check-list in such cases, to ensure that vital processes are dealt with in an adequate manner.

1. Why partner? Current partnering practices



1.1 Introduction

This chapter provides an understanding of the influences that have shaped the proposed partnering mechanisms. These are principally related to the public and social housing sectors and include:

- the current practice of partnering in the UK
- the Government initiatives to promote best practices in the construction industry
- the perceived barriers to partnering
- the reported benefits of partnering.

Partnering as it is currently understood started in the USA in 1982, although the practice, if not the name, had a much earlier origin. It was first adopted in the UK private sector in the late 1980s and then in the public sector in the mid-1990s, following initiatives taken by Government. Partnering in the UK public sector effectively started with the Latham Report, *Constructing the Team*, in July 1994.

For those who are not familiar with the history of partnering and who want to know more there are many publications available on the subject. Some are referred to in the section on Further Reading.

1.2 The influence of Latham and Egan

1.2.1 Latham

Since the publication of the Latham Report there has been official encouragement in the public sector of alternatives to awarding construction contracts purely on a low-bid basis.

The Construction Industry Board (CIB) was set up in 1995 to facilitate the implementation of the recommendations of Latham, and in late 1995 the CIB set up three standing panels, covering good practice, productivity and cost improvement, and research and innovation. A CIB working group, Working Group 12,

published a report; *Partnering in the Team*, in 1997 as a good practice guide.

Also in 1997, the European Construction Institute published a toolkit, *Partnering in the Public Sector*, commissioned by the Construction Sponsorship Directorate of the Department of the Environment, directed specifically to the needs of the public sector.

1.2.2 Egan

In 1998 a Construction Task Force was set up by the Deputy Prime Minister to advise him of opportunities to improve the efficiency and quality of the output of the construction industry. This task force was led by Sir John Egan and, in July 1998, published a report, *Rethinking Construction*.

The report proposed a number of demonstration projects to test the approaches suggested in the report and to help the industry devise its own means of improving performance. It also proposed that a group of people should be brought together as a movement for change and that the Construction Best Practice Programme being developed by the Department of the Environment, Transport and the Regions (DETR) should become a knowledge centre. The Movement for Innovation (M4I) was set up as a focus for this effort.

Other organisations followed this lead, including The Housing Forum and The Local Government Task Force.

1.3 Partnering arrangements in the public sector

There is a variety of partnering arrangements in current use in the public sector. Particularly significant are the following examples:

- Voluntary post-award agreements, where the award of the contract may be largely or even solely based on price and partnering is not featured in the adjudication process. The partnering agreement in such cases may not be legally binding. This example is not recommended for the social housing sector; indeed there is a view that this is, in fact, not partnering.
- Agreements which include pricing structures, that are arrived at by competitive tender, but where the award is based on quality

considerations (including partnering) as well as price. In these examples full disclosure of price make-up is usually required with the tender. The partnering agreements in such cases are legally binding and may or may not be based on suitably modified standard conditions of contract.

- Agreements based on negotiation and subject to open-book accounting, usually with target prices established for profit-sharing purposes. These target prices can be used as guaranteed maximum prices (GMP) in some arrangements.

The matrix in Figure 1.3.1 gives a graphical representation of the above examples, with notional reward set against risk.



Figure 1.3.1
Risk and reward for partnering options

Risk is perceived to lie in inadequate alignment of the interests of the partners. Thus the highest risk is perceived to be in the wholly voluntary arrangement where there is no provision for fully sharing information, particularly that associated with make-up of price. In the limited competitive bid arrangement, while there is sharing of price information as part of the adjudication process, each party still has separate interests to an extent that prevents full alignment and therefore limits the benefit.

The open-book arrangement with GMP allows full alignment of interests, with a low level of risk to the client.

There are several variations of these three alternatives in use. These are normally chosen to suit the perceived restraints affecting the contracting parties.

Some partnering arrangements are project specific and some are for stated terms. Framework contracts, where a number of projects are aggregated under a single framework agreement, can be for a term or for a specific quantity of work. Current examples include those where framework agreements on a design/build basis with partnering provisions have been awarded on agreed schedules of rates and core sets of contract conditions. Each project within the framework is then designed and priced without competition. These prices could be individually accepted, or not, without upsetting the framework contract.

Contracts are usually structured with a partnering agreement overlaying a standard works contract, although purpose-made partnering contracts are also used.

Many contracts are based on the familiar forms in the industry, such as the Joint Contracts Tribunal Standard Form of Building Contract, 1980 Edition (JCT80) and the Institution of Civil Engineers Form of Contract for Use in Works of Civil Engineering Construction, 5th Edition (ICE 5th Edition), with modifications, although these are increasingly seen to be inappropriate to a partnering arrangement. More partnering contracts are being based on the Engineering and Construction Contract (ECC) family of forms, the JCT Measured Term Contract 1989 or the JCT 98 'With Contractors Design' and GC Works 1.

There is a wide diversity of methods for selecting contractors, although in the main some form of open invitation leading to the formation of select lists is normally used. This is usually in response to the requirements of the European Union (EU) Procurement Directives. These directives, contrary to some opinions, do not discourage partnering but do require information to be shared by all bidders and for the awards to be transparent.

In partnering situations public authorities normally use the restricted route but are increasingly finding ways to use the negotiated route.

Selection criteria, including those used for partnering, do not encounter EU obstacles, provided both the criteria and the proposed award procedure are made known in advance to all bidders. While housing associations are not constrained by the EU Procurement Directive, they may operate at times in joint arrangements with local authorities, which may have the effect of bringing them under the Directives.

1.4 Partnering in the social housing sector

Housing associations provide an increasing share of social housing in the UK. What is particularly significant is the size of the construction market sector represented by housing associations. This is difficult to measure precisely, but is more than £1 billion per annum.

Housing associations are involved in three distinct types of work:

- maintenance (both responsive and planned)
- refurbishment and regeneration
- new build.

Partnering arrangements must be sufficiently flexible to include all these varieties.

Partnering for housing associations is based on a number of key objectives, including the following:

- Cutting out waste – eliminating the failure of initial maintenance visits to find faults due to no access, poor description of fault, or the need for variations to be approved by the client.
- Increased predictability of out-turn cost and time.
- Reducing the impact of traditional client/contractor procedures, which result in increased costs.
- The need to improve the experience of the user/tenant in terms of communications and quality.
- The need to secure life-cycle cost benefits.
- The desire to utilise innovation and technology to maximise resource potential.

The social housing sector has special features in that it is closer to its end user than many public authorities. Housing associations are also

involved in joint activities with local authorities and they have to take into consideration the interests of leaseholders and funders. Leaseholders in particular have statutory rights which include the benefit of competitive tenders. Housing associations, therefore, have a large range of stakeholder interests to encompass. Stakeholders must be fully represented in all the decision-making processes, and the best examples of partnering practice in this sector are where there is whole project team involvement.

To date, most partnering arrangements in the sector follow an informal selection process which, in the main, relies on previous knowledge of contractors, with some reinforcement by interviewing. Where data banks are used for selection they tend to be limited to established ones such as Construction Line. Because partnering is at an early stage in the sector, arrangements are usually based on standard forms of contract such as the JCT range.

The Housing Corporation has actively promoted the use of partnering, but it does expect it to be applied in a well-prepared manner, demonstrating value for money and probity. It issued revised Scheme Development Standards in August 1998, which encouraged partnering as a suitable method of procurement. The Housing Corporation aims to tie its yearly allocation of funds increasingly to compliance with the recommendations of Egan, including partnering. It has advised housing associations that in making allocations of grant funding it will require an increasing demonstration from applicants of compliance with the Egan principles; moving from 10% in year 2000 to 100% in 2004.

1.5 The Housing Forum

The Housing Forum was set up in December 1998. It has a very big influence on the social housing sector and its stated targets are three areas of action:

- Identifying demonstration projects and promoting them.
- Looking at benchmarking and performance indicators based on Egan, through the partnering working group set up for this purpose.
- Looking at ways of implementing a radical change of process through the working group.

The biggest part of its influence on the social housing sector is through the 'demonstration projects', which are intended to show innovation in one or more of the four priorities for change in Egan:

- product development
- project implementation
- partnering the supply chain
- production of components.

The social housing demonstration projects cover both refurbishment and new build. These projects are designed to test the Egan priorities by examining the following:

- reducing capital cost
- reducing construction time
- eliminating defects
- increasing out-turn predictability
- standardisation of components
- extending effective participation through the supply chain
- stakeholder involvement
- technical innovation
- reduction of waste and defects
- increased customer satisfaction
- increased use of information technology (IT).

Results from the demonstration projects are available from the Housing Forum web site (www.thehousingforum.org.uk).

Apart from the Demonstration Projects Panel set up to assess, monitor and promote these projects, another two working groups were set up, the first looking at key performance indicators and benchmarking and the second at partnering. The Partnering Working Group issued a report in February 2000 entitled *How to Survive Partnering – It Won't Bite*. This was the outcome of a questionnaire sent out to 176 organisations, which included housing associations, local authorities, house builders, contractors, consultants and suppliers. A 45% return was achieved.

The enquiry found that partnering:

- is taking place to some extent in many organisations
- is generally acknowledged to yield considerable benefits

- has the potential for a positive way forward for those involved.

The report highlighted a number of findings from the survey, which included the following:

- More suppliers and subcontractors should be involved.
- Most businesses can benefit from partnering principles without necessarily implementing the whole process.
- There is no single model or framework for partnering.
- Partnering can result in many intangible benefits.

1.6 The National Housing Federation

The National Housing Federation produced an introductory guide in March 2000 for registered social landlords, entitled *First Steps in Partnering*. This gave a history of partnering to date and described it in the terms of its processes and practices. It related partnering to the regulatory framework that affects the process in the social housing sector and provides an invaluable introduction to organisations that have yet to gain experience in partnering but intend to start. It is particularly useful pre-reading for this Handbook.

1.7 Government construction procurement guidance

HM Treasury has issued a series of guidance documents as a result of the Latham Report and the 1995 Cabinet Office Efficiency Unit Scrutiny of Government Construction Procurement. The following guidances have had a particular influence on the shaping of this Handbook and should be read in conjunction with it:

- Procurement Guidance No. 2, *Value for Money in Construction Procurement*
- Procurement Guidance No. 3, *Appointment of Consultants and Contractors*
- Procurement Guidance No. 4, *Teamworking, Partnering and Incentives*
- Procurement Guidance No. 5, *Procurement Strategies*.

1.8 Best Value

On 1 April 2000, Best Value, the Government's replacement of compulsory competitive tendering, came into force. This requires

councils to show continuous improvement in their procurement in terms of efficiency, effectiveness and economy. It is expected that Best Value will lead to more partnerships between local government and the private sector. As independent bodies, housing associations will not be subject to the statutory duty of Best Value, but the Housing Corporation and the National Housing Federation have made it clear that they expect housing associations to embrace Best Value.

Best Value requires local authorities to publish annual best-value performance plans and review all their services every 5 years. In their Best Value Reviews (BVRs) they must show how they are continuously improving their services. The Audit Commission will normally inspect most BVRs over the 5-year programme. The Audit Commission has published a booklet entitled *Seeing is Believing*, which explains how they will carry out best-value inspections.

Best Value requires local authorities to review and develop their procurement strategies. Recommended to be included in an intelligent procurement strategy are the following:

- standard tendering and contractual documentation
- procedures for negotiating and developing partnerships and other models of provision
- transparent and auditable evaluation methods.

1.9 Barriers

The current experience of partnering in the public sector has identified very considerable benefits to be gained, but it has also shown that there are substantial barriers to be overcome and that these can easily be underestimated. An understanding of the nature of these barriers is essential so that they can be adequately prepared for.

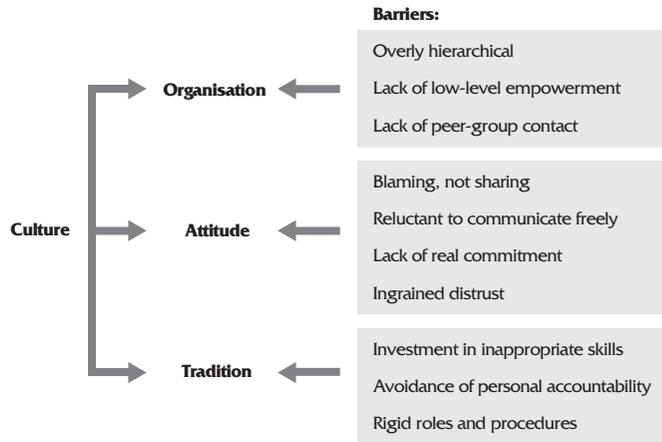
The principal barriers to be overcome in adopting partnering are cultural. This must not be underestimated, as an inadequate understanding of what is involved in making the culture change may result in a relationship that is not sufficiently robust to survive. Culture is the pattern to which human behaviour conforms; it is the exercise of intellectual and moral discipline and is conditioned by the environment within which relationships are conducted and is

modified by accumulated experience. Culture is fashioned by:

- the organisation of society
- the attitude of individuals
- the traditions that have become established.

Figure 1.9.1 illustrates the barriers to change that culture raises within the construction industry, and these are described more fully in the following paragraphs.

Figure 1.9.1
Barriers to change



Traditionally, due to communication restraints, organisations in general have adopted a military structure with many tiers of command, each level being responsible for a small number of subordinates. While this has provided a strong direction and a good flow of information in situations of difficulty, it has prevented cross-flows of communication, thereby sacrificing speed and flexibility, and does not make the best use of modern IT. It has, furthermore, promoted a culture of moving responsibility and accountability upwards.

As a result of these hierarchies, power has been restricted to the higher levels of organisations and this has limited the speed of decision-making and promoted a culture of 'buck-passing'. This means that there is little attempt at resolving problems at the level where they are first recognised, as there has been insufficient empowerment at these levels. Because of the elevation of decision-making there has been little value attached to working-level

relationships. Relationships at these levels are normally social and accidental. This has resulted in there being no incentive to deal with issues on a peer group contact basis. Thus the full resources of organisations are not mobilised effectively.

Individuals have not been encouraged to concentrate on mutually owning and solving problems. The commercial environment has encouraged the automatic blaming of problems on others and the withholding of co-operation for fear of the assumption of legal responsibility. This has usually delayed solutions and made them more costly. It has been a major source of friction at working level. Individuals tend to feel that communicating freely will expose them to unwanted accountability. An atmosphere of 'no comment' develops when problems are discussed. Also, early knowledge of problems is withheld to see how 'big a hole' their opposite numbers can dig themselves into. Thus the lack of free communication produces an adversarial attitude.

The traditional working environment has not encouraged a commitment to improvement. At the lower levels of organisations there is a suspicion that the management is not really committed to change, and as a consequence the individual may be exposed to criticism and risk if he attempts improvements. Over a long period there has been created in the working environment an automatic distrust of motives between the client and the contractor staff on projects. A view prevails that opposite numbers will take immediate advantage of any relaxation. This militates against co-operation in dealing with issues.

