



Mapeley

**EXAMPLE PROCUREMENT STRATEGY
FOR A GOVT DEPT**

PROJECTS PROCUREMENT INITIATIVE

CONSTRUCTION FRAMEWORK CONTRACTORS

FEBRUARY 2008

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1 EXECUTIVE SUMMARY

This paper was prepared in February 2008 to document the rationale for changing the current framework methodology from traditional mini-tendering to a full collaborative (partnering) solution. Although written for a specific purpose, I have limited the amendments to omit specific names of people or organisations that are involved with this initiative and omitted specific contractual aspects that are only relevant between Mapeley and the client organisation.

Mapeley is willing to share this document with others to assist in the promotion of the use of collaborative frameworks to public and private sector client organisations. Likewise, should anyone have suggestions for improvements or have other similar documents that they are prepared to share, please do contact me.

Peter O'Connor, Mapeley Estates, October 2008, peter.oconnor@mapeley.com

Recommendation

- 1.1 Mapeley recommends that XX (A Government Department) and Mapeley adopts the OGC integrated procurement approach and retenders using collaborative working methods. It is recommended that Mapeley re-tenders for construction framework services across the Estate. Tendering should commence in the first quarter of 2008 with a view to awarding the contract at the end of October 2008. It is proposed that the contract will be for four years with no extension period, which is aligned with EC Procurement Directives.

Reasoning

- 1.2 The current framework for construction contractors working on the Estate expires on 29 February 2008, and the current framework for churn contractors expires on 31 October 2008. XX have agreed to extend the construction contractors' framework to co-terminate with the churn contract at the end of October 2008 and require a new framework to be in place by then.
- 1.3 This document outlines the proposed procurement strategy for the renewal through the OJEU process of the Mapeley construction contractor supply chain, which will acknowledge a holistic approach to procurement across the entire project. This will include consultancy, construction and commodities as an integrated procurement approach to achieve maximum benefit for all parties.

Implications

- 1.4 Mapeley will ensure that the current service delivery is maintained until the new contracts are mobilised. The new procurement process will be devised and delivered with additional resources funded by Mapeley to ensure the existing project delivery teams are not compromised.
- 1.5 The vision is to significantly improve on 'business as usual' and create a step change in the approach by Mapeley and the way in which the supply chain and construction projects operate whilst also being at the forefront of setting new standards in collaborative working and integrated supply chain in an open environment of trust and co-operation.
- 1.6 The aim is to move from the traditional hierarchical relationships to a culture that openly communicates and shares experience, knowledge and best practice with a single team commitment to create the 'virtual company' ethos where all parties including 2nd and 3rd tier members are deemed to be equal partners.
- 1.7 The framework partners will share a commitment to performance improvement through adapting to new ways of working, performance measurement and benchmarking. Through the continual engagement, parties will grow in trust, work to

common values and goals, liberating all from wasteful, repetitive processes and avoiding confrontation.

- 1.8 Mapeley will manage this contract in its entirety.
- 1.9 The design of this solution meets all the current recommendations of NAO and OGC best practice.
- 1.10 The following table outlines the key differences between the traditional procurement route and the integrated procurement approach:

Current Framework Arrangements	Integrated Supply Chain
Traditional Contractual Relationship with Supply Chain	Partnership culture based on trust and collaboration – all parties deemed to be equal partners
Traditional JCT Form of Contract – adversarial, potential for claims, penalties, blame culture	PPC 2000 – partnering contract – language entirely non-contractual and non confrontational
Fragmented supply chain – minimal cross fertilisation	Integrated supply chain – incorporates client, consultant, contractors and suppliers teams. Focuses on delivery for the client rather than just a transactional process.
Selection of contractors based on lowest tender approach	Improved value for money from a combination of lower costs, improved quality, reduction duplication and improved use of resources incorporating best practice as recommended by OGC and the Construction Excellence
Limited aggregation of expenditure	Provides wider internal and external opportunities to aggregate expenditure and improve
Projects let in isolation	Projects let with continuity which allows the supply chain to plan and encourages development of innovation. Alignment of project objectives – entire team share objectives and working to achieve same goals
Tendering each project separately	No mini tendering – reduce burden and cost to all parties. Supply chain is engaged much earlier in the design process to add value before starting on site.
Traditional lump sum tendering is contractual which offers no incentive to the supply chain to offer savings to the client	Open Book accounting and incentivisation actively encourages the supply chain to continually improve and generate savings
HSE recognise that competitive tendering leads to standard/minimalistic approach to Health & Safety on site	Improvement in Health and Safety and sustainability performance – more emphasis on behavioural change as supported by HSE current initiatives
Performance measurement is limited predominantly to cost and programme	360° performance measurement covering 10 key areas and confidential feedback across the supply chain leads to continual improvement
Limited management of the supply chain	Ongoing investment by Mapeley to create a management team to deliver and implement procurement strategy and ongoing development of the supply chain

