



NHS ProCure21

2006 Building Event
Montreal Convention Center
November 22nd 2006

Presented by
Peter Woolliscroft

NHS ProCure 21

Programme for the day

- Set out how partnering was promoted in England
- How NHS ProCure21 was developed
- The successes and next Steps

NHS ProCure 21

In the beginning!!

Government wanted a review of the construction industry in UK.

- **Sir Michael Latham - Building the Team 1996**
- **Sir John Egan – Rethinking construction 1999**

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[NHS ProCure 21]

- Partnerships between the public and private sectors are a cornerstone of the Government's modernisation programme.
- Drawing on the best of both public and private sectors, public private partnerships (PPPs) can help the public sector to deliver modern, high-quality public services.

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Partnering



WASTE



TRUST

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- NHS ProCure 21 is the Health response to the Government-wide initiative *“Achieving Excellence (1998).”*
- This set out the Government's response to the Egan Report (“Rethinking Construction”)

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- NHS ProCure 21 was launched by Alan Milburn, Secretary of State for Health in April 2000

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Reflecting the aims of “Rethinking Construction” through NHS ProCure 21

- “Traditional processes of selection should be radically changed because they do not lead to Best Value”
- 70% of all publicly procured projects were over time and over budget (NAO - Modernising Construction)

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- “An integrated team should be formed before design starts and maintained throughout delivery”
- This is reflected in NHS ProCure21 “Best Client “ and “Building on Partnering” guidance.

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- “Contracts should lead to mutual benefit for all parties and be based on a target and whole life cost approach”
- NHS ProCure21 addresses this and promotes the implementation of working collaboratively requires the adoption of a coherent cost management approach informed by the principles of “Target Costing”.

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- “Suppliers should be selected by Best Value and not the lowest price: this can be achieved within EC and central government procurement guidelines”
- Clients can properly and legally appoint a reduced number of partners through a competition selection including based on ‘Best Economic Value’ criteria. NHS Procure 21 has used this facility to establish a partnering framework.

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- “Culture and processes should be changed so that collaborative rather than confrontational working is achieved”

The major factors in managing culture and process change are;

- Senior Level Determination to change
- Re-design of processes to support the change
- Training in the skill for collaborative working
- Creating an environment in which people can expect support rather than blame.

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NHS ProCure 21 Prime Objective

**To remove waste and improve the
efficiency of construction**

To Make the whole process

LEAN

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Rethinking Construction Targets

- 30% better on time and cost predictability
- 32% better on quality
- 29% higher productivity
- 33% higher Client satisfaction
- 35% higher profitability
- 300% better Health & Safety performance!

*Source: Rethinking Demonstrations Report
(July 2003) 374 projects in UK – combined value
£7 billion KPIs charting progress over a 4 year
period*

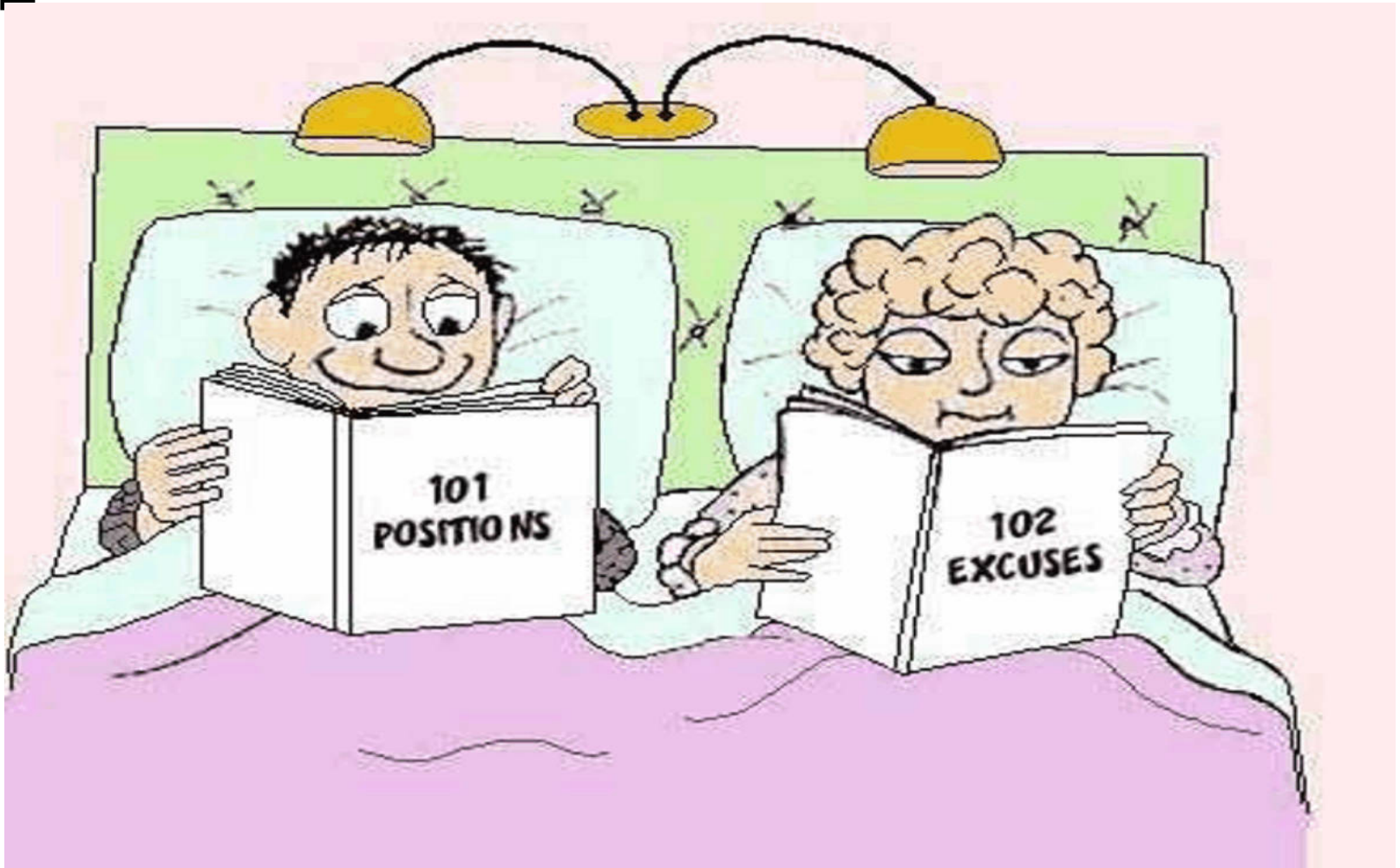
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THE PAST

Hospital Trust boards become frustrated at not being able to deliver their targets, as this poor predictability brings:

- Cost overruns,
- Last minute brokerage arrangements,
- Delayed handover and opening of facilities,
- Delayed final accounts,
- Contract claims.

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NHS ProCure 21

What is NHS ProCure 21 ?

- A construction Programme – Not a Funding system.
- A National Framework of the best in the construction industry.
- Integrates the client with the supply chain as soon as possible.
- A **NON ADVERSARIAL** method of construction

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NHS ProCure 21 has 4 strands:

Partnering

12 Supply Chains

Integrated teams

Long Term Relationships

Best Client

Best Client Guide

Best Client Manual

PD Training

Design Quality

AEDET & NEAT

Design Review Panels

Centre for Healthcare
Architecture and Design

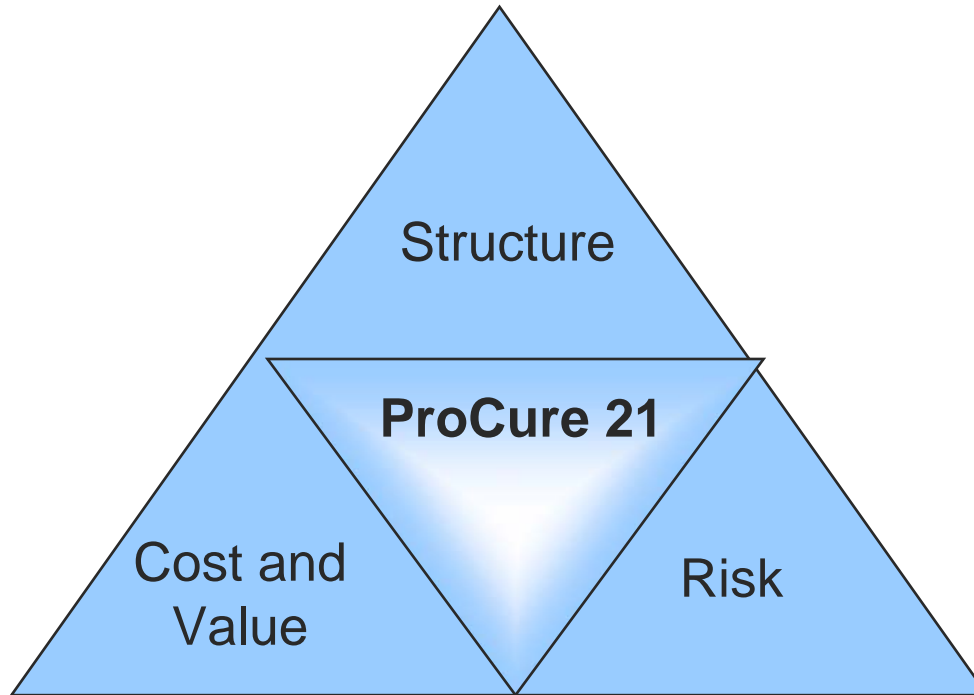
Benchmarking

Client and Supplier
Performance

Continuous Improvement

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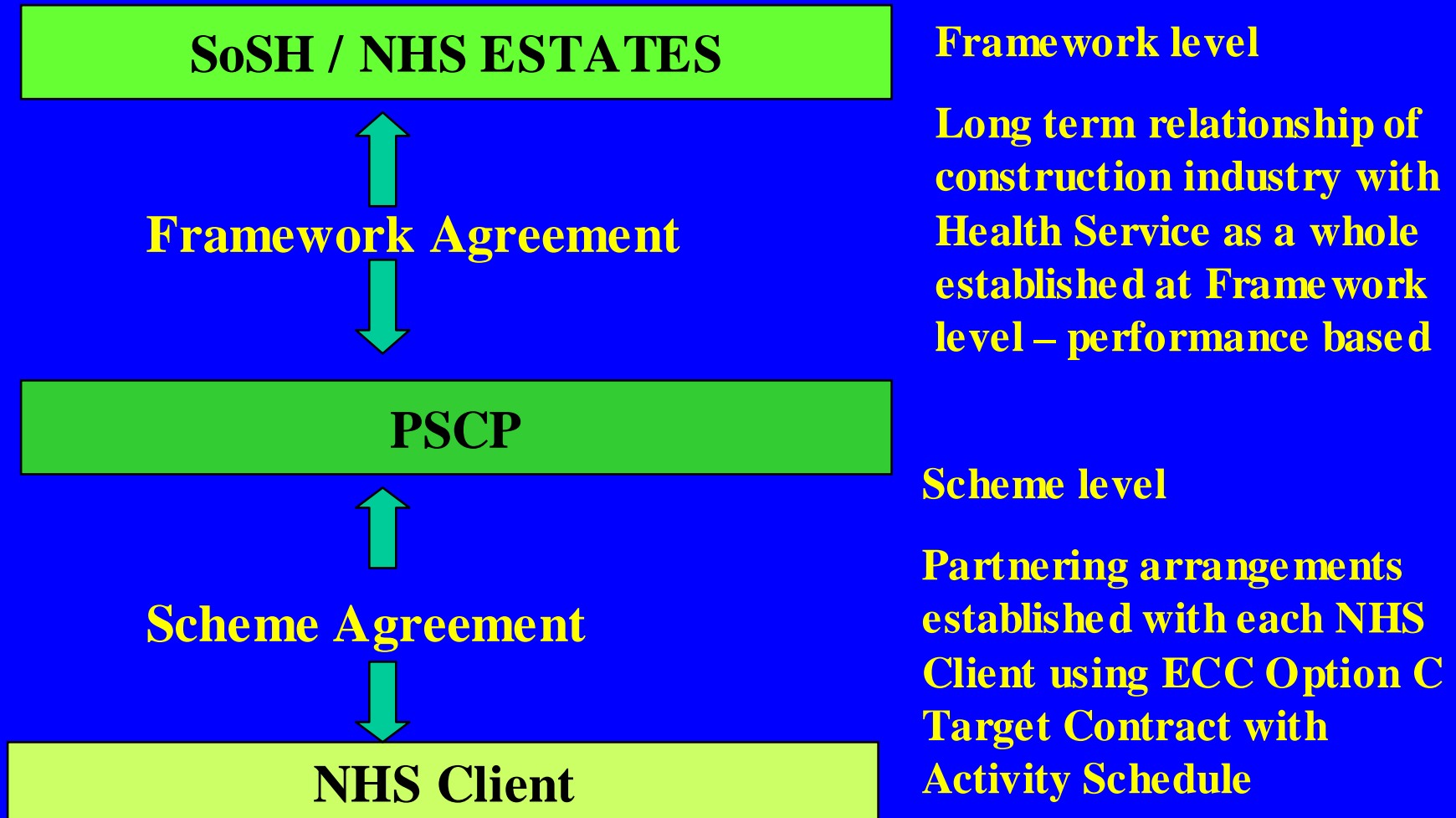
How it Works