The traditional adversarial environment has promoted the development of special skills in dealing with issues on a contractual basis. Certain key members of both the client's and the contractor's staff have built up an expertise they do not want to see devalued. Thus change is viewed as a threat to personal job security and is resisted. The traditional ways of doing business provide a measure of collective security, which could be disturbed by adopting change. There is a natural reluctance to be the first to 'stick one's head above the parapet'. Traditional methods of working have encouraged the development of rigidly defined roles. This has been an automatic

result of hierarchical organisations. It reflects a 'military' approach to dealing with issues.

Procedures have been developed that reduce or remove discretion at certain levels in organisations. It has been a response to the inadequate communication options available in the past, and prevents the adoption of the more effective options now available.

1.10 Benefits

As partnering is essentially about a change of attitude, many of the benefits seem not to be directly related to partnering itself but to its use as an enabler for other efficiency-improvement measures:

- Because it allows alignment of objectives and greater client involvement, it improves the management of risk.
- It increases the certainty of out-turn results in cost and time.
- It allows value management to be taken to a later stage of project development than do traditional methods.
- It eliminates traditional client/contractor defensive procedures, which have been estimated by some authorities to result in an additional cost of up to 20–25%.
- It mobilises the total resources of an organisation through the need for empowerment at all levels.
- It enables more effective knowledge management in that it encourages openness and information sharing among individuals.
- It facilitates a team approach to problem-solving from an early stage in the development of a project.
- It facilitates the effective involvement of other stakeholders.

These factors all contribute a considerable level of value added and provide a strong case for adopting partnering.

However, it is difficult to measure the precise benefit of the above factors unless a comparison is made between similar projects carried out on a traditional basis and others carried out on a partnering basis. Few clients have the opportunity that the US Army Corps of Engineers had in comparing 16 partnering projects and 29 non-partnering projects, all averaging \$10 million each, and finding that the partnering projects averaged a 9% saving in cost and an 8%

saving in time. However it is hoped that a similar opportunity for measurement of benefit will come from the demonstration projects associated with the Housing Forum (see pages 6 and 7).

One potential immediate financial benefit of partnering is the reduction of the amount that the industry spends on competitive tendering, which has been estimated at about 15% of the turnover of the whole industry. The Construction Industry Institute of the USA published a document in November 1996 entitled *Model for Partnering Excellence*, which summarised the research carried out to that date by the Institute into the state of partnering in the USA. From an industry-wide benchmarking exercise it quoted the following achieved benefits:

- 10% reduction in total project cost
- 20% reduction in overall project schedules
- 87% reduction in claims
- 50% reduction in re-work.

In the UK private sector clients with series contracts have reported substantial gains in productivity:

- Whitbread Hotels reported reducing the construction time of its hotels by 40%
- Tesco reported a capital cost reduction of its stores of 40%.

While these savings were not solely due to partnering, partnering was the enabler that allowed other efficiencies to be introduced. It would also be a mistake to only consider benefits in terms of cost and time savings. Partnering allows a greater focus on customer needs and satisfaction which results in a better overall product.

1.11 The next stage

Having absorbed the information in this chapter and other general publications on partnering, the reader is now ready to move to the next stage. This is the understanding of partnering as a set of procedures.

From recent surveys the current situation in the social housing sector is that the awareness of partnering has become widespread, principally due to the actions described above of the Housing

Corporation and the Housing Forum. These actions are, of course, recent and knowledge has not kept pace with awareness. Except for a relatively small number of housing associations that took their own initiatives from the Egan Report, the majority of housing associations are still looking for guidance on how to proceed. This has been a recurrent theme in seminars run by the European Construction Institute.

There is a desire to have a comprehensive but simple document, which could be used on a self-help basis to guide intended practitioners stage by stage through the process. While it is clear from surveys and opinions, including those described in this Handbook, that there is no one partnering model that can be prescribed to fit all circumstances, there are a number of procedures that can be combined to define the steps and stages of the partnering process. It is the purpose of this Handbook to define the partnering process in terms of its individual mechanisms, and give advice on how they can be best applied to the specific circumstances.

2. How to partner – the partnering process



2.1 Introduction

There is no single model that will be appropriate to every partnering situation. However, there is a common series of mechanisms that can be used to underpin whichever process is chosen. The mechanisms described here present a detailed step-by-step sequence of actions that can be used to initiate, maintain and develop the partnering process within an organisation.

Since partnering is not the only procurement option available, adoption of the process must be preceded by assessment of the balance of risk and reward involved and a clear understanding of how the objectives of the organisation will be served.

A commonly accepted definition of partnering is:

Partnering is a relationship between purchasers and providers of goods and services throughout the supply chain. The relationship is designed to achieve specific business objectives by maximising the effectiveness of each participant's resources. The relationship is based on mutual objectives, an agreed method of problem resolution and an active search for continuous measurable improvements.

Partnering is an attitude of mind based on trust, rather than a prescriptive process. However, it is reinforced by a series of procedures that commit the parties to co-operation and avoidance of confrontation.

Partnering is not an easy option, and considerable effort and commitment are required in its installation. Some organisations may believe that they have their businesses so completely under control that it is just not worth the effort to change. However, most of those

that have been involved have found partnering very beneficial. As the definition emphasises, the partnering relationship must extend down through the supply chain if the process is to be really successful. Maintaining an adversarial attitude to subcontractors will damage the whole arrangement.

Organisations that benefit from partnering are those that are geared to change and improvement. Partnering is an enabler of continuous improvement by creating the climate of trust and co-operation, and allows the joint mobilisation of the resources of the client and contractor behind aligned objectives.

2.2 Partnering mechanisms

The procedures referred to in the definition above are presented in the following chapters as four individual key mechanisms of partnering:

- *Chapter 3 The partnering decision mechanism.* The internal adjustments that have to be made to accommodate partnering, including culture change and the care that has to be taken when choosing partnering over other valid options.
- *Chapter 4 The partnering selection mechanism.* The procedures for selecting a partner, emphasising the degree of effort needed to ensure that the choice is the best one.
- *Chapter 5 The partnering implementation mechanism.* The process of aligning the objectives of the parties.
- *Chapter 6 The partnering maintenance and development mechanism.* The procedures for monitoring the achievement of the objectives and securing the benefits of continuous improvement, both on individual arrangements and on a partnering programme.

The descriptions of the mechanisms that follow are sufficiently detailed to allow implementation with the minimum of external advice; they can be read together or as stand-alone procedures which individually provide enough information for the stage of the partnering process being considered. This results in some overlap between the chapters.

While there is emphasis in this Handbook on structure, it must not be forgotten that partnering is about people and, although a considerable attempt has been made to make the mechanisms user-

friendly, effort must be made continuously to align participants with the process. Much of this is achieved by the adoption of new activities and roles. These are referred to in detail in the later chapters of the Handbook and include the following:

- Interactive workshops, where all participants can contribute to the effectiveness of the partnering process.
- Champions, who are selected to guide the process through its various stages and who mentor and advise participants.
- Charters, which identify the objectives of the process and provide for full commitment to them.
- Monitoring procedures, which allow all participants to measure performance and identify opportunities for improvement and generally have their say in the way the process is conducted.

2.3 Available partnering options

The mechanisms can be applied to a range of options, as illustrated in Figure 2.3.1. These are by no means exhaustive and the examples are used principally to draw attention to significant characteristics. In practice an option that is a mix of the characteristics may be preferred.

Open competition	Payment based on an agreed price structure	Payment based on an agreed price structure	Payment based on open book + GMP
	Partnering agreement	Framework agreement	Partnering agreement
Preferred selection	Payment based on open book + profit sharing	Payment based on open book + profit sharing	
	Partnering agreement	Framework agreement	
Negotiation	Payment based on open book + profit sharing		
	Purpose-made partnering contract		

GMP, guaranteed maximum price

Figure 2.3.1
Partnering options

These options provide for:

- the extent of the partnering proposal, whether it is a pilot project or a full-scale partnering programme

- the selection process
- the payment and reward process
- the type of agreement and contract.

The options are illustrated in Figure 2.3.1 in six categories:

- *Open competition.* Partnering is usually started on this basis, and some clients may not wish to go beyond these categories and may feel that they provide them with the best balance of risk and reward. Three options are shown. The first option provides for payment on a pre-agreed pricing structure, the second is a framework arrangement and the third is on an open-book basis, with a guaranteed maximum price. At this level some clients may have gone beyond the pilot stage and have committed themselves to a partnering programme. Selection is made on a competitive basis, with open invitation and partnering criteria being used together with price in the contract award. The partnering provisions are contained in a partnering or framework agreement that overlies and modifies standard contracts.
- *Preferred selection.* This is for participants who are fully committed to partnering and who have the confidence of experience. A full partnering programme is involved and selection is on a preferred basis, with partnering and other quality criteria featuring mainly in the award. Selection may be made from a preferred list, but with some market testing by including some candidates who have responded to a published invitation. These examples involve payment by open book with profit sharing. In the first the partnering agreement sits above a standard contract and modifies it to suit the partnering arrangement. In the second the partnering agreement is on a framework basis overlaying standard works contracts for the individual projects.
- *Negotiation.* In certain circumstances there may be direct negotiation with a single candidate. In this option there is a purpose-made partnering contract.

The option chosen may be influenced by other stakeholders, such as leaseholders who may require competition. Individual housing associations will have to make their own assessment as to whether

they have the commitment of the leaseholders to their proposals before finally choosing an option. Furthermore, there is no reason why partnering cannot take place where there are fixed prices, provided there is a sufficient open exchange of information at the tender stage. An acceptable compromise may be reached on what constitutes effective competition.

The option will also be based on the perception of restraints affecting the choice of actions. These will include matters of accountability. This may change with experience gained, and a different option may be chosen later. Alternatively, a project-specific option with a continuing degree of competition may continue to be chosen throughout a partnering programme.

The choice will also have to satisfy the requirements of Best Value. This will involve the delivery of the four 'Cs':

- challenge
- compare
- consult
- compete.

The review process will have to demonstrate the success of this delivery.

Of the above options, open competition should automatically satisfy the requirements, but in both the preferred selection and negotiated routes a demonstration of market testing is likely to be needed.

It is worth accepting even limited partnering benefits in order to avoid the more obvious disadvantages of traditional contracts such as:

- uncertainty of outcome, both in time and money
- reduced effectiveness of staff due to continual confrontation
- inability to mitigate problems due to contractual restraints
- loss of end-user focus
- wastage and an inability to effect improvements after the award of the contract.

2.4 Application of the partnering mechanisms

The full application of the mechanisms will be a matter of choice of the participant. Some may decide that their activities are not large or extensive enough for the full application. In such cases they can select what they want from the mechanisms and still obtain some of the benefits of partnering. In the chapters on individual mechanisms there are suggestions on abbreviated procedures.

2.5 Procedures supporting the mechanisms

The mechanisms are supported by the information in later chapters, which deal with:

- Chapter 7 Contractual matters
- Chapter 8 The audit trail
- Chapter 9 Training.

These subjects are therefore given only sufficient mention in the mechanisms as is necessary to provide continuity. Where more understanding is required this is provided in the specific chapters referred to above.

2.6 Case studies

Each of the mechanisms is illustrated by case studies. These have been chosen to show the specific problems that experienced practitioners have encountered in each of those aspects of the partnering process and the solutions they have adopted. The lessons learned are highlighted.

3. The partnering decision mechanism



3.1 Introduction

The proposals described below represent a full agenda for change within an organisation intending to partner. It is likely that this will need to be scaled down for smaller organisations, but in such cases it is still desirable that the sequence presented is followed through.

Smaller organisations, where there is a close proximity between people, may be able to combine parts of the recommended agenda. For example, the strategy meeting (see Section 3.4) and the management workshop (see Section 3.7) may be combined and, in effect, will be a single workshop where the chief executive explains the intentions to everyone and where there is an interactive discussion about them. Also, the steering group (see Section 3.8) may comprise only one person, who is nominated at the workshop to champion the process. There may need to be only one induction workshop, which may follow on from the management workshop and which should involve all stakeholders.

Organisations will have to consider carefully the resources they can afford to commit to establishing a partnering relationship and tailor their plans accordingly. They will also have to consider carefully the impact that the changes will have on their people. People who in the past have contributed substantially to the success of organisations may be committed to skills they have acquired in controlling traditional contracts and they may be impossible to retrain. Whatever the situation, the effort needed to effect the culture change should not be underestimated. This matter is discussed more fully later in the Handbook.

It should also be understood that these proposals are for all organisations contemplating partnering, and not just clients. The same principles apply to contractors and consultants and, to a certain extent, to major subcontractors. It is vitally important that

partnering is carried on down through the supply chain. It will not be effective if a key subcontractor is excluded from the process.

3.2 Workshops

There is continual reference in this Handbook to workshops. Figure 5.1.1 (see page 42) lists those that are important to the process. It is worthwhile here to give a brief definition of what is meant in this Handbook by the term 'workshop':

Workshops are fully interactive meetings, which promote full participation of the members. They should be facilitated but the key inputs come from the participants not the facilitator. They use team-working and brainstorming techniques and promote common ownership of the outputs.

Unlike seminars, workshops encourage the free expression of opinion. No opinion expressed at a workshop should be summarily rejected. It should be explored sufficiently to test its validity.

Partnering is all about people and workshops are a means of fully involving all who have a stake in the project.

3.3 Commitment at the top

Partnering is only one procurement option open to organisations. It is not necessarily the best in all situations. Chapter 1 explores the reasons there could be for deciding to partner. The decision to partner should only come after a structured value and risk-management assessment has been made. The decision must be driven by Best Value considerations. Best Value requires continuous improvement in terms of efficiency, effectiveness and economy. (A full description of Best Value is available in www.housing.detr.gov.uk/information.)

A commissioned study may be undertaken into the options available, or a member of staff may be delegated to review all the information available and come up with a proposal for discussion. The implications on the standing rules of the organisation must be

taken into consideration. Whatever the arrangements, the partnering process starts with a commitment right at the top of an organisation. It is only if the chief executive drives the process that there is any chance of success. This commitment must be based on solid knowledge and conviction. It will be severely tested later as the changes in the organisation are made that are necessary to effect the culture change.

In some circumstances the initial investigation into partnering may have been instigated by one of the other senior officers of the organisation from contacts he or she may have outside the organisation or as a result of seminars he or she may have attended. However, for the success of the process, the chief executive must be persuaded to own it. It is desirable that the chief executive involves some of the most senior colleagues in this decision. The chief executive may also wish or need to delegate the day-to-day driving forward of the process. This should be set up at a strategy meeting, which will establish the procedure for driving the process.

3.4 The strategy meeting

At the strategy meeting the chief executive should give reasons for adopting partnering. A partnering consultant may, if necessary, be employed to explain the partnering process and to facilitate the interactive discussions that follow. As decisions taken at the strategy meeting involve a wide spread of risk, board members and finance officers (including internal auditors) should be adequately represented. It is also desirable that there should be full end-user representation. The whole process must be customer focused. There should be whole-team involvement in the decision to partner.

A check-list for a strategy meeting will include the following:

- The partnering option selected (see Chapter 2).
- The partnering plan and programme for driving the process forward, including proposals for communicating the intention to partner, both internally within the organisation and externally to the marketplace.
- Selection of champions. The number of champions required will be determined by the size and geographical spread of the

organisation, but should preferably be two or more so that there is some benefit of interaction. Box 3.6.1 provides a general illustration of the role of a champion. A champion will likely be delegated by the chief executive to take the lead in driving the process forward.