- 1.11 The integrated procurement approach is one that has been effectively delivered before for a central government department which carried out refurbishment fit-outs across the UK. This was delivered on time, utilised best practice in areas such as health & safety and environment and completed under budget. The NAO report on the DWP

Jobcentre Plus Rollout project was published in February 2008 shows that the fitting out projects built under partnering were 15% cheaper than competitively tendered works the year before.

- 1.12 The OGC supports the integrated procurement approach. Mapeley fully understands how to create and maintain a collaborative partnering solution and will be investing in this approach to ensure that it delivers the required outcomes.

2 PROCUREMENT OBJECTIVES

- 2.1 The key objectives for the OJEU procurement for new framework contractors are as follows:

- To procure a number of contractors who have the ability to undertake one or more regions for project works throughout the UK;
- To procure contractors through a fully auditable process and that this is demonstrated to the satisfaction of XX;
- To procure framework contractors that can be measured under key performance indicators (KPIs);
- To ensure value for money for all parties and demonstration of this;
- To procure framework contractors that represent and demonstrate value for money;
- To procure framework contractors that have been approved by XX;
- To ensure accurate, open and auditable management information is available for subsequent review of the service and validation of invoices;
- To ensure the health and safety of staff, guests, visitors and supply chain.

- 2.2 The procurement strategy has been developed and based on the following:-

- To challenge custom and practice;
- A partnering ethos incorporating openness, transparency and trust across the whole team;
- Creation of an 'integrated supply chain to deliver 'best value' solutions;
- The establishment framework agreements with the contractors (and subsequently with commodity suppliers);
- To provide a platform for a programme of continuous improvement against agreed targets and goals;

3 PROCUREMENT ROUTE

- 3.1 The procurement route for this programme is via the Restricted Route procedure in OJEU. Mapeley will invite between 5 and 20 companies to tender.

- 3.2 An advertisement will also appear in Government Opportunities and relevant suppliers that have been registered on Mapeley's supplier database will also be notified that the advert has been placed in OJEU.

- 3.3 Each company expressing an interest in the OJEU advertisement will be sent a pre-qualification questionnaire (PQQ). The completed questionnaires will be evaluated and scored to establish those companies considered suitable to invite to tender.

- 3.4 The submitted tenders will be evaluated by:

- XX
- XX

- XX
- XX

3.5 In accordance with OJEU regulations the pre-qualification stage will establish the contractor's suitability including experience, track record, health and safety and financial status.

3.6 An extract from the tendering programme detailed below shows the quickest route to procuring the new contractors to meet the XX target date of October 2008 and is subject to this procurement strategy being approved:

Task	Date
Issue OJEU Contract Notice	
PQQ to be returned by	
Notify shortlist	
Issue Invitation to Tender	
Tender responses to be returned by	
Contract Award	

3.7 The full procurement programme is detailed in Appendix B.

4 BACKGROUND

4.1 The current construction frameworks were procured on a traditional basis in that a number of contractors were appointed to the framework, with each project subject to a mini-tendering process to establish a fixed price cost prior to award.

4.2 This approach has led to a very uneven distribution of workload as one construction contractor has won a large slice of the work (over 75% by value in one year) and another contractor has not won any work.

4.3 The procurement strategy forms part of a total delivery approach aimed at changing the culture and attitude both to and by the supply chain and moving from a tactical procurement role to a strategic value-driven role based on adding value along the design, procurement and construction process.

4.4 In delivering any change, the emphasis will be to ensure the strategy incorporates and maintains the protocols and disciplines within Mapeley, XX and ensures full compliance with European and UK procurement legislation.

4.5 Mapeley and XX will seek to be recognised as a best practice client in all respects and in demanding high standards and good performance from its contractors and their supply chain partners.

