

2nd Opinion: A perfect partnership

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Partnering the ADP? Our contributor thinks it could work

By Andrew Drury

As the development teams get to grips with the recently issued bidding guidance from the Housing Corporation, housing association staff and members will be wondering if this the last time they will be playing this game.

After the corporation's discussion paper *Partnering Through the ADP*, should come a consultation paper, then a decision. The trouble is, the discussion paper wasn't actually about partnering. To me, it reads as a paper where the starting point is simply to reduce the number of developing registered social landlords, justified by the hope that this would enable greater economies of scale through volume procurement. Perhaps so, but then why call it "partnering"? Partnering and volume procurement are quite different.

So what would partnering the ADP really involve? It would involve the client (the Housing Corporation) setting clear objectives to be achieved by the supply teams (the RSLs) – the current situation could be improved, but it's not bad.

The client would expect to provide a sufficient and (reasonably) constant stream of work to the selected supply team for several years without wasteful bidding processes – assuming performance targets were met. That would involve the corporation being able to make reasonably firm funding promises for three to five years. This is a major change from current practice, but not too much of a change from the corporation's own proposals in *A New Approach to Investment* in February last year – and it ties in with timescales for the comprehensive spending review .

The geographic distribution of the ADP would also need to be reasonably firmly settled for the same timescale. This, too, is a change from current practice, but significant changes to ADP distribution usually occur over a few years anyway.

Having determined the likely amount of work to be commissioned in each area, the client would then select their supply teams. This might consist of a lead developing RSL and a number of specialist subcontracting RSLs, which may well mean fewer developing RSLs.

The client wouldn't expect the suppliers to take on risks that are beyond their control – so the amount of grant paid would be more flexible. Better news for RSLs is that the client would want suppliers to make enough financial return that they stay financially healthy.

The equivalent to agreeing the constructor's overheads and profit margin would be to agree when the project finances have to break even. After 25-30 years as the current grant rate model assumes? Perhaps for some supplier RSLs it should be 10 years; perhaps for the more financially robust it should be 40 years. Different grant rates for different supply teams is another major policy change, but better for RSLs.

"Price" and quality issues would, of course, be part of the corporation's value-based supplier selection process. The client would use an amended version of the amended long-standing benchmarking club to set challenging targets for suppliers to meet in the drive for continuous improvement. But remember, this is at the same time as ensuring the supply teams make their required financial return, so it's not "screwing the supplier". Now, that is *very* different from current practice.

This approach might well yield the increased value that the Housing Corporation is looking for. But are the Housing Corporation and government willing and able to make the changes needed for them to access the benefits of partnering? It might be worth it.

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