

# BUILDING MATERIAL SUCCESS

Using partnering in building materials supply and management to drive efficiency, transform services and increase customer satisfaction in local government and social housing across the UK.

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# Introduction

Public services across the UK are facing a number of unprecedented challenges in terms of demand, available capacity and pressure on resources. Responses vary, with each service having its own dynamic and history, and the policy context within which it operates evolving in different ways across the UK.

Grasping opportunities to improve performance, productivity, and overall cost-effectiveness across services is essential. This delivers efficiencies in its own right, and helps to improve both services and the experiences of customers and citizens.

Saint Gobain has sponsored a paper that supports the notion of genuine partnership working in building materials supply and distribution in public services, and the positive impact it has on both service and asset management. It focuses particularly on responsive repairs, maintenance and planned improvement activity, although many of the messages will have a resonance in new build construction. This Executive Summary highlights the key messages.

It is aimed at property, procurement and finance managers in the local government and social housing sectors. It will also be of interest to those service providers involved in both construction and maintenance, and advisers looking to inform public service organisations about improvement, value for money and effective partnership working.

The content has been generated through a desk-based review of literature around context, drivers and emerging models. This has been supplemented through extensive interviews with key players from across the UK local government and social housing sectors, including local authorities and registered social landlords (RSLs), sector umbrella bodies, professional advisors, service providers, and materials suppliers. Together, this aims to provide an independent and authoritative view as to developments in the sector, and an understanding of where key opportunities for further improvement may lie.

Success in building materials management will make a tangible difference in terms of both impact and efficiency, delivering measurable benefits to commissioners and customers alike. These range from improving the affordability of capital build projects and planned maintenance programmes - allowing commissioners to deliver more for the same or the same for less - to reducing reactive maintenance costs through reduced overheads, improved logistics, better supply chain management, less time spent on site, and product innovation.

The paper highlights practices that can be adapted for application across the UK, and its purpose is to:

- raise awareness of both service and commercial developments in building materials management, supply and distribution which can be applied in all geographies.
- highlight how these can deliver savings (in whole service costs), support improvements in customer/tenant service, and increase social value.
- indicate how councils and RSLs can engage with materials providers to realise these benefits.
- introduce new ways of working that deliver positive impact on commissioners' built environment and wider comfort and wellbeing ambitions.
- support the work of public services in maximising operational excellence and customer service.

The full paper summarises the key messages arising from the literature and sector consultation. It also provides checklists for managers to consider what they can do to grasp highlighted opportunities or avoid pitfalls. Copies are available from [\(insert link\)](#).

The proposals and recommendations are comprehensive in focus. They can be applied across the UK in the local government and housing sectors, delivering benefits to commissioners both large and small in urban and rural areas.

# Findings from the research

## Challenges and opportunities

### The policy context

The operating arrangements in place in each council and RSL across the UK are influenced in part by national policy direction, but also by their own local political priorities, socio-demography, and approaches to community wellbeing, service performance and organisational change.

Many councils and RSLs are on the front foot in responding to changing policy drivers and are clear as to how they intend to move forward.

Growing the availability of environmentally sustainable affordable housing is a common policy theme across the UK, as is responding to a desire to support older people to live more independently as part of a wider drive for community health and wellbeing.

Financial pressures - both revenue and capital - are a common consideration across the board. This goes beyond simple availability of funds. Councils and RSLs are used to having to manage demand for services, but an ageing population and often deteriorating property asset base is creating particular challenges in many areas.

While the financial context is clearly important, specific challenges vary between different councils and RSLs (even in the same geography) associated with their particular localities, relationships, asset base and organisational dynamic.

Social housing policy objectives in England are seen by many as dis-incentivising councils and RSLs from developing further affordable housing for social rent compared to other parts of the UK. Some English councils and RSLs are developing housing for sale or market rent as part of their commercial response (although similar arrangements are being explored in other parts of the UK too).

### The partnering context

Partnering with public, private, charitable and social enterprise organisations is common, although the nature and extent of this partnership varies from one organisation to another.

Public/public partnership is now very much the standard model across the UK, with councils in particular working strategically and tactically with partners to identify and deliver for the communities they serve. RSLs are often included in these discussions, in particular around the strategic housing plan and in joined-up responses to community wellbeing.

Close working with the private sector is particularly prevalent in new build construction and planned maintenance activities, with a varying mix of direct in-house delivery and outsourcing in responsive repairs, maintenance and improvements.

Commissioning practices are evolving, with more collaborative commissioning (through frameworks and consortia) and more outcome-focused commissioning (focusing on deliverables and their impact) in many areas. Social Value is now a key component in any decision. Procurement is formal, with the associated bureaucracy impacting on both commissioners and providers.

