

# The integrated project team teamworking and partnering

Achieving Excellence in Construction Procurement Guide



01 02 03 04 **05** 06 07 08 09 10 11



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## **NAO endorsement**

The NAO recognise that **proactive client leadership** and **robust project management** are prerequisites to the successful delivery of **construction procurement**.

They consider that procurement of **construction** should be on the basis of **whole-life value for money** and endorse the use of the good practice promoted by this suite of guides. They may investigate whether this good practice is applied in practice in any future examination.

## **Acknowledgements**

This guide has been published after **extensive consultation** within government and **valuable contributions** from leading individuals and organisations across the **construction industry**.

CGG would like to thank all who have contributed.

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# The Achieving Excellence Procurement Guides

The *Achieving Excellence* suite of procurement guides replaces the *Construction Procurement Guidance Notes* series.

The new series reflects developments in construction procurement over recent years and builds on government clients' experience of implementing the *Achieving Excellence in Construction* initiative.

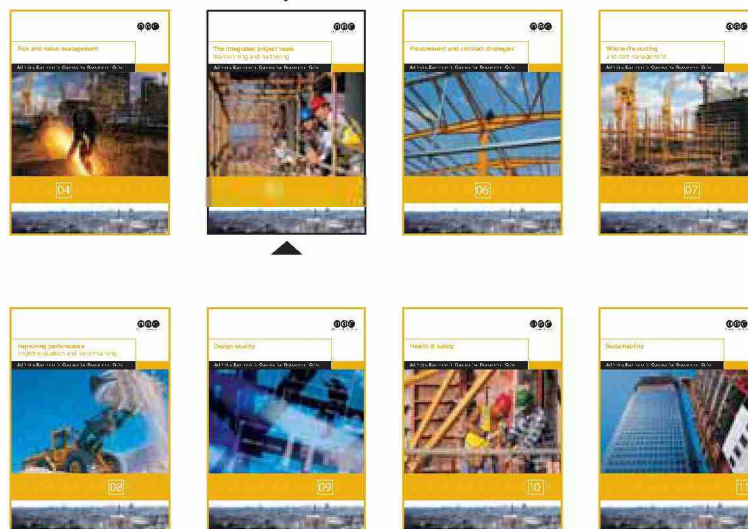
## High level guides



## Core guides



## Supporting guides





## 05 The integrated project team teamworking and partnering

The best projects and the best clients put time into forming the right team. They assess the quality and experience of the individuals, and their ability to work together as part of an integrated project team; they aim to work as a team from the earliest possible stage.

### Introduction

This guide explains how to work together as an integrated project team. The principle is simple: client and suppliers working together as a team can enhance whole-life value while reducing total cost, improve quality, innovate and deliver a project far more effectively than in a traditional fragmented relationship that is often adversarial. Collaborative working should be a core requirement for each element of every project. Putting it into practice through teamworking and partnering requires real commitment from all parties involved, but brings benefits that far outweigh the effort involved.

The guide outlines the principles of successful teamworking and its logical extension, partnering with the supply team. The practicalities of procurement and working together are described in the context of the project lifecycle, together with examples of good practice.

### Principles

#### Definitions

#### Supply Chain

A supply chain is made up of all the parties responsible for delivering a specific product or service. In the context of construction projects there may be a number of specialised supply chains delivering design services, construction services, manufacturing and assembly of products that are fabricated off-site and so on. Each supply chain member should be accustomed to working together as part of a fully linked chain. Supply chains move from project to project; they are brought together as an integrated supply team to meet a particular business need.