[NHS ProCure 21]

STRUCTURE

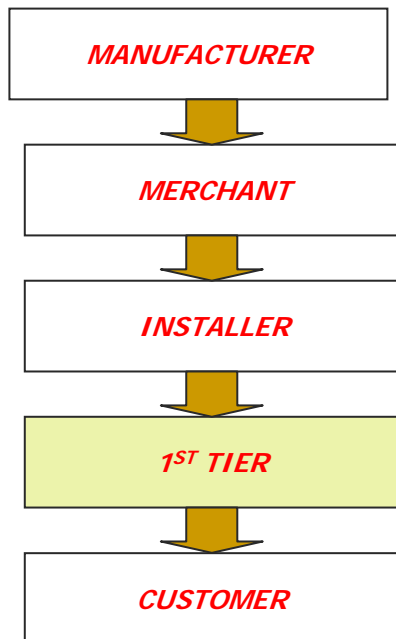
Programme PSCP - Contractual Arrangements



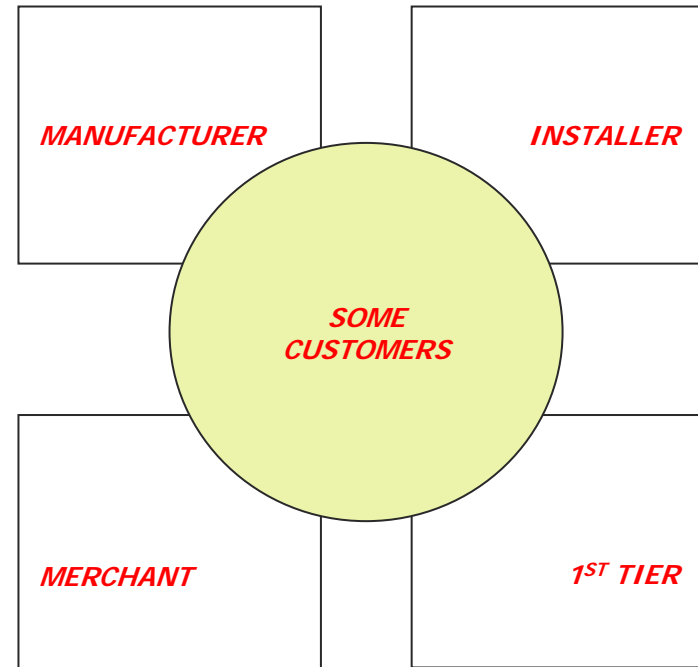
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SUPPLY CHAINS

