

Project Control & Contract Administration

Session 5

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Last session....

- Recap module to date....
- Assignment/coursework
- Session 4 - Design & Build Procurement – In short D&B offers the client a range of options from traditional or turnkey solutions, in which the client has little involvement in the design. To a develop and construct solution that just allows the MC to develop the detailed design element.

Your Thoughts (last weeks session)....

- D&B procurement and Client changes to the design during the construction phase.

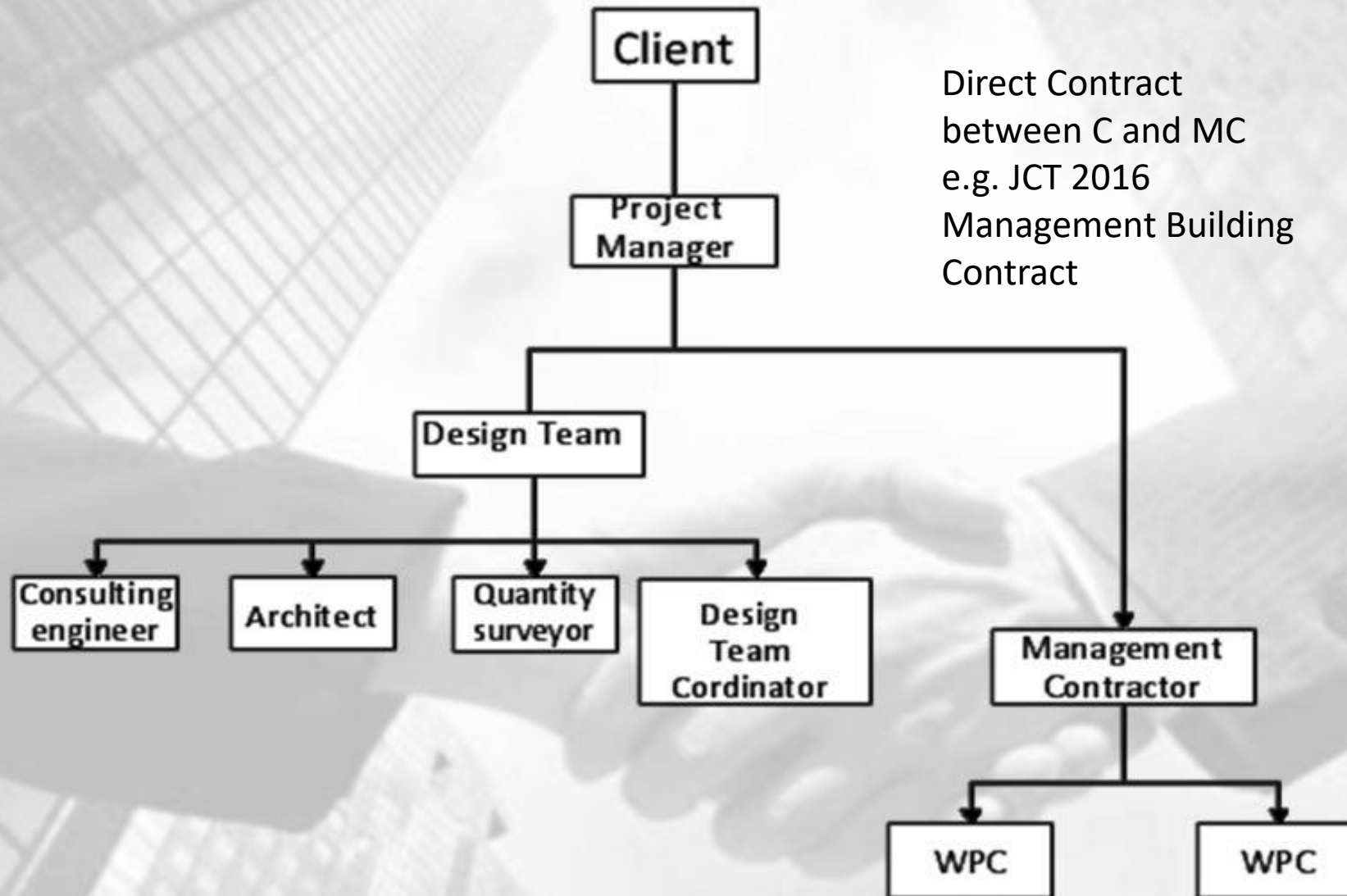
How could we help minimise the financial risk to the Client?

