Collaborative working between the public and private sector – how we can work together

Presented by Nigel Barr

21 February 2013
Today’s objectives

To develop an understanding of:

- How partnering works
- Procuring partnering projects and services
- The Public Sector Partnering Contract (PSPC) Manchester City Council – an interesting case study
- Adding value and reducing costs
Very diverse requirements

- Office supplies
- Schools
- Materials
- Plant
- Vehicles
- Training /Educational services
- Advice and consultancy
- Research
- Waste management

- Professional services
- Social care
- Health services
- Construction
- Decorating
- Renovation
- Maintenance
- Footpaths and highways
- Landscaping
- Etc... etc... etc...

Source, Secure, Sustain
What Makes Partnering Work?
The Essential Elements Of Partnering Are:

- Mutually agreed objectives
- Continuous improvement
- Decision making

Source: The Seven Pillars of Partnering (1998)
Partnering: Getting The Balance Right

CULTURAL ISSUES

COMMERCIAL REALITIES

SHARED OBJECTIVES

Source, Secure, Sustain
Developing and Agreeing Objectives
WHERE WE ARE NOW

PARTNERING

WHERE WE WOULD LIKE TO BE
Understanding Cost, Price and Value

Value margin
Price margin
How do you procure an EU compliant partnering contract arrangement and what are the benefits?
### EU Procurement Thresholds

<table>
<thead>
<tr>
<th>Public sector contracting authorities</th>
<th>SUPPLIES</th>
<th>SERVICES</th>
<th>WORKS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£173,934 (£200,000)</td>
<td>£173,934 (£200,000)</td>
<td>£4,348,350 (£5,000,000)</td>
</tr>
</tbody>
</table>
Frameworks or Contracts?
Opportunities to develop community benefits

Avoid non productive costs – tendering etc

Strong relationships with supply chain not just main contractor

Continuous improvement in cost and quality

Re-Thinking Procurement
EU Procurement Considerations

What are the options?

Framework
No Legal Commitment
(up to 4 years any value)

Contract
Legal commitment
(any length of time or value)

Individual Orders
(Contracts)
What is a Framework?

**Basic Contract**
- Complete contract
- No further action needed
- Binding obligations
- Further contract needs further procurement

**Framework Agreement**
- Incomplete relationship between partners
- Further action to create specific contracts
- Potential for series of specific contracts incorporating provisions of the framework
Partnering?

- Project Partnering
- Framework Agreements
- Long term Contracts
- Strategic Partnering
- Traditional Lump Sum Contract
- Measured Term Contract

Source, Secure, Sustain
Benefits of Early Involvement

- Opportunity to improve value
- Cost reduction potential
- Cost of Change

- Option appraisal
- Outline design
- Final sketch plan
- Detail design
- Construction

Source, Secure, Sustain
‘Traditional’ Process

NEED

DEVELOP

PROCURE

IMPLEMENT

Source, Secure, Sustain
Project Partnering Process

- NEED
- PROCURE
- DEVELOP
- IMPLEMENT

Source, Secure, Sustain
Framework / Strategic Partnering Process

PROCURÉ

NEED

DEVELOP

IMPLEMENT
Process Improvement - Time

Traditional (Sequential)
- Need
- Develop
- Procure
- Implement

Project Partnering
- Need
- Procure
- Develop
- Implement

Framework (Strategic Partnering)
- Procure
- Need
- Develop
- Implement

Timeline Benchmark
- 5% – 10% Time Saving
- 5% – 25% Time Saving

Source, Secure, Sustain
Process Improvement - Cost

Framework (Strategic Partnering)

Procure  Need  Develop  Implement

5 – 15% Cost Saving
Consortium Approach

- Client Alliance
- Partner Contractors
- Supplier Cluster
- Supplier Cluster
- Supplier Cluster
- Partner Suppliers

Source, Secure, Sustain
Partnering in Services

- What do you want in terms of:
  - Services (e.g. call centre services, design services)?
  - Works?
- How much control do you want to retain:
  - Of the work?
  - Of the budget?
- How do you want to manage/share the risks?