4.6 As part of the preparation of this procurement strategy document, Mapeley has sought the views, comments and expertise of lawyers, XX, for European Procurement Legal Advice and the Office of Government Commerce (OGC) for advice on compliance with Government Procurement Strategy.

5 INTEGRATED PROCUREMENT APPROACH

5.1 The UK construction industry has long recognised the problems of operating in a traditional manner with the potential for adversarial relationships which may lead to conflict between the client and project teams and across the supply chain.

- 5.2 The challenge is to change traditional attitudes and introduce a culture of partnership and collaboration based on the key principles of Latham's Constructing the Team, Egan's Rethinking Construction and Central Government's Achieving Excellence Initiative (see Appendix A).
- 5.3 These studies highlighted the inefficiencies of traditional methods of procuring and managing construction projects. In particular the problems created by awarding contracts solely on the basis of lowest price. Experience has shown that this does not provide value for money in either the final cost of construction, or the through life and operational costs.
- 5.4 The procurement strategy focuses on formulating new ways of working to create an integrated procurement approach that is more than just a statement of intent.
- 5.5 The intention is to provide the appointed contractors and their supply chains with a series of guidelines and minimum standards based on robust and transparent procurement processes. Key to the strategy is recognising the procurement process as a 'programme of works' and not purely a methodology for single project delivery which will be carried out as a partnership, between Mapeley and the supply chain, with the aim to establish more stability and confidence between all the parties involved.
- 5.6 The supply chain will be required to clearly demonstrate their commitment to work in an environment of collaboration and co-operation in order to deliver the total programme over the life of the framework agreement.
- 5.7 Typically the construction supply chain is responsible for, or directly involved in, 80% of the total value of a project and therefore has a significant influence on its success. The construction supply chain is critical to driving innovation and incremental and sustained improvement in performance, and accordingly must be selected on the basis of being able to work in collaboration to add value to the overall process. The procurement process must deliver and reinforce this philosophy to our internal customers and external supply base to promote trust, common goals and commitment.
- 5.8 The framework will enable the contractors to share knowledge at director level, share supply chains and to develop specialist supply chains expertise in delivering a programme of work.
- 5.9 The objective is to integrate with the construction industry, to remove waste and streamline processes. A framework agreement with the 'best in class' contractors is an opportunity to best use available resources, standardise processes, collaboratively manage risk and create a highly efficient building procurement vehicle with the capability of undertaking large volumes of public construction work. This will provide efficiencies and quality improvements and add value for all participants.
- 5.10 The emphasis is to establish and maintain a supply base that is motivated and incentivised and seeks to improve the service it delivers, however, it must also be recognised that there is a need for the supply chain to make a fair and reasonable profit for the delivery of the required performance.
- 5.11 It is often the case that it is specialist sub-contractors and suppliers who possess the detailed knowledge of products and solutions. To provide maximum scope for innovation and the identification of optimal solutions this detailed knowledge needs to be fed into the development of the project as early as possible. The whole supply chain needs to be integrated in a seamless manner and incentivised to contribute innovative ideas which lead to better value and to be rewarded appropriately.
- 5.12 Key to the implementation of the procurement strategy will be the elimination of the traditional approach of mini-tendering and the selection of the contractors to undertake the works based on experience, regional capacity and performance.

5.13 In addition to the construction framework contract, Mapeley will also be issuing contract notices for other services including consultants, suppliers and commodity items. Mapeley will also review and utilise the OGC Buying Solutions commodities where applicable.

6 CENTRAL PURCHASING BODIES (CPB)

6.1 The public procurement directives include a specific provision on Central Purchasing Bodies – see Article 11 of the Public Sector Directive (2004/18/EC) and Article 29 of the Utilities Directive (2004/17/EC).

6.2 A Central Purchasing Body is defined in the Public Contracts Regulations as “a contracting authority which:

- acquires goods or services intended for one or more contracting authorities;
- awards public contracts intended for one or more contracting authorities;
- or concludes framework agreements for work, works, goods or services intended for one or more contracting authorities”.

6.3 Although the rules do not require a CPB expressly to refer to this intention during the procurement process, expressing such an intention in, for example, the prior information notice or the OJEU contract notice would be useful evidence of such an intention. What is important is for the CPB to be able to demonstrate that it was intending to act as a CPB for one or more contracting authorities.

6.4 The Contract Notice for the Construction and Design Frameworks will clearly state that under the framework XX intend to act as a CPB with Mapeley. Mapeley will manage this contract in its entirety.

