

Procuring Collaboratively

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**CONSTRUCTING
EXCELLENCE**

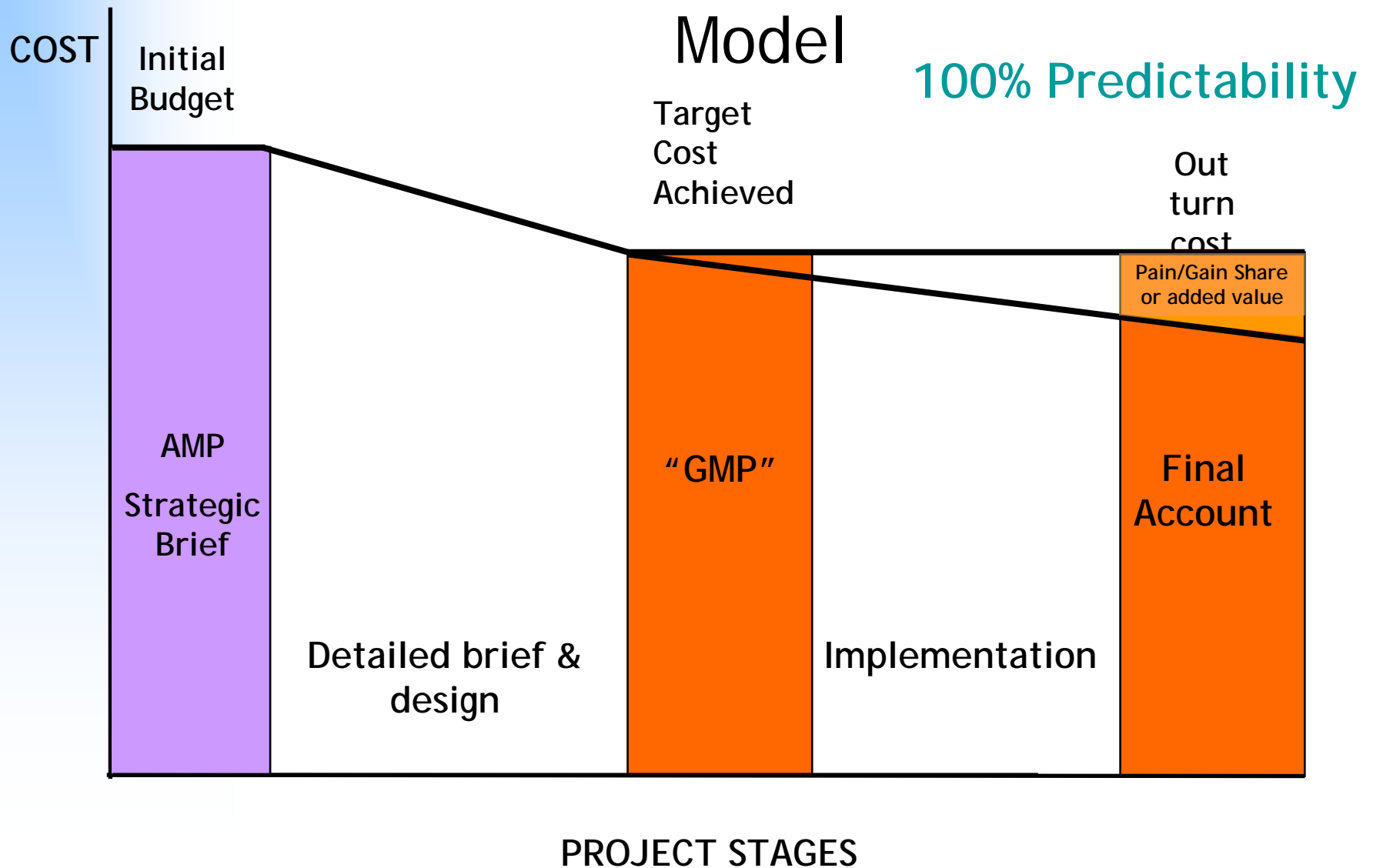
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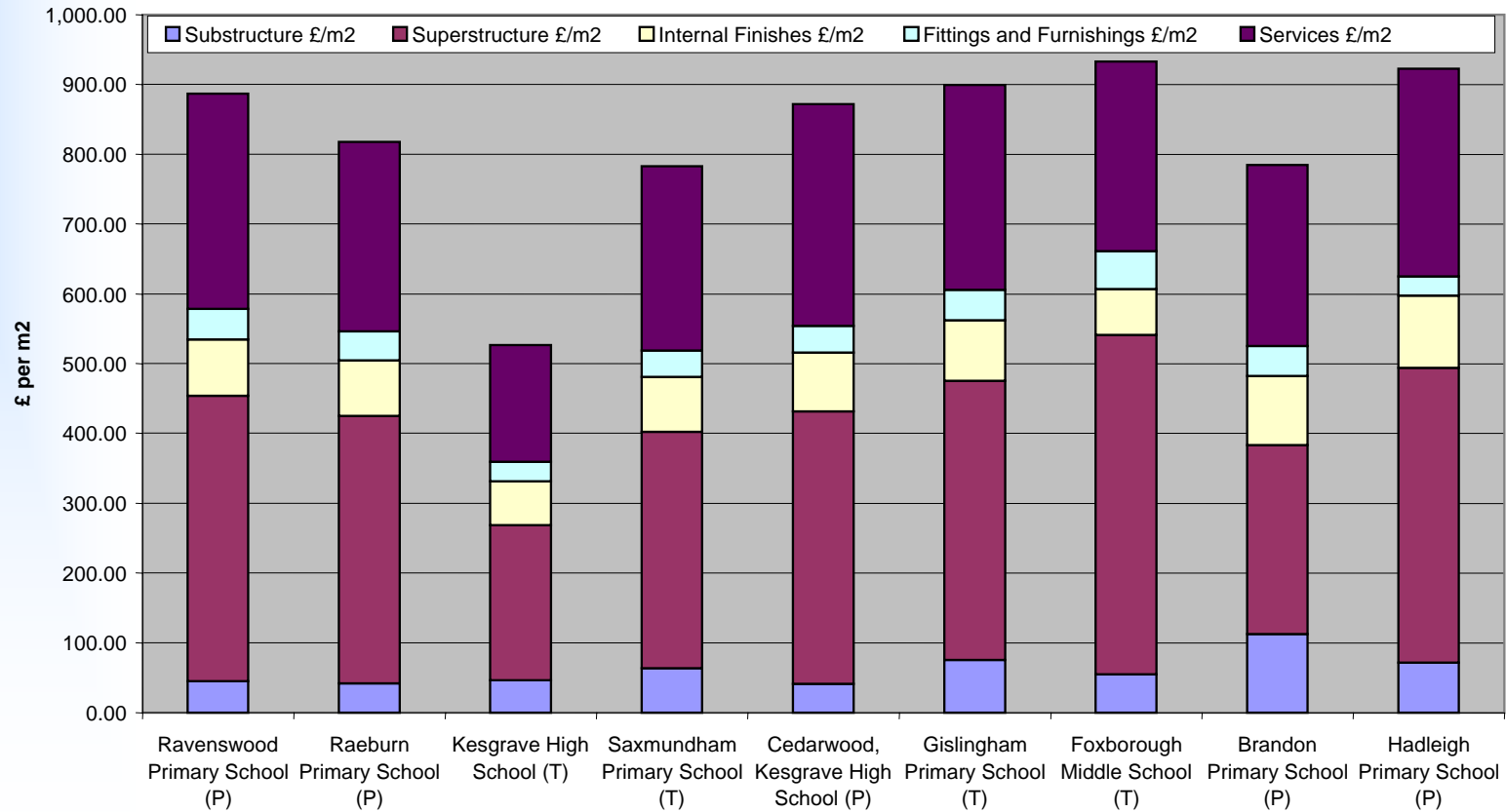
The Principles