Extent of control

Maximum control
In-house workforce

Minimum control
Out-sourced asset management

Source, Secure, Sustain
Target Price Model
Why do we need targets?
Setting the Target Price

Activity Schedule and estimates – for example:
- Labour
- Plant
- Materials
- Sub-contractors
- Site prelims
- Project specific insurance
- Ongoing contractor design

Source, Secure, Sustain
Linking Performance

50/50 Share of Pain

Target Price

50/50 Share of Gain

Payment linked to performance against KPI’s

Source, Secure, Sustain
Developing a High Performing Team
Team Development Model

FORMING  STORMING  NORMING  PERFORMING

Source, Secure, Sustain
Start-up Workshop

- Build relationships
- Agree Partnering Procedures:
  - Aims and objectives – Charter
  - Decision-making process
  - Procedures
    e.g. Risk management
    Performance measurement - KPIs
    Communication Strategy
The Public Sector Partnering Contract (PSPC)
Problems With Existing Standard Forms

- Based on disputes & case law
- Reactive as opposed to pro-active
- Not based on good management practice
- Little focus on project objectives
- Inflexible
- Conflict of interest in the role of the Engineer/Architect
Overview

- Developed in consultation with the public sector
- Based on experience
- Complete suite of contracts
- Range of options for payment and design
- Promotes Collaborative Working
- Value for money
Aims

- Simple to use and understand
- Adaptable
- Promotes collaborative working
- Comprehensive suite – suitable for use on a single project or within a Framework
Structure

- 10 Options
- Two Parties to the contract (unlike the PPC2000)
- Partnering Agreement
  - The whole Partnering Team
Public Sector Partnering Contract

Option 1  Term Maintenance: Measure and Value

Option 2  Term Maintenance: Target Cost with Cost Reimbursable

Option 3  Authority Design: Lump Sum

Option 4  Contractor Design: Lump Sum

Option 5  Authority Design: Target Cost with Cost Reimbursable
Public Sector Partnering Contract

Option 6  Contractor Design: Target Cost with Cost Reimbursable

Option 7  Subcontract: Lump Sum

Option 8  Subcontract: Target Cost with Cost Reimbursable

Option 9  Professional Services

Option 10  Pre-start Agreement
The Manchester Partnering Experience in Construction Procurement

Adding Value
How MCC used to do it

- Single projects procured based on lowest price criteria
- Heavyweight procurement procedures – time consuming/costly
- Little focus on quality of contractors
- Virtually no consideration of ‘supply chains’
- Adversarial contractual arrangements (‘master’ and ‘servant’)
- Costly disputes very common
- Took years to settle final accounts
- Lack of cost and programme certainty
- No lessons learned – **same again!** ...and again! ...and again!
What did MCC want?

- More time/cost/quality certainty and projects
- Added Value – something more than the project itself
- Do things differently to get better outcomes from Primary School projects
- Not just ‘good school buildings’........
- ........ also satisfy regeneration objectives
- Do the above by working collaboratively with Contractors
What did MCC need to do it?

- Contractors (Constructor Partners) with a culture of working together, trusting and sharing
- Partners who could add value – jobs, training, innovation, better quality and lower costs through ‘whole team’ engagement
- A new procurement arrangement to deliver real improvements
- Understand and embrace the benefits of maximising the contribution of the ‘Supply Chain’
- Major cultural change within the Local Authority
What did MCC achieve?

- 5 frameworks – over 1000 projects – approx. £800m
- Streamlined project procurement – over £10m saved in tendering costs
- Early Contractor/Supply Chain involvement giving ‘added value’
  - Innovation
  - Lean design and costs
  - Better risk allocation and management
  - Programme time reduction
What did MCC achieve?

- Primary Schools – 7% lower cost than ‘average’
- Secondary Schools – Delivered at 90% of Government cost benchmark on 33 schools
- Small Works – massive reduction in project delivery timescales
- Budget and programme certainty is now the ‘norm’
- Better quality projects – design and construction
How did MCC do it?

Focus on ‘Added Value’ outcomes through collaborative working arrangements

- Total joint working (client, end users, designers, contractors, supply chain)
- Collaborative procurement between constructor partners
- Focus on local jobs and apprenticeships (Young People into Construction Initiative)
- Local economic multiplier effect (51% of total MCC spend is with companies within the City boundary)
- Performance Management / KPI’s / Continuous Improvement
How did MCC do it?

- Realisation that culture and mindset had to change
- Partnering and Open Book Accounting training
- Use of the Public Sector Partnering Contract
- ‘No blame’ culture
- Trust
- Teamwork (Client and Constructor Partner)
- The ‘change’ needs leadership and commitment
- The culture change is ‘evolutionary’ not ‘revolutionary’
North West Construction Hub

- 3 Construction Frameworks - High, Medium & Low value

- To work ‘horizontally’ with other public organisations in the North West and share the construction ‘Procurement formula’ that has been so successful in Manchester

- £450m over 2 years – 30 clients
Critical Success Factors

- Leadership
- Full ‘buy-in’ at all levels of organisation
- Be willing to change
- Prepare for change
- The Public Sector Partnering Contract
- Get the right support to help make the change
- Work hard at making the change
- Not easy - but it is worth it!
Thank you

For further information please contact Nigel:

**W:** www.stradia.com / www.pspccontract.com

**T:** 0114 243 0900 / 07966 123781

**E:** nigel.barr@stradia.com