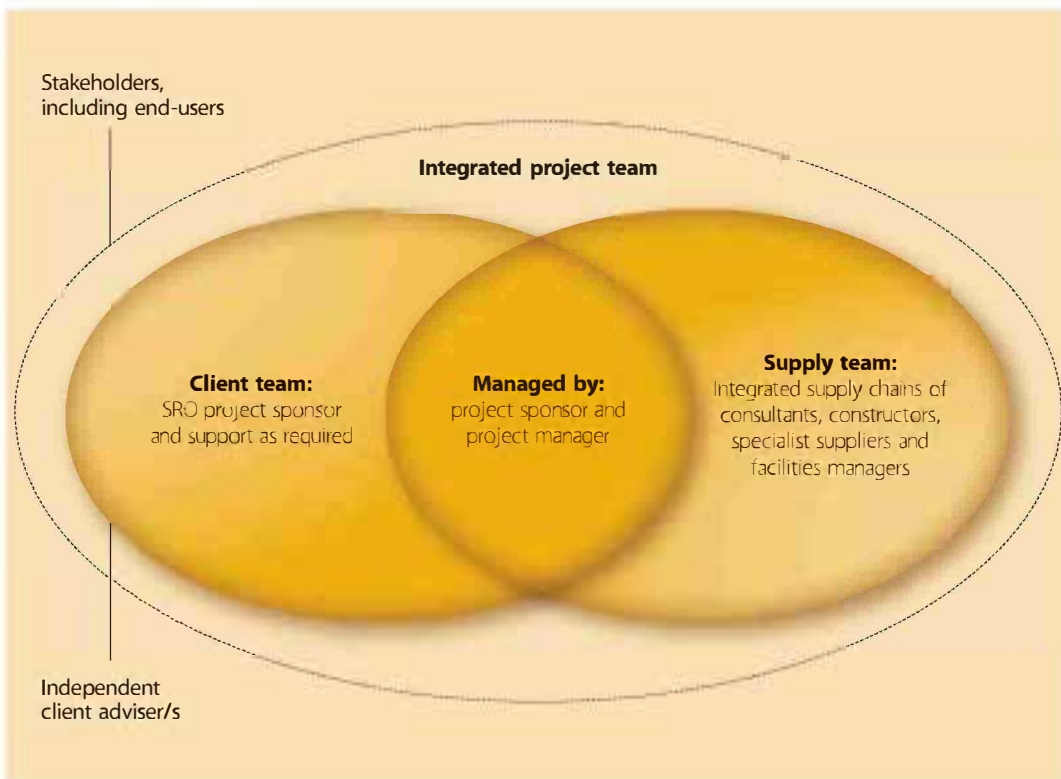
#### Integrated supply team (IST)

An integrated supply team brings together all the supply chains responsible for delivering the project.

#### Integrated project team (IPT)

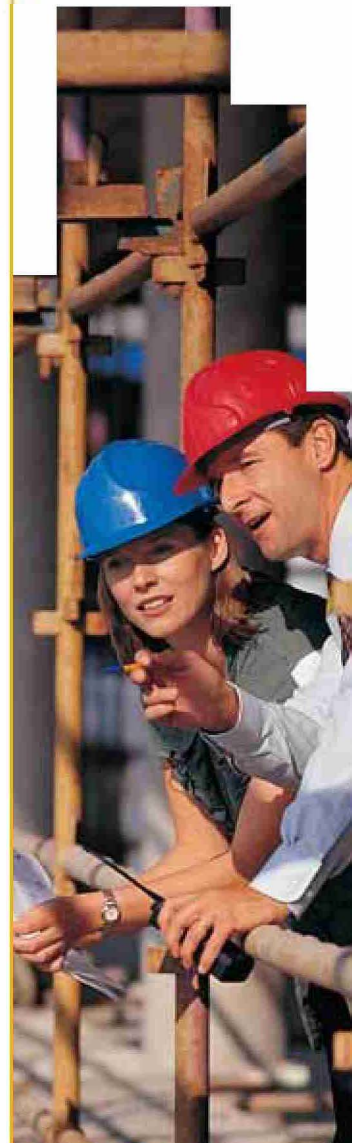
An integrated project team is made up of the client's project team and the supply team of consultants, constructors and specialist suppliers. It brings together the design and construction activities, with maintenance considered as well, whether or not the integrated project team will be responsible for the ongoing maintenance of the facility; it involves valued input from all parties in the supply team. The process and the team are integrated around the construction project.

## 1 The integrated project team



### Teamworking

Teamworking is characterised by mutual trust and openness, where problems and risks are shared and resolved collectively by the integrated project team – easy in principle, more difficult to achieve in practice, especially where one or more of the parties have not worked in that way before. But teamworking is simply common sense. It is the starting point on which relationships with other parties should be based and applies just as much to the internal relationships between the members of the client's in-house project team as to the working relationships between members of the client organisation and those of the supply team. It does not replace proper and appropriate management structures and procedures. It is a pragmatic way of working together to find ways of delivering the project to the required quality within budget and within the agreed timeframe. It should promote greater openness and encourage earlier involvement by the supply team in the project.



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The teamworking ethic must be demonstrated by senior management, who should act as exemplars of good practice and behaviour, and show commitment to collaboration and partnering throughout the project.

Teambuilding is an essential prerequisite of teamworking. It involves all parties in the team exploring their collective strengths and weaknesses and specific areas of responsibility; agreeing how they will work together in practice; identifying how progress and issues will be reported and resolved and so on. For more information on teambuilding, see the Strategic Forum for Construction's Toolkit (details below); see also Building Down Barriers ([www.mod.uk/NR/rdonlyres/B935410C-ACA9-4F1E-B4BC-FCF91D202B93/0/supplychainhandbook.pdf](http://www.mod.uk/NR/rdonlyres/B935410C-ACA9-4F1E-B4BC-FCF91D202B93/0/supplychainhandbook.pdf)).