- Training proposals for champions should also be considered. While it is better that training should be carried out jointly after partners have been selected, some initial instruction is desirable. This could be by attending an external course.
- The agenda and participation at a management workshop to cascade involvement in partnering down to the next managerial level.
- The mission statement and objectives to be included in a company partnering charter.

3.5 The company charter

This takes a similar form to the one shown in Figure 5.4.1, but is specific to the internal arrangements of the organisation.

3.6 The partnering champion

This role is described in Box 3.6.1.

Box 3.6.1 *The role of champions*

Champions are the cornerstone of the partnering process.

They should:

- be committed to the process
- be influential in their organisations
- be open-minded and co-operative
- be accessible, and mentor and advise
- be compatible with other champions
- be good communicators
- review and update the partnering process
- channel communications and encourage the flow of information
- monitor the success of the process, including setting criteria
- set standards of behaviour
- identify issues and promote the solution of problems
- meet regularly with other champions and organise workshops

3.7 The management workshop

The management workshop is the mechanism for promoting the adoption of the partnering philosophy at the highest level in the organisation. This workshop closely follows the strategy meeting and will also involve people who were at that meeting. The workshop should include everyone in a management role who has to be persuaded of the value of the partnering proposal and whose support will be needed to drive the process forward. These should include administration and marketing people. The workshop may include representatives of stakeholders, such as tenants and leaseholders, but if they are included they should receive a special briefing note before the workshop explaining the partnering process and its benefits for stakeholders.

The workshop should be chaired by the chief executive and preferably have an external facilitator, and should start with the facilitator explaining the partnering process and its history. Team-building exercises may be carried out as desired, but what is more important is to allow sufficient time for the members of the workshop to brainstorm their way through the perceived problems of installing partnering in the organisation. This will determine whether the workshop should last one or two days. An external venue with an overnight stay could be advantageous.

The champions selected earlier at the strategy meeting should be introduced to the workshop. A steering group should be formed, including the champions and others (these may include other stakeholders), to develop the strategy. The workshop should conclude with the agreement of a company charter, which will set out the objectives of the partnering process and which should be signed by all to establish common ownership of the process.

3.8 The steering group

The steering group should prepare the material that is to be used to disseminate partnering throughout the organisation. This will be obtained from both external and internal sources. This material will vary from enterprise to enterprise, but should include the following:

- a description of the partnering process as it applies to the enterprise
- a statement of commitment from the chief executive
- a summary of objectives, expected benefits and why the process is being adopted
- the expected impact on organisation structure and roles
- the behaviour and attitude that is expected of individuals
- the programme for change which will be put in place.

This material will first be used in workshops to induct all members of the organisation, and later, after feedback from the workshops, could produce the early draft for an internal best practice partnering guide.

The steering group will develop the plan and programme proposed at the strategy meeting for driving the partnering process forward.

3.9 Induction workshops

Workshops should be used to induct all staff. The number of attendees should be such that full participation is allowed (say 10 to 12). Other stakeholders, such as tenants' representatives, leaseholders and board members, should be invited to attend.

Alternatively, in addition to the staff induction process, a seminar may be arranged solely for the other stakeholders. This allows concentration on what might be their concerns. It also allows the form of the meeting to suit the level of technical knowledge of the stakeholders. Partnering and the benefits to the stakeholders that are expected from its application should be explained. A simple briefing note should be issued before the meeting, which will act as an agenda. The steering group should take part in this meeting.

The workshops should be controlled or facilitated by a champion and should have team-building exercises in which issues of concern to the participants are debated.

Feedback from these workshops should be reviewed by a further senior management workshop and incorporated in the internal best practice guide. The time scale for this dissemination process should

be programmed to be 6 months to 1 year, depending on the size of the organisation.

3.10 Organising for partnering

In deciding to partner, a review should be made of the appropriateness of the existing organisation, including the following:

- Should the organisation structure be simplified to aid communications and mutual co-operation?
- Can there be savings in supervision by removing duplication?
- Is the level of empowerment sufficient to allow issues to be dealt with at the workplace?
- Should certain roles be redefined, i.e. from an inspection role to an operating role?

The review should include a staff audit of suitability for partnering and recommendations for training, which might be necessary to improve suitability. This initial review should be followed by periodic reviews of the roles and organisation to determine their continuing fitness for the purposes of partnering.

3.11 Communicating intentions to the marketplace

As well as ensuring that the partnering intentions are communicated throughout the organisation, the external marketplace must also be made aware. This can be done by means of seminars, publicity and roadshows.

Special briefing sessions may be held with potential partners. For contractors these measures will be part of a marketing programme.

3.12 Case studies

3.12.1 Case study 1: Broomleigh Housing Association

This case study illustrates the level of involvement needed to make a controlled start and to ensure all stakeholders were involved in establishing the partnering process.

Broomleigh became interested in partnering as a means of achieving greater value for money in its operations. Like many organisations in

Points to note

- driven at the top
- decision-based on Best Value
- choose most suitable option
- involve stakeholders
- tailor to resources
- people first
- champions

the social housing sector they had been stimulated by the Latham and Egan Reports and the publicity that arose from them.

In particular, Broomleigh wanted to improve the way its property maintenance service was delivered. They felt that this could best be achieved by integrating the client and the contractor in a single team, thereby eliminating operations that did not add value. They were also confident that this would provide a more responsive and prompt service to their tenants. Visits to investigate defects would result in immediate attention, since there would be no need to refer things for approval.

Because adopting partnering represented a major change in operations and controls, Broomleigh decided to proceed cautiously through an initial pilot scheme. This involved negotiating a new short-term contract with an existing maintenance contractor, Geoffrey Osborne Ltd, on an open-book arrangement. The contract represented an annual rolling value of £1.2 million and involved maintenance work on 3200 homes.

The initial discussions on the changeover started in August 1998, with the intention that the partnering arrangement would be in place by February 1999. In fact the preparatory work took longer than expected and the pilot scheme started to operate in May 1999. During this period consultation meetings took place with Broomleigh staff and other stakeholders. In October 1998 Broomleigh held a facilitated workshop which was attended by key members of staff, representatives of the tenants and members of the board. This provided a forum for communicating intentions and identifying the key issues that had to be addressed. These included the following:

- Job concerns by members of staff who thought they might be displaced by the new arrangement.
- Concern about ensuring that the contractor's staff adopted a service rather than a commercial attitude to their work as they would now be the principal contacts with residents.
- The need to involve residents in these changes.

Working groups were set up to deal with these issues and to ensure the smooth transfer to the new contractual arrangement. Champions

were appointed to keep the changeover on programme, provide information and deal with personal problems.

During the pilot scheme, response to customer demand was transferred to the contractor in accordance with the mutually agreed budget. By adopting this process a layer of supervision that did not add value was removed. After 6 months the pilot was such a success it was superseded by a full scheme for 8000 properties for a 5-year term with an annual rolling value of £3.3 million.

A number of improvements to the contract were made from lessons learned in the pilot scheme, including a formula for transference of risk and reward for quality.

The lessons that were learned from this case study were that, while the level of care and attention adopted resulted in some delay to the early programme it resulted in the overall objectives being achieved more quickly.

3.12.2 Case study 2: Willmott Dixon Group

This case study describes a contractor's approach to developing partnering skills within the company and illustrates the point made earlier that the procedures are exactly the same as those applied by clients. It also shows how such an initiative taken by a contractor can have a major influence on clients.

Towards the end of 1996 the Willmott Dixon Group decided to commit itself to partnering. The commitment was made at main board level under the leadership of the Chairman, Sir Ian Dixon, and Non-Executive Director, Sir Michael Latham, and a programme was started to spread the initiative throughout the company. This led off with a one-day workshop which was attended by the directors of all business units. The workshop was facilitated and was split into sessions that covered:

- An explanation by the facilitator of the partnering concept followed by discussions.
- An introduction to best practice guidance on partnering, 'Trusting the Team'.

■ Exercises in team-building and co-operative working.

Each business unit subsequently selected a partnering champion to take the initiative forward.

The champions then formed a champions group, which was a think tank on the application of partnering to the business. Meetings of this group were chaired by the Group Chief Executive. The champions group produced a set of standard presentation material for disseminating the partnering culture throughout the company. The dissemination process consisted of a series of workshops for all staff, including administration and technical staff as well as management. The format of the workshops included the same team-building games as before, but with the afternoon session relating these to real situations. At this stage in the programme there was limited in-company partnering experience to use, so some imagination was necessary.

The Willmott Dixon Group also designed a programme of external seminars involving a wide variety of private and public sector client organisations, to promote partnering and to increase the general level of awareness within the industry. Including the production of the material and the running of the seminars and initial staff workshops, the programme took about a year to complete.

All new staff who join the Willmott Dixon Group attend a similar induction/introduction workshop within a few weeks of their arrival. Further review and training is on-going. For example, the social housing business unit has recently held a review day attended by 35 senior staff. From this an internal Best Practice Guide was produced and a strategy was devised for extending the partnering process down the supply chain in a concerted way.

This case study demonstrates that, while the programme may appear to be protracted, it allowed a fundamental culture change to be effected within the organisation. It provided the opportunity for continuous feedback to progressively improve the partnering processes.

4. The partnering selection mechanism



4.1 Introduction

Variations of partnering arrangements which apply in the social housing sector can include the following:

- project specific arrangements
- framework agreements, where there is bundling of projects under the one framework agreement
- term arrangements
- strategic alliances.

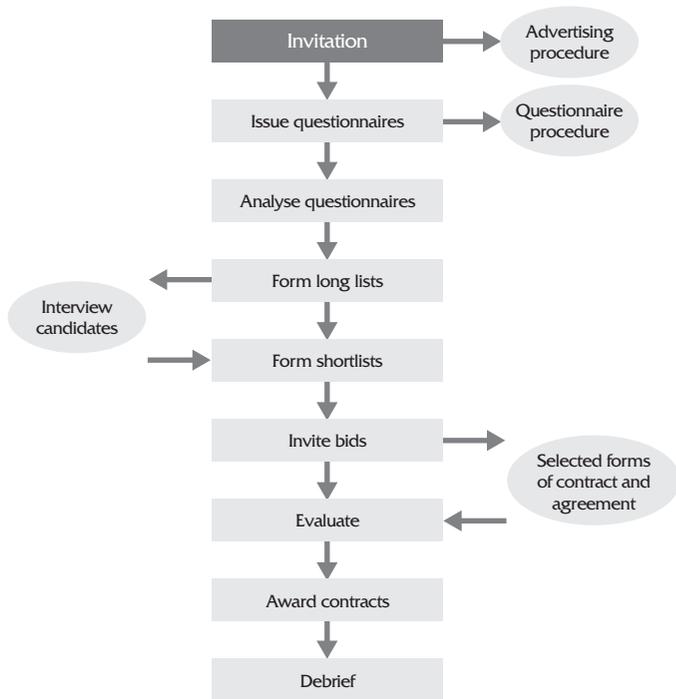
These arrangements are described more fully in Chapter 7. It is intended that the selection procedure described is for the whole team, and not merely the contractors. As previously stated, for partnering to succeed fully it must be carried on down through the supply chain. Later in this chapter it is recommended that part of the selection procedure for main contractors is an assessment of how well they manage the supply chain, and this should involve partnering with subcontractors and possibly key suppliers also.

4.2 Procurement procedure

Figure 4.2.1 illustrates a full version of a standard procurement procedure which would also satisfy the EU Procurement Directive if this were to be applied. In that case the advertising procedure would include advertising in the *EU Official Journal*. This would only be needed if a housing association was jointly involved with a local authority in a project and the project was above the appropriate price threshold stated in the Directive.

Provided they make their requirements known to all respondents, the Directive allows clients to make lists of prospective candidates and invite bids from them. Such lists are usually formed by first issuing questionnaires. From these, long lists are formed, which are subsequently reduced to shortlists by interviews. The Directive

Figure 4.2.1
The selection route



recommends that a shortlist for a bid should not be less than four, unless there are special circumstances.

The subsequent award can be made on the ‘most economically advantageous offer’, which can include non-price (including partnering criteria) as well as price factors. The weighting in the adjudication can be at the client’s discretion, provided the criteria are made known to all bidders beforehand. Unsuccessful bidders must have the reason for this failure explained to them.

This procedure will likely also be followed by clients not subject to the EU Procurement Directive if they want to introduce a significant level of competition into their selection process. Invitation may involve advertising in the trade press, by using data banks or approaching recommended contractors. This procedure is in line with that described in HM Treasury Procurement Guidance No. 3, *Appointment of Consultants and Contractors*. It may also be a procedure that satisfies the requirements of leaseholders.

Some clients may form shortlists directly from the questionnaires without interviewing candidates from the long list. Where there is less requirement for competition, clients may start by forming shortlists from preferred contractors. The same procedure will then follow, as described more fully below.

Selection criteria must be published in advance and be known to all tenderers.

Some clients may decide that it is desirable to make provision for the utilisation of local labour. This will present no legal problems, provided the particular project is not constrained by the EU Procurement Directives.

The procedure described should also satisfy Best Value (see Section 1.8) requirements for an intelligent procurement strategy.

4.3 The partnering option

As described in Chapter 3 and illustrated in Figure 2.3.1, the proposed type of partnering relationship will have been determined at the client's strategy meeting and this may have been influenced by other stakeholders. However, some modifications may be made following discussions with intended partners. The alternatives are likely to be variations on competition based on price and quality versus direct negotiation.

4.4 The selection task force

A task force should be set up to select partners. This may include other stakeholders and is likely to include the steering group mentioned in Chapter 3 on the decision mechanism. These stakeholders will include tenants' representatives and leaseholders. Auditors should, if possible, be represented in the selection task force.

Questionnaires used for selection and contract award should be devised by the task force, which will also determine the selection criteria and weightings. The questionnaires for award of contract will contain questions similar to the criteria given in Figure 4.4.1.

Figure 4.4.1

*Typical award matrix
(The matrix follows
the same principles as
that shown in HM
Treasury
Procurement
Guidance No. 3)*

Criteria	Possible points	Points awarded	Weighting (%)	Weighted points
Proposed method of working, including safety procedures	10			
Proposed organisation structure to include for partnering	10			
Proposed key personnel	10			
Proposed quality assurance system and method of achieving zero defects	10			
Proposed tenant consultation arrangement	10			
Proposed IT and communication procedures	10			
Proposed supply-chain management procedures	10			
Quality of presentations at interviews	10			
Structure of price	10			
Price (= Median Price/Actual Price × 5)	10			
			100%	
			Total weighted points	

It is important for smaller organisations to scale the selection effort according to the size of the projects with which they are involved, but the basic requirement of ensuring that the most suitable partner is chosen must be satisfied. Interviewing should be a part of the process.

4.5 The invitation

There may be circumstances wherein some form of competition is required. In particular, this may be imposed by the statutory rights of leaseholders. Unless the route chosen is one of direct negotiation with a known candidate, the procedure will be similar to that shown in Figure 4.2.1. The procedure will start with either:

- an invitation in the trade press and or the *EU Official Journal* to express interest
- an invitation to candidates selected from a database
- an invitation to a list of preferred or recommended contractors.