6.5 One of the key factors in the success of framework agreements is the ability to generate sufficient work to provide the volume required to ‘feed’ the framework. Typically for construction projects this volume is not so much dependant on value as a steady stream of projects (numbers) to ensure teams of designers and contractors can move from project to project and can be fully utilised while being able to take lessons learned to future projects.

6.6 The procurement strategy has considered the opportunity, potential and benefit of employing the Mapeley Construction Framework for other Public Sector Bodies to deliver construction projects and programmes.

6.7 Under this arrangement, Mapeley on behalf of XX would act as an agent responsible for the governance and leadership of the framework and would offer the opportunity of linking similar projects in the region into a programme of works applying similar methodology and supply chains.

6.8 Mapeley has reviewed the OGC Guidance on Central Purchasing Bodies in the new Procurement Regulations which were implemented in January 2006 and these arrangements are currently successfully in place with a number of Authorities including:

- South East Centre of Excellence - Buildings Workstream Framework for Major Projects and Programmes of Work Guidelines
- Nottinghamshire County Council - Framework Agreement including Local Authorities in the East Midlands region
- Highways Agency - HA Framework Contracts that are open to local highway authorities.

6.9 Mapeley has met and discussed the concept of CPBs with XX lawyers who have significant experience of setting up successful CPBs for a number of organisations.

6.10 Mapeley confirms that XX will remain the prime client and will always have a veto over any organisation that wishes to use the supply chain.

7 COMMERCIAL INNOVATION

7.1 An important factor to support the cultural change is to move away from traditional adversarial forms of contract and introduce a contract that embraces the project partnering process, combined with a range of commercial initiatives including:

- Collaborative form of contract PPC 2000 (see paragraph 11)
- Open book price frameworks with active risk management
- Equalised overheads and profit with contractors
- Payment of 'actual costs' to contractors
- Incentives through cost saving and performance targets
- No penalty clauses or retentions
- Fair payment practices;
- Allocation of workload, based upon performance against a balanced scorecard.

7.2 To encourage the contractor to reduce cost and improve the quality of their performance, an incentivisation scheme will be designed to share some of the savings with the contractor. This will be based on a small number of KPIs covering client feedback, cost, programme, defects, environment, handover manuals and health & safety that creates a score against a target. This still needs to be designed, but by way of example, previously contractors have had the opportunity to achieve up to a maximum 40% of the saving, assuming they hit the top score in all their KPIs. Typically contractors actually scored about 25%.

7.3 The balance of the saving is proposed to be shared between XX and Mapeley on a ratio to be agreed. The funding of the on-going management costs associated with a collaborative framework (such as the performance measurement system, supply chain management, value engineering) will need to be considered.

7.4 To ensure that the contractor is motivated to achieve savings, the contractor's overheads and profit element agreed in the target price is frozen and inserted into the final account, thus providing the contractor a guaranteed level of income from that project. The benefits are to:-

- Eliminate the high cost of tendering - estimated 5-8% - these costs do ultimately find their way back to clients
- Remove significant waste in process duplication
- Minimise 'risk costs' being included as part of tender price - this can be up to 15% of project cost
- Eliminate contractual disputes - no litigation costs (significant resource, time, cost can be associated with litigation and claims)

8 PERFORMANCE MEASUREMENT

8.1 Performance measurement and feedback will form a key part of the approach to identify and improve supply chain activities. It will be based on the concept of a structured, transparent and auditable assessment process, to present an experience and performance profile of the regional works contractors and specialist contractors and suppliers.

