



## New Models for Collaboration Presentation synopsis

On Thursday 10 November 2016 CIHT hosted an event, sponsored by [FUSION](#), entitled 'New Models for Collaboration'. The following provides a synopsis of the presentations. Full presentation slides can be found [here](#).

### **Key note address – The importance of collaboration – Steve Rowsell (CIHT President)**

In the highways and transportation sector there are a range of industry-wide issues that need to be addressed to deliver forward programmes and plans. These are issues which require strategic collaboration across all organisations and the supply chain involved in the development and delivery of the transport programmes. The challenge of putting in place the necessary resource and skill requirements is highlighted by the Government's desire to use infrastructure investment as a means of boosting economic growth in the short-term. It is exacerbated by the age profile in the workforce and the lack of diversity in the industry. The industry needs to work together to make itself more attractive to new recruits.

Looking ahead greater clarity is required on forward plans and how the need for future proofing will impact on transport requirements. These will influence the skills that need to be attracted to the industry. Clients also need to ensure that they are engaging with supply chains to ensure that they can respond and commit the resources needed to deliver client requirements. Delivery strategies and business models need to take account of the availability of resources and ensure that best use is made of the supply chain and that duplication of effort is avoided. Greater consistency of approach achieved with better collaboration would generate significant cost savings.

### **Presentation: Case study – Crossrail – Andy Roach Bowler (Rowell Wright Ltd)**

The £15bn Crossrail project runs from Reading and Heathrow in the west, through new twin-bore 21 km tunnels to Shenfield and Abbey Wood in the east, and is on programme to open in December 2018. The complexity of the project is illustrated through the work and interfaces with existing LU tunnels at the new stations.

The project had two sponsors, the DfT and TfL, which created the complex challenge of managing different stakeholders with a range of objectives, priorities and governance. A Programme Partner and a Project Delivery Partner were appointed to support the client.

It was not possible to procure Crossrail as a single project and so a packaging strategy was developed aligned with market capability and to minimise interfaces. Target Price contracts contained a simple 50/50 pain/gain share and contracts sought to achieve a fair allocation of risk and operated fair payment provisions. The aim was to promote a collaborative environment.

The Procurement Strategy developed the concept of Optimised Contractor Involvement (OCI) to support collaboration but with the client retaining design responsibility. The OCI process was generally a 90-day period post contract where ideas were explored by co-located client/designer/contractor teams with savings implemented as value engineering benefits.

### **Presentation: Case Study – HS2 – Steve Rowsell (CIHT President)**

High Speed Two (HS2) is a major new railway costing in excess of £50 billion being developed in two phases. Phase One will run from London to Birmingham and is due to achieve Parliamentary approval around the end of the year. Phase Two will extend the



railway to Manchester in the North-West and Leeds in the North-East and Parliamentary proceedings are due to commence in 2017.

HS2 Ltd has commenced the procurement of the first seven main works civils contracts for Phase One using an Early Contractor Involvement (ECI) approach otherwise referred to as two-stage design and build. Collaboration is a key principle in the approach with project and programme incentives to encourage collaboration across the programme of contracts. The supplier selection procedures include behavioural assessments to help identify suppliers who can demonstrate the required collaborative culture and behaviours.

Key issues relating to the application of an ECI approach include design strategy and design maturity; selecting and building the team; developing the target price; risk allocation and pricing; moving from ECI Stage 1 to Stage 2; cost controls and appropriate incentivisation.

### **Presentation: Highways England's revised approach to delivery – Russell Thomson (Highways England)**

To follow:

### **Presentation: Scotland – Non-Profit Distributing model (NPD) – Scott Shaw (Transport Scotland) & Andrew Bruce (Scottish Transport Futures)**

Scottish Futures Trust and Transport Scotland provided an overview of the Non Profit Distributing (NPD) model and its application in the delivery of the Aberdeen Western Peripheral Route/Balmedie to Tipperty (AWPR/B-T) project. The AWPR/B-T project, with a Net Present Value of £530m, is the largest contract to be awarded to date using the NPD model and is currently the longest new road project currently under construction anywhere in the UK. The speakers provided an insight into the project set-up and governance, highlighting the role of all key parties in the project from the funding partners to the contractors.

### **Presentation: Devon HMEP – The benefits of using the contract – David Whitton and Meg Booth (Devon County Council)**

*(For Devon Highways, collaboration is part of the service operating culture)*

In this presentation Devon explained how it had transformed the relationship with its Term Maintenance Contractor from a traditional “master/servant” relationship to a virtual joint venture based on full team integration, staff co-location, efficiency incentives and joined up governance arrangements.

Communications were key to the transformation and three strategic themes were developed as the framework; Driving Efficiency; Managing Demand and Enabling Community Self-Help. The strategy help develop staff empowerment and co-design of policy and processes. It also helped in working with communities to explain the service and, as a result manage expectations and encourage self-help.

Devon used its own model for testing its service delivery model, the HMEP Toolkit and a light touch Peer Review to draw on experience and expertise to shape its new delivery arrangements.

Working with neighbours, through the South West Highways Alliance, Devon has just completed the collaborative procurement its successor Term Maintenance Contract. The presentation described the journey through the procurement process working with Plymouth City Council and Somerset County Council. The goals of the Local Authorities were considered in the method of procurement, as well as other data such as geographical and physical network size. The presentation highlighted the benefits of the “competition with Negotiation” procurement process, which was followed.



The use of the HMEP standard suite of term maintenance contract documents was described, including Devon's involvement in the development and use of the standard documents. The presentation reflected on what could have been better in the collaboration and looked forward to future collaboration opportunities.