Questionnaires should be sent to the contractors who express interest.

4.6 Questionnaires

At the pre-bid stage, questionnaires are likely to be confined to quality matters in order to assess the fitness and appropriateness of the candidates. The questions will be general and not specifically related to the project. Typical questions are associated with:

- knowledge and experience of partnering
- customer care record
- health and safety record
- knowledge and experience of social housing
- design and engineering capability
- demonstration of innovation in product development
- matters relating to the managerial competence and financial standing of the candidates
- matters relating to the human resources, culture and internal organisation of the candidates.

Partnering questions may include:

- understanding of partnering
- experience of partnering, including supply-chain management.

These questionnaires will be constructed in a similar way as the example given in Figure 4.4.1. When the questionnaires are issued it is good practice to invite the candidates to a seminar to explain what is being sought and how the selection of a shortlist will be made. The selection task force should analyse the returns and evaluate them on the basis of the agreed scoring system. This should provide a long list, which can be reduced to a shortlist by interviews.

4.7 The shortlist

A shortlist of candidates may be arrived at by interviewing those on the long list. It is recommended that this is carried out by the selection task force. The candidates on the shortlist should then be provided with the data for their bids. Examples of these data could include descriptions of standard house types for which reference pricing and production method statements need to be produced. The bids should also require answers to be given to price and further quality questions. This may be similar to the example shown in Figure 4.4.1. Rather than the prior general questions, these should

now be directed at the proposals for the work itself. It should be assumed that the shortlisted candidates have satisfied the task force about their general fitness.

Responses should now contain considerable detail and provide subjects for further interview. These should include method statements on how the work will be undertaken, pricing to an agreed format, CVs of senior staff proposed for the project and profiles of staff to fill the junior roles. The pricing format should include detailed breakdowns to provide data for future cost control of the project. Responses should be examined at interviews. These should be conducted by the task force. Staff proposed for the project should also be interviewed. Responses at interviews should be independently validated, if possible.

Relative weightings of price and quality matters will be decided by the task force. The structure of price will include such matters as the balance between rates and the proportions of direct and overhead costs.

4.8 Interviews

There have been several references to interviews. It is vital that no effort should be spared in choosing the best partner. Almost inevitably this must involve presentations and cross-examination at interviews at some stage. Interviews may be used in forming the shortlist or in the final bidding. Interviews should also involve key personnel being offered to the project. Replies to questions at interviews should be validated by checking with independent sources.

4.9 Invitations to known contractors

The selection procedure for this alternative should be similar to the above. It may, however, be accomplished in a single round, by going straight to a shortlist. It is desirable that price should feature somewhere in the proceedings in order to establish a basis for later project cost control. This may be based on an established schedule of rates.

4.10 Direct negotiation

A client may decide to negotiate directly with a chosen contractor, provided there are no restraints preventing this. Part of the negotiation will be on price in order to effect future cost control.

4.11 The bid price

Where there is sufficient early definition of the work, priced schemes may be compared. Bid prices may be used in the subsequent contract, either as schedules of rates to evaluate the work or to form a guaranteed maximum price in respect of an open-book/profit-sharing arrangement. In both cases knowledge of the composition of the prices should be shared. It may be that a pre-planned schedule of rates is used to achieve base costs after stripping out profit and overheads.

4.12 Contracts and agreements

Contracts and agreements are described in Chapter 7.

4.13 Debriefing

After the award of contracts, unsuccessful tenderers should be debriefed on the reasons for making the award.

4.14 Case studies

4.14.1 Case study 3: Endeavour Housing Association

This case study illustrates how a small housing association can proceed cautiously to the selection of a suitable partner using a stage-by-stage process, but at the same time making all the effort necessary to ensure that the resultant relationship will be robust.

In refurbishment work, Endeavour has approached partnering cautiously from the basis of long-term relationships with a small number of known contractors who have provided them with continuous satisfactory performance. While these arrangements have promoted mutual objectives, trust and openness, they have in Endeavour's opinion not been real partnering ones. They have, however, progressed Endeavour towards its stated aims of standardising specifications and designs, and as a consequence

Points to note

- choose most suitable option
- selection task force
- involve stakeholders
- involve internal auditors
- publish criteria in advance
- match selection effort to resources
- make sure the selection is right (interviews?)

being able to move towards a standard fixed price per property from its contractors.

Endeavour has now set up a pilot project which they believe can lead to a partnering relationship. This involves the refurbishment of 28 properties on three sites to a total value of around £800,000. As not all these properties have yet been purchased, Endeavour considered this an ideal opportunity to test partnering.

Because of the Housing Corporation's perceived requirement for competition, rather than negotiating with their usual contractors Endeavour issued a general enquiry for bidders. From expressions of interest received they selected a long list of eight candidates for interview.

Interviews were carried out by Endeavour's Development Manager and the Architect. The interviews were structured around knowledge of the work type, how the work would be managed, measures to ensure flexibility in a situation where the full scope was not known initially and proposals for developing the partnering relationship. Candidates were encouraged to bring to the interviews key staff they were proposing to use in the project.

From the interviews a shortlist of six candidates was chosen. Two of these had not worked with Endeavour previously and one had worked on only one project. The candidates then submitted bids based on both schedules of rates and method statements. The award was made on an assessment by a small working group consisting of the Development Manager, the Architect and two Development Committee members. The assessment was based slightly less than 50% on price and slightly more than 50% on methods.

The contract used was the JCT Minor Works, which has not been modified to accommodate partnering. However, it is intended during this contract to establish a development agreement incorporating partnering terms. This is intended to be used in the next stage, which will become a more full partnering arrangement and will be negotiated with the current contractor. Discussions have already started on this programme, which will start in the next financial year.

Payment on the pilot scheme will be against a schedule of rates, but it is intended to explore for the next stage the agreement of a guaranteed maximum price which will allow profit sharing with open-book accounting.

Training sessions have started based on the experience gained in the pilot scheme. These sessions include committee members as participants to prepare them for the issues that have to be addressed at the next stage.

The lesson learned from this project is that the interviewing of key staff is essential to the success of the arrangement. It enables the movement from a contract which was not entirely suitable to partnering to one that is. The financial terms can now include profit sharing.

4.14.2 Case study 4: Home Housing Association 1998 Ltd

This case study demonstrates how a large housing association quickly moved from a pilot scheme to a full-scale programme and was very careful to ensure that its selection procedure left nothing to chance.

Project Argo was Home's method of procuring its new-build housing programme working in a partnering framework aimed at meeting the challenges identified in the Egan Report, *Rethinking Construction*. The project was one of the Housing Forum's first-wave demonstration projects.

The following are the salient facts:

- While most demonstration projects focused on innovative product development, this project focused on the process for the procurement of houses.
- The process was started by the setting up of a pilot framework agreement for the provision of six projects (60 new houses) in the Association's Wear and Tees area (the demonstration project) in July 1999.
- By October 1999, Home had extended the pilot throughout its five regions in England to produce all its new-build standard

house types using an Egan Report compliant partnering framework.

- The partnering team was involved in schemes from the initial bid round, enabling certainty to be achieved about scheme cost and value for money. All schemes were programmed from start to finish involving the whole team, planning optimum use of resources and eliminating waste.

One of the most important factors in the process was the selection of the partnering team. This required assessments of probity, transparency and fairness with regard to the prospective members. First, the Lead Consultants were appointed following submission of a written brief, which also required a proposal for indicative fees. A small panel of three Home Housing personnel individually scored each of four submissions and scores were aggregated.

Due to the scope of the work and the potential for expansion, the contractor selection was more detailed. Invitations were sent out to 14 national contractors and developers to complete a pre-qualification questionnaire. Eight replies were received and these firms were submitted to a selection process. This involved three stages:

- a written submission on general capabilities and relevant experience
- formal presentations and interviews
- priced submissions.

The panel for contractor selection was made up of the following:

- a representative from Home Housing Association
- the Home Group Chief Architect
- the Lead Consultant
- a representative from the Housing Corporation.

Each of the stages was scored out of 100. Stages 1 and 2 dealt with matters such as quality, experience of partnering and attitude to teamwork. The following weightings were agreed by the panel:

- Stage 1, 10%
- Stage 2, 45%
- Stage 3, 45%.

The results for each stage were recorded in a summary sheet and aggregated to allow the overall results to be ranked to determine first choice and second and third as reserves.

The contractual basis adopted was an overall framework agreement which guaranteed the team a continuous workload for 4 years. This was overlain on individual JCT81 (Design Build) contracts for each project.

The lessons learned were that careful selection of the team members was essential. The selection process included both presentations and interviews.

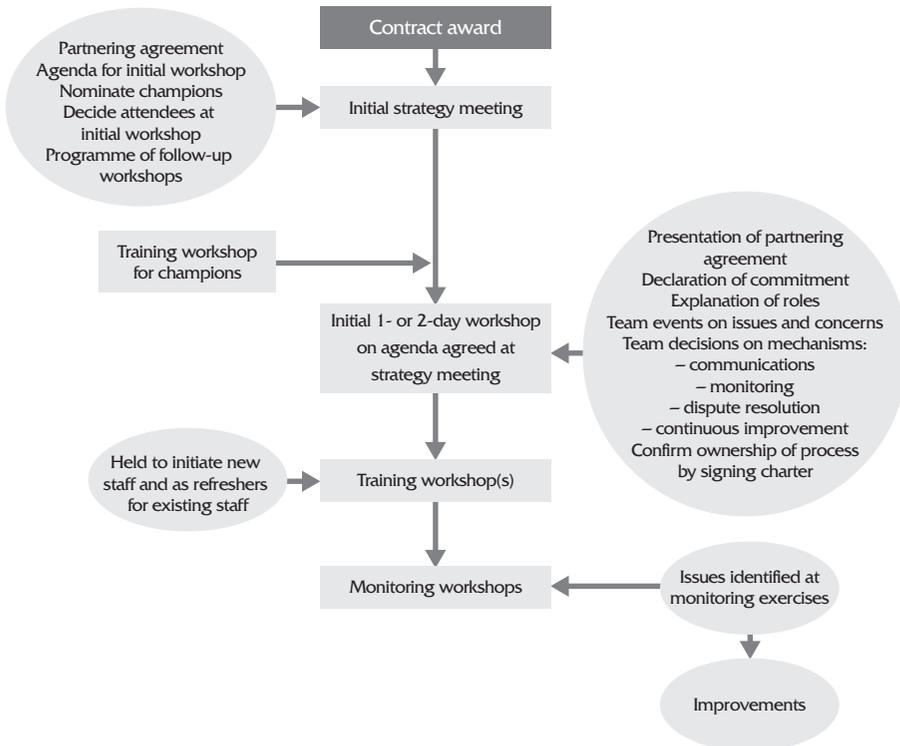


5. The partnering implementation mechanism

5.1 Introduction

The partnering process is initiated, immediately after the selection of contractors has been made, by the partners holding a strategy meeting. This should be attended by the most senior personnel of the participating companies. Participation should be encouraged throughout the supply chain. This strategy meeting is the first of a series of meetings and workshops, which are used to establish the partnering culture within the participating organisations. These workshops are illustrated in Figure 5.1.1.

Figure 5.1.1
Workshops



Smaller organisations may choose to have a less formal approach. For example, the strategy meeting may only be an informal meeting of the principals of the parties immediately after the award of the contract. However, the effort required to get everyone committed to the partnering process should not be underestimated. The initial partnering workshop is vital in this respect and the agenda given on page 44 should be followed. The procedures that flow from this, such as the monitoring and dispute resolution processes, may be abbreviated, but the principles shown here should be followed.

5.2 The strategy meeting

The strategy meeting is attended by the principals of the partnering organisations. This includes clients, consultants and contractors. Later, on the appointment of subcontractors and key suppliers, there may be further abbreviated meetings. In some cases major subcontractors and suppliers may be appointed early. This may be by the client entering into framework agreements or the main contractor already having a commitment to specific parties, and these should attend the initial meetings. Internal auditors should be involved.

The agenda for the strategy meeting includes the following:

- An explanation of how the partnering relationship is to be established and its objectives.
- The methods of achieving the culture change through workshops and training.
- The changes in organisation and roles that are necessary to establish the partnering relationship. These include, if appropriate, the formation of joint teams.
- Arrangements for profiles of staff to be examined to ensure their suitability for the partnering relationship. An audit arrangement should be set up to ensure continuing suitability.
- The nomination of champions and a training programme for them. The role of champions is described in Box 3.6.1.
- The agenda and participation at the initial partnering workshop.
- An agreement on the format and basic content of the partnering agreement and confirmation of how this will be drafted. If the partnering charter is to be extended as a substitute for the agreement there will be confirmation of its basic content and

how it will be completed. These agreements are likely to be based on specimens proposed by the client prior to the award of contracts. Suggested forms of these agreements are included in Chapter 7 of this Handbook.

- Arrangements for signing the documents.
- A schedule for follow-up meetings.
- A proposal for developing the partnering process and the nomination of personnel who will be responsible for this. These should include the champions. This development programme will include the extension of the process to subcontractors and key suppliers.
- A proposal and framework for the production of key performance indicators.

5.3 The initial partnering workshop

This workshop takes place as soon after the strategy meeting as possible. It should be attended by as many of the project staff as can be available at the time and should also be attended by the principals of the participating organisations and other stakeholders, such as leaseholders and tenants' representatives.

The workshop should be led by a trained facilitator. It is preferable that he or she should be independent of the participating organisation, but what is more important is that he or she should be professionally trained and have the appropriate skills.

The agenda for the workshop should include:

- a statement by the principals of their commitment to partnering
- a review of partnering by the facilitator
- confirmation of champions
- team-building exercises
- identification of issues involved in partnering and discussion of them in groups (action plans should be produced for resolving these issues)
- confirmation of the objectives of the partnering relationship and their incorporation in the partnering charter
- agreement on the procedures for dispute avoidance and resolution, process monitoring and continuous improvement

- agreement on procedures for valuing targets, etc. (this may include the mediation panel)
- discussion of procedures for dissemination of the partnering process and exchange of information
- discussion of the organisation structure needed to facilitate partnering
- establishment of criteria for monitoring the process
- signing the charter
- agreeing a programme and procedure for further workshops.

The workshop may occupy one or two days

5.4 The partnering charter

The partnering charter incorporates:

- a statement of purpose
- a mission statement
- the objectives of the partnering arrangement

Client	Contractor	Consultant
The Project _____		
The Charter		
The purpose of this charter is to establish a spirit of co-operation throughout the project. The participants at the workshop on xx/xx/xx have signed this document as a sign of their commitment. They intend to promote this spirit by personal example and will consult this document whenever they need to be reminded of this.		
Mission Statement		
Working together for service and value. We will work together in an open and honest environment, dedicated to successful partnering, with the objectives of:		
<ul style="list-style-type: none"> • continually improving the service • achieving value for money 		
We will cultivate a no-blame attitude in identifying and dealing with all issues. At the same time we will be constructively critical in monitoring our own performance.		
The Objectives of the Partnering Arrangement		
<ul style="list-style-type: none"> • Work as a team to establish open communications and shared information • Give earliest warning of any problems that would interfere with performance • Co-operate in joint problem solving • Resolve disputes before they escalate • Aim for total customer satisfaction • Aim for zero defects • Aim for improved value • Aim for improved safety 		
Signatures _____		

Figure 5.4.1
A typical partnering charter

- the signatures of the participants, thereby establishing ownership of the process.