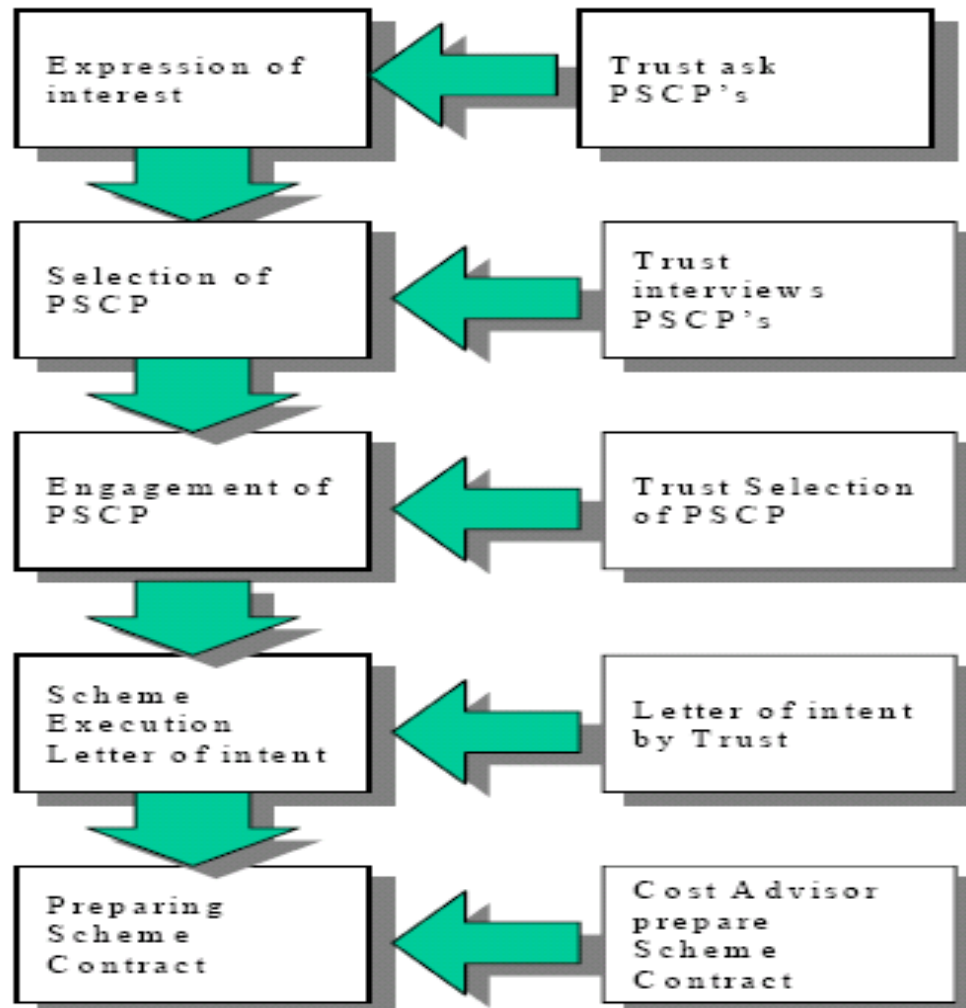
■ THE TRADITIONAL MODEL



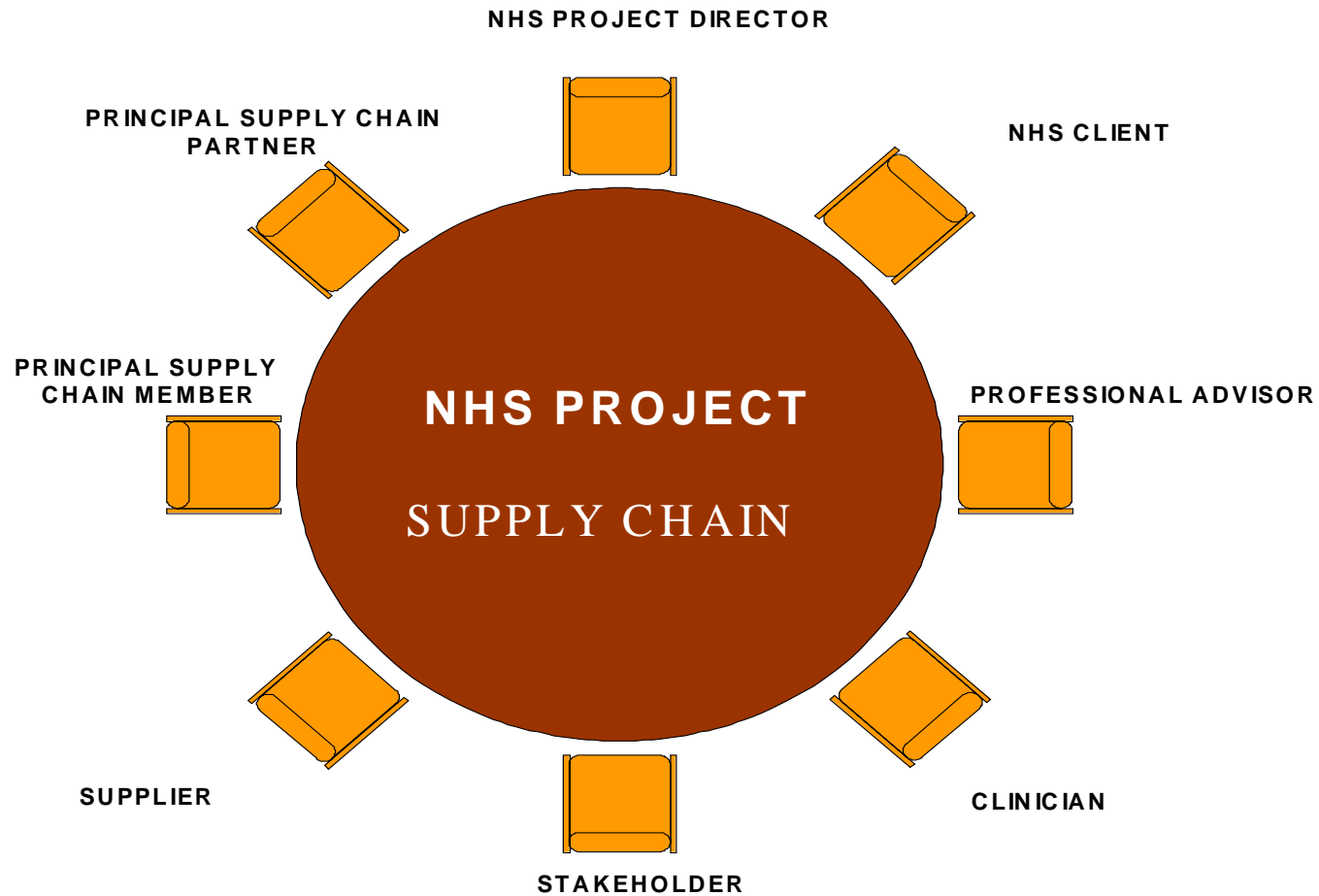
■ A NEW ADDITION

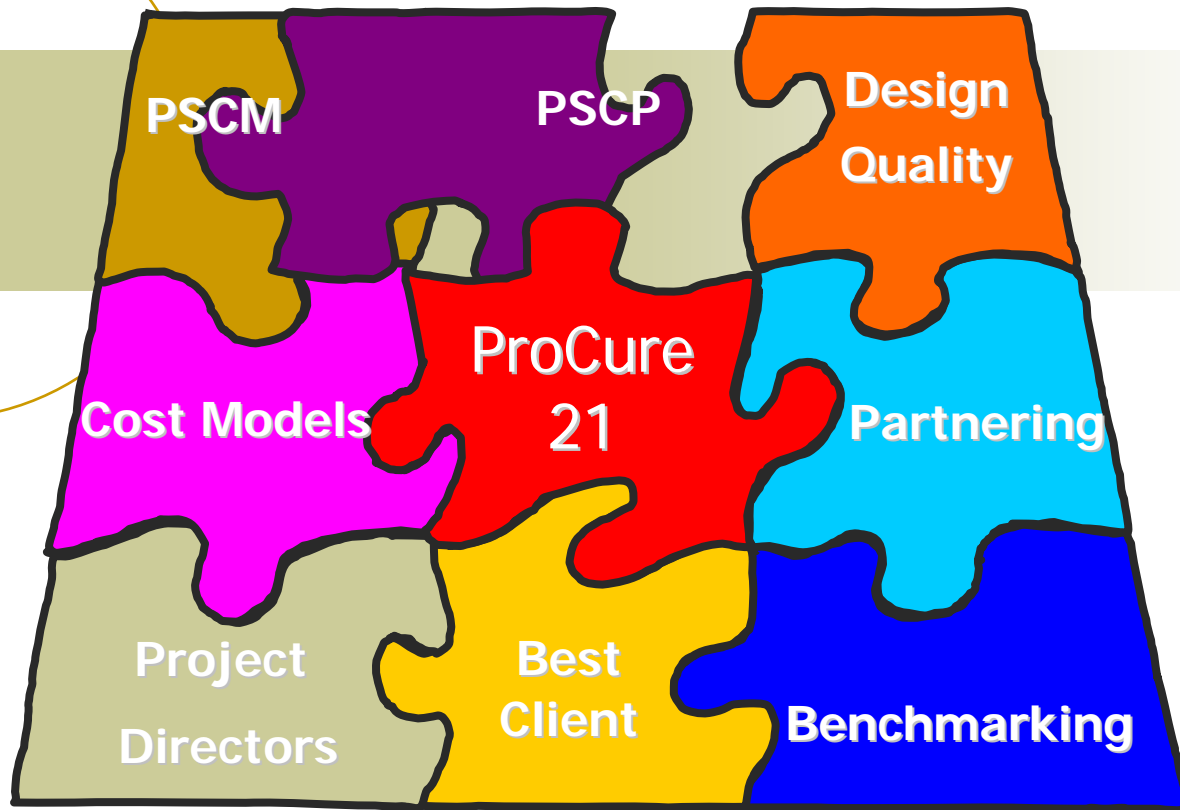


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ProCure 21 – An Integrated Procurement Initiative

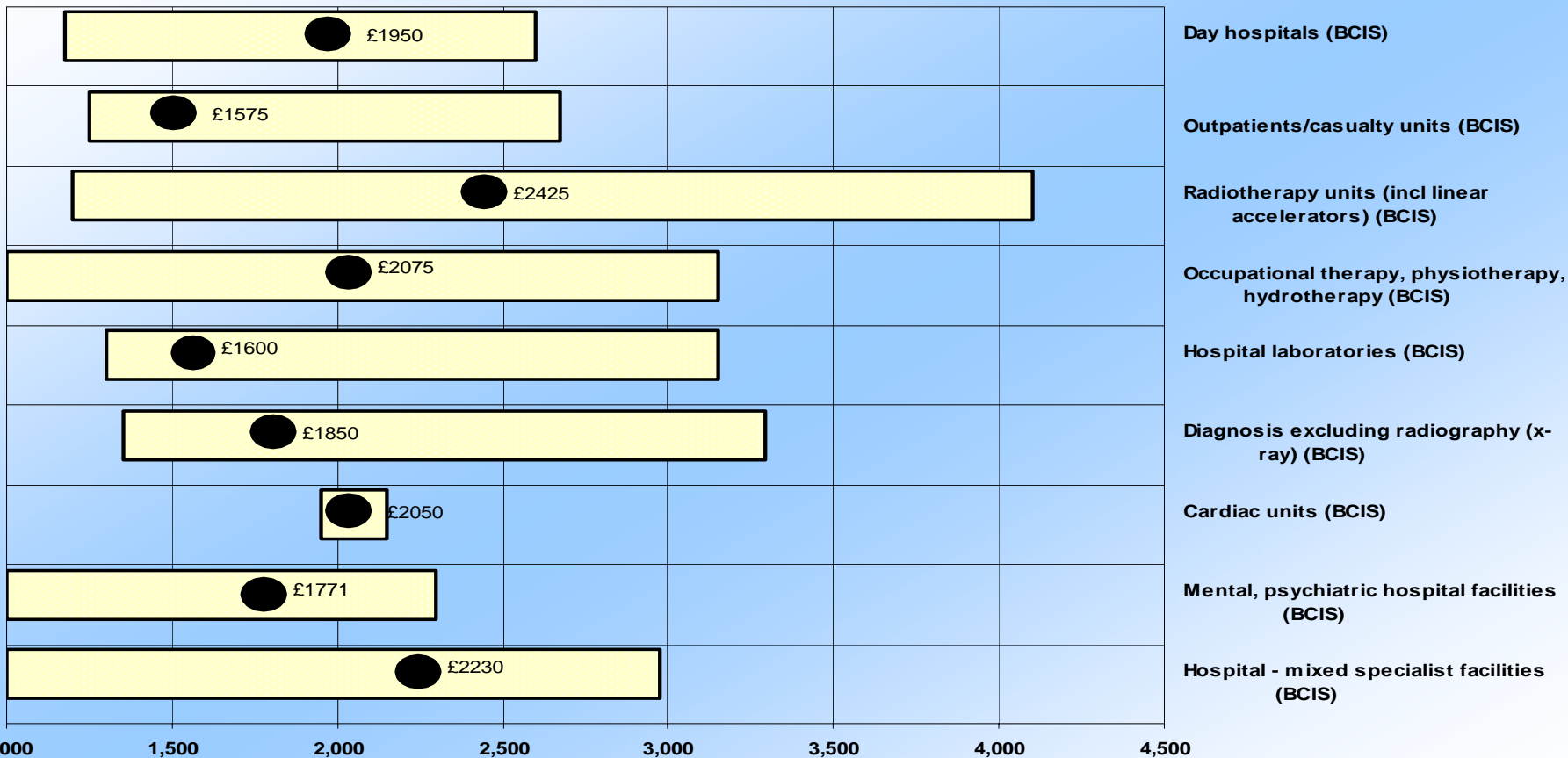
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What did it achieve?

- **Saving at Least 1 year on Pre construction time**
- **Saving at least 7-12% of total costs**
- **Predictable Time and Cost**
- **Fosters Innovation**
- **Life cycle costs**

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PC21 cost compared with BCIS* Cost Range



● - PC21

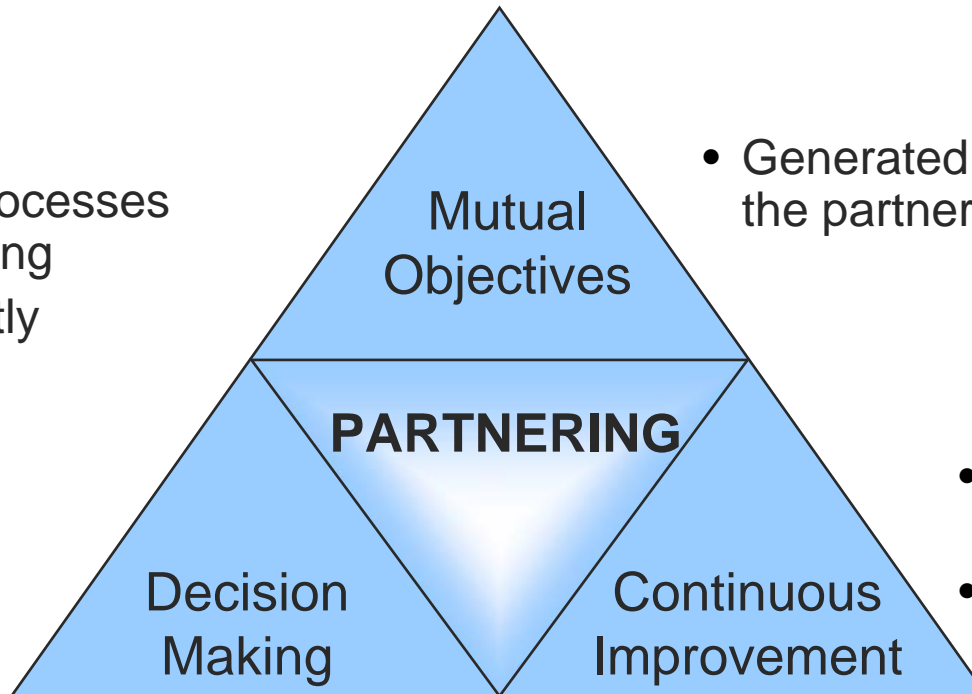
Construction cost (per m2 of gross floor area)

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PARTNERING

The Essential Elements of Partnering

- Jointly agreed processes for decision making
- All problems jointly owned and resolved by the team



- Generated and agreed by all the partners

- Active search for improvements
- Performance targets and measurement

Source: *The Seven Pillars of Partnering* (1998)

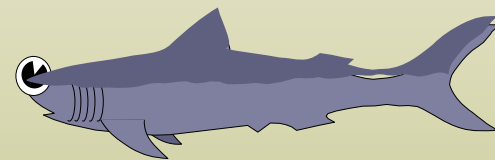
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WHERE
WE ARE
NOW