**Presentation: Transport for Greater Manchester – Leigh/Ellenbrook Guided Busway – Procurement in a Collaborative Environment – Frank Tudor (TfGM)**

Transport for Greater Manchester have in 2016 opened the Leigh / Ellenbrook Guided Busway, the first of its kind in the North West. This highly successful transport infrastructure is a major part of a Leigh to Manchester City centre bus route improvement project and the presentation looked at how TfGM and its partners in the scheme successfully procured the entirety of the infrastructure project in a soft collaborative environment through leveraging both goodwill, sound commercial acumen and strong programme management.

**Presentation: Nottinghamshire/Cornwall – Via a new Joint Highways Company – Arthur Hooper (CORSERV)**

This presentation outlined CORSERV's (Cornwall's Group of Companies) rationale and model for the delivery of a highways service to Nottinghamshire County Council (NCC) through a collaborative joint venture company between NCC and the CORSERV Group – (Cornwall's Group of Companies) trading under the Teckal principle.

It gave an overview of the reasons why NCC needed to change to alternative methods for delivery, an introduction to CORMAC Solutions Limited (CSL) and how the CSL model works, the achievements, the benefits of a joint venture, including the collaboration with NCC and the creation of Via East Midlands Ltd. The general considerations that need to be taken into account, the operational and non-financial benefits and how this has led to some real innovative ways of working.

CORSERV believe that the Teckal principle offers authorities a true alternative to the traditional options of the in-house DLO or external private company models. It enables the highway authority to understand and mitigate risk through the development of a true partnered approach through the bespoke Teckal model. Carried out correctly with an experienced partner, it offers the best of both worlds – a safe and efficient company that has service and partnership at its core but with a commercial drive that is demonstrated by exploiting and winning the allowable 20% of external trading.

**Presentation: The Future of HMEP Procurement Products – Matthew Lugg (Mouchel and HMEP advocate)**

Since its inception the Highway Maintenance Efficiency Programme (HMEP) has recognised that applying good practice in procurement is essential in achieving cost effective service delivery. In surveying the sector HMEP identified there was no standard or consistent approach to how local highway authorities procured highway services. So based on feedback from the sector HMEP has developed a number of products and toolkits to support procurement including:

- Collaboration between local highway authorities
- Shared services
- Client/contractor collaboration
- Routes to Procurement
- A standard contract for highway maintenance services

Since its launch in 2013 there has been further development of the Standard contract with a standard price list & method of measure added in 2015. More recently as a result of contract regulation changes the OJEU, ITT and the contract conditions have been updated.



Finally a revised contract service information has just been completed and the work in producing a comprehensive harmonised specification is expected to be available in December.

A number of highway authorities have now benefited from using the standard contract including Devon, Plymouth & Somerset however so far its take up has been limited. Since undertaking all the latest updates the good news is that most major procurements of local authority highways contracts over the next 2 years are planning to use the HMEP contract.

As HMEP moves into a more sustainable future Local Partnerships will be responsible for the upkeep of HMEP Standard Contract. In taking over this responsibility it is essential for the integrity of the contract it is kept up to date and fit for purpose.

### **Presentation: How the private sector views the market – David Binding (HTMA)**

Typical challenges the current market place presents includes over 230 highways authorities who each feel they have specific needs, which translates into many interpretations of the same request and hinders the development of standardisations. The result is missed opportunities to reduce costs and bring efficiencies.

There is a concern over the loss of procurement skills and lack of commercial awareness within the local authorities and therefore lack of understanding of the consequences and implications of actions such as significantly amending the HMEP standard contract documents. There is also a strong feeling of uncertainty with regards to Highway England's procurement models and the arguments for their current preferred choice of contract are unclear.

HTMA would welcome improved pre-procurement engagement, more consistency and effective tendering processes. With more information on requirements and forward programmes, greater operational efficiencies can be achieved and lower costs realized through stronger relationships with the supply chain.

Through stronger collaboration, many benefits for both the client and provider can be delivered. Some examples are: increased innovation, resource flexibility, access to capital, improved knowledge transfer, improved standards and best practice being adopted into everyday practices.

### **Presentation: Collaborative Contracting Strategy – Martin Duffy (ToweyDuffy & Co)**

In the area of local highways declining revenue budgets is resulting in pressure on both public sector clients and private sector providers. Already slight profit margins are being further squeezed and signs are emerging of potentially detrimental changes in the client / provider relationship balance. This imbalance is beginning to manifest itself in a number of ways;

- Providers, whilst willing to stand by their original commitments, are reluctant to extend their contracts;
- Providers are beginning to shift their focus to clients with whom they could develop long term collaborative relationships in a non-confrontational environment;
- Sub-contractors and suppliers are beginning to shift their business to places where they can secure a fair return whilst minimising contractual risk;
- Salary costs are on the increase and both clients and providers are beginning to struggle to retain good staff

In order to counter this change in contractual and market place dynamics, it will be necessary to create a better equivalence between client and provider, and avoid inappropriate and



potentially costly risk transference. The key to this is good contracts and procurements, allied to appropriate, collaborative behaviours on behalf of all participants.

Recognising this, a group of experienced market leaders, drawn from both public and private sector organisations, have worked together collaboratively on a project to identify and then address the major factors which give rise to the detrimental symptoms described above. The project will result in a practical HMEP Toolkit, for use by all those involved in highway maintenance contract procurement and delivery in the form of a 'Collaborative Contracting Strategy'.