

AMP8 - The importance of effective contractor management

An effective supply chain plays a pivotal role in all industries and as such is an essential element to companies' overall delivery, sustained operation and success. The Water industry within the United Kingdom is recognised as a critical deliverer of essential services. This fact is recognised within the AMP8 programme, which presents a considerable challenge via its estimated total investment of £88bn. The proposed investment from a context perspective is circa double the previous AMP7 spend.

The supply chain supporting Water and Sewage Companies (WASCs) in delivering Asset Management Plans is both wide and complex and includes undertaking specialised tasks and projects that are crucial for delivery of complex projects. However, as clients have the overarching responsibility for projects (supported by the Principal Designer and Principal Contractor), effective contractor measuring and monitoring is viewed as being essential to mitigate risk, prevent incidents and accidents, and maintaining a safe working environment. All of which also support the reputational risk of WASCs.

A number of WASCs have raised concerns regarding the current industry contractor capacity to deliver their investment plans, and as such are awarding frameworks of 5+3- or 5+5-year frameworks respectively, ensuring they have and continue to retain a sustained contractor supply chain. This concern has also required some WASCs to look outside of the existing contractor pool and engage contractors outside of the industry. This prospective approach does however come with a degree of risk and as such, it is vitally important that robust contractor management arrangements are consistently applied.

In this document we will outline the key components to support effective contractor management and highlight its benefits for clients.

Risk mitigation

Contractor management helps clients identify and assess potential risks associated with contractor activities. By conducting thorough risk assessments and reviews, clients can implement necessary safety measures and protocols to minimise hazards. This initiative-taking approach significantly reduces the likelihood of accidents, injuries, property damage, theft and pollution ensuring the safety of all stakeholders.

Compliance with regulations

Effective contractor measuring and monitoring ensures compliance with industry-specific regulations and standards. These are varied in the water industry and present high-risk exposures with examples including but not limited to; toxic gasses, confined spaces, high-pressure mains and of course, public health.

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WASCs (as CDM clients) are required to ensure that contractors project arrangements adhere to safety guidelines and legal requirements. Regular measuring and monitoring assists in identifying any non-compliance issues and provides an opportunity to rectify them promptly. Compliance not only supports successful project deliverables but is also viewed as being a significant safeguard for effective protection from potential legal liabilities and reputational impacts.

Communication and collaboration

Effective communication and collaboration between contractors, and clients helps supports an ethos of best practice across frameworks. Promoting initiatives, interventions, learning events and client specific requirements all help to drive continuous improvement. Furthermore, regular safety meetings, collaborative inspections, and incident reporting encourage open dialogue and the sharing of safety concerns. This collaborative approach fosters a positive safety culture, driving overall safety performance via a process of continuous improvement and consequently reducing the likelihood of accidents or incidents to the lowest practicable levels.

Finally, promoting an inclusive project relationship supports transmitting of asset hazard information. Most WASCs own and operate a number of aging assets, where Health and Safety Files and Operating and Maintenance Files access and information may not be available. Where this is proven, open lines of communication are imperative between the contractor and client to ensure that all stakeholders are fully aware of actual and potential challenges which may become apparent during delivery.

Establish clear performance metrics

Defining Key Performance Indicators (KPIs) that aligns with clients' objectives, supports delivery of OFWAT's Outcome Delivery Incentives (ODIs), Price Control Deliverables (PCDs), and wider contract requirements. These metrics may include cost management, programme completion, quality, health, and safety, ESG, compliments vs complaints, efficiencies, and adherence to contractual terms. Providing clear and measurable performance metrics also provide a benchmark for evaluating supplier performance.

Regular performance reviews

Conducting regular performance reviews with suppliers to assess their performance against the established metrics is viewed to be a critical measure. These reviews can be conducted through a variety of means such as meetings, scorecards, and or performance evaluation forms and can also be based against predetermined leading/lagging indicators. Sharing feedback on both positive aspects and areas for improvement and establish open lines of communication to address any concerns or challenges.

Finally, promoting a culture of 'continuous improvement' with the contractor by actively seeking feedback from suppliers and fostering innovation is a proven method in driving valuable efficiencies.

The above activities provide clients with a defined platform to identify trends, patterns, and areas for improvement. By analysing data from contractor activities, clients have the option to identify potential issues with forewarning in conjunction with recurring issues etc. from which they can focus, establish and implement corrective measures in a confident and intelligent manner. This data-driven approach and associated outputs allows for a process of continuous improvement in working practices, leading to a safer working environment for all stakeholders involved.

Conclusion

Effective contractor management is vital for ensuring safety and subsequent risk mitigation, especially in large and complex frameworks. By proactively identifying and controlling risks, monitoring compliance, fostering communication, and driving continuous improvement, clients can create a positive culture whereby projects can be delivered with positive outcomes.

Prioritising effective contractor management not only supports effective risk management but also enhances the reputation and credibility of clients. Effective risk management requires a collaborative approach and effective contractor monitoring plays a critical role in achieving it. By employing these strategies, clients can also enhance contractors' performance, not only strengthening the contractor, but also through investing in and fostering long-term partnerships with dependable and high-performing suppliers.



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