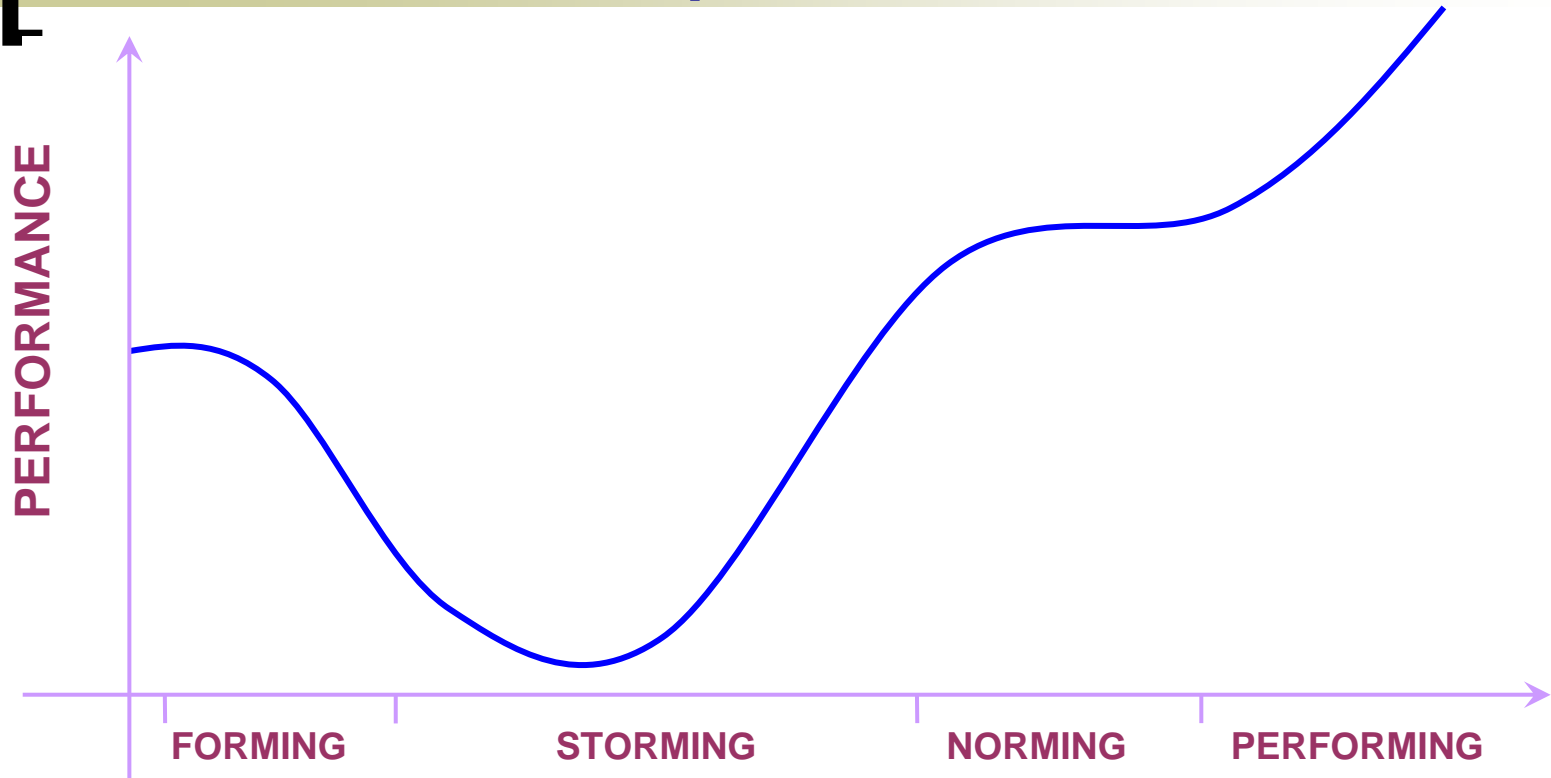


**PARTNERING is the
vehicle NOT the
destination!**

WHERE WE
WOULD
TO BE



Team Development Model



Direction	High	High	Low	Low
Support	Low	High	High	Low

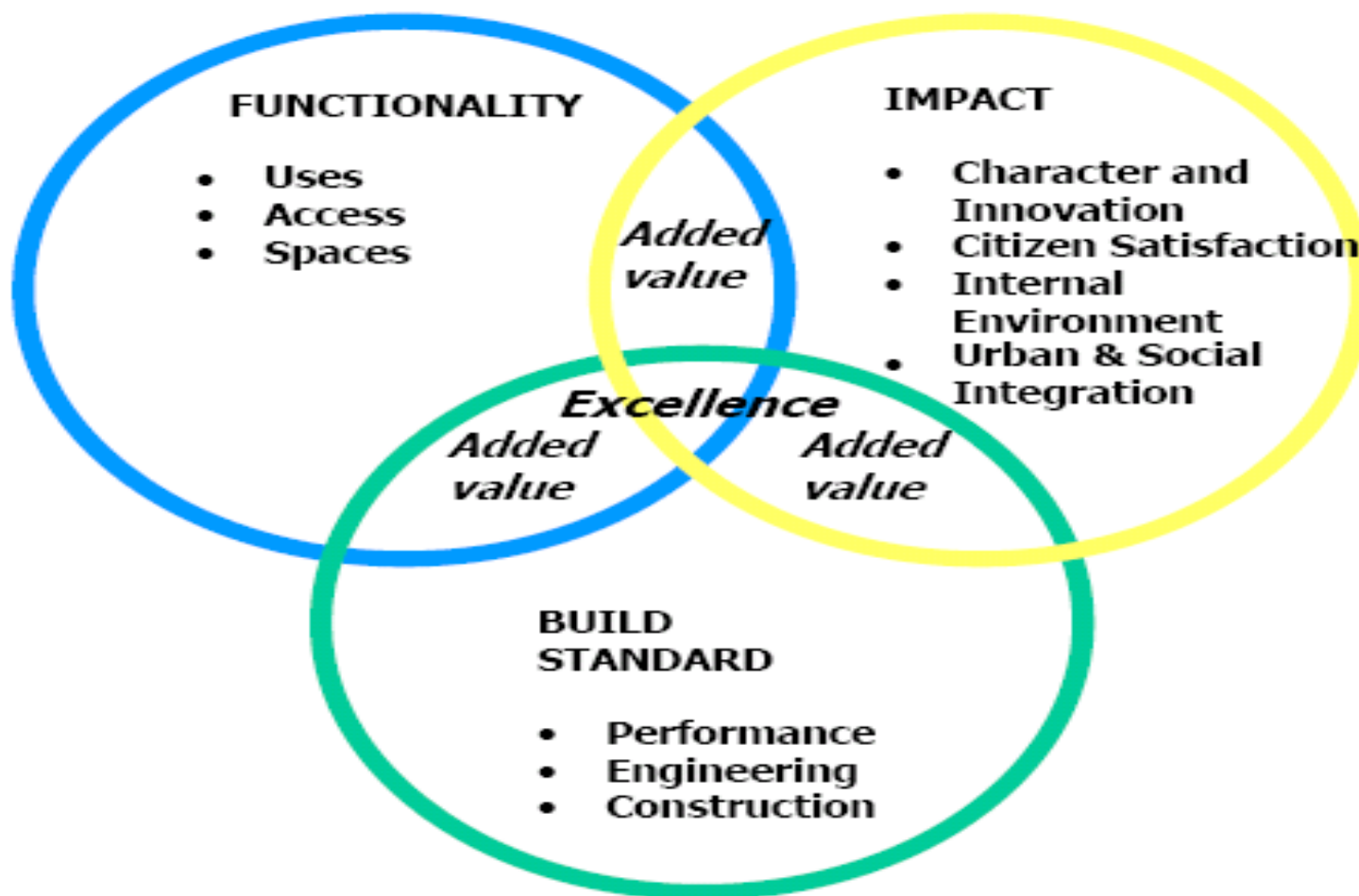


[NHS ProCure 21]

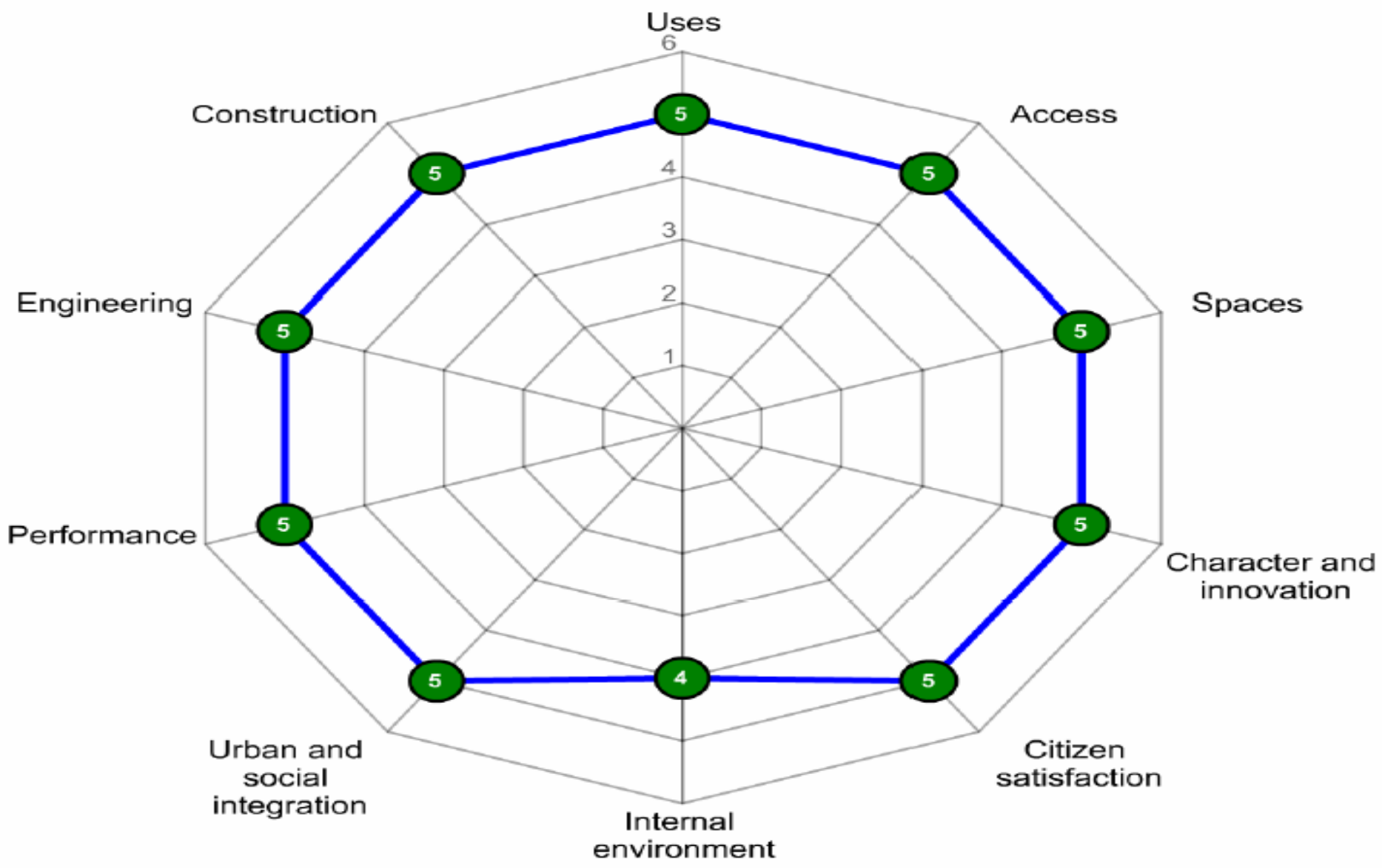
DESIGN QUALITY

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The following diagram shows the framework and criteria for AEDET.



Aedet Radar Chart



Achieving Excellence in Healthcare Design

Design Champions

NHS Design Champion:
HRH Prince Charles
Ministerial Design Champion
NHS Design Champions:
NHS Trust's and PCT's
PSCP Design Champions



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- **The Patient Environment is rapidly developing.**
- **We need to keep pace with this development.**
- **We need functional, quick quality solutions.**
- **We need to challenge convention; build for the need, not for tradition!**

[NHS ProCure 21]

We want well designed, safe, pleasing building NOW!!



[NHS ProCure 21]



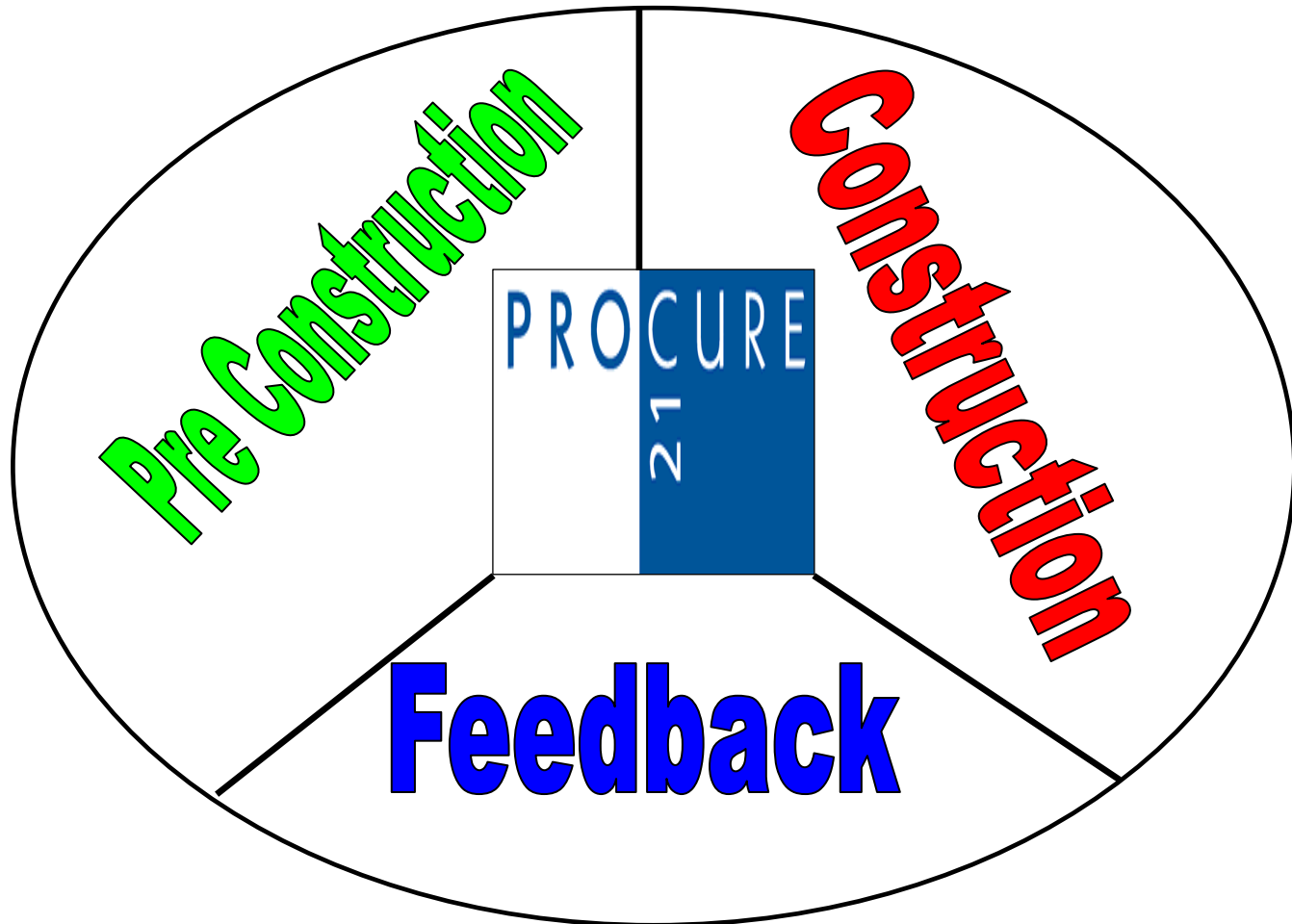
Buildings need to be functional. Support the need and be flexible for future use

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How far Have we come from this?