Teamworking does not develop to its full potential until the parties have been open about their expectations, the objectives of each are truly aligned and there is mutual benefit from the agreed outcome. This is where teamworking moves into partnering.

The Strategic Forum for Construction is developing a toolkit to help clients and individual supply team members assemble integrated teams and promote effective teamworking skills. The toolkit enables the full potential of the teams to be realised for the benefit of the client; it emphasises that supply team integration is also relevant to small and occasional clients as well as to small and medium sized enterprises (SMEs) in the industry and can be applied to most projects.

### Partnering

Partnering involves the integrated project team working together to improve performance through agreeing mutual objectives, devising a way for resolving any disputes and committing themselves to continuous improvement, measuring progress and sharing the gains. All the parties have a shared goal of completing the project in a cost-effective and timely way that is mutually beneficial. Partnering can be a 'one-off' for individual projects or a repeat process with the same team for a number of projects:

- **project partnering** involves the integrated supply team and the client organisation working together on a single project, usually following a competitive procurement. Project partnering can achieve savings of 2-10% in the cost of construction
- **strategic partnering** involves the integrated supply team and the client organisation working together on a series of construction projects to promote continuous improvement. Strategic partnering can deliver significant savings, of up to 30% in the cost of construction. With this kind of arrangement a contract or framework agreement is awarded to an integrated supply team for a specified period of time; the team prices individual projects within the contractual arrangement.



Six key principles of partnering are:

- early involvement of key members of the project team
- selection by value, not lowest price
- common processes, such as shared IT
- a commitment to measurement of performance as the basis for continuous improvement
- long-term relationships in the supply chains
- modern commercial arrangements based on target cost or target price with shared pain/gain incentivisation.

### Why partnering is worth doing

Long-term collaborative relationships (strategic partnering) can promote better value for money by encouraging clients and suppliers to work together as an integrated project team to:

- improve design, including operational efficiency and health and safety performance
- minimise the need for costly design changes
- identify ways of driving out inefficiency in the construction process
- repeat good practice learned on earlier projects
- minimise the risk of costly disputes
- identify incentives to deliver tangible improvements in the quality of the construction and reductions in time and whole-life cost
- integrate the whole supply chain.

Irrespective of the type of partnering relationship, significant benefits in achieving whole-life value for money can be obtained where a lead supplier has entered into strategic partnering arrangements with its supply chains. Specialist manufacturers and suppliers may be part of joint venture arrangements, a consortium or a teamworking/alliancing agreement. It is important to note that supply chains should also adopt partnering principles. Supply chain relationships of this type are essential to obtain the maximum benefits from partnering for clients and the industry.

### When to adopt a partnering approach

Partnering is applicable to all projects, even those that are very straightforward and limited in scope. However, partnering is particularly appropriate when:

- the project is complex and business requirements are difficult to specify
- the client has similar project requirements over time, giving scope for continuous improvements in cost and quality
- construction conditions are uncertain, solutions are difficult to foresee and joint problem-solving is essential.





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### Critical success factors

For overall project success there should be:

- a shared risk register, with risks allocated and managed across the team
- clear, measurable targets for health and safety, sustainability, improving value for money in construction quality, delivery times, and whole life costs that are agreed between the client and the other organisations that make up the integrated team
- clear identification of who does what and reporting lines with defined roles and responsibilities for coordinating aspects of the design and construction processes
- performance measurement and benchmarking of both the client and supply team members' performance to promote continuous improvement; the aim is to identify and resolve problems and to share best practice
- target cost arrangements involving the ringfencing of profits, underpinned by open book accounting that makes payment processes visible to all
- arrangements for sharing efficiency gains – so that all parties in the team benefit – and incentives for everyone in the integrated project team to work together to develop innovative, cost-effective design solutions
- clear design quality targets set to promote innovation.



An example of open book accounting is the CITEX project on Defence Estates' North Andover site, where all members of the delivery team draw down their payments from the same bank account on completion of the relevant milestone.

The integrated project team members should organise and integrate their roles and responsibilities to act collaboratively. The team culture is characterised by openness, clearly understood mutual objectives, problem solving, a commitment to continuous improvement (measured against Key Performance Indicators) and mechanisms for managing risks and sharing rewards.

There will need to be clear demonstration that:

- the partnering process has been planned and followed through in a rigorous and clearly documented way
- ongoing value for money is being achieved through the use of Key Performance Indicators, benchmarking and continuous improvement.