- 8.2 The setting of procurement targets and objectives will be a key factor in delivering continuous improvement over the life of the programme and framework agreement. The targets will be set in part by the business objectives and operational delivery and will be measured against pre-determined benchmarks. The basis for establishing the benchmarking strategy will be:-
- Defining the base data
 - The agreement of targets and objectives
 - Establishing a programme of continuous improvement
 - Setting the Key Performance Indicators (KPIs)
 - Agreement to the measurement criteria
 - Establishing the reporting format
- 8.3 It is proposed to adopt two systems for contractors. The first is contractual, the other is not.
- 8.4 The first is the incentive scheme referred to above. As this is related to financial reward, the KPIs have to be clear and robust, as well as covering all the main areas that drives the successful conclusion of a project.
- 8.5 The second is a far more comprehensive 360 degree review (by clients, consultants and suppliers) of a wide range of attributes. For contractors there would typically be ten main areas, each with approximately five measures and the scoring will be carried out by the client, consultants and suppliers. To avoid too much subjectivity the scoring is on a de-grading schedule that identifies what is expected to be witnessed for a particular score. The contractors' scores nationally are ranked according to area (to identify disparities in service nationally), by each of the ten measures (to identify inconsistencies or particular areas of weakness) and national ranking (to encourage continual improvement against peers - peer pressure in the industry is incredibly strong). Feedback is given to each contractor in confidence with a frank discussion. We do not disclose a league table, only what their ranking is, as this can be discouraging and divisive.
- 8.6 The intention will be to develop a unique suite of Performance Feedback Reports. These will be specifically designed for the Mapeley programme, to measure and provide feedback as to how the supply chain performed in providing their service. This will:-
- Monitor performance & trends over time
 - Review strengths and weaknesses
 - Form part of continuous improvement programme
 - Provide feedback

9 SELECTION OF THE CONTRACTOR SUPPLY CHAIN

- 9.1 The Mapeley Supply Chain members will be required as part of their appointment to demonstrate their commitment and approach to:-
- The integrated procurement approach based on partnering and collaboration
 - Improve the value of what the supply chain delivers over time and not just on one project
 - Strategic aggregation of key construction and commodity elements
 - Provide Mapeley and its client(s) with better value from a combination of lower price and better quality

- Promote an environment of trust, integrity, honesty and openness and integrate supply base into team ethos
 - Instigate continuous improvement which embraces collaboration and cooperation across entire supply chain
 - Ability to deliver in defined geographical location
- 9.2 Mapeley will require robust evidence that firms have developed a partnering culture throughout their organisation and with their supply chain and will need to demonstrate a senior level commitment to support project teams in a partnership approach to deliver mutually agreed common objectives.
- 9.3 The input and effectiveness of the supply chain will be fundamental to the overall success of the programme and it is imperative that the team maximises the opportunity to add value through their contribution by:-
- Creating an attitude and culture of synergy and co-operation with the project team and supply chain
 - Investing in long term strategic approach that focuses on reducing cost, through innovation, product development, process improvement and value engineering
 - Establishing a balanced and integrated supply chain, delivering secure, reliable and consistent quality and improved response time
 - Standardisation in the process - eliminate wastage across total process
 - Continual improvement of procedures and processes to forecast demand, manage logistics and control supply base
 - Identifying 2nd and 3rd tier suppliers and integrating into supply chain
- 9.4 A key element will be to ensure that the most appropriate companies are selected to work on the projects and have a philosophy that is aligned with meeting the objectives of the project. There must be a robust selection procedure with clear criteria for appointment. The philosophy will begin by ensuring the right culture is created within the whole team and that objectives are clearly understood and aligned.
- 9.5 The key component of creating an integrated project team is the culture or “project chemistry”. This is defined as:
- The alignment of project objectives for the entire supply chain
 - The language is entirely non-contractual and non-confrontational
 - We value and respect all members of the supply chain
 - We are inclusive in discussion and information giving
 - Creating a collaborative spirit based on trust and respect
- 9.6 The intention will be for all parties to realise gains including:
- Reductions in cost and time and improved quality through improved predictability
 - Aggregation and economies in scale
 - Standardised and streamlined processes with continuous feedback and performance
 - Efficient resource deployment
 - Shared skills and knowledge
 - Early supplier involvement and reduced aborted work

- Reduced burden, cost and time of tendering
- Meaningful and consistent engagement of the whole supply chain
- High visibility of on coming workflow
- Smooth and consistent flow of works to the market

10 SELECTION OF AREAS/ALLOCATION OF WORK

10.1 The intention is to ensure that all the selected contractors on the framework are awarded project work. The current system of mini-tendering each project is time consuming, wasteful and fails to create any benefits beyond getting a price.