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[NHS ProCure 21]

BEST CLIENT

[NHS ProCure 21]



Best Client Guide

The Guide contains two parts,

Best Client Handbook

Best Practice Manual

Best Client Handbook

Executive Summary

Two Parts

Part One - Best Client Approaches and Processes

Part Two - Establishing the Brief

[NHS ProCure 21]

BENCHMARKING

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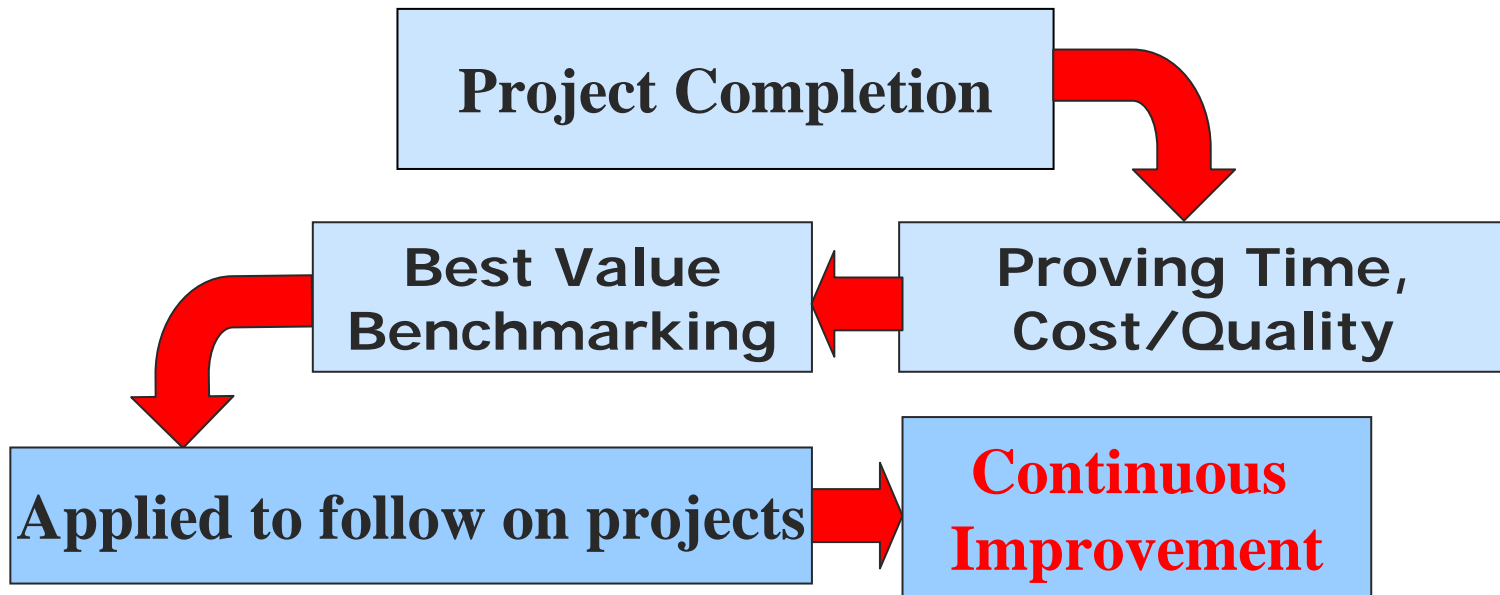
WHAT IS BEING BENCHMARKED ON P21?

The criteria associated with VFM:

- AEDET - design quality
- NEAT - “green” issues
- Whole Life Costings - as cost model structure
- Service Satisfaction
- In Project toolkit - cultural & numerical
- Best Client
- DCAG Monitor (feedback from live schemes)
- Risk Monitor
- Defects
- Safety
- Team Health check

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The Benchmarking Process



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Value for Money : Cost/Time/Quality

Cost: Capital cost efficiencies

- **construction costs of P21 schemes are competitive as they fall within the £/m² range of similar non-P21 schemes.**
- **P21 provides opportunities for on-going cost improvement on these figures not available from traditional approaches.**

[NHS ProCure 21]

Value for Money

Target Cost

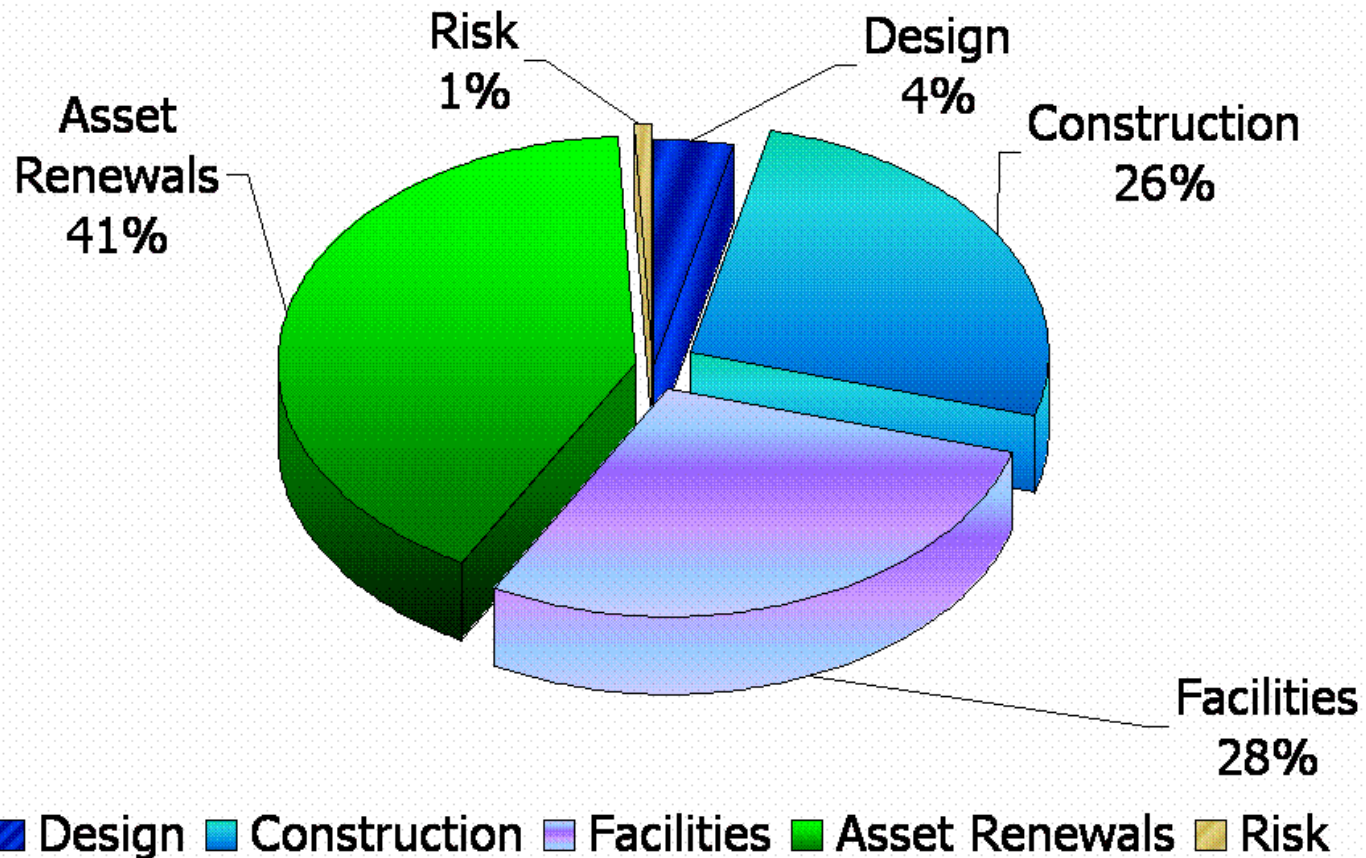
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Value For Money

- In construction
- In revenue consequences
- Life Costs
- Effect on Business
- **It is about solutions not just answers**

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PIE CHART OF TOTAL COST - EXISTING MODEL



[NHS ProCure 21]

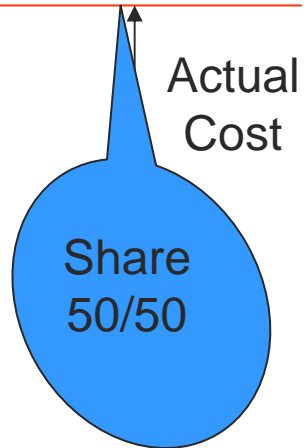
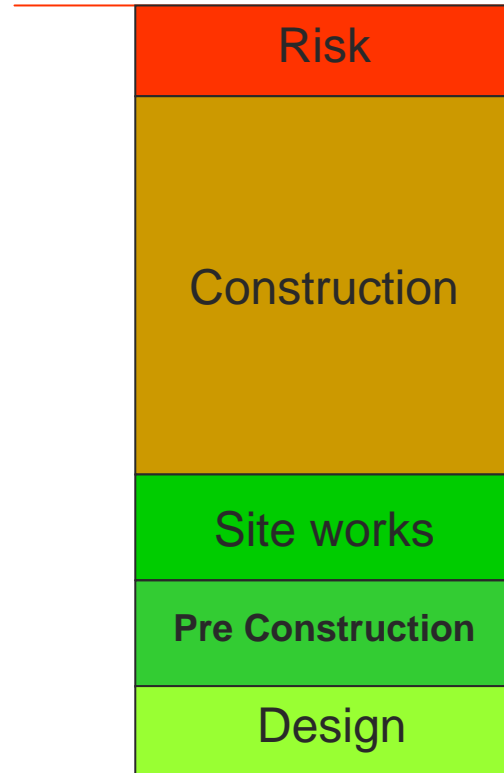
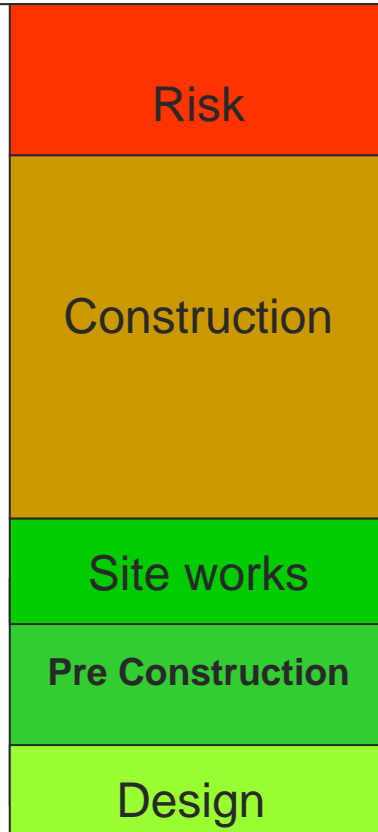
Estimated