The objectives are later expanded into criteria for monitoring the success of the process.

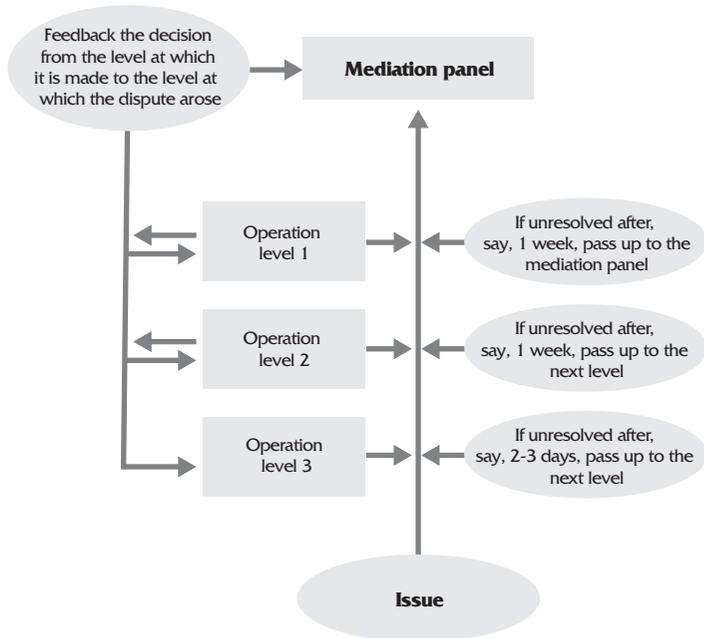
A typical partnering charter is illustrated in Figure 5.4.1.

5.5 Dispute avoidance

Partnering provides for dealing with issues before they give rise to disputes. The dispute-avoidance procedure will incorporate a settlement ladder similar to the example shown in Figure 5.5.1. This provides for issues to be settled as close to their point of origin as possible and for them to be moved upwards in the organisation for settlement so that they do not form 'running sores'.

There is a strong incentive in this procedure to deal with issues as they arise, since the act of passing the issues upwards may be perceived to be a form of failure. However, for this to be effective there must be adequate empowerment at the lower levels and there must be encouragement and training in resolving problems by compromise.

Figure 5.5.1
Dispute-avoidance ladder



The times shown for issues to be settled at each level are guides, and actual times should be mutually agreed for each partnering arrangement. However, the times shown are reasonable and should not be substantially exceeded without good reason. An alternative is for the issue, when it occurs at any level, to be immediately advised to the next level and that level to decide the time the lower level will have for resolution. The levels of discretion and the procedure will be established at the initial partnering workshop.

A mediation panel should be set up by the partners as a final source of mutual agreement prior to referring the unresolved issue to the provisions of the contract. This panel should consist of a senior executive from each of the contracting parties that are not directly involved in the specific partnering arrangement in which the issue arose. The meeting of the panel may be facilitated in order to assist reaching an agreement. Alternatively, mediation can be effected by the appointment of a mediator from outside the partners.

If mutual agreement cannot be reached by the mediation panel the matter can now be regarded as a dispute and should be referred to the provisions of the contract, which are likely to be adjudication and/or arbitration. It is vital that when an issue is settled at a higher level than its point of origin the reasons for the settlement are fed back to where it started and time is spent describing the process of compromise.

The effectiveness of the dispute-avoidance procedure will depend on a high general level of empowerment so that participants have the data and discretion to agree remedies at their level. It is important that the terms of the contract allow the above process to be performed in full.

5.6 Monitoring the performance of the partnering process

This section deals with the setting up of the monitoring process. The routine but systematic conduct of the process is described in Section 6.2. Monitoring the arrangement is an essential part of the partnering process. If continuous monitoring does not take place it is possible that the integrity of the partnering arrangement will be undermined and it is unlikely that the full benefit of partnering will be secured. It

is impractical to be prescriptive about the frequency of monitoring exercises as so much depends on the particular circumstances of the specific partnering arrangement.

Monitoring has the following objectives:

- measurement of performance
- identification of opportunities for improvement
- encouragement of bottom-up involvement
- reinforcement of top-down commitment.

The measurement of performance should contain both soft and hard elements. Both of these should be confirmed at the initial partnering workshop, even if the full set of criteria cannot be established there. Hard elements will normally relate to cost and time savings and the achievement of milestone events. Soft elements are of equal importance, as partnering is about attitude and behaviour; they should include customer satisfaction, freedom from disputes, cooperation and free flow of information.

The monitoring criteria should be developed from the objectives of the partnering arrangement incorporated in the charter and should include benefits to each partner. The following criteria are developed from the example shown in Figure 5.4.1.

- Work as a team to establish open communications and shared information:
 - comment on the organisation structure for communications
 - comment on the level of communications with the opposite partner
 - comment on the quality of information obtained from the above.
- Problem-solving:
 - comment on the early warning about problems
 - comment on joint problem-solving
 - comment on the feedback on solutions.
- Aim for total customer satisfaction:
 - report of the number and type of complaints per month.
- Aim for zero defects:
 - report on the number of defects per month.

- Aim for improved value – this would be achieved by measuring improvements in the quality of the product, the time of delivery or the cost. Whichever criteria are used, they should be measurable and the standard defined and quantified. Techniques such as value engineering can be used.
- Aim for improved safety – this could be achieved by measuring the number of reportable accidents.

Performance evaluation reports are the proformas used for monitoring and should provide scope for comment as well as a mechanism for scoring. A typical example is shown in Figure 5.6.1. The monitoring process should be coordinated by a nominated champion and should be carried out widely across the scope of the particular partnering arrangement.

The comment is more important than the score. If properly encouraged this provides sources for continuous improvement and

Figure 5.6.1
Typical example of a performance-evaluation report

Performance evaluation					
Name/Title				Date	
Area/Section					
Please evaluate the undernoted criteria during the period just ended (circle your score and write comments).					
Rating	Poor 1	2	Average 3	4	Good 5
Criteria				Score	Comments
1. Open communications and shared information					
Comment on organisational structure for communications				1 2 3 4 5	
Comment on level of communications with opposite number				1 2 3 4 5	
Comment on quality of information from above				1 2 3 4 5	
2. Problem-solving					
Comment on early warning of problems				1 2 3 4 5	
Comment on joint problem-solving				1 2 3 4 5	
Comment on feedback on solutions				1 2 3 4 5	
3. Aim for total customer satisfaction					
Report the number and type of complaints per month in 'Comments'				1 2 3 4 5	
4. Aim for zero defects					
Report the number of defects per month in 'Comments'				1 2 3 4 5	
5. Aim for improved value					
Report on measured improvements against agreed standards in 'Comments'				1 2 3 4 5	
6. Aim for improved safety					
Report the number of accidents				1 2 3 4 5	

for bottom-up involvement. On some projects it may offer the only opportunity for the expression of low-level opinion. It is therefore important that such opinion is responded to, in order to reinforce top-down commitment. The scoring can either be done by the person making the comment or by the person collecting the reports. This will provide more uniformity in scoring.

5.7 The mediation panel

Points to note

- involve supply chain
- involve stakeholders
- involve internal auditor
- driven from top
- culture change
- action plans
- charter
- champions
- mediation panel

Reference has been made earlier in this chapter to the mediation panel. This panel is suggested for the final settlement of issues prior to a reference to adjudication. It can also be used as a final arbiter on agreeing prices, such as for targets in a target-cost situation.

It is envisaged that such a panel would consist of a member from each of the parties which were not involved in the arrangement affected. It is also suggested that the meetings of the mediation panel should be facilitated.

5.8 Case studies

5.8.1 Case study 5: Circle Thirty Three Housing Trust Ltd

This case study illustrates the involvement of a comprehensive team in the partnering process and the setting of stretched targets.

At the end of 1997, in order to attract Housing Corporation funds the local authority of Waltham Forest approached Circle 33 to acquire three blocks of Priory Court and carry out refurbishment to them. This is a large 1950s built local authority estate consisting of 18 blocks of five-story flats with 23 units in each block. The blocks being transferred were three of the last seven still needing refurbishment, but there were no funds available for the local authority to carry out the work by itself. The estimated value of the work to be carried out was over £5 million.

Circle 33 selected the Willmott Dixon Group as its partnering contractor, and implementation of the process started with an initial workshop with an external facilitator. This workshop was attended by representatives of all the participants in the partnering team:

-
- the client, Circle 33
 - the contractor, Willmott Dixon Group
 - the client's agent, Waltham Forest Building Consultancy
 - architects and engineers appointed by the contractor, BPTW Architects and Ove Arup.

At this workshop the principles of the partnering arrangement were established by:

- setting mutual objectives
- creating methods for resolving problems
- establishing procedures for achieving continuous improvement.

These principles were enshrined in a charter which was put together by teamwork at the workshop.

The charter set out the objectives of the arrangement. These are mainly customer focused. From these a set of criteria have been agreed which are used as benchmarks in future monitoring exercises. The criteria principally measure performance in satisfying the particular requirements and desires of the residents. Performance standards were set in relation to the number of and response to defects, completion on time and reduction of maintenance and running costs. Ultimately, achieving zero defects is the target. Targets were also set for employing local labour.

The initial workshop also established the procedure for problem resolution. A chart was developed that provided a mechanism for solving problems in a constructive way by allowing as much resolution as possible to take place at the level where the problem first occurs, but did not allow it to stagnate there. Unresolved problems have to be referred within predetermined time scales.

At the initial workshop provision was made for a series of follow-up workshops, to review the results of the monitoring exercises and discuss and recommend improvements to the partnering process and the working procedures. Issues are raised and opportunities for continuous improvement identified at these meetings, which are conducted on a brainstorming basis.

The partnership has been appointed to complete the regeneration of the remainder of the estate as a direct result of the initial benefits recognised by the local authority.

The lessons learned include the benefit of setting targets which are customer focused and ensuring that they are properly and continuously monitored.

5.8.2 Case study 6: Moat Housing Group Ltd

This case study involved the setting up of a partnering arrangement using standard forms of contract overlaid with a partnering agreement which was contractually binding.

Moat is a mixture of charitable and non-charitable housing associations which encompasses a total stock of over 10,000 homes in the south-east and London. It provides an umbrella of group services and support to a number of member associations.

One of the members, Pollards Hill Housing Association Ltd, was chosen to carry out the first scheme for the group on a partnering basis. This was a £35 million new-build and refurbishment project on a 5-year programme commencing in 1998. Although this was the first partnering scheme for the group there was already a full commitment to the process at board level and training and indoctrination of staff had started.

The contract was based on a JCT98 with a partnering agreement set above it. This partnering agreement was mutually developed after the appointment of the contractor and was contractually binding. However, there was a view that it might have been better to have developed the charter into an agreement rather than produce another legal document.

Shortly after the award of the contract the first partnering workshop was held. This was attended by about 20 people, including tenants' representatives, board members, housing officers and technical staff of both the client and the contractor.

The partnering charter was produced at this workshop and included

nine objectives of the partnering arrangement which covered matters relating to safety, continuous improvement, quality, commitment, sharing risk, communications and cooperation. These were developed into criteria for future monitoring of the process. These were both hard and soft criteria. However, only the hard criteria were subsequently measured at periodic monitoring exercises. It is possible that by including soft criteria also in a more sophisticated monitoring procedure there would have been more total staff involvement and greater scope for identifying opportunities for continuous improvement.

The most significant of the hard criteria was a cost betterment programme for Phase 1 of the project. This was a £7.5 million stage of 12 months duration. The betterment programme set a target of saving £0.5 million on this phase. The final account of this phase was some £600,000 less than the contract sum and a higher than normal level of quality was achieved.

Champions were appointed, but on later reflection it was felt that they were not used as fully as they could have been.

This case study highlights the importance of using champions to greater effect, and specifically to monitor comprehensively the performance of the process.

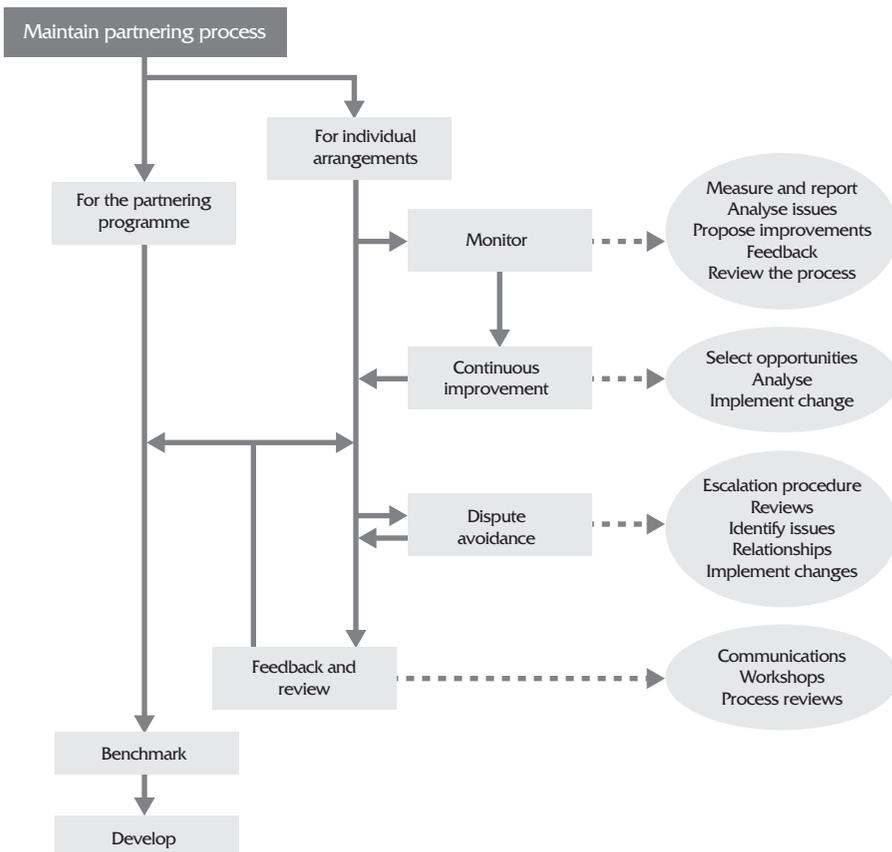


6. The partnering maintenance and development mechanism

6.1 Introduction

This chapter deals with the maintenance of partnering both on an individual project and as part of an extended programme of projects. The word 'project' is used to distinguish it from a company-wide partnering programme. The process is illustrated in Figure 6.1.1.

Figure 6.1.1
Maintaining the partnering process



In looking to develop the partnering process the interests of the end-user must always be kept in view. There are rocks on the road to improving the process and it is important that enthusiasm is maintained and that there is continual encouragement. The partnering process is best developed if long-term relationships can be maintained. However, the risk is that these become too comfortable and removed from market and competitive realities, and care must be taken to ensure that the process is kept under critical examination. This is probably best done as part of the auditing function.