10.2 By dividing the country into areas and allocating the contractors to these areas, there will be a solution that ensures that all projects that arise in that area go to the appointed contractor. In the second year, contractors will be reallocated to areas based on their performance measurement scores which take into account a wide range of performance measures and price. This achieves a number of benefits that include:

- Contractors are allocated to areas they are best placed to service from a geographical and resource perspective on an annual basis. Having taken legal advice there is no requirement to advertise for Lots.
- As the numbers and types of projects in any particular area are unable to be accurately forecast more than a year in advance, it allows the allocation of areas and work to contractors that will avoid “boom and bust” scenarios. Better planning increases performance and reduces costs.
- Contractors understand the link between performance measurement and future workload so encouraging them and incentivising them to continually improve
- By contractors knowing which projects are theirs during the design stage, they are able to carry out far more surveys and inspections on the building, contribute to the design stage more fully and allow more accurate pricing to be given before starting on site. This contributes to increasing certainty and reducing costs by eliminating risks before starting on site.
- Contractors and their sub-contractors/suppliers are not wasting tendering resources on unsuccessful projects which reduces costs.

11 PROJECTS PARTNERING CONTRACT (PPC 2000)

11.1 Mapeley proposes replacing the negative content of traditional, often confrontational contracts (who pays when things go wrong?) with a commercial model agreement and commercial policy which creates commercial tension but not a commercial barrier. Accordingly, the preferred contract for the framework is the PPC 2000 Partnering Contract which is well known and understood by the contractor supply base and which we consider provides the following advantages and benefits over other similar forms:-

- Incorporates Egan and Latham recommendations - Promote collaborative attitudes
- Standard Form of Contract specific for partnering
- Inclusive approach to Partners – contract not just between constructor and client
- Allows for multi-site programmes
- Multiparty form of contract enabling full contractual involvement of key members of the supply chain.

- Provides for constructor and supplier's early involvement and input into development of the design.
- Allows for open book pricing/tendering and incentivised target cost contracts.
- Incorporates Key Performance Indicators and incentivisation
- Structured approach to ensure risks are identified at the inception of the project and potential impacts allowed for.
- Problem solving hierarchy included in document.

12 HEALTH AND SAFETY

- 12.1 Construction projects are inherently hazardous particularly when the facilities remain operational during the construction phase. The Health and Safety Executive stated that 'Accidents in construction can account for 3-6% of total project costs
- 12.2 A robust Environmental Health & Safety (EHS) management system will be developed as part of the project contract with the principal aim was to deliver a 'step change' in normal construction industry standards and therefore be a 'project exemplar' by incorporating the guiding principles set down by the HSE best practice guidance and Office of Government Commerce AE10 - Health and Safety Achieving Excellence in Construction guidance.
- 12.3 From the outset, the importance of health and safety to the project will be explained to each tendering company with emphasis that their submissions and expertise would be judged against defined criteria to ensure the targets would be achieved.
- 12.4 Mapeley on behalf of XX want to lead by example by demonstrating that health and safety and environmental risks can be factored into projects at all levels, by dispensing with tradition, introducing innovative solutions and, most of all, by ensuring everyone is on the same journey - a true demonstration of ownership, leadership and partnership.
- 12.5 As part of the integrated supply chain Mapeley will appoint the health and safety CDM Co-ordinators.

13 SUSTAINABILITY

- 13.1 The contract will ensure that contractors are proactive and effectively manage recycling and that management information detailing this is made available on a regular basis.
- 13.2 The contractors will comply with the requirements of the EC Directive on Waste, Electrical and Electronic Equipment (WEEE Directive).
- 13.3 The contractors will comply with Mapeley's and XX's Environmental Policies. Mapeley supports OGC's UK Sustainable Procurement Action Plan 2007 and will implement actions as appropriate for this contract.
- 13.4 The contractors environmental and corporate responsibility will be reviewed as part of the pre-qualification evaluation process.

14 SECURITY

- 14.1 The contract will ensure that contractors sign up to confidentiality agreements and adhere to the requirements of the baseline security standards.

15 REVERSE AUCTIONS

- 15.1 Mapeley recognises central government's involvement in e-procurement which is becoming more widespread, however, it is not recommended that Mapeley uses

reverse auctions in this procurement process. It is not regarded as being suitable as a procurement method for the selection of the Mapeley contractor and consultant supply chain.

- 15.2 In creating a collaborative supply chain for the Mapeley framework, considerable emphasis will be placed on the qualitative selection criteria, based in part on specialist skills, experience and commitment of the individuals within proposed teams.
- 15.3 Industry views indicate that reverse auctions do not guarantee the lowest price and may encourage imprudent bidding practices. Negotiated procurements allow thorough evaluation of value and sealed bidding assures that the successful bidder is responsive and responsible.
- 15.4 Whilst it is acknowledged that reverse auctioning may be appropriate for standard commodity items, when applied to construction services there is concern that this procurement method potentially conflicts with what the industry is trying to achieve through partnering and best value and is a step away from the best practice teachings of Egan and Latham.
- 15.5 The possibilities for reverse auctioning for this particular project have been discussed with OGC and they have also concurred that it would not be the most appropriate procurement method.

