



South East Consortium Conference 2018

Collaborating for Value – using Alliancing Contracts

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Introduction

- Using framework alliancing and collaborative contracts to deliver value
- Nothing new but still there are the detractors
- The sector talks a good game but few deliver
- In austere times, tendency is to revert to feral, lowest cost tendering
- Nothing kills a project quicker than arguments over money
- So what are the leading lights in the sector doing?



A brief history of time

PPC2000

- 18 years of successful service - with hardly any litigation
- Recommended by the UK Government as part of the 2012 Government Construction Strategy as a medium for collaborative working, early contractor involvement and BIM





Third of state schools in cash deficit

By Sean Coughlan
BBC News education correspondent

Give the NHS more money – or it will face trouble this winter
Chris Hopson

Home Office Funding To Police Will Be Cut By At Least £100m, New Figures Reveal



Councils 'at breaking point' due to budget cuts and rising social care bills



2013-18 Government Trial Projects

The Trial Projects targeted 20% savings through strategic partnering and collaborative working.

PPC2000 & TPC2005 in conjunction with strategic frameworks and alliances were selected to test Two Stage Open Book and Supply Chain Collaboration.

Audited results:

- *Up to 26% agreed savings*
- *Extended warranties*
- *New local business opportunities*
- *Improved employment & skills commitments*
- *New sustainability initiatives*

Who's doing it?

- Surrey Project Horizon in the Project 13 'Blueprint' for client led enterprise procurement
- The SCMG - PPC200 with LBs of Hackney & Haringey
- Futures Housing Group – first user of the Framework Alliance Contract, FAC-1
- HM Prison Cookham Wood & HM Prison Berwyn – PPC2000, Ministry of Justice

All featured in The Housing Forum report, '*Stopping Building Failures*' and The Construction Leadership Council report, '*Procuring for Value*'



What is a Framework Alliance?

- Clients and the construction industry (and their lawyers / advisers) focus mostly on allocating / transferring risk under individual construction phase building contracts
- A “*framework alliance*” focuses also on the pre-construction phase and on the lessons that can be learned between team members and between projects
- A “*framework*” is an agreement enabling and supporting the award of project contracts that is not itself a project contract (e.g Reg 33(2), Public Contracts Regulations 2015)
- “*Alliancing is a form of long term partnering on a project [or programme of works] in which a financial incentive scheme links the rewards of each of the alliance members to specific and agreed overall outcomes.*” European Construction Institute

What can an effective framework achieve?

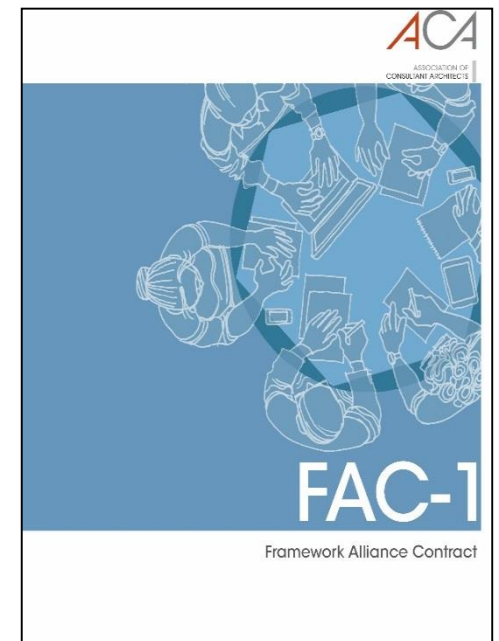
“Evidence suggests that benefits can accrue from the use of effective frameworks in procuring construction and they include:

- *delivering sustainable efficiency savings*
- *reduction in consultancy and construction costs*
- *delivery of projects closer to target cost and time*
- *reduction of disputes, claims and litigation*
- *high client satisfaction rates*
- *high proportion of work undertaken by small and medium-sized enterprises*
- *high proportion of local labour and sub-contractors*
- *high take-up of government in initiatives such as fair payment, apprenticeships*
- *high proportion of waste diverted from landfill*
- *good health and safety performance against national average*
- *acting as a key enabler to integration of the supply team”.*

UK Government Effectiveness of Frameworks Report, 2012

And so FAC-1 was born

- *“The general lack of standard-form framework arrangements makes it difficult for clients to procure frameworks on a consistent basis”* UK Government Effectiveness of Frameworks Report, 2012
- King’s College London and the Association of Consultant Architects have created a flexible standard form multi-party framework contract suitable for any type of project and for use with any one or more project contract forms
- Based on successful prototypes and UK Government guidance, plus 12 months consultation with over 120 clients, consultants, contractors, lawyers and academics
- Publication of **FAC-1** in June 2016
- Take up on procurements worth over £12 billion in first 2 years