Individual procurement exercises are increasingly strategic in their focus. There is also a recognition of the benefits of early engagement with the market as part of this process. While the delivery of savings through procurement is of particular significance at the current time, positive impact on communities and strong service performance are typically key quality criteria in procurement exercises.

## Key messages

Looking across the literature and consultation responses it is clear that:

- There are a breadth of complex policy, financial, demand and organisational factors influencing the management and delivery of public services
- There is no escaping that financial pressures have impacted, and continue to impact, on both councils and RSLs
- Different organisations are responding in different ways to current and foreseen challenges but collaboration as a tactic offers a breadth of opportunities to support transformation and reduce cost
- The policy context across the UK is encouraging of early engagement around partnership. Collaboration remains an attractive and valuable option
- More strategic and more outcome-based commissioning is a positive step forward, but the complexities of different projects and partnering dynamics make it one option rather than the rule
- There are plenty of examples of successful collaborations and partnerships within and between different sectors. This should be seen as a positive step forward to introduce innovation, improve service and reduce costs
- Organisations can work together to develop innovative new ways to better understand and manage whole life costs for goods and services, including the scope for new arrangements to support transformation on their own organisation
- The impact and opportunities around the digital agenda need to be a key consideration
- There remains an opportunity for organisations to review their service and partnering approaches to building materials management, supply and distribution. This can help to maximise cost-effectiveness, improve services, enhance the built environment and increase social value and wellbeing
- Approaches to risk and liability transfer are being reviewed by many commissioners, with a growing recognition that these best lie with the organisation best placed to manage them, as well as an acknowledgement that wholesale transfer can sometimes be impractical and expensive.

## New practices that support improvement and change

There have been significant advances in storage and distribution practices in recent years supported by innovations in technology and digital communications. This has changed the way services are delivered, materials and costs are managed, and information is used to improve certainty, efficiency and effectiveness.

Technological innovation and digital communications act as multipliers in terms of the innovation that materials suppliers will be able to provide to councils, RSLs and other customers moving forward. These will be hard to grasp through more traditional in-house arrangements.

The new models/practices have reduced the need for many councils and RSLs to retain assets, overheads and staff costs that were necessary when undertaking stores management and distribution in-house. This has reduced whole service costs way beyond any reductions in materials costs. Further savings have been generated through reduced maintenance time on site (through better products and distribution practices), increased productivity, and improved asset, fleet and plant utilisation.

In terms of service enhancement, product availability and on-time delivery (through effective sourcing and distribution) are crucial. Improved fitness for purpose, appearance and product resilience are further considerations, improving customer satisfaction and reducing product failure.

## Key messages

- There are different service models in place for accessing many of the benefits of a modern approach to building material management, supply and distribution
- These may be shaped by different arrangements that councils and RSLs have in place for construction, planned maintenance and responsive maintenance. Irrespective, it is important for councils and RSLs to be aware of the opportunities available through a coherent approach across their activities and ensure these are delivered/protected across their activities
- Service models have evolved significantly across the local government and social housing sectors over the last 20 years, with significant opportunities for councils and RSLs to reduce their whole service costs - assets, fleet and people - through collaboration with other organisations. These service changes dwarf scope to reduce building materials costs
- Early engagement with materials providers can help to design out costs in new build and planned maintenance programmes, allowing councils and RSLs to deliver more for the same, or the same for less and create improved buildings and environments as part of the process
- Materials providers can also remove or reduce overheads and direct costs, and improve cost certainty, through a range of techniques including asset sharing, more streamlined distribution, product innovation, and branded items
- Significant developments have taken place in Logistics, Technology and Digital Services which have led to notable change in the way building materials management and services are planned and delivered
- Partnering with the right building materials provider - or working jointly with other public services to access established relationships - provides access to innovation in all three areas without the need for significant financial investment
- Attention will however be needed to managing the actual and perceived change associated with a move to any new arrangements.

# Creative Opportunities for partnership working

## The nature and scope of partnerships

There are a number of key principles that underpin effective commercial partnership working. These emphasise certainty of purpose, clarity of roles and responsibilities, transparency, shared values, appropriate management of risk and reward, and flexibility to act within agreed parameters.

Many councils and RSLs indicated that where their relationship with materials suppliers was working well, they were very open to new ideas, approaches and products that would deliver further improvements or scope for savings. They were keen to grasp the specialist technical and service knowledge of their partner and allow them to propose new solutions. This flexibility went beyond any contractual commitments set out (and monitored through) the current contract. Where things weren't going so well, there was a greater tendency to fall back on the contract KPIs as a means of managing performance and improvement.

There is a growing trend for councils and RSLs to seek a full service partnership for building materials for responsive maintenance whereby the selected materials provider takes responsibility for all materials supply, management and distribution across the service portfolio. Similar arrangements may be in place between a materials provider and a construction contractor or planned maintenance provider (typically commissioned to work on behalf of the council or RSL).

