

**Using PPC2000 to harness best practice in the incorporation of
employment and skills commitments through Early Contractor
Procurement**



Submission by CITB-ConstructionSkills

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Introduction

CITB-ConstructionSkills is delighted to submit this outline of our work with PPC2000 and the successful utilisation of its processes to harness Early Contractor Procurement in the incorporation of employment and skills commitments on construction projects.

Early Contractor Procurement takes advantage of a pre-construction phase built into the programme of a construction project. In this phase (following contract award but before the works start on site), a client, constructor and its supply chain members engage to enhance and refine employment and skills commitments as well as design, cost and risk management processes.

The procedures contained within PPC2000 naturally facilitate Early Contractor Procurement and the collaborative, transparent and best value principles underpinning it create an environment in which engagement by the client and constructor is positively encouraged.

ConstructionSkills has developed an Early Contractor Procurement industry guidance document to be used by public sector clients and constructors in order to ensure that the client achieves best value and creates local opportunities.

The successful implementation of Early Contractor Procurement whilst utilising PPC2000 has been demonstrated by a number of clients but, most prominently, the Ministry of Justice in its major national procurement programme for new build and refurbishment of courts, young offenders institutions and prisons. Further details are set out in the case study appended to this submission.



What is CITB-ConstructionSkills?

CITB-ConstructionSkills is the Construction Industry Training Board and, in partnership with CITB-Northern Ireland and the Construction Industry Council, also constitutes the Sector Skills Council for construction. We have a clear focus – to work to ensure that the construction industry has the right skills, in the right place, at the right time.

What is Early Contractor Procurement?

Early Contractor Procurement is a relatively new project strategy originating from two stage tendering, but adopting a more systematic approach with clear conditions and binding deadlines. It requires a series of post-contract award processes to be undertaken by the client, constructor and key supply chain members after the constructor has been selected but before mobilisation on site.

Processes under which the constructor works with the client to revisit the commitments made in its tender response can achieve refined employment and skills outputs focused on local opportunities, combined with costs savings, efficient working practices, innovation and sustainable solutions.

Early Contractor Procurement enables the client to influence (without nomination) the constructor's use of local and national sources of labour and/or its engagement of SMEs during the programmed reengineering of supply chain arrangements prior to start on site.

The Early Contractor Procurement guidance, was launched in summer 2011 at an event supported by industry leaders, including Paul Morrell, the Government's Chief Construction Adviser.



How does PPC2000 facilitate and compliment Early Contractor Procurement?

ConstructionSkills recognised that PPC2000 specifically provides for Early Contractor Procurement under a preconstruction phase appointment with conditional award of the construction phase contract. The preconstruction phase covers design development as well as processes for pricing and supply chain development. As standard, PPC2000 also refers to "employment and training opportunities" within its concept and definition of "sustainability".

Unlike JCT and NEC3 contracts, the PPC2000 preconstruction phase is fully integrated into the single contract and is not vulnerable to the argument that the construction phase works are the subject of a separate contract. Template PPC2000 contract clauses governing pre-construction phase activities are set out in the Early Contractor Procurement guidance.

The preconstruction activities contained in PPC2000 are linked to objectives which include employment and skills, and have been successfully tested on a wide range of public sector projects over the last eleven years. These include:

- Obligation on all parties to improve Sustainability, including employment and training opportunities (clause 4.2 (ix)).
- Adherence to a Partnering Timetable to govern the pre-construction activities (clause 6.1) and development of a Project Timetable (clause 6.2);
- Review of the supply chain and for the Constructor to demonstrate best to the client (clause 10.1(iv));
- A framework for Client approval of Business Cases for Specialist packages, including market testing (clauses 10.3 to 10.6);
- Partnering Team involvement in Specialist tenders permits the process to be analysed and agreed (clause 10.7)
- Engagement with Specialists to participate in design and other processes, which could include employment and skills targets (clause 10.8)
- Collaborative working practices, incorporating trust, fairness and mutual co-operation (clause 4.1);
- Diligent satisfaction of pre-conditions before start on Site (clause 14.2); and
- Continual monitoring of performance through key performance indicators linked to the constructor's employment and skills commitments.

The range of pre-construction processes and opportunities for direct engagement with the constructor does not effect the commercial roles and responsibilities of the parties.

Background

The Early Contractor Procurement guidance was developed following the success of a suite of industry guidance documents designed to assist public sector clients to include employment and skills commitments in their procurement of construction works – the "**Client-Based Approach**". This procurement guidance discussed the benefits of Early Contractor Procurement at a high level and interest by its users prompted the creation of the separate Early Contractor Procurement guidance.

Whereas the Client-Based Approach guidance deals with commitments at the procurement stage, Early Contractor Procurement seeks to refine these prior to start on site, including the following employment and skills categories:

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|---------------------------------|------------------------------|
| • Work experience | • S/NVQs |
| • Curriculum support activities | • Employment |
| • Graduates | • Supervisor training |
| • Apprentices | • Leadership training |
| • Subcontract Training Plans | • Advanced health and safety |

Since 2009, the Client-Based Approach guidance has been developed and updated so that clients and constructors can follow clear, practical advice which enables them to incorporate

template clauses and contractual commitments into procurement documents and works contracts.

Following the success of the local authority Client-based Approach guidance, separate documents were created for Central Government departments and the Homes and Communities Agency. Separate guidance was also developed for constructors, to enable them to effectively respond to a client's procurement requirements.