Early users

- The CLC / BEIS recommend FAC-1 for strategic procurement of modular housing
- The Crown Commercial Service have committed to using FAC-1 for its £30bn construction framework and also for its innovative modular framework
- The LHC have adopted FAC-1 on the integration and aggregation of client demand in relation to schools and housing programmes across the UK
- The Royal Borough of Greenwich have entered into FAC-1 for a £20m M&E programme to their high rise stock



Case study – Surrey CC Highways

Supply Chain Collaboration
Operation Horizon



Achieving benefits from long-term funding

- 5-year Capital programme – 2013 to 2018
- Objective to repair 10% of the road network – cost estimated to be approximately £120m, but only £100m available
- Seeking a 15% saving by adopting a 5-year programme + other benefits
- Procured following two stage open book approach under TPC2005



Planned outcomes

- Savings identified from two activities to deliver between 12% to 20% discount:
 - **Contract Discount (12%)**– suppliers would give SCC an automatic **12%** discount of costs provided SCC continue to guarantee a minimum amount of turnover (expressed in material tonnage) per year
 - **Value Engineering (4% – 8%)** – in the addition, all parties agreed to a minimum **4%** value engineering target for each scheme and a stretch target of **8%**. This would incentivise teams to maximise efficiency and minimise design costs

Actual outcomes

- 12.5% savings achieved of total budget (some elements of work not eligible for discount)
- 76% of schemes with 10-year warranty, 22% with 5-8 year warranty
- Since 2013, only 4% of schemes have required any remedial work
- No health and safety incidents
- Environmental innovation – treatment of tarbound roads reduced costs of treatment from £140/t to £60/t
- Won the Constructing Excellence Award for Collaborative Working
- Customer satisfaction:



Case study – The Hillsborough Inquest



On 4 June 2013 Lord Justice Goldring announced that the fresh inquests into the Hillsborough Disaster would commence on Monday 31 March 2014

He added, *“I am confident that we will locate a satisfactory venue, and that will not be a reason not to begin on that date.”*

The task of securing a suitable venue fell to the MoJ Estates Directorate

The Project

- Find the accommodation
 - Procurement
 - Project management
 - Handover
- all in 9 months..



How did they do it?

- Used PPC2000
- Two stage open book tendering
- Procured the FM and M&E separately
- Brought all parties together under a Joining Agreement
- First tier specialists on the Core Group
- Joint agreement on design reduced construction programme to 10 weeks
- Weekly progress meetings
- Problems raised were solved jointly
- Handed over on time for a pre-inquest hearing
- The rest is history



Project outcomes

- Created one of the largest courtroom spaces in Europe
- Converted an open plan office shell at Birchwood Business Park to create a high specification court
- Provided seating for 286 members of the public and 92 advocates
- Totalling close to 5,000 sq. metres
- A 1,300 sq. metre courtroom
- 14 confidential consultation rooms
- A public waiting area with a seating capacity of 72
- And a 304 sq. metre court annex that provides an additional 99 seats.

“Constructing the court demonstrated the value of working together under partnering arrangements where all parties worked with a common purpose to drive innovation and timely delivery.”

Tony Fletcher, Project Delivery Director, Estates – Ministry of Justice, Home Office and Crown Prosecution Service

The biggest court room in England & Wales

savills



The Coroner's bench

savills



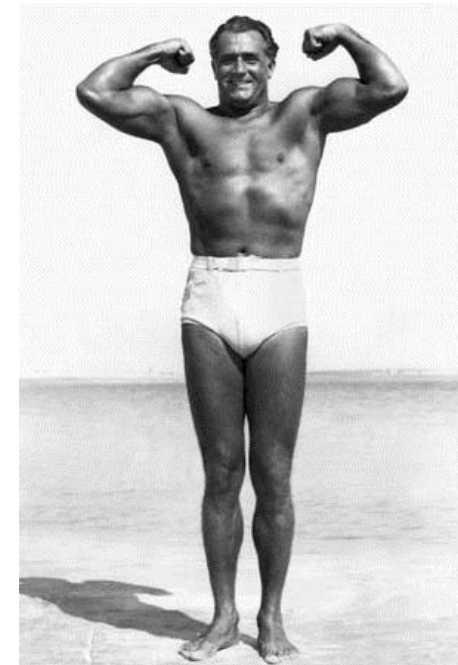
The real outcome

- The inquests began on 31 March 2014
- It proved to be the longest inquest in English legal history
- The jury of six women and three men were sent out to consider their verdict on 6th April 2016
- The verdict of “unlawful killing” was announced on 26 April 2016



Nothing new?

- Partnering, Collaboration, Alliancing has been proven to deliver powerful results
- Nothing new to the housing sector
- Despite all the evidence, engineers remain to be convinced
- Up to housing to show the way



“The only truly effective way of delivering great buildings that delight end users, on time and to budget, is to achieve excellence at both business and project level through collaboration.”

Sir Michael Latham

“In the long history of humankind those who learned to collaborate and improvise most effectively have prevailed.”

Charles Darwin