- Long term alliances between client, designers, contractors and key sub-contractors & suppliers.
- Collaborative contracts - that accept at the start that contractors and suppliers should make a reasonable profit.
- Early involvement of suppliers in design, costing, planning - often with contractors taking the lead.
- A detailed understanding of cost and other aspects of performance and targets set for improvement from project to project.
- Collaborative behaviour with everyone incentivised to deliver for the client

Collaborative Cost Control: Target Cost Model



Comparison of costs of traditional and partnered school projects



Collaborative management of cost

To deliver superior underlying value by improving functionality and reducing cost - without endangering margins

Agree and ring-fence →

Margin

Design cost out and
Manage cost out →

Risk,
Component
And Process
Cost

What do we need to do to understand supplier's cost?

- Separate margin
- Understand how they calculates labour *content*
- Understand what they do to get at their own suppliers' labour *content*
- Understand what is included in *risk*
- Understand how they arrives at material and component prices
- Understand what "prelims" consist of

Understand nett cost of works

ACTIVITIES					DATABASE BREAKDOWN					
ITEM	DESCRIPTION	QUANTITY	UNIT	RATE	TOTAL	Labour	Plant	Materials	SUB-CONTRACTORS	RISK REF NO.
2E	<u>External walls</u>									
a	Facings in walls	66	m2	39.15	2583.90	21.00	0.00	18.15	0.00	
b	50 cavity	66	m2	1.00	66.00	0.00	0.00	1.00	0.00	
c	Movement joint	11	m	4.50	49.50	2.02	0.00	2.48	0.00	
d	Weep holes	1	No	55.00	55.00	25.20	0.00	29.80	0.00	
e	Form hole 110 diameter	4	No	9.50	38.00	9.50	0.00	0.00	0.00	
f	Form hole 50 diameter	2	No	5.50	11.00	5.50	0.00	0.00	0.00	
g				24.50						
	Cavity tray with integral lead flashing	0	m		0.00	5.00	0.00	19.50	0.00	
h	DPC ne 225	46	m2	1.20	55.20	0.00	0.00	1.20	0.00	
j	DPC over 225	6	m2	5.00	30.00	0.00	0.00	5.00	0.00	
j	Special weather proofing	66	m2	18.00	1188.00	0.00	0.00	0.00	1188.00	

Managing Risk

- Risk can be managed at all levels
 - Project level
 - Site level
 - By element (substructure, roof etc)
 - By event (Weather)

Risk allowance per property

Kitchens

Risk		% occurrence	
Removal of Larder	120.00	50%	60.00
Blown plaster allow 3m2 @ £25.00/m2	75.00	50%	37.50
Scaffold to first and second floors	100.00	50%	50.00
No entries	90.00	20%	18.00
Additional Boxings	60.00	20%	12.00
Moving gas services	300.00	5%	15.00
Skim ceilings	100.00	30%	30.00
Boxing to boilers	20.00	20%	4.00
Plywood to timber floors.	74.00	60%	44.40
Dampness breather membrane	20.07	15%	3.01
Overboard ceilings 5m2 @ £25.00	125.00	5%	6.25
Set risk pot per property @ £280.00			280.16

Heating Planned Maintenance

In depth evaluation of labour performance

■ Overhead & Profit	=	£200
■ Labour Hrs	=	£991
■ Labour Overhead	=	£200
■ Materials	=	£1200
■ Prelims	=	£100
■ Plant	=	£20
■ Contingency	=	£50
Total cost / dwelling	=	£2761

Labour Hrs - £991

- £60 - Defects
- £126 - Access
- £154 - Waiting
- £392 - Travel
- £35 - Paperwork
- £224 - Added Value

Cost Management

If we are to monitor and reduce costs, we need a common cost reporting system

- What are the issues?
 - How will overheads be aligned?
 - How is risk managed?
 - How will we set targets?

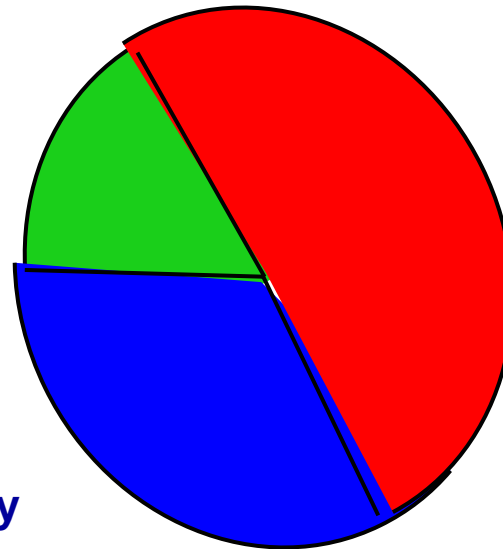
The Aim: To Measure Work and Waste

Value Added:

Any process that changes the nature, shape or characteristics of the product, in line with customer requirements.
(Maximise)

Non Value Added:

Work that is not Value Adding, but is necessary under current conditions.
e.g. inspection, part movement, tool changing, maintenance (Minimise)



Waste:

All other activity.
(Eliminate)

Benefits Achieved To-Date - Hillingdon

Key Benefits

- Price & Cost reductions - up to 40% in client management, 20% in cost - year 1
- Safety improvements
- Productivity improvements 16 - 40%
- Reduction in project time by 25% - year 1
- Quality improvements 70% - year 1
- Client satisfaction up 90% - tenants

Additional

- Increased supplier investment in local training
- Improved staff morale and motivation
- Improved environmental control & management

But There Are Major Challenges To The Supply Chain

- Establish long-term relations with clients, contractors & key suppliers
- Be prepared to Open Books and work collaboratively to reduce costs whilst protecting profit
- Contribute early in the project to design, planning and costing
- Develop the processes and skills to ensure deliver of the right product at the right time
- Participate in Continuous Improvement

Key issues.....