A small number of councils and RSLs have entered into a fuller managed service arrangement where the provider specified the most suitable products on behalf of the client. In some instances, the materials provider was invited to design sessions with the council or RSL to ensure that materials/product innovation could be built in to the programme/project finance projections for new build and planned maintenance works.

## Affordability and social value

Affordability (ability to deliver savings) was identified by most respondents as the key factor affecting their procurement decisions. This assumed all quality requirements had been met. However, while affordability and price are clearly important, Social Value considerations have been of growing significance in the quality element of tender assessments since 2013 (when Social Value introduced in statute in England and Wales, and embraced more formally in similar requirements/practice in Scotland and Northern Ireland).

All participating councils and RSLs indicated the increased importance of Social Value as an important consideration in informing procurement decisions (and monitoring subsequent contracts). Commitments were typically around apprenticeships, training, environmental quality and the use of local SMEs. A small number of respondents indicated that while Social Value remained an important criterion, its relative importance compared to price had slipped in the current climate. Others felt that more could be done to monitor impact, or bring further innovation and creativity to Social Value proposals.

## Commercial considerations

Most councils and RSLs felt that approaches to sharing risk and reward, or transferring liability, had become better informed through experience. Some previous procurements had often been more focused on maximising risk and liability transfer to the private sector, but experience had highlighted the inability of some providers to manage this risk in practice (leading to price increases or contracts being handed back). They felt that this had led to a less forceful emphasis on risk transfer in some more recent exercises.

As procurement has become more complex, there is a tendency to make increasing use of specialist procurement advisers (often with a legal or commercial background). There are a breadth of specialist advisory firms able to provide this advice, as well as a set of umbrella or networking organisations in the local government and social housing markets. These organisations are often best used where a

procurement is technically or commercially complex. The costs of this had to be considered against the anticipated benefits.

TUPE and pension considerations are particular issues which arise during service procurement exercises. Defined benefit schemes pension considerations can be onerous for prospective bidders (affecting their desire to bid and their quoted price), although these difficulties reduce significantly where successful bidders are allowed 'admitted body status' to commissioner's schemes, or where 'New Fair Deal' arrangements reduce much of the risk to those tendering for the work. This is typically less of an issue for RSLs where services had seldom been delivered in-house, and that neither TUPE nor pension transfer were therefore relevant considerations for them.

## Key messages

- Collaboration and commercial partnering is widespread in the building materials management, supply and distribution sector. Traditional models focused solely on materials supply; this has evolved to include management and distribution to reflect the scale of benefit that can be delivered to councils and RSLs as a result
- Partnerships can help to identify new ways of delivering outcomes, eliminate duplication, reduce whole life costs, improve customer service, deliver social value and support growth
- It is important to be clear as to the purpose of the partnership, the role of the selected partner, the scope of services to be included, and the intended outcomes from the partnership arrangement
- Affordability and the potential for savings are inevitable considerations. It is important to think about scope to reduce the whole life costs of service rather than solely reduce the costs of individual materials and products. Early and informal engagement around potential at a point of strategic review - before any tendering commences - is crucial to help shape the focus of the commercial partnership
- While cost is a key consideration, councils and RSLs should also explore the potential of commercial partners to deliver a step change in both organisational and societal objectives. The former may focus on service improvement, efficiency and cultural change; the latter on wider impact and social value
- Commercial partners can deliver a step change in social value through a breadth of activities associated with apprenticeships, employment, learning, community benefits and environmental sustainability. Many have national and regional arrangements in place that can be accessed locally by their partners
- To make partnerships work effectively it is crucial to have a clear mandate, understand mutual expectations, and apply pragmatism in pursuit of desired outcomes. The right balance needs to be reached between ensuring probity and stewardship through robust contract terms, while retaining flexibility to respond to change
- Commercial partners should be allowed space and incentivised to deliver innovation and improvement, with appropriate sharing of risk/liability/reward. It is important to have commitment from both partners to support the investment of time and resources needed to deliver success
- Expert advisers can help shape the focus an process of any procurement exercise undertaken by councils or RSLs. Many sector umbrella bodies provide similar advice and support. Consortia and frameworks can also be used to ensure procurement is robust, effective and affordable
- TUPE will apply when 'undertakings' associated with materials management, supply and distribution transfer from one organisation to another. This protects the terms and conditions of transferring staff. Continuing changes in pension rules aim to make it more straightforward for commercial partners to manage pension liabilities associated with the transfer. This remains a complex area but can be managed through early dialogue with potential providers

# Conclusions

Increasing demand for services and ongoing pressures on capacity and resources, make grasping opportunities to improve performance, productivity, and overall cost-effectiveness, across services essential. This can reduce cost, increase project or service affordability, improve services and support wider organisational transformation.

