



# South East Consortium Conference 2018

## Collaborating for Value – using Alliancing Contracts

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# Introduction

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- 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?



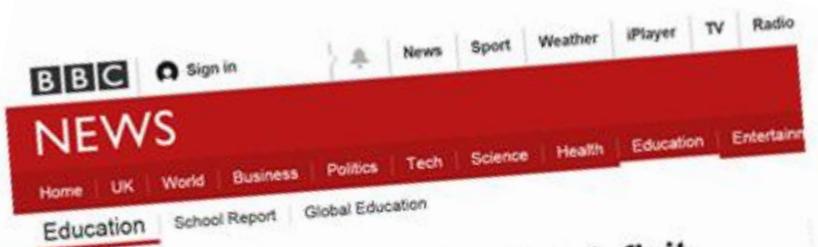
# A brief history of time

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## 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

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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?

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- 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?

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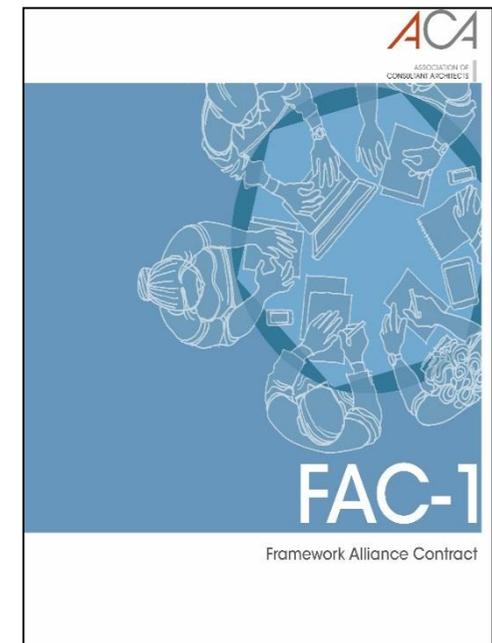
*“Evidence suggests that benefits can accrue from the use of effective frameworks in procuring construction and they include:*

- *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

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- 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

savills

Supply Chain Collaboration  
Operation Horizon



# Achieving benefits from long-term funding

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- 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



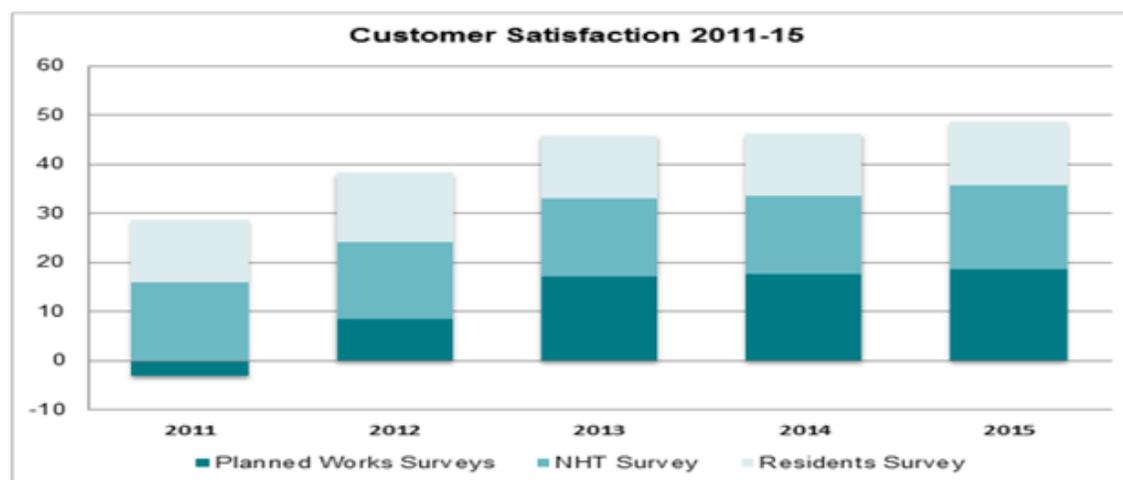
## Planned outcomes

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- 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

