

Report on Workshop

Local Government Construction

Efficiency and collaboration in capital programmes through the use of e-technology

Workshop held Monday 2nd July at Manchester Town Hall

The one-day workshop was held as part of a National e-Procurement Project dissemination programme to hear the latest research and consider examples of the use of e-procurement technologies to improve efficiency and drive out cost in local government collaborative construction.

The event, which was free to delegates, was hosted by Manchester City Council and supported by Construction Excellence, the Construction Confederation, Constructionline and Valueworks, managers of the GMProcure social housing group. It was attended by 28 delegates representing 20 organisations from across the supply chain, including local authorities and OGC, housing associations, private sector contractors and e-procurement service providers.

Background

Collaborative and partnership working models are becoming accepted as best practice for local authority capital construction programmes. The opportunity now is for these collaborative programmes to adopt e-procurement technologies to enable further efficiencies and cost savings.

Summary of Proceedings

The workshop introduced the new *NePP Desktop Guide to e-Procurement in Local Authority Construction* and featured presentations covering leading examples of the use of e-technology in collaborative and partnership groups.

The workshop was hosted by John Lorimer, Capital Programme Director at Manchester City Council, who presented a case study on the partnership working his group had achieved with framework contracts covering capital contractors and consultants and a Local Education partnership. As well as saving costs in tendering etc, the partnership model has led to greater flexibility, cost predictability and quality improvements.

This prompted discussion about:

- Long-term contracts - if they are frameworks, they can be up to 4 years, which it was agreed was not long enough to develop a mature partnership. One answer might be to contract the suppliers within panels, cycling the suppliers over a 10 year period.
- The critical role of framework managers and the challenge of selecting the right suppliers (to quote John Lorimer: "We only want suppliers who are passionate about Manchester City")

- The need to develop longer-term preferred supplier relationships with 2nd tier suppliers, using them across the frameworks and evolving active supply chain management to ensure best value.

Peter Duschinsky, who organised and facilitated the workshop on behalf of NePP, spoke about the 30% cost savings opportunity and presented the key messages from the new NePP Guide.

He said that:

- Despite the expectation that more than a third of local government efficiency savings will come from procurement, modernisation of local government construction procurement is patchy, with much work still to be done to overcome cultural resistance and to improve engagement with the supplier community.
- In fact, in many cases, the private construction industry is overtaking its local authority customers in introducing e-technology to bring in efficiency.
- The potential opportunity for cost and efficiency savings in this sector is significant with 30% being saved in best practice examples.
- Collaborative and partnership working models are becoming accepted as best practice in this sector but very few of these initiatives are using e-technology yet.

He identified the need for upskilling and attitude change on both sides of the supply chain to enable performance improvement and efficiency benefits and observed that this may be slow in coming. It is only when there is pressure on profits that commercial organisations bring in culture changes and the construction sector is currently enjoying a period of high demand and reasonable profits. Similarly, despite the significant pressure on local authorities, they are complex, devolved organisations and resistant to change.

Peter said that there was good case for adoption of a collaborative strategic e-procurement model along the lines of GMProcure across the sector. This employed a vendor-neutral third party supply chain management company at the heart of a collaborative regional group, bringing in sophisticated e-procurement tools, spend aggregation and strategic procurement worth 30% in price and efficiency savings. The model also had the potential to increase the use of local suppliers and training of a local workforce – key sustainability objectives for local authorities.

There was discussion about:

- the pressure on local authorities to recruit staff with the necessary skills
- the difficulty in persuading local suppliers who have the capacity to do the work as sub-contractors, to adopt e-technology and become more efficient.

Neil Jarrett, CEO of CWC (Collaborative Working Centre) spoke about the status of collaboration and partnerships in local authority construction. Against a backdrop of an ageing population, immigration, and housing shortages, together with greater awareness of green issues, more involvement of local communities in agreeing priorities, collaborative working and the move to 'construction excellence' were becoming accepted. He said that while collaborative working can succeed in the public sphere, it can also fail if not carried out correctly and pointed to the challenges – echoing Peter Duschinsky's focus on skills and culture change.

The principles mandated by Achieving Excellence were covered:

- Long term relationships between client, designers, contractors and key suppliers
- Collaborative contracts – non adversarial forms of contract

- Detailed understanding of cost and other aspects of performance and targets set for continuous improvement
- Collaborative behaviour, with everyone trained & incentivised to deliver for the client.