The senior responsible owner (SRO), as the project's owner, should be committed to encouraging good teamworking practices. In particular, the SRO should give clear, decisive support where the client enters into partnering or teamworking arrangements with suppliers. Such visible support will include attendance at the initial partnering workshop and commitment to the partnering agreement. For teamworking to succeed, there should be:

- teambuilding workshops led by an independent facilitator (a partnering coach) to help the team to understand and adopt new ways of working
- training and empowering of project staff to work jointly with others as an IPT to identify opportunities to do things more efficiently and to solve problems together



- a commitment by the team to ongoing review and evaluation of performance
- aligned goals (with commitment to those goals)
- post project reviews with the principals of all the parties to identify and disseminate the lessons learned.



#### Good practice:

- integrate the team so that there is collective responsibility for the whole-life cost and quality implications of their design
- involve the main supply chains in the IPT at an early stage to actively participate in developing the design, to include consideration of the cost of constructing and maintaining the facility, health and safety implications, sustainability, design quality, speed of delivery and the operational efficiency of the completed facility.

## Process

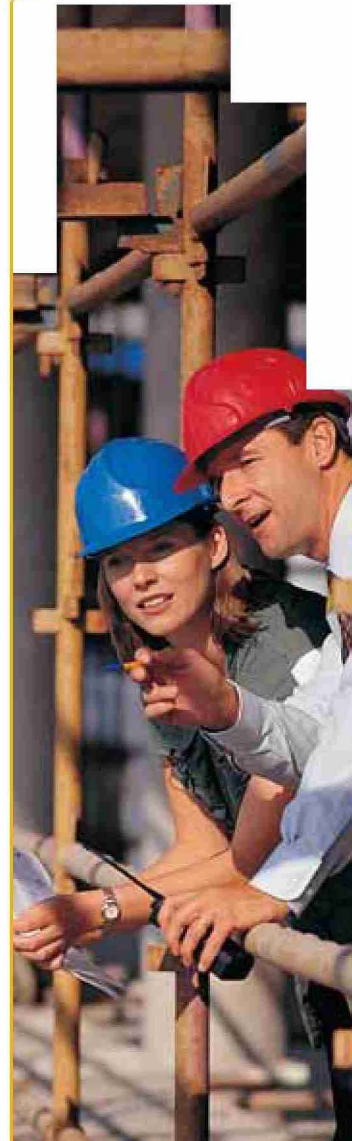
This section explains how to bring together and manage an IPT. Details of procurement are covered in *AE6: Procurement and contract strategies*; details of the project process in *AE3: Project procurement lifecycle*; and details of the client roles and responsibilities in *AE2: Project organisation*.

### Preparation

Partnering arrangements must have aligned goals and objectives if they are to succeed.

Client objectives should be set before selecting the team. The ideal is to include all of these objectives where they can realistically be achieved:

- commitment to a contract with an integrated team, not with separate companies
- respect for people (health and safety) – zero tolerance of accidents
- an appropriate quality standard based on an output specification
- minimum on-site construction period without compromising quality, increasing cost or adding to risk exposure
- certainty of completion date
- best whole-life value for money
- sustainable solution
- cost certainty
- zero defects.



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### Assembling the IPT

The aim is to identify the most appropriate specialists and involve them at key points throughout the project where their expertise can contribute to the design process as well as the construction process. This enables the team to integrate design, fabrication and construction progressively. On most projects substantial design is carried out by specialists concerned with the structure (including ground-type foundations, substructure and superstructure, cladding and piling) and systems (M&E, lifts, testing and commissioning). These specialists should be part of the IPT. Key manufacturers should also be involved.

An integrated team creates the best environment for all who contribute to the design process – consultants, specialists and manufacturers – to generate the design solutions that optimise value for money for the client.

Key criteria for selection of the IST are:

- proven attitude to collaborative working and integrated approach
- proven ability to be proactive
- proven track record in innovation and managing risk.

There should be evidence of:

- senior management commitment to partnering in the team
- staff in the integrated project team with experience in the culture of partnering and teamworking
- commitment to openness and shared accountability
- commitment to collaborative working
- commitment to measure performance against KPIs, where appropriate, to ensure continuous improvement
- proven capability and capacity to deliver the required quality
- ability and commitment to improve quality, deliver on time and reduce whole-life costs through innovation
- commitment to improving health and safety performance
- commitment to design quality
- commitment to sustainability.

### Specialist advice

Figure 2 (overleaf) shows the stages at which advice may be required during the life of a construction project. External advice may not be needed where the necessary expertise is already available in-house. The decision on whether to use existing in-house resources, recruit new personnel or use external consultants should be taken on the basis of value for money; it should also take into account team ownership, collaboration, partnering, risk and reward sharing.

Responsibilities will change as the project progresses; responsibilities need to be linked to the risk register, as this shows who is responsible for the management of individual risks.