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

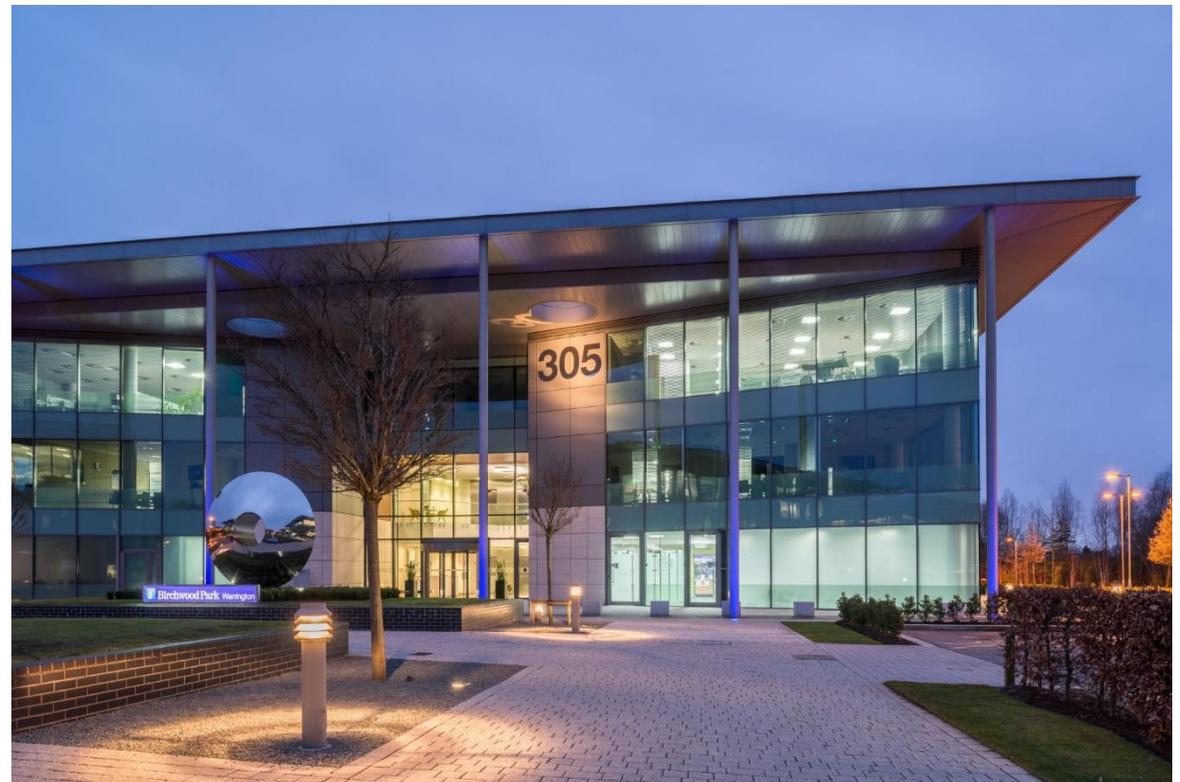
He added, *“I am confident that we will locate a satisfactory venue, and that will not be a reason not to begin on that date.”*

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

# The Project

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



# How did they do it?

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- 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

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- 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

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# The Coroner's bench

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## The real outcome

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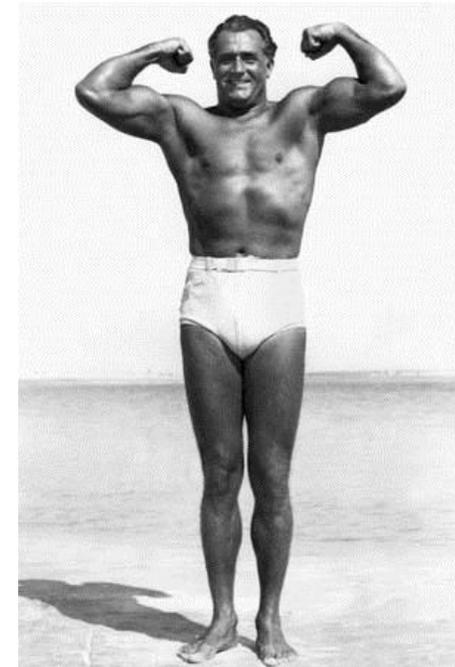
- The inquests began on 31 March 2014
- It proved to be the longest inquest in English legal history
- The jury of six women and three men were sent out to consider their verdict on 6<sup>th</sup> April 2016
- The verdict of “unlawful killing” was announced on 26 April 2016



# Nothing new?

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- 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