This meant getting people to work together, providing processes to enable collaboration and applying the tools to support collaborative working. Neil's presentation then detailed the challenges for local government and their private sector partners, including designers and cost consultants as well as contractors and their suppliers.

There was heated debate about the points raised in Neil's presentation.

- Sustainability needs very good management from the client side.
- Members' influence is key to support collaborative working – there is a fear of contractors monopolising supply (NJ: the answer to this is implementing a year-on-year improvement programme).
- Developing open book cost accounting is a journey, it needs significant trust to have been developed.
- Understanding costs is not a properly managed process for most suppliers today, its in their heads! Could the use of e-technology improve their understanding of their own costs? Yes, but only if accompanied by new ways of thinking.

Chris Capps, Head of Transport Asset Management, Cambridgeshire County Council and David Cox, Contract Director, Atkins Cambridgeshire Highways presented a case study on their Cambridgeshire Highways Partnership. This covered a £28m annual capital and revenue spend on roads, footways, bridges, street lighting, traffic signals maintenance, winter maintenance and operations.

Following a Best Value review and slipping performance, Cambridgeshire Council decided to develop the original highways partnership to encourage early contractor involvement and continuous improvement, using shared KPIs. This Highways Services Contract currently covers £12m of work focused on highways and bridge maintenance schemes up to £500k and takes the form of:

- Payment by a mix of schedule of rates (price book), lump sum and target pricing to remove the potential for price disputes by the use of target costs
- Incentivisation and risk managed by agreed parties (working towards pain/gain)
- Shared systems and shared resources to gain efficiency savings
- Co-location where possible and joint teams to resolve work flows, reduce adversarial behaviour, break down the old working 'silos' & encourage team development of solutions.

Some use of e-technology is already bringing down costs – mobile working and a paperless interface for transactions between the council and Atkins. David Cox described the process they went through to develop the working partnership including organisational change, system and process refinement, training and co-location.

Mike Brogan, Harvest Housing and CEO of GMProcure and Jeff Dandridge, CEO, Valueworks spoke about GM Procure, a Social Housing group comprising 10 Housing Associations in the Greater Manchester area whose annual spend is in excess of £400m. The aim of GM Procure is to: "work in partnership with its chosen suppliers and installers to develop and implement an innovative, integrated supply chain solution that significantly reduces supply chain inefficiencies, delivers best value for residents, creates opportunities to develop sustainable communities and optimises long-term social and economic benefits."

In order to achieve these objectives, the group configured and implemented Valueworks' online system to enable it to carry out cost analysis, sourcing, procurement and strategic cost management across the whole range of planned refurbishment work for the group's Decent Homes programme. The system went live in 2006 with targets to achieve 10% savings on labour & materials and 98% cost predictability. It has already achieved 31% cost savings and cost predictability of over 99%.

Mike Brogan explained that this was being achieved by a combination of centralised control and decentralised flexibility, proactively managing the group and using the web-based supply chain hub to ensure streamlined processes and shared access to key data. He also spoke about their commitment to local labour, employing and training their workforce to 'Investors in People' standards, with 20% non traditional employees and 20% more investment per employee.

The presentation prompted discussion about

- How the e-procurement system helped in managing services, as opposed to just commodity purchasing.
- Managing the tension between higher quality and lower prices.

Chris Hone, Service Manager at Kier Support Services described the implementation and efficiency benefits achieved through the use of a handheld PDA and a mobile data system for reactive maintenance job scheduling in Sheffield. He identified the key success factors for this initiative, which is now being adopted across Kier Support Services.

Matt Kearsley, Constructionline, spoke about the role of a web-based pre-qualification service to raise standards and ease pre-qualification process for buyers and suppliers. He confirmed that private sector partners as well as local authorities and housing associations were able to make use of this service which is free to buyers.

Peter Duschinsky wrapped up the workshop, thanking John Lorimer and his team for their support in hosting the event. He asked each of the delegates to say what particularly they had learned and what they would be doing as a result of attending the day.

There was consensus that much had still to be done to develop stable and mature relationships that would enable sharing and improvements in cost management etc before e-technologies could play their role. Too early an investment was not likely to catalyse improvement – perhaps the opposite, distracting from other practical implementation issues in setting up collaborative working.