Long-term relationships will probably have to be re-tendered after a certain time. This timing may be fixed by regulation or by client decision. The duration of term arrangements can be extended by an objective demonstration of the benefits being achieved.

6.2 Routine monitoring of the partnering process

The setting up of the monitoring process has been described in Section 5.6. This section deals with the carrying out of monitoring as a routine. When the performance evaluation reports have been returned there may, on occasions, be good reason to set up a workshop to discuss the issues identified in the reports. This workshop should be facilitated by a champion and should have a senior manager in attendance. Issues identified may provide opportunities for continuous improvement. These may be brainstormed at the workshop or may be referred for development elsewhere, such as by value analysis. It is important that recommendations made by the workshop are treated seriously by senior management and that resultant actions are fed back.

6.3 Peer groups

On a large project another opportunity for continuous improvement is the establishment of peer groups. These are small groups of people at the same level in the respective partnering organisations, which meet from time to time to discuss issues that have become important at their level. Sometimes these meetings are held on a semi-social basis. Champions should facilitate these meetings and may in fact arrange them.

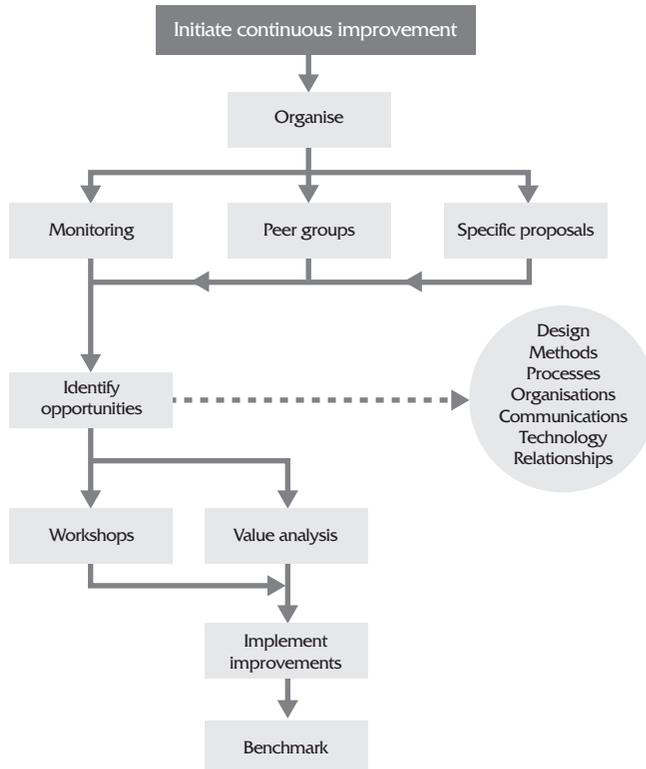
6.4 Continuous improvement

The process of continuous improvement is shown in Figure 6.4.1. The importance of this process cannot be over-emphasised. It is one of the main drivers of partnering which, by introducing the free flow of information and stimulating the desire to communicate, in turn facilitates a continuous-improvement process.

The steps to achieving continuous improvement are as follows:

- clear goals have to be established
- people have to be convinced that change and improvement are in their best interests
- organisational barriers to change have to be eliminated
- openings fora for exchange of views and debate have to be set up
- a simple measurement system, which immediately focuses attention on key issues, should be set up

Figure 6.4.1
The continuous-improvement process



-
- ideas should be systematically assessed to ensure that they can be developed into opportunities
 - targets should be continually reviewed
 - management interest and appreciation should be continually displayed
 - there must be a 'no-blame' attitude
 - recognition and reward should be instituted and maintained.

Many opportunities can be developed at small brainstorming workshops, particularly those associated with the improvement of procedures and processes. Others may be developed by full-scale value engineering exercises. Whichever is the case, the trust built up by partnering allows this to take place without check or hindrance.

Joint training in the techniques involved in continuous improvement should be provided to staff at all levels. This is discussed in Chapter 9. Feedback of solutions should be undertaken as widely as is practical.

6.5 Dispute avoidance and resolution

The procedure for dispute avoidance and resolution has been described in Chapter 5 and illustrated in Figure 5.5.1. The activation of the dispute-avoidance process may identify positive opportunities for improving both the product and the process of partnering, which should be discussed outside the resolution procedure. Special workshops may be set up for this specific purpose. Attendees should be chosen from the broad range of people who have encountered the problem and who have contributed to the solution. Some of the issues may result in organisational or procedural improvements.

6.6 Project reviews

The results of monitoring exercises, continuous-improvement activities and dispute resolution should be incorporated in reviews. These can either be on project completion or, in long-duration arrangements, at defined intervals. These reviews should relate to the objectives of the project or the partnering programme, and should provide the input for benchmarking activities.

6.7 Benchmarking

Organisations involved in a continuous partnering programme will endeavour to improve their performance by benchmarking, a process which is used to compare current performance against past best levels of performance. Comparisons may be either internal or external, and are aimed at the systematic development of improved practices. At its best benchmarking assists the continuous-improvement process and encourages innovation too; it is not a one-off exercise, but a consistent and continuous interactive process that forms an integral part of understanding the factors that create first-class performance.

Benchmarking can take place at several levels:

- internal and external benchmarking
- with competitors and non-competitors
- one-on-one or data based
- domestic or global
- qualitative or quantitative.

To start any benchmarking exercise, the company key performance objectives should be established. These might include the following:

- customer satisfaction
- reduction of the number of defects
- control of costs
- control of time
- safety
- elimination of disputes.

These are only general examples, and others can be added.

6.7.1 Internal benchmarking

Benchmarking would normally start by comparing results of individual projects between operations carried out at different times. The process could then be extended to compare results of similar projects carried out under different economic and contractual circumstances. Information for these exercises would normally be obtained from project reviews.

6.7.2 External benchmarking

External benchmarking can be either within the industry or be generic from other industries. Within the industry benchmarking would be either selective, by making confidential comparisons with selected associates, or more general, by joining an industry-wide programme such as the Key Performance Indicators (KPIs) operated by the Construction Best Practices Programme or the initiative operated by the European Construction Institute.

The Housing Quality Indicators (HQIs) sponsored by the Department of the Environment, Transport and the Regions (DETR) and the Housing Corporation provide a set of benchmark criteria designed for the sector. These allow an assessment of the quality of key features of a housing project in three main categories:

- location
- design
- performance.

From these are produced ten quality indicators that make up the HQI system:

- location
- site – visual impact, layout and landscaping
- site – open space
- site – routes and movement
- unit – size
- unit – layout
- unit – noise, light and services
- unit – accessibility
- unit – energy, environmental and sustainability issues
- performance in use.

6.8 The development programme

Partnering is a continually developing process. To keep abreast of it, it is necessary to set up a development team the purpose of which is to identify important changes taking place in the marketplace and to disseminate this information throughout the organisation. This team will recommend procedural changes and training programmes and carry out continuous status reviews within the organisation. Figure

Figure 6.8.1
A simplified status matrix

6.8.1 gives a simplified example of a status matrix that can be used for this purpose. Scoring is against a selected number of key aspects of partnering, as follows:

Score	1	2	3	4	5
Commitment at top	Sceptical of value of partnering	Spasmodic support	Nominates champions and supports them	Committed with personal involvement	Fully committed and driving the process
Internal alignment	Senior management discussion groups	Steering group formed to develop process	Partnering induction workshops for all staff	Comprehensive training for all staff	Best practice guide adopted throughout organisation
Roles and organisation	Review organisation	Audit personnel	Restructure organisation to suit partnering	Involve all staff in training and empowerment programme	Continuously review roles and organisation through workshops and feedback
Partnering implementation	Set up pilot scheme from existing arrangement	Follow on with a full partnering scheme subject to competition	Set up a partnering programme with limited competition and open book + GMP	Set up a negotiated, long-duration, open-book programme with a select number of partners	Adopt partnering for whole workload and with a select number of partners monitored by benchmarking
Alignment with partners	Agree joint strategy and appoint champions	Hold initial project partnering workshop and sign charter	Implement joint training schemes with partners	Form joint project teams	Adopt joint best practice guide
Monitoring and measurement	Agreement of mutual partnering objectives	Establish monitoring procedure and criteria	Regularly carry out joint monitoring exercises	Hold special workshops to discuss issues identified by routine monitoring	Set up system for processing recommendations from workshops and maintain feedback
Continuous improvement	Respond to opportunities identified by monitoring process	Carry out value engineering studies on opportunities	Encourage peer groups to meet and discuss opportunities for improvement	Provide joint training programmes for improvement processes	Maintain records, reward effort, publicise successes, recycle and feedback
Benchmarking	Mutually identify key objectives and processes	Set up continuous measurement of key objectives and processes	Benchmark key objectives and processes internally	Benchmark externally with chosen associates in the industry	Benchmark widely, both outside industry and by joining production of industry-wide performance indicators
Feedback and development	Establish feedback channels	Review procedures, roles and organisation on regular basis and feed back results	Continually review status of partnering within organisation	Establish a development team to continually update the process	Establish an annual development programme and publish results
Final score			Total possible = 45	Actual score	% = actual/possible

- commitment at the top of the organisation
- internal alignment ensuring that everyone is informed and committed
- ensuring that the roles and organisations are appropriate for partnering
- ensuring that partnering is implemented and resourced effectively
- alignment with partners, ensuring there is full cooperation in the pursuit of mutual objectives
- ensuring that achieving the partnering objectives is adequately measured and recorded
- ensuring that the processes are in place to achieve continuous improvement
- ensuring that comparisons are made both internally and externally and that they effectively benchmark best practice
- ensuring that the process is not static but continually adapted and that progress is fed back throughout the organisation.

Individual items can be changed from time to time as development takes place within the organisation. The final score provides a relative measure which can be used to determine whether improvement is taking place

As stated previously, partnering is an enabler of the other improvements that are proposed for the construction industry. Measures such as adopting lean principles in construction, standardisation of products, total quality management and effective supply-chain management are facilitated by the use of partnering. The development team should focus on developing partnering as a more effective tool in these processes. Furthermore, longer term partnering facilitates greater continuity of employment, which in turn impacts on productivity and safety.

6.9 Best Value

Best Value requires periodic reviews as the principal means for considering new approaches to service deliveries and the setting of demanding performance targets. This will affect the way in which housing associations benchmark their operations. The DETR has published in Annex C of the Best Value in Housing Framework guidance to national performance indicators for housing for

Points to note

- project-specific or strategic arrangements
- continuous improvement – key driver
- involve supply chain
- benchmark and key performance indicators
- review and feedback
- take rough with smooth

2000–2001. These include:

- strategic objectives
- cost efficiency
- quality
- fair access.

It also encourages the development and use of local performance indicators.

6.10 Case studies

6.10.1 Case study 7: St Pancras Housing Association

This case study demonstrates how in developing the partnering arrangement the customer was always kept in focus and how continuous improvement was maintained as the key driver.

St Pancras Housing Association started to consider partnering with regard to two schemes in 1997, only one of which was approved for partnering at that stage. The Association was particularly interested in eliminating the wastage resulting from the traditional client/contractor divide.

They decided to commence partnering with a contractor, Shenstone Services Ltd, who was already working with them. The chosen scheme was for maintenance, minor repairs and improvements, with a maximum value of £10,000 for any one order. The contract was established on a term basis for 5 years and has a total estimated value of about £1.7 million. The contract was based on an existing JCT Measured Term Contract amended to suit the partnering arrangements, but using a schedule of rates already established and extracting the overhead and profit element which was paid on a monthly basis, thus eliminating the effects of variations in workload. This schedule is index linked to provide for inflation.

An open-book approach was agreed, with the Association having access to the contractor's ledgers to view cost breakdowns and profit margins. Although there was no profit-sharing arrangement, there was provision for reviewing the schedule of rates.

The partnering relationship was maintained by a process of continually monitoring performance. The criteria used were related to the mutual objectives that had been set up at the initial workshops as follows:

- achieve tenant client satisfaction
- provide an efficient repair service
- maintain a reasonable and steady profit level for the contractor
- avoid disputes
- present a unified professional approach to tenants
- continually simplify operating procedures.

An early decision had been made to set up a 'customer-care centre', which was jointly staffed by the Association and the contractor. This was made friendly and accessible and was backed up by a 24-hour, 7 days a week free-phone service. The call centre has direct telephone and computer links with the Association's main offices. Continuous improvement of the service provided is monitored through weekly meetings where all performance statistics, problems, compliments and complaints are discussed.

In addition, operatives carry photo identity cards and mobile phones to improve communications and ensure a quick response to tenants' needs. Through these measures performance targets have been raised for maintenance and repairs. For example:

- minor repairs deadlines were improved from 1 week to half a week
- the time taken for larger repairs, involving ordering of materials, was reduced from 3 weeks to 2 weeks.

Another interesting feature that arose from these measures was the establishment of a joint compensation fund, whereby failure to deliver on target resulted in tenants receiving recompense in the form of £10 vouchers for purchases at nearby stores.

Throughout the programme openness and trust has been maintained but, in the unlikely event that a disputatious issue could not be resolved amicably by the mutually agreed process, there is provision for independent mediation by a firm of chartered quantity surveyors. This has not been needed as yet.

The lessons learned were that openness and trust could be maintained over the long term without the relationship becoming stagnant. Careful use of performance targets ensured this.

6.10.2 Case study 8: London Borough of Camden

This case study demonstrated the benefit of being able to benchmark similar projects being carried out in parallel.

In February 1998, the London Borough of Camden decided to undertake two pilot projects of design and build with partnering. The pilots were worth approximately £3.8 million each. They were a package of 56 refurbishment contracts. This mirrored the main capital programme of about £30 million. The main capital programme continued to be done on lowest price, scheme by scheme, using traditional procurement methods. The pilot projects were separately carried out by two contractors; the Willmott Dixon Group and Walter Llewellyn.

To control and monitor the process, a partnering panel was set up consisting of Camden officers, residents, the employer's agents, a solicitor, representatives from the two contractors and two councillors as observers. The panel chose a number of performance indicators and met every month to measure progress. These benchmarks were used to compare the performance of the partnering contractors against each other and against the works on the main programme.

At the time of writing 48 of the 56 partnering schemes have been benchmarked, together with a selection of 32 traditional schemes from the main programme dating from October 1997 to March 1999 incorporating similar works. At the same time an unsuccessful attempt was also made to benchmark with three external organisations. The problem here was the lack of common performance standards to measure against. This was compounded by the tight time scale of the pilot projects. It was thought that with a more relaxed programme common standards could have been found. In the future there will be adequate planning and time for this.

The 10 benchmarks used were as follows:

- achieving the scheduled start date on site
- achieving the scheduled completion date
- the number of defects
- controlling construction costs
- the level of consultants' fees needed
- the extent of formal complaints
- the amount of contractor disputes
- health and safety records
- the level and control of unit costs
- residents' feedback (this was the subject of a lengthy and comprehensive questionnaire).