A **value manager** arranges value management and value engineering studies with key stakeholders at key project stages, to identify opportunities for adding value and reducing waste/inefficiencies. These studies use group decision-making workshops (see *AE4:Risk and value management*) to:

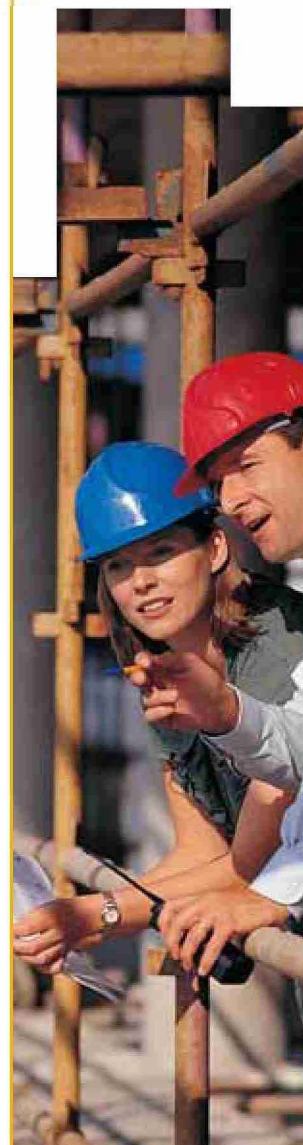
- identify needs and the hierarchy of objectives
- determine preferred options
- ensure that the design and construction approach provides value for money
- learn from best practice (and mistakes) for future projects.

A **risk manager** helps to identify risks and assess their potential impact on the project. Risks are controlled and minimised in accordance with documented risk management plans prepared and regularly updated by the IPT. Risk allowances are set and regularly re-evaluated during project planning and construction stages (see *AE4:Risk and value management*).

Under The Construction (Design and Management) CDM Regulations the client has to appoint a **planning supervisor** on construction projects. A planning supervisor has responsibility for co-ordinating the health and safety aspects of design and for ensuring that a pre-tender health and safety plan is prepared. In particular the planning supervisor's duties include:

- ensuring the HSE is notified of the project
- ensuring co-operation between designers
- ensuring designers comply with their duties
- ensuring a pre-tender stage health and safety plan is prepared
- advising the client when requested to do so
- ensuring a health and safety file is prepared.

For further details see *AE10:Health and Safety*.





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## 2 Stages where advice may be needed

Gate	Project step	Expert advice
<b>START</b>		
	<ul style="list-style-type: none"> <li>■ Possible need for project raised</li> <li>■ Business needs</li> </ul>	<ul style="list-style-type: none"> <li>■ Scope of project</li> <li>■ Value management (VM)</li> </ul>
<b>Gate 0: Strategic assessment</b>		
	<ul style="list-style-type: none"> <li>■ Options to meet user needs</li> <li>■ Business case (SOC)</li> </ul>	<ul style="list-style-type: none"> <li>■ VM, risk management (RM)</li> <li>■ Estimates (whole-life costs); investment appraisal</li> </ul>
<b>Gate 1: Business justification</b>		
	<ul style="list-style-type: none"> <li>■ Project brief</li> <li>■ Carry out feasibility study</li> <li>■ Procurement route; OBC</li> <li>■ Output specification</li> </ul>	<ul style="list-style-type: none"> <li>■ Development of project brief</li> <li>■ VM, RM; estimates</li> <li>■ Procurement approach</li> <li>■ RM, VM</li> </ul>
<b>Gate 2: Procurement strategy</b>		
	<ul style="list-style-type: none"> <li>■ Draft contracts*</li> <li>■ Tendering process; FBC</li> </ul>	<ul style="list-style-type: none"> <li>■ Contract preparation, including incentives</li> <li>■ Selection and evaluation</li> </ul>
<b>Gate 3: Investment decision</b>		
	<ul style="list-style-type: none"> <li>■ Contract award* and formation of IPT</li> <li>■ Outline design</li> </ul>	<ul style="list-style-type: none"> <li>■ Partnering facilitation</li> <li>■ Design development, Value engineering (VE)</li> </ul>
<b>Decision point 1: Outline design</b>		
	<ul style="list-style-type: none"> <li>■ Detailed design</li> </ul>	<ul style="list-style-type: none"> <li>■ VE RM</li> </ul>
<b>Decision point 2: Detailed design</b>		
	<ul style="list-style-type: none"> <li>■ Construction</li> </ul>	<ul style="list-style-type: none"> <li>■ VE RM</li> </ul>
<b>Gate 4: Readiness for service</b>		
	<ul style="list-style-type: none"> <li>■ Facility in use</li> </ul>	<ul style="list-style-type: none"> <li>■ Post project review (PPR)</li> <li>■ Post implementation review (PIR)</li> </ul>
<b>Gate 5: Benefits evaluation</b>		
	<ul style="list-style-type: none"> <li>■ Disposal</li> </ul>	
	<b>End</b>	*Procurement of new IST or agree terms under existing framework arrangement

**Design consultants** include architects, civil engineers, structural engineers, electrical engineers, mechanical engineers, public health engineers, urban designers, landscape designers and interior designers. They may be involved in preparing outline designs for feasibility studies, design exemplars and/or detailed design as part of the IPT.