- We should have no design information 'extension of time' claims from the MC in D&B procurement! Agree or Disagree?

3. Management Procurement 3%

- In contrast to the previous two, the client may decide to appoint a Management Contractor to engage and manage a number of work package SC's. (still with the use of a form of client consultant/designer)
- Competitive due to MC being invited to submit a bid to manage the project, this would include:
 - MC Quotation (management and MC preliminaries costs)
 - The programme
 - Procurement of the work packages
 - Control of information flow
 - Buildability considerations

Management Contracting



Some points to note....

1. Management contractor is appointed early in the project
2. Costs can reduced by about 10%
3. Buildability of design
4. Time = possible for some works packages to be tendered early e.g. piling package
5. Collateral warranties may be required by the Client and the works packages

Partnering Agreements 3% (trust, trust & trust)

- Partnering (alliancing) was viewed as a radical departure from the traditional Man C approach.
- Developed in US in 1980's and putting relationships as the focus.
- Successful partnering relies heavily on teamwork and mutual trust, by openness and honesty by all members of the construction supply chain! (famous pioneering PA = M&S and Bovis)
- This has been split into the following informal arrangement:
- Mostly it is an informal agreement but can also be made formal by a Partnering contract agreement e.g. NEC Partnering Agreement (or just a charter) PTO

1. All parties seek 'win-win' solutions (risk management)
2. Value is placed on long term relationships
3. Trust & Openness are norms
4. An environment for long term profitability exists (disclose profit margins & ring fence)
5. All are encouraged to openly address any problems
6. All understand that no one benefits from exportation of the others
7. Innovation is encouraged (value engineering)
8. Each partner is aware of the others needs, concerns and objectives and is interested in helping their partner achieve this (could be via benchmarking the project)

Partnering going forward

- Since 2010 many clients across many sectors have been adopting partnering arrangements with the supply chain as it has proven long-term benefits.
- Options of Project Partnering to Strategic Partnering
- Latest data on partnering procurement for Clients:
 - Up to 40% savings on project costs !
 - Up to 70% savings on project time!!

For contractors the continuity of working repeatedly for the same Client can bring a number of benefits, but contractors agree profit margins increase but also provides a more rewarding environment in which to operate.

Some points to note....

- Good for high risk contracts – hospitals, schools etc.
- Set up a ‘virtual company’
- Longer the project the better the partnering results have been found to be – strategic partnering
- Latham liked partnering – not based on lowest cost but best value for the client
- Risk – is it just a paperwork exercise? Client ties the MC into a thought contract of old!!!

Framework Agreements 3% (flexibility for Client)

- These are being increasingly used to procure goods and services in both public and private sectors. (A form of strategic partnering)
- BA were the first big private sector client to use FA's. LA's have been using these agreements for a number of years.
- The key problem with frameworks is how to compare an 'economic test' for the selection process (best value test)
- They are usually for a given period of time (max is 4-5 years) and agree a price and standard of quality for a contract.
- PQQ for SC to complete to be placed on a selected framework list.

Framework Agreements

- In a nutshell: 'a flexible procurement agreement between parties, which states that works, services or supplies of a specific nature will be undertaken or provided with agreed T&C (T&C are difficult in law), when selected for a particular need' usually in an 'open-book agreement'
- However, a FA is simply a promise and not a guarantee of work!
- **ProCure21+:** since the start of the original ProCure21 framework in 2003, over 600 schemes (collectively worth £3.5bn) have been completed, with consistent time and budget compliance of over 90%.

Some points to note....

- 'call off' basis, for when clients are continually commissioning construction work – not usually a contract
- Clients framework should define the scope, locations and construction works that will be requires
- Suppliers of goods (e.g. materials), services (e.g. design) and works (e.g. construction) will then provide the client with a pricing mechanism (to include risks) for different types of projects e.g. Schedule of Rates inc. O/H & P & Risk.
- Client could then simply select a suitable supplier of goods from the framework to complete the works – no guarantee of this though!
- Come in for a bit of criticism lately....

Next session....

- Before we move on from procurement to Contracts we need to look at:
 1. E-Procurement
 2. E-Tendering

What is it? And advantages & disadvantages etc.

- Also look at the assignment/coursework for this Module (10th January 2023)

Your Thoughts....

- Trust is generally regarded as being key to the success of partnering!
How could this culture be best achieved by all parties of the project?
- What are your 5 or 6 advantages to framework agreements?