



Expertise — June 2014

New models of construction procurement

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In January 2014, the Cabinet Office published guidance on its new models of construction procurement which are recommended for use across the public and private sectors. These models are a measured response to the current economic climate and have been extensively tested and scrutinised through a "trial projects" process.

The models are:

- Two Stage Open Book and Supply Chain Collaboration
- Cost Led Procurement, and
- Integrated Project Insurance.

Each of the guidance notes together with studies in relation to each of the trial projects can be accessed at <https://www.gov.uk/government/collections/government-construction#government-construction-strategy>

Trowers & Hamlin has been at the forefront of innovation and best practice in construction procurement for over twenty five years. Members of our team drafted and developed the standard form PPC2000 and TPC2005 contracts which embed the processes of Two Stage Open Book and Supply Chain Management, particularly the early conditional appointment of a contractor (and specialist sub-contractors and suppliers where appropriate) in order to secure their involvement in design development and rigorous testing of cost information. We have also introduced these processes to conditional early appointments for projects under JCT, NEC and FIDIC forms of contract.

We have worked with a number of clients to review and develop their tier 2/3 supply chain to secure cost savings and to enhance service delivery. Members of our team have worked extensively with the Cabinet Office to develop the new models and, with King's College London, have drafted the published guidance to Two Stage Open Book and Supply Chain Collaboration.

We are also a leading procurement practice and have a wealth of experience in accommodating new models of construction procurement into EU-compliant



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procurement processes, in particular by ensuring that robust cost information and design development processes are established at the outset.

Examples of our recent work in construction procurement include the following.

- The procurement of the Ministry of Justice strategic alliances, which provide for early contractor appointment and supply chain engineering under NEC and PPC contracts for around £3bn of capital projects. Those alliances provide for mini-competitions on the basis of budget certainty and cost improvements through design iteration. We also act as project mentor in relation to the Government Trial Projects for the construction of the £20m Cookham Wood Young Offenders Institution and proposed £250m new prison in North Wales. Our role is to provide guidance and advice in relation to Two stage Open Book to ensure integration of a full supply chain so as to enhance design solutions and reduce risk. Both Cookham Wood and the North Wales project are also leading the Government's testing of BIM Level 2.

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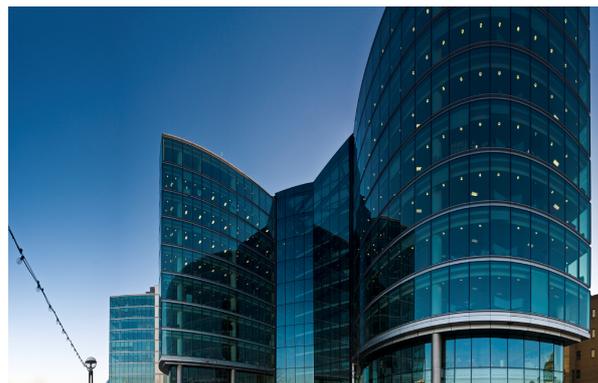
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Similar projects include:

- The Home Office on early contractor appointment in connection with capital projects and developed a robust conditional appointment for use with NEC contracts.
- We advise a number of local authority and other clients in connection with early contractor engagement through conditional appointment leading to full engagement under JCT and other forms of contract.
- Dubai Healthcare City on the procurement of the iconic world-class University Hospital Project in Dubai. This US\$900m project was the first of its kind in the Middle East and was procured through early contractor engagement under the PPC International form of contract drafted by Trowers & Hamlin. Both the domestic and international variants of PPC2000 provide for the early engagement of the main contractor and other specialists in a manner entirely consistent with the processes of Two Stage Open Book procurement recommended by the Cabinet Office. This project also pioneered the use of Integrated Project Insurance in which indemnifies all parties against design and construction risks.

Similar projects include:

- The City of London on its procurement and delivery of three City Academies and a major commercial development through PPC2000. These were uniquely challenging sites and contractors' practical input in finalising the programme and design solution was invaluable.
- Your Homes Newcastle on its procurement of district heating systems and energy efficiency works under PPC and NEC Contracts. Given the detailed interfaces between design packages, early contractor involvement and strategic collaboration between contractors are key.
- Jarvis Hotels on major refurbishment works under PPC2000 and for Mapeley Group on its procurement of refurbishment works across the Group's UK estate under PPC contracts.
- Manchester Airports in connection with terminal upgrade works under PPC2000.
- We act for Surrey County Council on its project to deliver significant savings and efficiencies in relation to its highways programme under existing term contracts. We have worked with Surrey CC in order to deliver agreed savings of 15 percent on the



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tendered rates through structured engagement with both the tier 1 contractor appointed by Surrey and with tier 2 and 3 suppliers and specialists forming the supply chain. These significant savings – together with 10 year warranties, additional recycling and additional apprenticeships – have been achieved by providing the supply chain with greater programme certainty and visibility, obtaining supply chain input to technical documents and by adopting other creative solutions. This project is a Government Trial Project.

Similar projects include:

- The Supply Chain Management Group in relation to its procurement and supply chain engineering of asset management contracts delivering savings of 14 percent – in addition to the original procurement saving of 16.5 percent – through engagement with the supply chain. This project is a Government Trial Project.
- Circle Housing Group in relation to its £1.2bn programme of planned and responsive works over ten years. Having advised on the procurement and drafted suitable contracts, we are now engaged in Supply Chain Collaboration processes. This project is a Government Trial Project.

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