The results of the benchmarking exercise indicated that traditional contracts performed best on two benchmarks: start dates and health and safety. The partnering contracts performed best on four benchmarks: completion dates, certainty of costs, fees and formal complaints. On two benchmarks partnering and traditional methods ranked equal: disputes and resident feedback. However, there are some seven contractual disputes anticipated in the traditional contracts which will change this. On the remaining three benchmarks, information on defects from the traditional contracts differed from that on the partnering contracts due to the way in which the different consultants managed defects. General defects were also difficult to assess because all the contracts were still in the defects liability period. Complaints to the contractors were not available on the traditional contracts and resident feedback on the partnering contracts was still being collected, so the information provided is only a first indicator.

The results of the benchmarking were supplemented with detailed comments from the partnering panel. While the benchmarking was less conclusive than hoped for, it was an early exercise in short-term projects and has provided lessons that will be used when the partnering initiative moves to a longer term programme.

The lessons learned were that time spent in setting up effective benchmark standards was well worthwhile, and that pre-planning must be given priority, even if this means delaying the start of the programme.



7. Contractual matters

7.1 The reasons for a contract

Many commentators on partnering hold the view that the partnering arrangement should be voluntary and non-contractual. This was certainly the view held by influential early practitioners in the public sector in the USA. However, the use of words such as 'mutual trust and cooperation' to define a relationship have given concern that these may give rise to unclear and disputatious legal responsibilities.

There is also an opinion that contractual terms themselves do not prove an obstacle to partnering, but that rather it is unclear terms, or terms regarded by one party as manifestly unfair, which corrode relationships. Furthermore, the benefits of a partnering arrangement are likely to be very limited if provisions are not made in the tender documentation for partnering to feature in the contract award. Such items include, for example:

- mutual objectives
- open exchange of information to facilitate future decisions on changes
- understanding and experience of partnering relationships
- organisational structures to facilitate partnering
- suitability of resources
- provisions for sharing benefits
- achieving continuous improvement
- dispute-avoidance provisions.

As all these items will be taken to be part of the consideration in forming the contract, they should find expression in the contract terms.

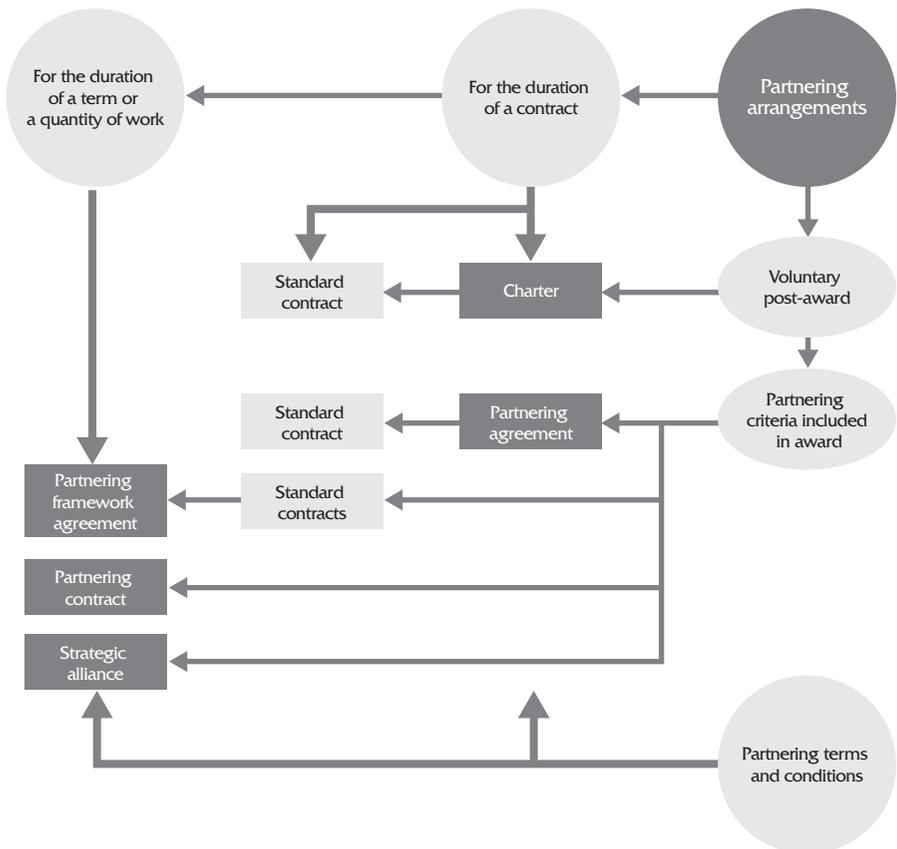
As partnering charters are limited in scope and standard forms of contract inflexible, it is essential that a specifically drafted partnering agreement stands above or alongside, and suitably amends, a conventional contract. Having established a basic contractual

framework the more behavioural aspects of the relationship can then be incorporated in the charter.

7.2 The variety of partnering arrangements

As illustrated in Figure 7.2.1, there is a variety of partnering arrangements and this is reflected in the diversity of contractual forms that may be appropriate to specific circumstances. However, whichever choice is made, the obligations of the parties must be made clear in the documents. The behaviour expected to result from a partnering relationship should be specifically expressed as far as possible and not left to vague terms such as ‘acting in good faith’.

*Figure 7.2.1
Alternative
partnering
arrangements*



For convenience, partnering arrangements are discussed here in two categories:

- project-specific arrangements
- term or quantity of work arrangements.

7.3 Project-specific arrangements

Project-specific arrangements fall into two types:

- voluntary post-award arrangements
- awards made on partnering criteria.

7.4 Voluntary post-award arrangements

In this arrangement partnering does not feature in the award of the contract, although there may be a reference in the tender documentation to the desirability of adopting some aspects of partnering on an entirely voluntary basis which can be abandoned at any time by the desire of either of the parties. In this arrangement there is no reference to partnering in the contract. The contract is inviolable and must be relied on for the completion of the works, even if partnering is abandoned. References to the behaviour expected of partnering is restricted to the charter (or code of conduct), which is voluntarily signed by the participants. Mechanisms and roles are agreed at workshops, without contractual support.

7.5 Awards made on partnering criteria

There are two versions of this category, as follows:

- awards made partly on quality criteria
- awards made solely on quality criteria.

7.5.1 Awards made partly on quality criteria

Here partnering criteria are used in association with price in awarding the contract. The criteria usually relate to the expectations of the client from the partnering arrangement and the understanding and experience of the contractor of the partnering process. A pricing structure will normally also form the basis of the contract, and therefore an open exchange of information on price make-up and working methods is required and is used in the tender-adjudication process.

It is recommended that a partnering agreement, as described later, sits on top of a construction contract in this case. It is also recommended that this contract is in an accepted standard form familiar to the parties and is amended to accommodate partnering (as described in Section 7.10). The changes should be kept to the minimum necessary in order to allow unimpeded use of the partnering processes. Particular attention in making amendments should be given to standard clauses that relate to:

- giving notices
- resolving disputes
- communication and controlling information
- incentives
- responsibility for defects
- payment provisions.

The amendments should be detailed in the agreement. It is desirable that the project is completed by the same parties, even if the partnering relationship breaks down. Hence the construction contract should be capable, with minimum interruption, of continuing after termination of the partnering agreement.

7.5.2 Awards made solely on quality criteria

In this version price does not feature in the award. Partnering criteria are associated with others relating to quality.

An open-book method of payment is usual in this version, and it is recommended that a partnering agreement sits on top of a standard contract to allow completion of the project in the event of breakdown of the partnering relationship. As described above, any necessary amendments to the standard contract to accommodate partnering should be detailed in the partnering agreement.

7.6 Term and allocated quantity of work arrangements

The arrangements described here are provided over a number of years or for a defined quantity of work and are not project related. Multi-project arrangements, subject to framework contracts (as described in Section 7.6.2), can be for a term or for an allocated

quantity of work. In term arrangements, if the partnering relationship breaks down it is better to terminate the entire arrangement. In the case of a framework arrangement this is likely to involve completing any projects in hand but not starting any new ones. The projects in hand can be completed using the standard contracts.

7.6.1 Continuous allocation of work

Here there is a continuous allocation of work for a specified term under the contract. The open-book basis of payment is generally considered to be the most appropriate for this type of partnering arrangement. While this arrangement is most likely to be used for term arrangements, it is sometimes also used for projects which are of long duration. The open-book basis of payment is normally associated with profit sharing and may also be subject to guaranteed maximum prices.

In this type of arrangement the award of the contract will be substantially based on partnering criteria, although the methods of recording and calculating cost will also feature. It is impractical to attempt to continue with the works or services if the partnering relationship breaks down, and it is therefore recommended that a special contract is drafted including partnering provisions. Suggested core clauses for such a contract are discussed in Section 7.11.

7.6.2 Framework

Another type of term arrangement is to carry out a series of projects within a set period. This is accomplished through a framework agreement. Framework agreements are provided for in the EU Procurement Directives that apply to utilities. However, those entities covered by the public sector only have the benefit of an unwritten understanding with the European Commission that they can set up framework agreements.

A framework agreement can be treated as a contract provided that it is awarded under the rules that apply to contracts. This means that for a period of time a series of similar projects may be carried out for a client by the same contractor without separate calls for competition, provided the framework agreement itself was subject to

competition. At the end of the defined period the agreement must be again subjected to competition. Framework agreements are normally specifically drafted to suit the arrangements proposed. They are frequently used in the social housing sector in association with standard design/build contracts for individual projects.

The partnering terms would normally be included in the framework agreement and would include similar provisions to the example agreement discussed in Section 7.9. Framework agreements can also be used where there is no defined term in which the project must be completed but a set number of projects are stated.

7.7 Strategic alliance

A special type of long-term arrangement is a strategic alliance. This is used where there is a relationship between the partners that has been established over a number of partnering arrangements and where they want to build on it and maximise the use of each other's resources and expertise. This arrangement has been described as 'third-generation partnering'.

This arrangement can take place in parallel with others. An example is two or more partners working together to improve the general efficiency of their operations by undertaking joint research and development and systems improvement while still having subsequent or resultant projects carried out under individual agreements. The parties jointly allocate resources to the arrangement and an agreement may be made to recover expenses through an overhead enhancement in subsequent contracts or as a separate consultancy fee.

7.8 The partnering agreement

The Housing Forum report, *How to Survive Partnering – It Won't Bite*, states that:

There was almost unanimous agreement that partnering agreements should be in place early in the project and that these agreements should be formalised and eventually merge with contracts. To achieve this

there must be more training for people involved in partnering, such as subcontractors, suppliers and even clients to ensure all members of the team are well prepared.

To achieve this early involvement it may be desirable to have a pre-construction agreement that includes partnering terms and is, later at the construction phase, converted into the partnering agreement.

The partnering agreement should embody all the specific provisions of the partnering arrangement. Matters that relate to attitude, partnering performance, allocation of risk and reward should be expressed in the agreement. Where the works are to be performed under standard forms of contract, any modification of these forms to allow partnering to proceed unimpeded should be described in the agreement.

The partnering agreement should include the following:

- The duties and responsibilities of the parties (here it should be noted that there are unlikely to be only two parties) that relate to the partnering arrangement. This may involve a repetition of matters already referred to in the standard contracts.
- The amendments to the construction contract to effect partnering.
- The organisation structure, including roles.
- The partnering procedures to be adopted for:
 - preparation of a charter (or code of conduct)
 - communications and exchange of information
 - monitoring performance
 - dispute avoidance and resolution (see the reference below to adjudication in the construction contract)
 - effecting continuous improvement.
- The provision of resources.
- Valuation, payment and reward (this may include a provision for profit sharing).
- Termination. This should allow restitution of the clauses in the standard contracts which were amended. The work can therefore be completed under the standard contracts. In certain circumstances a valuation of the work done under the partnering

agreement prior to termination may be required. However, there should be a general 'health warning' on this matter as it may be held that prior to the termination certain essential provisions of the standard contracts were not complied with, thereby voiding the contracts. Seeking to provide for this in the partnering agreement should only be attempted with professional advice.

(The provision for adjudication in Section 108 of the Housing Grants Construction and Regeneration Act 1996 should be incorporated in the construction contracts.)

There should be provision in the agreement for mediation with regard to dispute resolution and any matters relating to valuations. There should also be provision for a partnering advisor, which may also be part of the mediation provision. There should also be provision for the client's internal auditor to have access to the contractor's or subcontractor's accounts.

As good practice, it is recommended that the headings of the agreement are included in the tender documentation, but the final agreement is jointly drafted after award. The behavioural aspects that cannot be so specifically expressed are referred to in the charter.

7.9 Framework agreements

Where the works are to be carried out on a framework basis, the partnering agreement/framework agreement should detail the general provisions of the arrangement, such as:

- scope
- objectives
- responsibilities
- resources
- training
- duration
- reference prices
- method of operation
- valuation, payment and reward (this may include a provision for profit sharing)
- quality
- special provisions

- termination.

Individual works will be subject to standard construction contracts. These will be referred to in the framework agreement.

7.10 Suitable standard contracts

It is recommended that the construction contract is an accepted standard form familiar to the parties. Partnering has co-existed with most of the standard forms, but the suitability of some of these has not been tested in breakdown. Standard forms that seem to adapt more readily to partnering are:

- The Engineering and Construction Contracts
- JCT Measured Term
- JCT98 With Contractor's Design
- GC Works 1.

The necessary amendments to accommodate partnering should be detailed in the partnering agreement as referred to above; such amendments should only be undertaken with professional advice.

7.11 A partnering contract

While there are good reasons for having partnering agreements sitting on top of and modifying standard contracts, there may also be reasons in certain circumstances to have a purpose-made partnering contract. This can be drafted clearly to reflect precisely the objectives of the parties to the arrangement. Such a circumstance is where the partnering arrangement is intended to be long standing, the parties have a history of working cooperatively with each other, and if a breakdown should occur there will be an immediate termination of the arrangement without need to continue any works to completion outside the arrangement.

In such circumstances it is suggested that a partnering contract could provide for the following:

- the project and partnering team
- partnering documents
- communications and organisation
- partnering objectives

- partnering and project management
- partnering and project time-tables
- health and safety, site welfare and employees
- design and process development
- intellectual property
- supply chain
- volume supply agreements
- prices
- incentives
- pre-conditions to start on site
- project and site
- quality
- change
- risk management
- insurance and security
- payment
- project completion and warranties
- key performance indicators and continuous improvement
- joint initiatives and strategic alliancing
- problem solving and dispute avoidance or resolution
- termination.



8. The audit trail

8.1 Introduction

There is no intention here to provide guidelines on the auditing function, but merely to show where the partnering process provides sources of information that can be used by auditors.

8.2 Transparency

Procurement for industry sectors where public money is involved is governed by regulations that require transparency in pre-contractual and contractual relationships. This is equally as true for the whole of the social housing sector as it is for local authorities themselves. There is also a high level of public scrutiny and democratic accountability. This involves protecting the interest of all stakeholders through a system of open access to information and effective audit.

Auditing involves both protecting the expenditure of public money and ensuring that the required quality of service is delivered. There must be no hidden agendas and all processes must be open to scrutiny. This is endorsed by HM Treasury Procurement Guidance No. 4, which states that:

Good clear records must be maintained to demonstrate how the parties have worked together to reach decisions, how best value has accrued and probity and propriety have been maintained. It is essential to be able to demonstrate proper accountability.