For regional supplier and subcontractor appointment, need to develop:

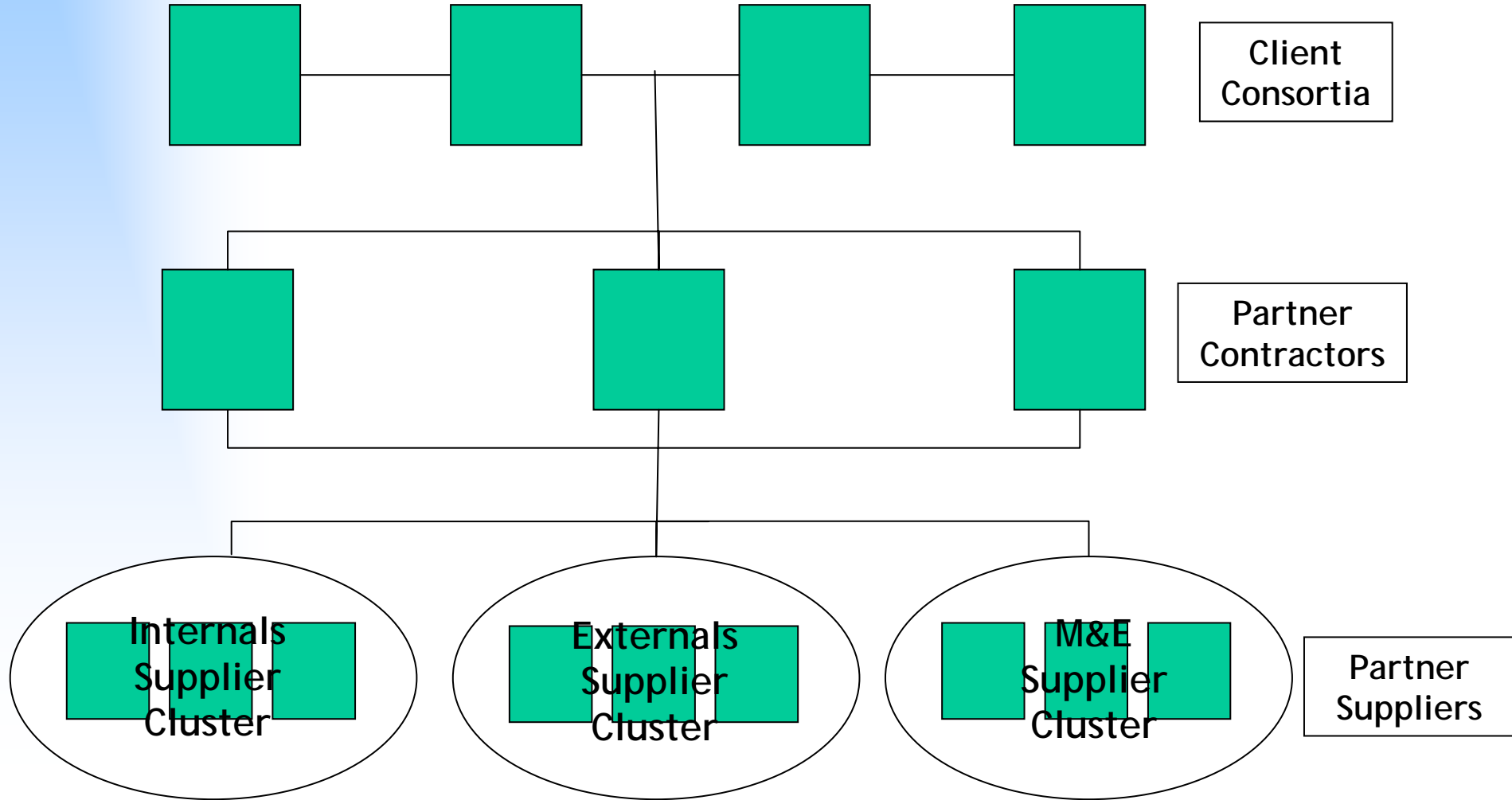
- A common contractual approach
- A common cost model for works and management o/h and a common system for reporting.
- Understanding of key costs drivers eg labour utilisation will form the basis of measurement
- Definition of disallowed costs, prelims, OH etc
- Programme of work to ensure and guarantee workload