Other specialist consultants include a variety of experts such as specialist facility and equipment designers, environmental consultants and design consultants advising on specialist aspects. For example, environmental consultants may advise on the environmental advantages and disadvantages of each of the scheme options, prepare environmental statements and design environmental mitigation measures.

**Cost consultants** provide advice on whole-life costing, estimate preparation, risk quantification, cost planning, cost monitoring and reporting and advice on budget costing, maximum price, pain/gain share mechanisms, open book accounting and other cost models. (See *AE7: Whole-life costing and cost management*).

The **contract administrator** administers the main construction contract. The title of this role and the precise level of responsibility will depend on the form of contract adopted.

A **partnering facilitator** assists the parties entering into a partnering arrangement to identify common goals, agree performance measures and dispute resolution mechanisms. These are drawn up and embodied in a partnering charter. The facilitator should be independent of the project team.



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Clients should:

- seek long-term collaborative relationships with ISTs within the policy and legal framework for public procurement. The benefits include client and suppliers working together to improve design, health and safety, and sustainability performance, minimise the need for costly design changes, identify ways of driving out inefficiency in the construction process, repeat good practice learned on earlier projects and minimise the risk of costly disputes
- enable the IPT to contribute more fully to the design of a quality scheme, including buildability. Their ability to do so should not be unduly constrained by the timing of their involvement, over-prescriptive specifications or inadequate incentives to encourage innovation
- ensure that primary suppliers involve their supply chains fully as members of the IPT
- seek optimum rather than maximum risk transfer, with risks allocated to the parties in the IPT best able to manage them
- use appropriate procurement routes, and build in target prices with pain/gain share mechanisms to provide incentives for integrated project teams
- involve ISTs early where Design & Build is the selected route, requiring them to tender for a two-stage contract: the first stage of which is to steer the project through the statutory process (such as planning permission) and develop a full working design; the second stage is the construction of the scheme (an example is Highways Agency's Early Contractor Involvement initiative)
- consider framework agreements that provide opportunities to increase the client's knowledge of the IST and to provide the project team with an incentive to improve performance
- ask tenderers to provide information on their health and safety procedures on site and how they will record accidents or near-misses (see *AE10:Health and safety*)
- encourage smaller suppliers to become part of a supply chain.

Partnering arrangements should be adopted as far as possible on all new and existing contracts. Where applicable, the client should inform potential suppliers of its intention to adopt a partnering approach early in the procurement. Partnering arrangements, whether project specific or longer-term strategic partnering, do not replace the need for competition at the outset of the contract. Partnering is acceptable under EU rules if:

- it is competitively arranged
- the client's needs and objectives are clearly stated in the OJEU advertisement
- the contract is for a specified period.



There is scope for more long-term relationships, as long as the initial competition conforms to EU Procurement Rules and with the requirements of propriety and accountability. Framework agreements are appropriate where there is a need to regularly procure the services of suppliers. These arrangements should contain performance-related clauses.

The IST should be remunerated in a way that gives them shared incentives to deliver good-quality construction to budget and on time. At the same time, clients need to be confident that value for money is being achieved. See *AE6: Procurement and contract strategies* for details of appropriate payment mechanisms.

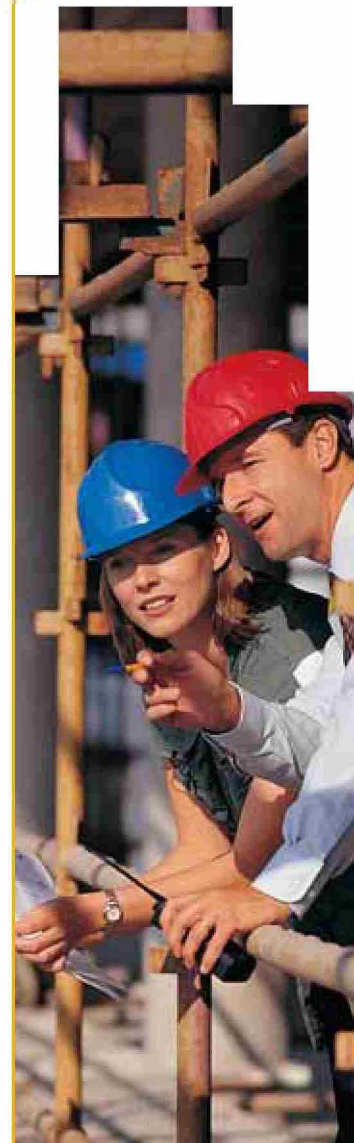
Appropriate incentives should be included in contracts or in partnering arrangements, to encourage the IST to provide additional benefits to the client that will be of value (such as using innovation or different working practices to deliver the same or better service while achieving cost savings). Target cost arrangements will often provide the appropriate incentive within partnering arrangements, provided profits are ringfenced and the emphasis is on minimising waste and taking innovative approaches to reduce costs while still meeting clients' needs.