The Client-Based Approach has received widespread recognition from the construction industry. It has been adopted by Government and local authorities, including the Ministry of Justice, the Department for Transport, Isle of Wight Council, Surrey County Council, Scottish Futures Trust and the Highlands and Islands Enterprise.

Benefits of Early Contractor Procurement and PPC2000

Our guidance and case studies have demonstrated in clearly measurable terms that an Early Contractor Procurement process using PPC2000 can refine the Constructor's employment and skills outputs. We recognised that the use of Early Contractor Procurement has a number of other benefits, including:

- a period after contract award for the Constructor to examine supply chain relationships and justify that they offer best value;
- an opportunity for the Client to propose alternative Specialists which may represent better value;
- an opportunity for the client to benefit the local community by introducing the Constructor to local education and employment establishments;
- Value Engineering processes which may result in cost savings;
- design development from the Constructor and its supply chain to establish buildability, innovation and affordability at an early stage;
- an opportunity for the Constructor and its key supply chain members to offer innovative solutions;
- the creation of greater cost certainty and key supply chain commitments; and

Appendix

Case Study for Client-Based Approach, Early Contractor Procurement and Long-Term Contracts

Ministry of Justice Alliances

"Adoption of the Client-Based Approach by the Ministry of Justice adds another dimension to our national and regional Alliances, utilising training and employment benchmarks for courts (new build and refurbishment), young offenders institutions (new build and refurbishment) and prisons (new build and refurbishment). All projects will be delivered through Early Contractor Procurement which will provide a new opportunity for Ministry of Justice to work with the selected constructors to establish employment and training, but also direct commitments from second tier subcontractors and suppliers, combined with opportunities for reducing cost and improving value." **Kevin Murray, Construction Procurement Lead, Ministry of Justice**



1 Introduction

- The Ministry of Justice case study shows how a major national government procurement programme can benefit from adoption of the **Client-Based Approach**, and how ConstructionSkills have developed for the purpose of this procurement a range of training and employment benchmarks for new build and refurbishment projects in courts , young offenders institutions and prisons.
- The Ministry of Justice case study also demonstrates the benefits that can be achieved through systematic procedures for supply chain reengineering through joint processes under **Long-Term Contracts** and through **Early Contractor Procurement** in each project. It is a prime example of the Government's Strategy for Sustainable Procurement.

2 Overview of the Programme

- The Ministry of Justice ran a highly successful £3 billion Alliance for new build and refurbished prisons over a ten year period from 2002, which included provision for supply chain reengineering projects under the PPC2000 form of contract.
- Projects under this Alliance were delivered within budget, without delay and with no disputes over the ten year term.

- The Ministry of Justice has developed this Alliance when implementing its recent £900 million reprocurement for national and regional Alliances, in relation to which it has adopted the **Client-Based Approach**.
- All projects implemented under the new Alliances will utilise a system of **Early Contractor Procurement** under the PPC2000 form of contract, and under an adapted version of the NEC3 form of contract.
- The national and regional Alliances include provision for employment and skills commitments utilising the **Client-Based Approach** and for review and enhancement of these commitments through supply chain reengineering and joint systems set out in the Alliance Agreements.
- The Ministry of Justice is committed to be a best practice government client, and its national and regional Alliance reprocurements provide for Project Bank Accounts, Building Information Modelling and Supply Chain Management as means to obtain lower capital costs, lower resource costs and lower carbon impacts.

3 **Client-Based Approach**

- ConstructionSkills provided the Ministry of Justice with a new range of benchmarks adapted specifically for prisons, courts and young offenders institutions (new build and refurbishment in each case) which will now form part of the **Client-Based Approach** guidance.
- These benchmarks were circulated to bidders for the national and regional Alliances combined with appropriate wording in their Invitation to Tender under the EU Restricted Procedure, requiring commitment to the **Client-Based Approach**.

4 **Benchmarks and commitments**

Application of the **Client-Based Approach** benchmarks will be the basis for delivery of constructors' commitments proportionate to the size and type of each project. For example, on a £25 million prison new build project, these would produce:

- **Educational support** – 10 work placements (16 plus years old), 4 individual engagements under curriculum support activities and 1 graduate placement;
- **Apprentices** – 5 apprentice starts, 4 existing apprentices and 2 apprentice completions;
- **Jobs** – 11 jobs advertised through local employment vehicles;
- **NVQs** – 12 NVQ starts for subcontractors and 8 NVQ completions for subcontractors;
- **Other subcontractor support** – 5 training plans, supervisor training for 6 persons, leadership and management training for 4 persons and advanced health and safety training for 6 persons.

Early Contractor Procurement and Long-Term Contracts

- Bidders have committed to the **Client-Based Approach** and have costed its application on model projects. Each project will be procured on the basis of **Early Contractor Procurement**.
- Following selection of constructors to be members of each of the national and regional Alliances, the Ministry of Justice will utilise the **Long-Term Contracts** comprising its Strategic Alliance Agreements, to create processes for agreed supply chain management activities. These will form a basis upon which the agreed **Client-Based Approach** benchmarks can be revisited as follows:
 - To be delivered at lower cost;
 - To be delivered at better value;
 - To be delivered more locally in respect of the regional Alliances;
 - To be improved upon through systematic reviews with second tier specialist subcontractors and suppliers by Alliance constructors working jointly, so as to offer more stable workloads and longer-term commitments under multi-party Supply Chain Agreements.