16 GATEWAY PROCESS

- 16.1 A key element with regard to consultant and contractor management is to recognise that they are a member of the team and totally integrated and aware in all aspects of delivery of the project.
- 16.2 Integrating designers, suppliers and contractors is the only way to drive up functionality and drive down cost. This accelerates and reduces the design iterations and creates open discussion about methods of achieving our objectives. Mapeley will proactively manage the consultants and contractors to ensure all stages of the brief adhere to strict time, quality and cost checks.
- 16.3 Mapeley will devise and introduce a gateway processes to manage projects. The purpose of the gateway is to clearly portray to all parties and stakeholders involved in the programme the process for progressing a project from inception to completion. As the gateway takes you through feasibility, concept and detailed design, onsite delivery and finally maintenance, clear guidance and templates are provided for the completion of each stage. Sign off is required at each stage which discourages client groups from making later changes. Typically there are seven stages for each project, and Mapeley will aim to incorporate the IT life cycle within this process.
- 16.4 By having programmed dates for each stage, progress for each project can be tracked from its initial conception through to completion, thus providing early warning or potential delays to a project. The gateway acts as both a process tool for execution of projects and as check on project sponsors by ensuring that they sign off the design at each stage and monitor the deliverables of cost and time.
- 16.5 The Gateway Process has been used by other organisations including South East Centre of Excellence (SECE) and Hertfordshire County Council and was recently identified as an example of best practice in the recently published Jobcentre Plus National Audit Office report.

17 FAIR PAYMENT PRACTICES

- 17.1 Poor payment practices in the construction industry give rise to substantial additional financing and transaction costs. More importantly certainty over how much and when

payment is made builds trust between supply team members and underpins collaborative working to achieve value for money projects for clients.

17.2 OGC have defined Fair Payment as “remuneration for work or services properly carried out. ‘Fair Payment’ is concerned with whether the contractual terms relating to the discharge of the payment obligation and the payment process are fair and adhered to. The process and payment periods should minimise transaction costs and financing charges across projects.

17.3 Mapeley will review the fair payment recommendations and incorporate these into the contracts as appropriate. This will include exploring the Project Bank Account options as defined in OGC’s Guide to best ‘Fair Payment’ practices.

18 BENEFITS TO XX DEPT

18.1 The following key benefits will apply to XX:

- Exemplar client
- Move from contract to partnership
- Improve value for money
- Opportunity to restructure and improve communication
- Solution which is recognised by OGC

19 BENEFITS TO MAPELEY

19.1 The following key benefits will apply to Mapeley:

- Creation of single supply chain for all clients
- Aggregation of expenditure
- Reduced costs
- Reward based on performance
- Improve value for money
- Efficiency in the delivery system

20 INVESTMENT

20.1 Mapeley is investing in new permanent senior staff and instigating a series of training and workshops to introduce the new methodology and improve delivery services.

20.2 Mapeley is also investing in this integrated procurement approach by appointing market leading legal advisors, quantity surveyors, procurement supply chain consultant, environmental and health and safety advisors and other specialists.

21 THE WAY FORWARD

21.1 As soon as XX confirm the recommendation and approach of this report, to meet the programme requirement to have a new framework in place by October 2008, Mapeley will immediately start the development of the tender documentation, the contract and revised processes. This requires a broad range of concurrent activity and we propose creating three working groups – Legal, Commercial and Processes.

21.2 Legal Group – Mapeley has appointed XX to develop a suite of contracts covering the construction, consultants, specialist contractors, suppliers and an over-arching partnering framework contract. They will also be providing input into the OJEU Notice, PQQ and ITT tender documentation. The legal aspects will include involvement from:

- XX
 - XX
 - XX – Mapeley’s Quantity Surveyor (QS)
 - XX
- 21.3 Commercial Group – Mapeley has appointed XX (QS) to develop the schedule of rates, NBS specification (architectural and services), incentive solution, payment processes, KPIs and tender evaluation. It is intended that XX will appoint a QS to overview the commercial solution, but will work in collaboration with the Mapeley QS, so any comments or suggestions are incorporated in a timely manner during the development of the solution. Involvement with this group will include:
- Consultants such as XX
 - XX from Mapeley
 - XX
- 21.4 Processes – This group will devise the over arching gateway process map (that shows what activities are to be completed at what stage and by whom), the interfaces with XX, programme standards, environment, health & safety, performance measurement and other delivery processes. Mapeley has appointed an EHS Advisor, to devise an environmental and health & safety solution in conjunction with Mapeley managers. Involvement with this group will include:
- XX Consultants
 - XX from Mapeley
 - XX
- 21.5 Each group will start with a workshop (in the case of Processes, this will need a number of workshops) to establish what we want to achieve, who will produce it and the timeline to complete a piece of work. Mapeley will co-ordinate all the activities to ensure that the interfaces are established, best practice is incorporated and the issue ITT target date of 12th June 2008 is met.
- 21.6 The Government has a long-term commitment to improve efficiency in the construction industry and there is real value to be gained as a result of implementing this procurement strategy. It will result in working more closely to share experiences, understand how best to manage more efficiently to deliver projects better and cheaper and to meet expectations. Some hard decisions will be required, in particular, to implement the cultural and other changes necessary to realise the benefits.

22 CONCLUSION

- 22.1 The strategy and initiatives that will be developed to support the objectives will generate substantial returns, in terms of cost savings, innovative solutions and methods of working, however without doubt the key and backbone to all of the achievements is the strength and commitment of the entire team to work together to deliver success.
- 22.2 The Mapeley procurement team views the appointment of the supply chain as the beginning of the procurement process rather than an end in itself. This is reflected in the investment that Mapeley has made in ensuring that the resources will continue to develop and manage the supply chain during the life of the framework. The team will continue to work with the primary and secondary supply chain to foster partnering, share best practice, and support initiatives to deliver value for money.

23 APPROVAL OF PROCUREMENT STRATEGY

Mapeley request that XX reviews these procurement objectives and delivery process and confirms their approval in writing below:

XX Representative Name	Signature	Date

APPENDIX A - GLOSSARY OF TERMS AND PUBLICATIONS

CPB	Central Purchasing Body
XX	Client
KPI	Key Performance Indicator
NAO	National Audit Office
OGC	Office of Government Commerce
OJEU	Official Journal of the European Union
PPC 2000	Projects Partnering Contract
PQQ	Pre-Qualification Questionnaire

Egan's Rethinking Construction	<p>By 1998 Sir John Egan's Construction Task Force published their report Rethinking Construction commission by Office of the Deputy Prime Minister. The main tenets of the report were that the industry needed practical steps to improve productivity and profits, and decrease quality failings and accidents. The report proposed the creation of a 'movement for change' made up of like-minded people from the industry determined to drive change.</p> <p>Sir John Egan's task force showed that effective projects would require a clear process, of which partnering was a vital part. Creative design is important for a fine project, but a well run process, stripping out waste and inefficiency, is necessary to deliver the client's aspiration for an harmonious building or civil engineering project which also actually works.</p>
Latham's Constructing the Team	<p>The Latham Report of July 1994 was sponsored by Government and Industry following several poorly performing projects. The inefficiencies identified the need for greater partnering and collaboration in the Construction sector.</p> <p>The central message of "Constructing the Team" in 1994 was that the client should be at the core of the construction process. The general route recommended to achieve client satisfaction was through team work and co-operation. One specific method was partnering. Clear guidance for clients and the industry about best practice has since been published by the Construction Industry Board, the Treasury, the Construction Best Practice Programme and others, with very helpful input from the National Audit Office itself.</p>
Central Government's Achieving Excellence Initiative	<p>Through the Achieving Excellence in Construction initiative, central Government departments and public sector organisations commit to maximise, by continuous improvement, the efficiency, effectiveness and value for money of their procurement of new works, maintenance and refurbishment. Achieving Excellence in Construction procurement guidance is contained within</p>

	a set of 11 guides and two high-level guides. It builds on department's recent experience, supports future strategy and aligns with the OGC Gateway process.
Central Purchasing Bodies	OGC Guidance on Central Purchasing Bodies in the new Procurement Regulations - January 2006
Achieving Excellence in Construction - Guide No 10 - Health & Safety	Identifies how client decisions and activities impact on health and safety issues and in turn how health and safety issues have a beneficial impact on the performance of the contract and on achieving Value for Money

APPENDIX B – PROCUREMENT PROGRAMME