The Immediate Implications

- And, for all this to happen, clients must provide a continuing substantial workstream which will enable the selected supply chain partners to invest in improved business processes
- Clients must understand suppliers performance and set ongoing targets for improvement
- Preferred supplier status depends on value for money and improvement

JOINT PROCUREMENT MODEL

Consortia Model

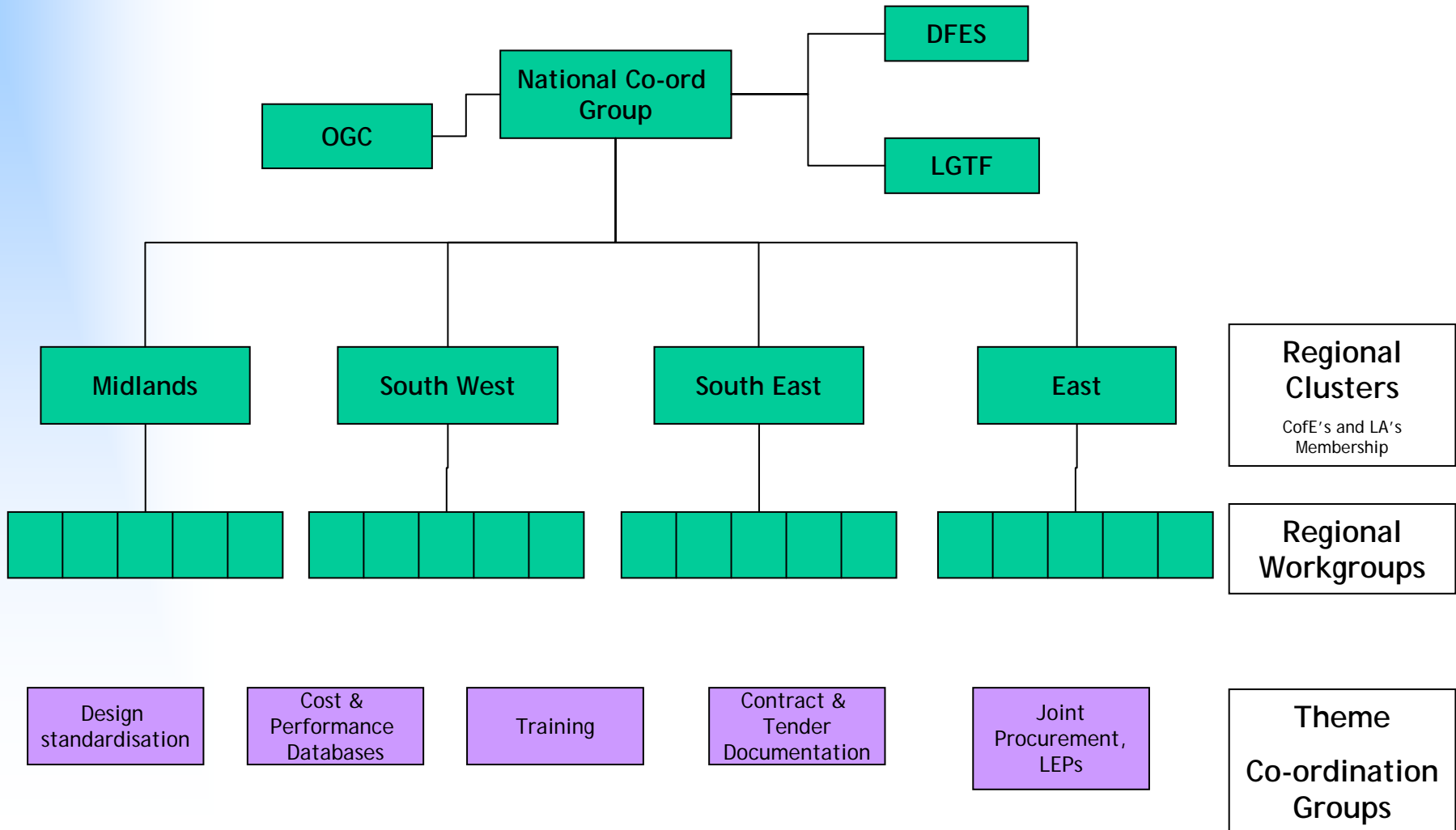


Options for the leadership of geographical alliances

- By forming regional alliances. Some example options are:
 - Continue to contract separately, but procure a joint pool of suppliers and collaborate to drive improvement
 - One client provides services to others
 - One client undertakes development on behalf of a consortia
 - Form regional development vehicle to undertake development on behalf of consortia

Centres of Excellence

Property Joint Procurement Organisation



SMARTTE