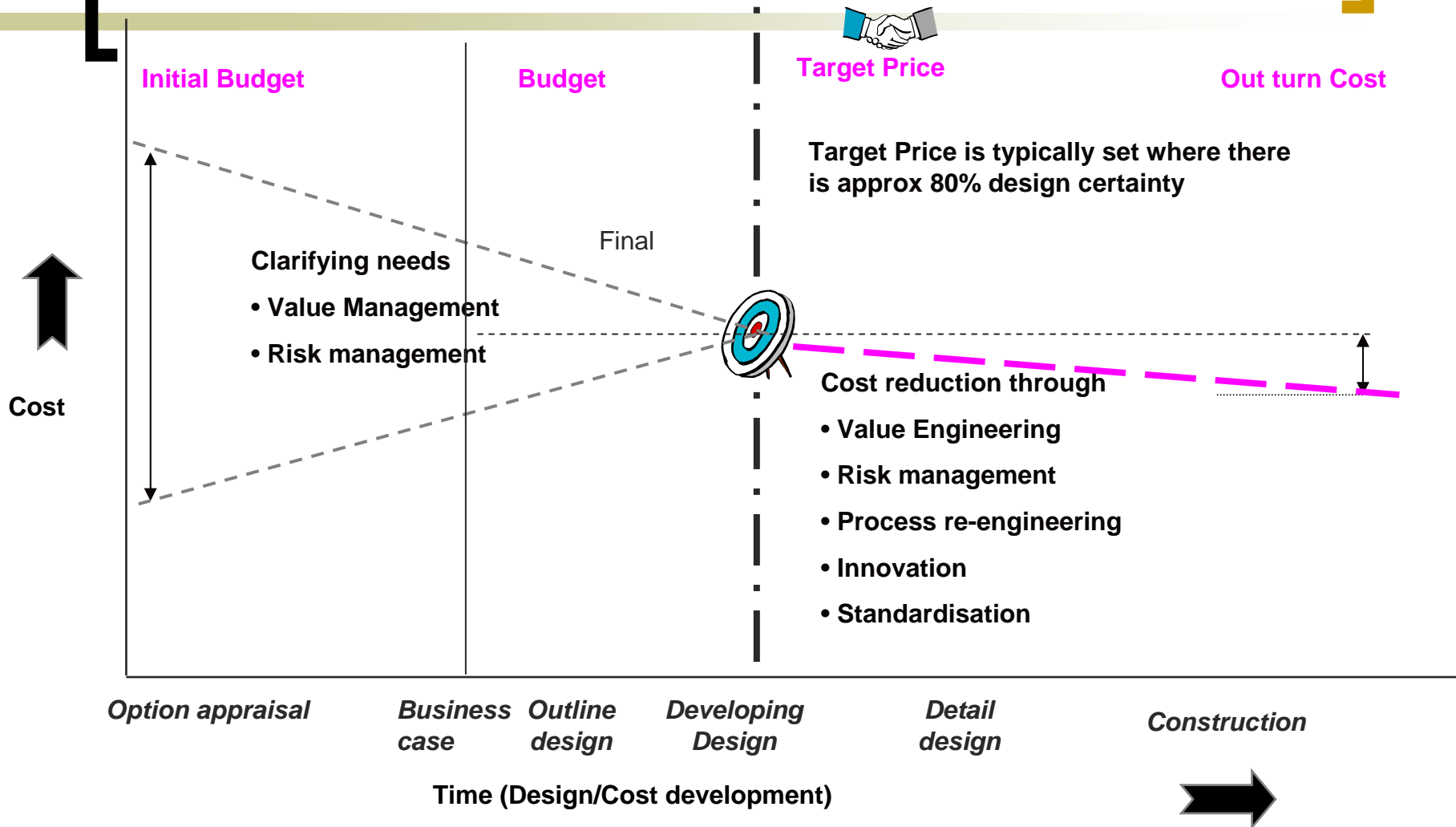
Actual

Target Cost

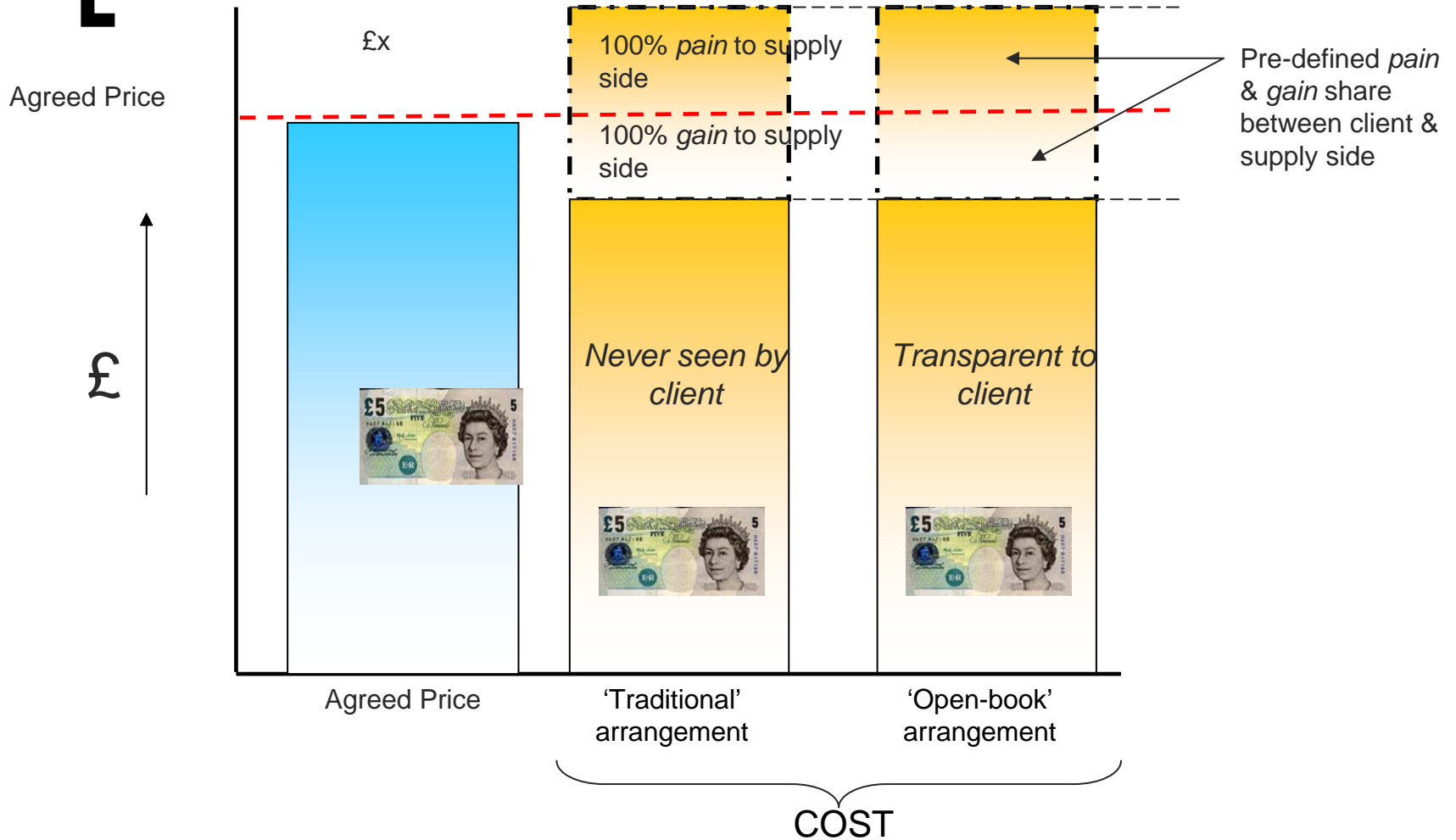
GMP



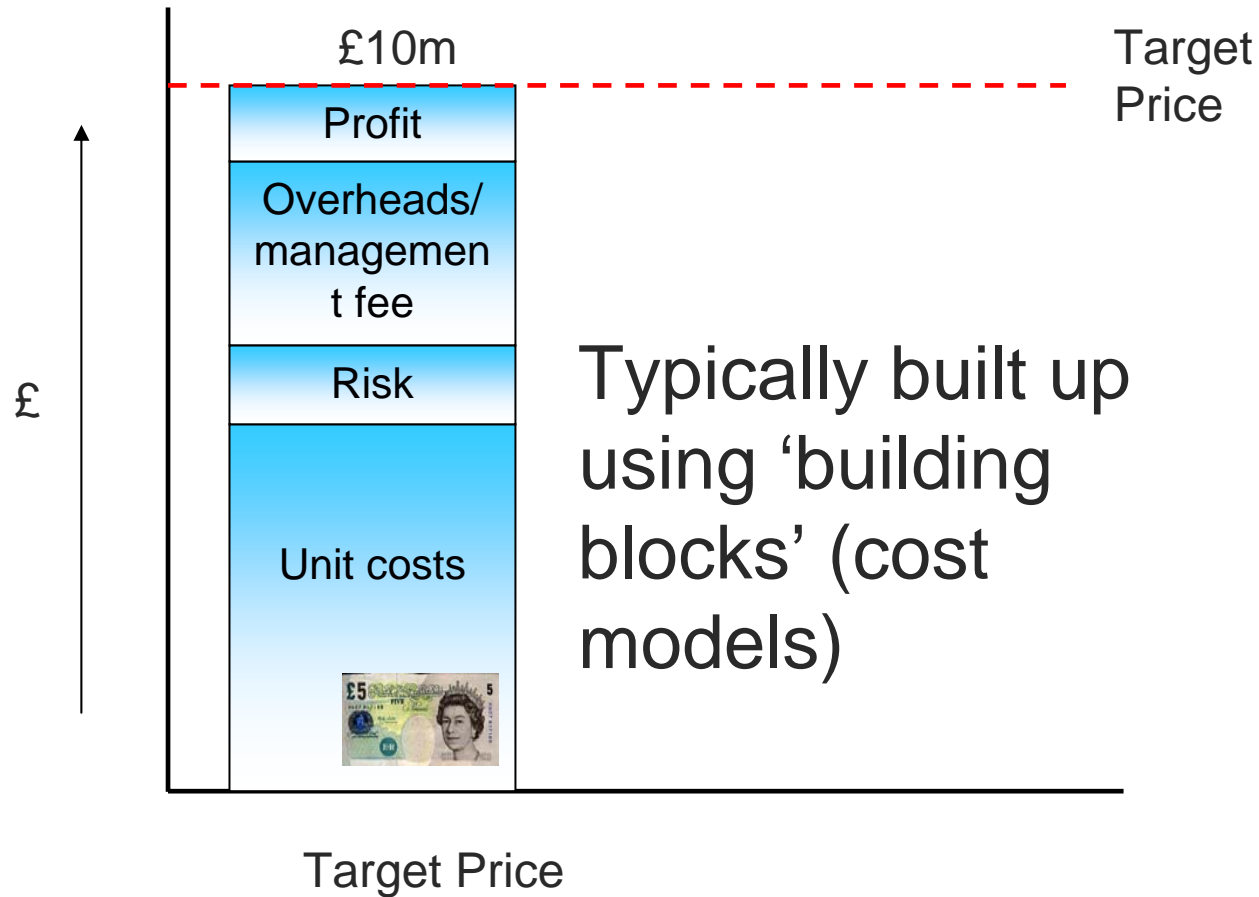
When is the Target Price Set?