This paper has aimed to highlight how genuine partnership working in building materials management, supply and distribution can have a significant positive impact on services, assets and communities, delivering measurable benefits to commissioners and customers alike.

The paper has focused on opportunities in the local government and social housing sectors, highlighting practices that can be adapted for application across the UK. It has aimed to raise awareness of relevant developments in the building materials management, supply and distribution market, and highlight how these can deliver a breadth of benefits to councils and RSLs. It has described how partnering with building materials providers can access innovation in Logistics, Technology, and Digital Services that may be difficult for each organisation to profess in their own right.

The paper has also sought to indicate how councils and RSLs can engage with materials providers to realise these benefits and support new ways of working in the commissioning organisations. Together, these aim to deliver positive impact on the organisations themselves as well as supporting their built environment and wider community health and wellbeing ambitions.

Crucially, the preferred arrangement for each council or RSL needs to closely reflect the interests of the individual commissioning organisation. Councils and RSLs should therefore explore options through early and informal discussions with a breadth of service and material providers in seeking a bespoke and fit for purpose solution that is relevant to their local circumstances. Larger materials providers have expertise in delivering approaches across the UK and beyond, so engaging with them as to how they can meet your needs while supporting your local business networks is an opportunity not to be missed.

It is important to take a wide view of what impact and value mean for your organisation. While commercial realism will always be important, be clear as to what success will look like for you, and how different approaches to partnering and sharing risk and reward can deliver that in the dynamic context within which everyone will be operating.

# There are a number of key messages for organisations with an interest in the sector

## Councils and RSLs

Engage early and informally with building materials providers to discuss your needs and identify how service support can deliver financial and other benefits well beyond simple costs savings on materials and products.

Consider a breadth of potential benefits that may be of interest from cost reduction and improved customer service, through support for organisational transformation, to wider social value and community wellbeing benefits.

Think about how you might work jointly with building materials providers to identify and grasp these benefits irrespective of current commitments to service providers, buying consortia, or framework providers. It may be that many of the benefits can be accessed without cutting across existing arrangements.

Look at how you might best free up and incentivise building materials providers to deliver the breadth and depth of benefits you seek within the scope of a collaborative partnership.

Consider the impact and opportunities around the digital agenda and what they mean for you.

## Sector advisers

Engage meaningfully with the building materials sector around the role they can play in delivering cost, customer service and wider impact benefits to your customers.

Identify the key commercial considerations and potential solutions in allowing your clients to access these benefits in the context of existing contractual commitments to developers, contractors and service providers in construction, planned maintenance and reactive maintenance settings.

Scope guidance you may want to give about how your customers can access these benefits, including how they might be delivered across a breath of existing arrangements with developers, contractors and service providers for specific services.

Consider the extent to which particularly onerous terms and conditions of contract can distort market interest in supporting your clients, or potentially reduce the innovation, pragmatism and agility needed to sustainably deliver services and products moving forward. Propose alternative arrangements which protect your clients while allowing these wider benefits to emerge.

## Service and building materials providers

Scope how you might work more proactively together on individual contracts with councils and RSLs to deliver cost, customer service and wider impact benefits to your customers and how all parties can share the risks and rewards of doing so.

Seek to engage early and informally with your current and potential customers to access these benefits, including how they might be delivered across a breath of existing contractual commitments.

Raise awareness in the local government and social housing markets - amongst customers, umbrella bodies and sector advisers - about how more manageable conditions of contract would continue to protect commissioners' interests while allowing materials providers scope to deliver the innovation, pragmatism and agility needed to sustainably deliver services and products moving forward.

Identify how you might make a step change in your social value and community engagement activity over the next five years to deliver ever more tangible impact in terms of employability, learning, community benefit and environmental sustainability.

## Local government and housing 'umbrella bodies'

Engage meaningfully with the building materials sector around the role they can play in delivering cost, customer service and wider impact benefits to your member organisations.

Consider guidance you may want to give about how your members can access these benefits, including how they might be delivered across a breath of existing arrangements with developers, contractors and service providers for specific services.

Consider the current fitness for purpose of existing sector advice on commissioning commercial partnerships to gauge whether it facilitates the innovation, pragmatism and agility needed to sustainably deliver services and products in today's dynamic context.

Looking at best practice, scope out what social value and community engagement might mean in practice for your members over the next 10 years as organisations seek to go beyond current commitments to employability, learning, community benefit and environmental sustainability in delivering the next horizon of social value benefits.

To receive a hard copy of this report or for further information regarding the report or working with the Saint-Gobain Building Distribution Public Sector Team please email [publicsector@saint-gobain.com](mailto:publicsector@saint-gobain.com)

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