**Contract award:** the contract is awarded to the team offering best value for money (a combination of whole-life cost and quality to meet the user's requirement). At this stage the contractual basis is confirmed, which covers the whole process of design development, supply chain relationships, performance improvement and pricing structures. Partnering charters (see below) are a non-binding way of agreeing the working relationship. However, partnering built into a formal contract may provide a firmer foundation. It builds on the principles of those charters to place the relationships on a firm footing from the start of the project. The contract should support the whole team and aim to deliver an integrated project process. It should set out the agreed accountability for each party, the goals and how they will be achieved, the processes for managing risk and sharing rewards, and the guidelines for managing disputes and resolving problems. (See *AE6: Procurement and contract strategies*.)

#### Teamworking and partnering workshops

Workshops should be held at the start of the project and at appropriate stages throughout the project to:

- facilitate teambuilding
- clarify the aims and objectives of the parties
- agree joint objectives for the project
- develop processes and procedures for communications and problem resolution
- produce a partnering charter for the project.



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Senior managers from each organisation should be involved in the initial workshop to ensure visible high level commitment. Further workshops are held throughout the project lifecycle as required to ensure the teamworking and partnering ethos is being maintained.

The partnering facilitator is a key role in helping the IPT determine exactly how they will work together. The partnering facilitator is independent of the team and can give impartial advice on the strengths and weaknesses of team members and the team as a whole.

There are a number of practical tools for teambuilding and greater collaboration at project level.

### Partnering charters

Partnering charters supplement the contract. They are not usually legally binding but are valuable tools because they can be used to:

- identify the common goals for success
- set out a common resolution process for reaching decisions and solving problems
- identify the targets that provide continuous measurable improvements in performance
- set out gain-share and pain-share arrangements (incentives) where these are not included within the formal contract.

The partnering charter is signed by all of the individuals in the partnering arrangement. It should contain an express provision making it clear that the charter is not intended to be legally enforceable. The charter normally includes a statement to the effect that the arrangement only remains operative as long as all parties to it wish it to remain in place. A partnering charter developed and agreed by all the parties is likely to be appropriate to the specific circumstances and drawn up in a form that the parties to it are happy to sign up to. The alternative of adopting 'off the peg' partnering charters to fit over the formal contract in a prescriptive manner is less likely to result in success.

### Dispute resolution

The dispute resolution process should require problems to be resolved and decisions reached by individuals at the lowest possible level within the IPT.

It should set a time period by which a decision must be reached at that level before the issue is moved up to individuals at the next level in the respective organisations and so on up to the most senior levels. The recommended approach is to adopt alternative dispute resolution (ADR); Alternative Dispute Resolution can be found at [www.ogc.gov.uk//documents/cp0077.pdf](http://www.ogc.gov.uk//documents/cp0077.pdf).

### Practical considerations

Partnering workshops should be undertaken through the life of the project, typically at these stages:

- design and pre-construction: to identify individual and collective objectives, agree roles and responsibilities, set measurement/targets, define accountabilities, determine how cost savings will be shared, and produce an action plan
- construction period: series of workshops as required to review action plans and revisit objectives
- post-construction period: debrief workshop at the end of the project to review success and learn lessons from experience.

Strategic partnering arrangements should be checked from time to time to ensure that they continue to provide value for money. Such checks might include:

- comparison of performance against other contracts (total value for money of outputs and not just initial tender price)
- clear demonstration of a regular increase in value for money from the start of the contract through continuous improvement.

Partnering offers good potential to improve the value for money of construction. For a partnering arrangement to be successful, all parties – clients and the whole supply team – must be fully committed to making the relationship work. There should be continuous and reliable monitoring of performance to ensure that the arrangement is achieving what it was set up to do and that public sector propriety is not compromised.

Clear records must be maintained by the IPT to demonstrate how the parties have worked together to reach decisions, how best value has accrued to the client and that probity and propriety have been maintained. It is essential to be able to demonstrate proper accountability.

Integrated teams enable risk management issues (including project insurance) to be fully addressed by the whole team in an open and transparent way. Project insurance should be considered to facilitate integrated working.