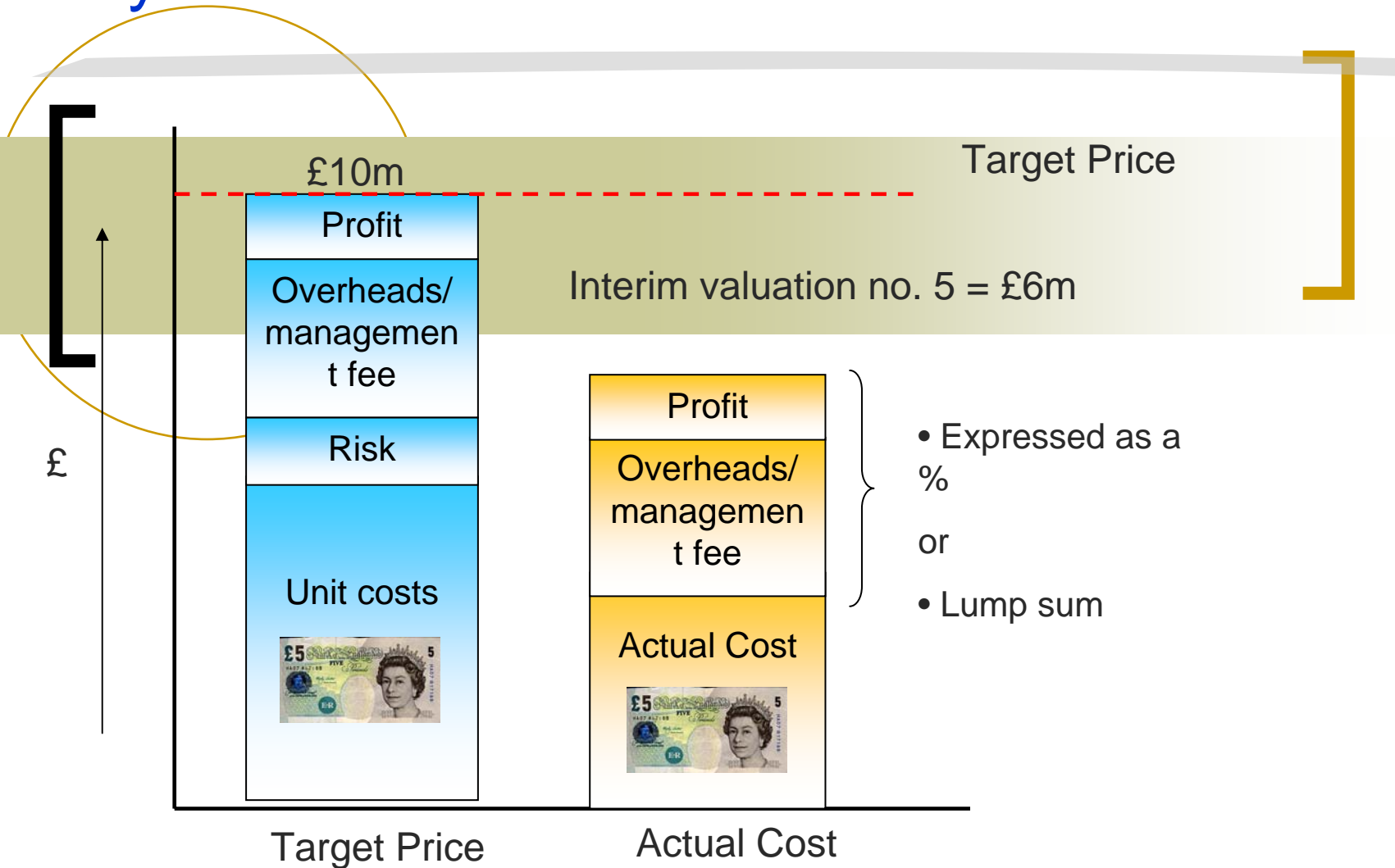
Target Mechanism



Setting the Target Price



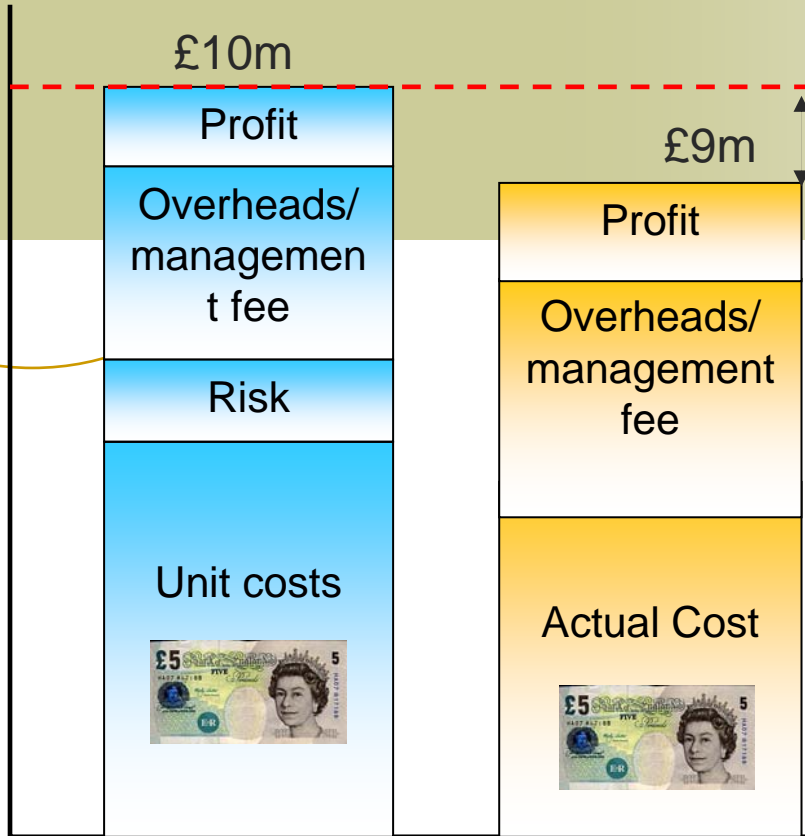
Payment of Actual Cost



Gain Share



£



Target Price
Gain Share

Gain share
(Assuming 50/50 split)

Target Price = £10m

Actual Cost = £9m

Gain share = £0.5M each

Payment to contractor =
£9.5m

Target Price

Actual Cost

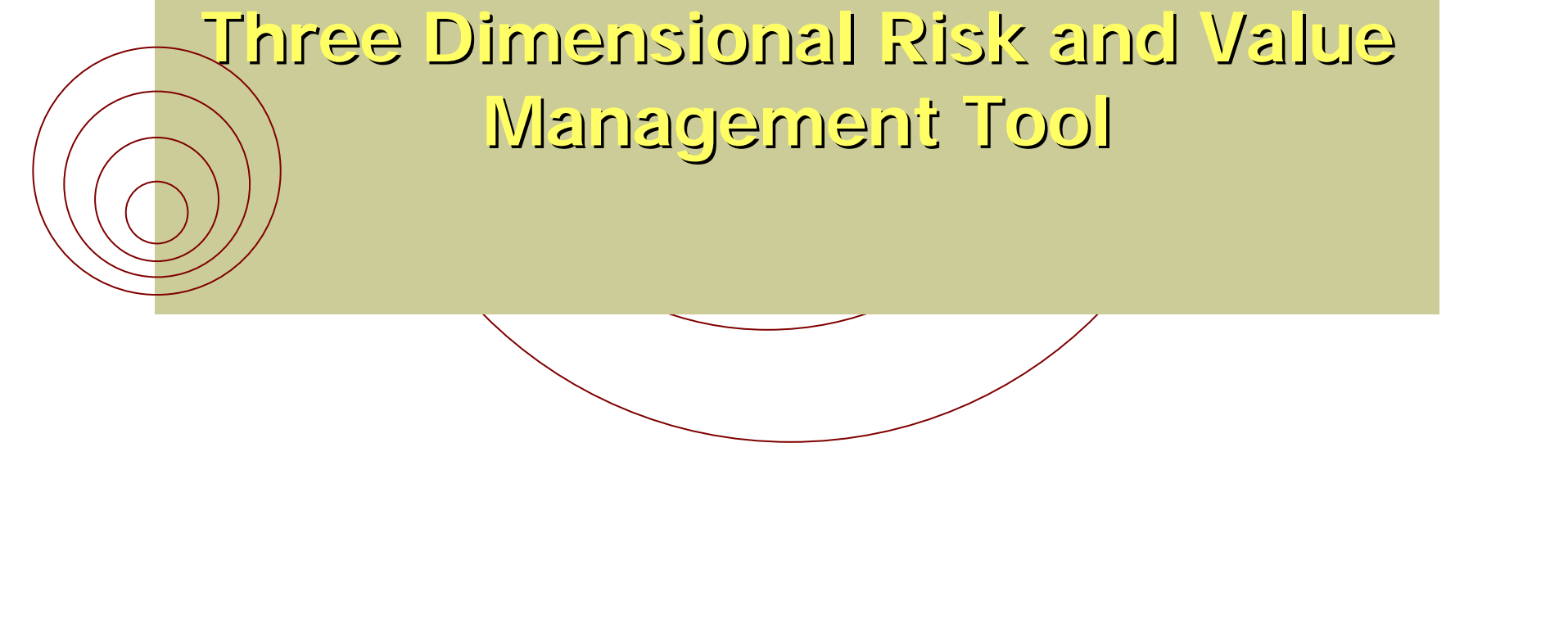
[NHS ProCure 21]

RISK



DART

(DESIGN AND RISK Toolkit)

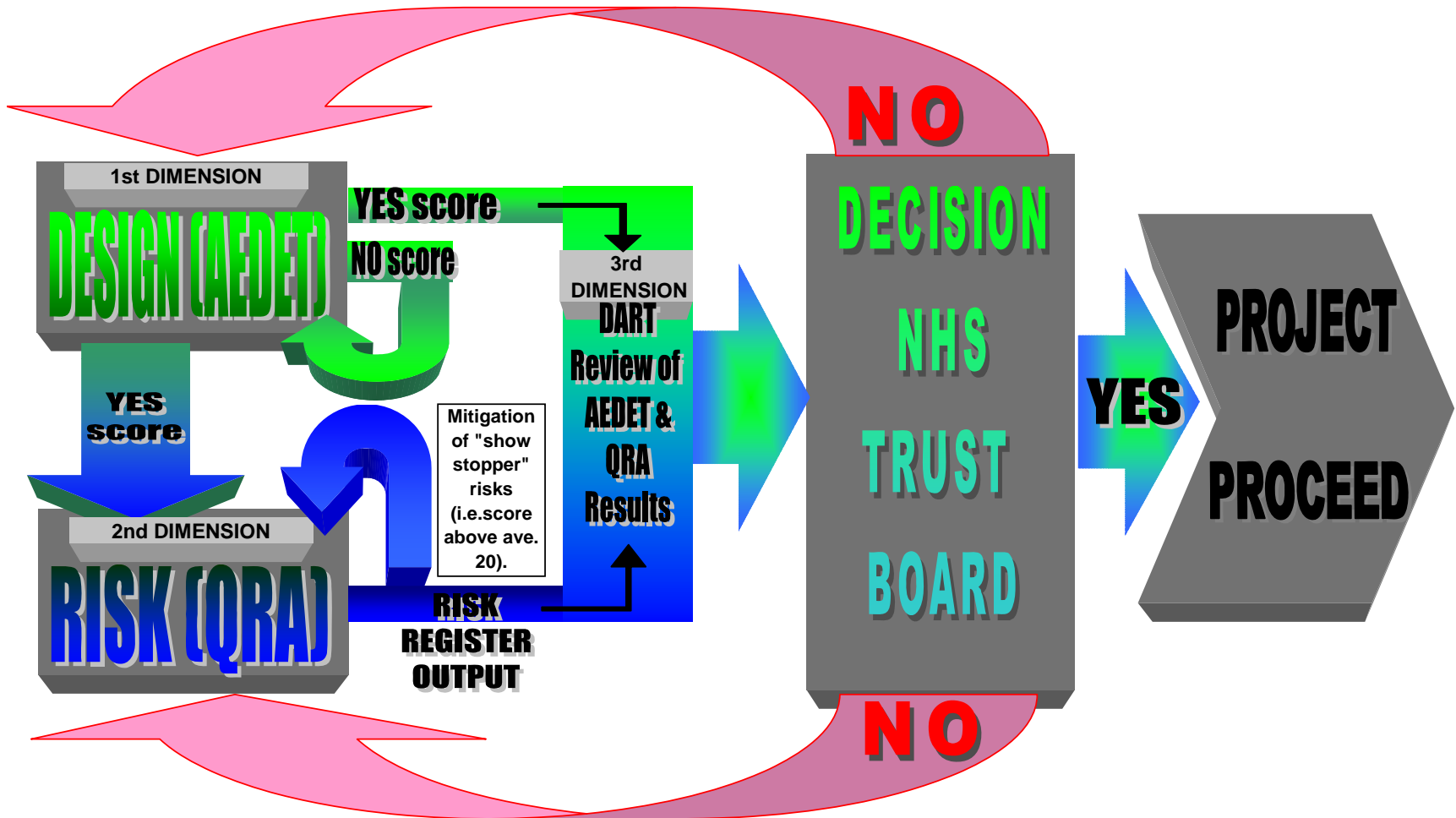


**Three Dimensional Risk and Value
Management Tool**

METHODOLOGY

METHODOLOGY RICH PICTURE

PROCESS FOR USE OF DART



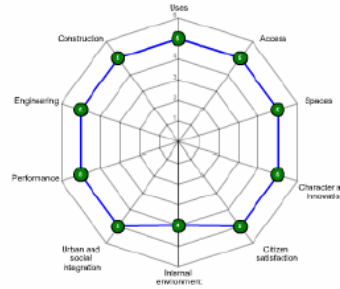
Milton Keynes DTC : Workshop - 4 September 2003 , Milton Keynes Hilton: Results Summary Dashboard