The National Audit Office requires that an audit identifies whether:

- expenditure has been properly accounted for
- the required quality of service is being delivered
- there are proper systems of financial control
- value for money is being obtained.

8.3 Best Value

Best Value requires periodic audits to ensure that the following are the subject of continuous improvement:

- Economy – minimising the cost of resources used for an activity having regard to appropriate quality.
- Efficiency – the relationship between outputs and the resources used to produce them.
- Effectiveness – the extent to which objectives have been achieved and the relationship between the intended impacts and the actual impacts of an activity.

The audits will review the four ‘Cs’:

- Challenge – why, how and by whom the service is being provided.
- Compare – with the performance of others across a range of relevant indicators, taking into account the views of service users and potential suppliers.
- Consult – local taxpayers, service users, partners, the wider business community and internally in the setting of new performance targets.
- Competition – the use of fair and open competition wherever practicable as a means of securing efficient and effective services.

8.4 Sources of audit material

Partnering, because it depends on the free flow of information, provides as much if not more material upon which an audit can be based than does traditional contracting, which encourages the withholding of information for commercial advantage. The many sources of audit information afforded by a partnering arrangement are illustrated in Figure 8.4.1. The material available at key stages in the partnering process is discussed below. The partnering agreements should provide for the free access of the client’s internal auditor to the contractor’s or subcontractor’s accounts.

8.4.1 Pre-qualification of bidders

Except in special circumstances it is anticipated that the selection of partners will result from some form of competition and that the first stage in this will be the formation of a limited list of preferred bidders.

The criteria used in this process will be made available to all who respond to invitations. This is fully described in Chapter 4. The stages described in Figure 4.2.1 are all recorded and open to later scrutiny.

8.4.2 Tender evaluation

The evaluation criteria used in the award of contracts will be made available to all pre-qualified bidders and the employment of these in the awards will be made known to all bidders in debriefing sessions. Tender evaluations will be recorded and will be available for later scrutiny.

8.4.3 Post-award audit information streams

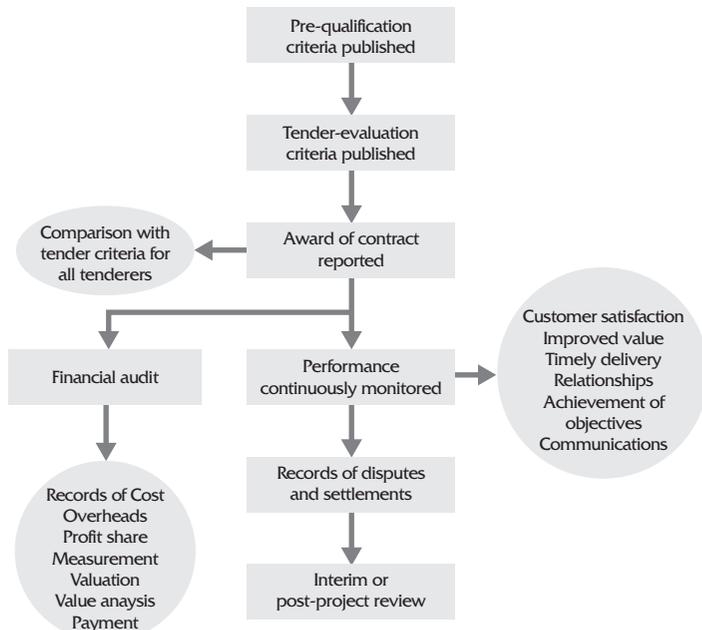
After the award of contract, material is available in two streams:

- for financial audit
- for performance monitoring.

Financial audit

This ensures that public money is properly accounted for. The method of audit depends on the type of contract entered into:

Figure 8.4.1
Audit information sources



- Where a schedule of rates is involved there will be an approved measurement and valuation of the work done.
- Where the work is carried out on an open-book basis, expenditure will be recorded by an agreed procedure and all documents will be exposed to scrutiny. Overheads will be established by an approved formula as also will profit share.
- All calculations associated with value analysis will involve shared information, which will be subject to mutual check.
- Results of benchmarking in order to demonstrate continuous improvement.
- Payment will be supported by full documentation in the traditional way and is no different for partnering.

All of the above can be included in a periodic audit report which can be subject to an agreed procedure (as referred to in Section 8.6).

Performance monitoring

As described in Section 5.6, the performance of the partnering arrangement should be continuously monitored. This will provide a source of audit information. Various quality aspects of the service delivery (e.g. customer satisfaction) will be included in the monitoring process.

8.5 Records of disputes and settlements

These should include the following:

- timely delivery
- communications and information flow
- improved value of the delivery
- maintenance of good relationships between the contracting parties
- the achievement of the objectives of the partnering arrangement.

The periodic monitoring reports and supporting documents can be used in the formal auditing process.

Continuous records should be kept of all disputes that arise and the settlements that are made to resolve them. These records should be available for audit purposes. Who should keep these records will be decided at the initial partnering workshop.

8.6 Interim or post-project reviews

At the end of a project or at defined stages during a term arrangement there should be value for money reviews which detail the benefits gained by the partnering arrangement. These should be available for the audit process.

8.7 Establishing the audit trail

As shown in the foregoing, in partnering arrangements there is no shortage of information upon which to base a comprehensive audit. However, effort is needed to organise the mass of data into a useable and user-friendly form. In a partnering arrangement it is important that the client's auditors have the right of access to the financial and performance information maintained by the contractor.

8.8 Involving the auditor

When a decision is made by a client to partner, the client's auditor should be involved as a stakeholder in all the decision-making processes that will eventually determine how the partnering arrangement will operate and what will be the flow of information. This will include attendance at workshops, induction seminars and strategy meetings. It will also include involvement in the decision to partner.

It is recommended that the initial partnering workshop is also attended by the client's internal auditor. This will allow him or her to comment on the procedures and the flow of information proposed. After agreement, the maintenance of these factors should be undertaken by the champions. It need not involve all the champions on a large project, but should include one from each of the partners.

8.9 The effectiveness of the partnering arrangement

A risk in long-term partnering arrangements is that the relationship may become too 'cosy' and the desire to be objective may become diluted. It is recommended that there is a facility to stand aside from the arrangement itself and view it with detachment, using the information that is made available from monitoring reports and benchmarking. This facility could be provided as part of the auditing function, provided the appropriate skills are mobilised.

9. Training



9.1 Introduction

The purpose of this chapter is to identify where there is a need for training rather than to specify training courses. There is, however, some guidance on initial contacts which might be useful in providing information on sources of training material and courses.

Partnering presents such a fundamental change in the way of carrying out work in the construction industry, redefining roles and relationships, that continuous attention should be paid to the problems of the individuals who have to make the adjustments. These problems are not overcome by subjecting individuals to briefing sessions and the occasional workshop. A training programme is needed, which should be planned around the following:

- What are the objectives of the organisation in adopting partnering?
- What are the human resources that have to be mobilised to accomplish these objectives?
- What problems will be faced by individuals in accommodating these requirements?
- What are the best ways of helping individuals to make any changes that are involved in fitting the requirements?
- What continuous support is needed to maintain the changes that have been made?
- What additional individual skills are needed?

Training is a continuous process, not a one-off exercise.

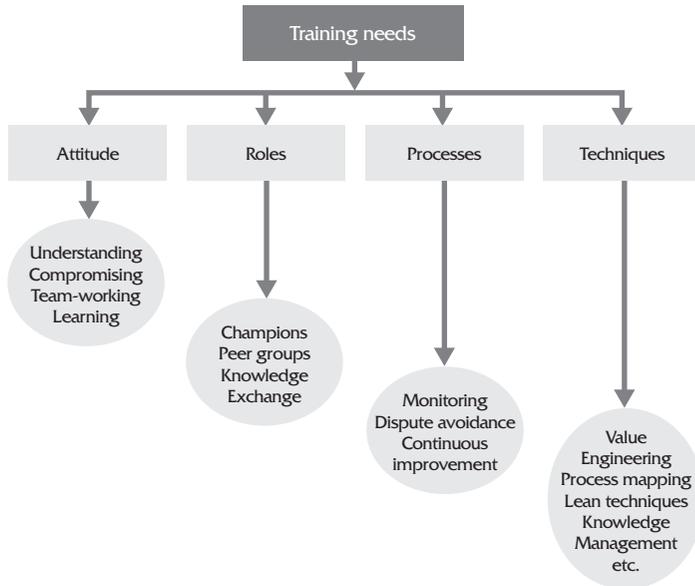
Training for partnering can be subdivided into the fulfilment of four demands:

- development of the required attitude
- re-definition of essential roles

- specification of the key enabling processes for partnering
- identification of additional skills and techniques that are needed to secure the full benefit of partnering.

Figure 9.1.1 illustrates these demands.

Figure 9.1.1
A summary of training needs



9.2 Attitude

The most necessary and the most difficult of the changes that individuals have to make in order to adopt the new relationships involves attitude. This entails fundamental reconstruction of instincts. It is easy to achieve a ‘lip-service’ change, where individuals accept new methods because their ‘boss has told them to’. This is shallow and will not survive adversity.

Attitude must be reconstructed from the ground up. Each of the following fundamentals must be addressed in specific training exercises:

- The development of true understanding of the reasons for change, of other peoples views and concerns and what obstacles are within one’s self in making the attitude change instinctive.

- The development through interactive exercises of the ability to compromise without merely 'giving in'.
- Developing attitude through team-working exercises.
- Developing the ability continually to learn and improve and to seek sharing of knowledge and experience.

These fundamentals cannot be satisfied by providing initial training exercises. They must be continually reinforced by ongoing interactive workshops and mentoring.

9.3 Roles

Partnering introduces a number of key roles. Some of these are unique to the process, while others are re-definitions of ones that already exist, although with less emphasis. The main roles are:

- champions
- peer groups
- knowledge exchanges.

9.3.1 Champions

Champions are fundamental to the success of any partnering arrangement, and therefore time and effort should be spent on selecting them and equipping them for their role. The training of champions should take place as soon after their selection as possible, so that they can be effective in establishing the process with the rest of the staff. The specific areas for champion training include the following:

- general knowledge of the partnering process
- communication skills
- mentoring techniques, so that they can deal with attitude and confidence problems
- training procedures, including running workshops
- facilitation
- monitoring and measurement
- continuous improvement, including organising peer groups and knowledge exchanges
- opportunity identification and brainstorming techniques
- dispute avoidance and resolution.

9.3.2 Peer groups

The partnering process encourages informal cross-organisational contacts. The most effective of these are peer groups at various levels. These are informal but structured, and are usually facilitated by a champion. When peer groups are being set up there should be simple training workshops so that participants can understand the structure of the group and the part they play in it. This may also be linked with attitude training. Issue identification and brainstorming will feature in this training. Peer groups should also be used to encourage bottom-up involvement and top-down commitment, and attention to this should feature in the training.

9.3.3 Knowledge exchanges

Partnering encourages sharing of information. If this is not responded to by senior management it can, in effect, become demotivating. It is therefore advisable to formalise the sharing of knowledge at all levels. To an extent, peer groups perform this function, but the practice should have a wider range. There should be training on what is knowledge, how it can be captured and disseminated and the use to which it can be put. The structure for knowledge exchange chosen for organisations should be explained and discussed at workshops.

9.4 Processes

There are three basic processes that are fundamental to a partnering arrangement:

- monitoring
- continuous improvement
- dispute avoidance.

9.4.1 Monitoring

As has been stated in previous chapters, monitoring of the success or failure of the partnering process is possibly the most important activity because of the access it provides to other benefits such as:

- identification of opportunities for improvement
- reinforcement of commitment to partnering
- the opportunity of participation at all levels.

To be effective, monitoring must not only comprise a simplified scoring technique but also provide an opportunity for the expression of opinion. In order to obtain this opinion effectively there should be training workshops.

9.4.2 Continuous improvement

Continuous improvement is the single most important benefit of the partnering process and will rely on brainstorming workshops for much of its success. The conduct of, and the processes involved in, these should be the subject of training.

9.4.3 Dispute avoidance and resolution

Dispute avoidance has probably been given the most emphasis of all the benefits of partnering. Whether it deserves this prominence is not an issue. However, it does require training, not only on its methodology but also on how disputes arise and how they can be avoided. This would probably be combined with attitude training.

9.5 Techniques

Because partnering is a facilitator for the introduction of the other processes that increase the productivity of construction, there should be some basic training on these and how partnering enables their effective adoption. Some of the techniques are essential to the partnering process itself, such as those associated with continuous improvement.

A sample list of techniques follows, but these, of course, will be subject to continuous updating and extension:

- value engineering
- process mapping
- lean construction techniques
- knowledge management.

9.6 Training sources

The following organisations are best able to provide information on sources of training material and courses:

- Building Research Establishment University Gateway, Construction Best Practice Programme (www.cbpp.org.uk)
- Topic Data Base, Construction Industry Council (www.cic.org.uk)
- The European Construction Institute (www.eci-online.org.uk).

The following organisations may also be able to provide some information:

- The Chartered Institute of Building
- The Institution of Civil Engineers
- The Association of Project Managers
- The Construction Industry Research and Information Association.

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Further reading



In addition to the references given in this Handbook the following publications provide substantial background information on partnering in the UK. There are many other books on the subject but these give a balanced view.

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Glossary of terms

benchmarking Comparing current activities with other ones in a structured way in order to establish the factors that contribute to best practice.

Best Value Introduced by the DETR on 1 April 2000, this requires continuous improvement in terms of efficiency, effectiveness and economy.

champion A key member of staff who is committed to driving the partnering process forward.

charter The document mutually agreed and signed by all the parties which establishes the principles and objectives of the specific partnering arrangement.

client The purchaser of goods and services from a supplier. The supplier may be a consultant, contractor or manufacturer.

continuous improvement A process of reviewing issues with the intent to determine courses of action that offer measurable improvements in performance.

EU Official Journal The official journal of the European Union. It is used to give information on tenders invited for public works and services. These also include works and services for utilities.

framework An arrangement that allows a series of projects to be encompassed by a single general contract with provision for each project to be subject to separate specific terms.

GMP (guaranteed maximum price) A guaranteed maximum price offered by a contractor as a ceiling in a cost-recoverable situation.

mediation A facilitated process of reaching mutually agreed outcomes.

monitoring Measuring the performance of the partnering process with regard to a specific arrangement.

- open book** A payment system based on actual recorded cost with total access for audit.
- partnering** An arrangement to direct the resources of separate organisations for mutual benefit.
- peer group** An informal meeting of individuals at the same level across company boundaries for the purpose of exploring issues of mutual interest.
- procurement directive** The EU procurement rules for public authorities and utilities.
- registered social landlord** A landlord of properties offered for rent on an economical basis. Includes both housing associations and local authorities.
- steering group** A group of people appointed to give effect to a strategy or a policy. These should be fully representative of all interests.
- supply chain** The total linkage of suppliers and purchasers of goods and services directed at the production of a product.
- workshop** An interactive meeting, usually facilitated.



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