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### Case Study

#### Establishing longer-term relationships – the Highways Agency road maintenance contracts

The Highways Agency had delivered its routine and winter maintenance service and small scale projects (under £100,000) through 24 maintenance areas. In each area the Agency had Managing Agent (MA) contracts to design, plan, programme, manage and oversee all maintenance and low value projects and a Term Maintenance Contractor (TMC) contract to carry out the actual works. These contracts ran for three years with options to extend by two years or one respectively. Whilst this was a significant improvement on the previous 92 local authority-maintained areas, the Agency recognised that there was still scope for greater improvements through developing long-term collaborative and integrated working relationships.

The Agency developed two main proposals: to improve the existing MA and TMC forms of contract with enhanced partnering arrangements, and to merge the roles of the MA and TMC to create a totally integrated (one entity) service delivery team with greater scope for innovation to deliver best value, known as the Managing Agent Contractor (MAC).

The Agency has now completed its main round of renewing the old contracts and reduced the number of areas down to just 14, to allow for de-trunking and create a critical mass of activity in each area. This has resulted in the appointment of 8 MAC suppliers and 6 MA and TMC suppliers in the 14 areas. Initial indications suggest that the integrated suppliers approach is giving significantly improved value for money compared to previous arrangements. In addition, the Agency is also seeing benefits from the integrated teams in terms of innovation and customer service. Because the relationships are designed to deliver continual improvements, the Highways Agency expects to see even further benefits from working this way, such as better predictability of project delivery times and better overall customer service.

### Case Study

#### Integrating the supply chain – the Ministry of Defence construction contracts (Building Down Barriers)

The Ministry of Defence is using Prime Contracting as its preferred procurement route where the Private Finance Initiative is not appropriate. The Prime Contractor will be expected to have a well-established supply chain, and to integrate that supply chain into the design process, and coordinate and project manage all their activities throughout the design and construction period. Two types of Prime Contract are being used:

- capital works for large and complex projects, with the contractor designing and constructing the building and maintaining it for at least three years to prove its through-life cost predictions
- One Stop Shops where one Prime Contractor will deliver all property maintenance and capital works for all three armed services in a region. One Stop Shop contracts will run for five to seven years with an option to extend to ten years.

Where Prime Contracting is used they expect to achieve value for money improvements of 30% in the cost of construction and in their operational running costs by 2005.

[Source: NAO]

### Good practice: Building Down Barriers

MOD's Defence Estates' initiative Building Down Barriers at [www.mod.uk/NR/rdonlyres/B935410C-ACA9-4F1E-B4BC-FCF91D202B93/0/supplychainhandbook.pdf](http://www.mod.uk/NR/rdonlyres/B935410C-ACA9-4F1E-B4BC-FCF91D202B93/0/supplychainhandbook.pdf) identifies seven key principles for Prime Contractors:

- compete through offering superior underlying value rather than lower margins
- establish long-term relations with key suppliers
- manage the supply chain throughout a project with supply clusters (that is, bringing together groups of suppliers to design and deliver an integrated part or element of a facility by working together as a 'cluster')
- make value explicit: design to meet a functional requirement for a whole-life cost (that is, including maintenance – not just capital cost of construction)
- involve the supply chain in design and cost development – using target costing, value management and risk management
- develop continuous improvement within the supply chain
- promote collaboration through leadership, facilitation, training and incentives.

### Further information

- Strategic Forum for Construction Toolkit: [www.strategicforum.org.uk/sfctoolkit2/home/home.html](http://www.strategicforum.org.uk/sfctoolkit2/home/home.html)
- *Partnering in the Team*, Construction Industry Board (ISBN 0 7277 2551 3)
- *Partnering in the Public Sector: a toolkit for the implementation of post award, project specific partnering on construction projects*, European Construction Institute (ISBN 1 873844 34 4)
- *Constructing Improvement: the clients' pact with the industry*, Construction Clients' Forum
- *The Seven Pillars of Partnering*, Reading Construction Forum (ISBN 072772690 0)
- *Trusting the Team*, Reading Construction Forum (ISBN 0 7049 0503 5)
- *Partnering Arrangements between the Ministry of Defence and its suppliers: a practical guide to creation agreement management*, Ministry of Defence (e-mail [DGCommercial@dawn.pe.mod.uk](mailto:DGCommercial@dawn.pe.mod.uk))
- Partnering toolkit, Building Services Research and Information Association (see BSRIA website at [www.bsria.co.uk](http://www.bsria.co.uk))





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#### OGC Service Desk

OGC customers can contact the central OGC Service Desk about all aspects of OGC business.

The Service Desk will also channel queries to the appropriate second-line support. We look forward to hearing from you.

You can contact the Service Desk 8am - 6pm Monday to Friday

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