Rich Picture

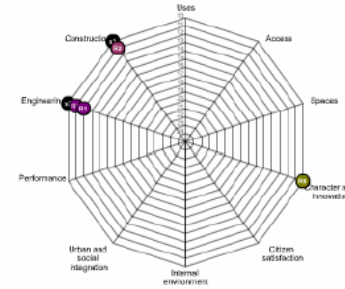
Objectives

Objective	Weighting (3)
Health & safety	8
Quality/design/performance	6
Programme/schedule	5
Cost/commercial	4
Communications	3
Public relations/politics	1
Environmental/archaeological	1

Aedet Radar

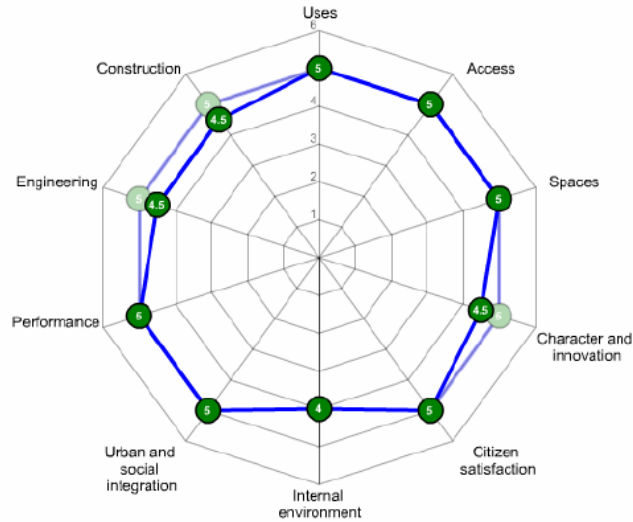


Showstopper Risks



Cost and Time Modelling

Aedet+Showstopper Risks Chart



Risk register

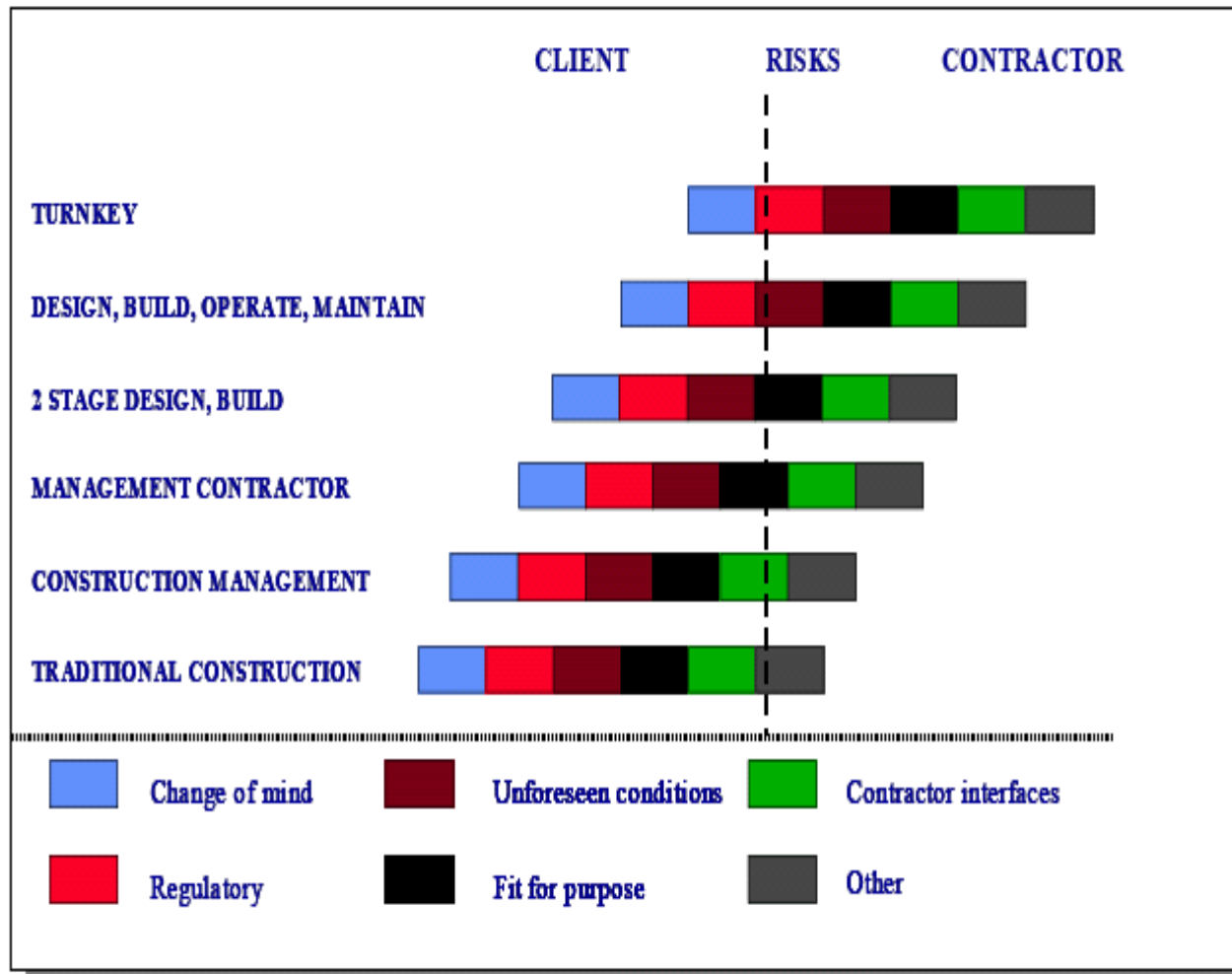
Risk Buckets	Risk ID	Risk Description	Risk Assessment
Engineering	9.6	Failure by PSCP to co-ordinate M&E services with the building structure	12
Construction	10.22	The non-realisation of VAT reclaim and introduction of new Statutory costs	11
Engineering	9.5	Failure by PSCP to co-ordinate of M&E Installations	11
Construction	10.21	The impact of changes in the rate of VAT	10
Construction	10.17	The compliance with any new Mandatory Standards	10
Engineering	9.7	Impact of any additional works in refurbished areas	10
Engineering	9.3	The continuing development of design by the PSCP within the brief	10
Character and innovation	4.2	The change in design required due to external influences specific to the NHS	10

▲ 8 Showstopper Risks >= 10

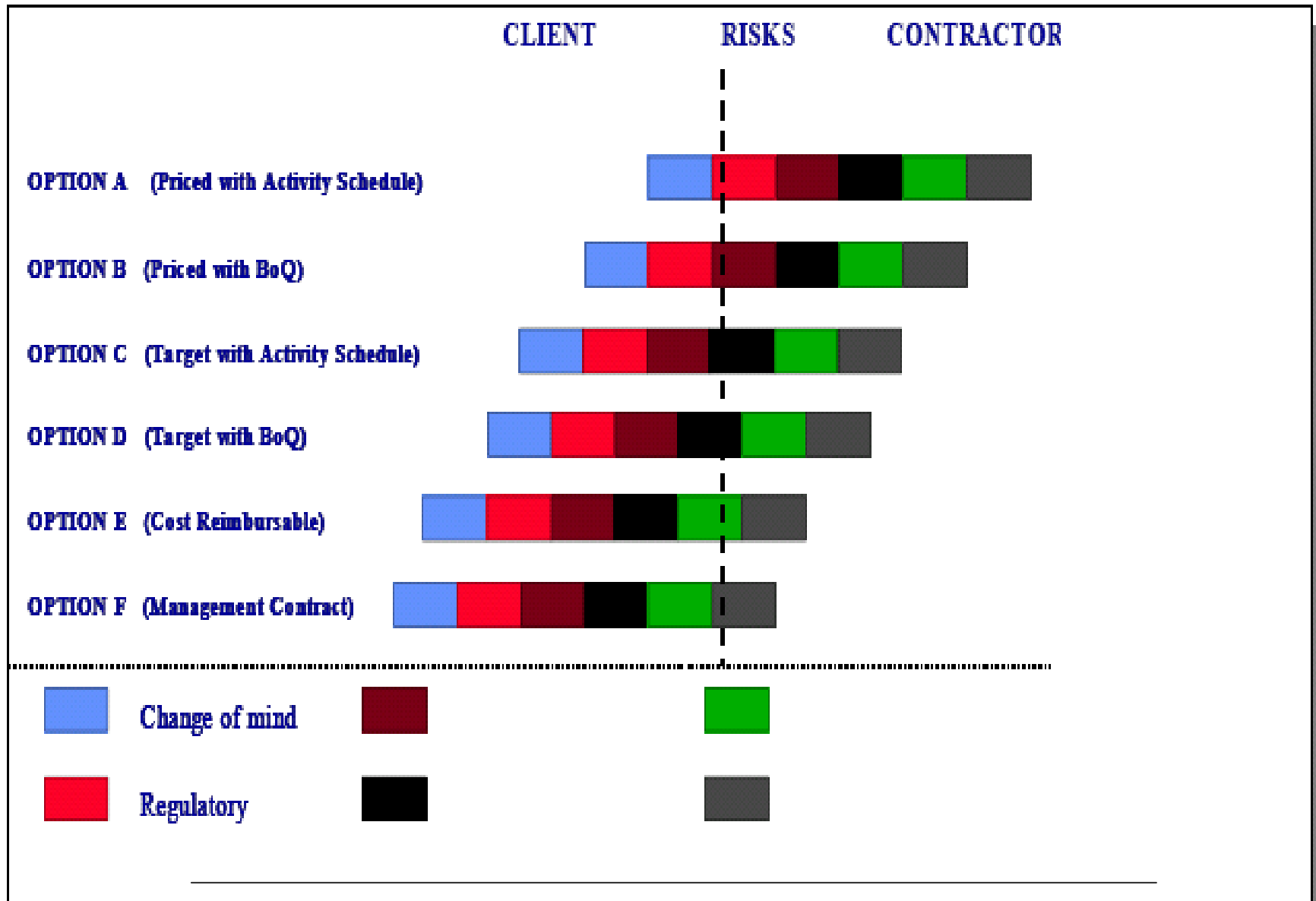
GAP Template Action Plans

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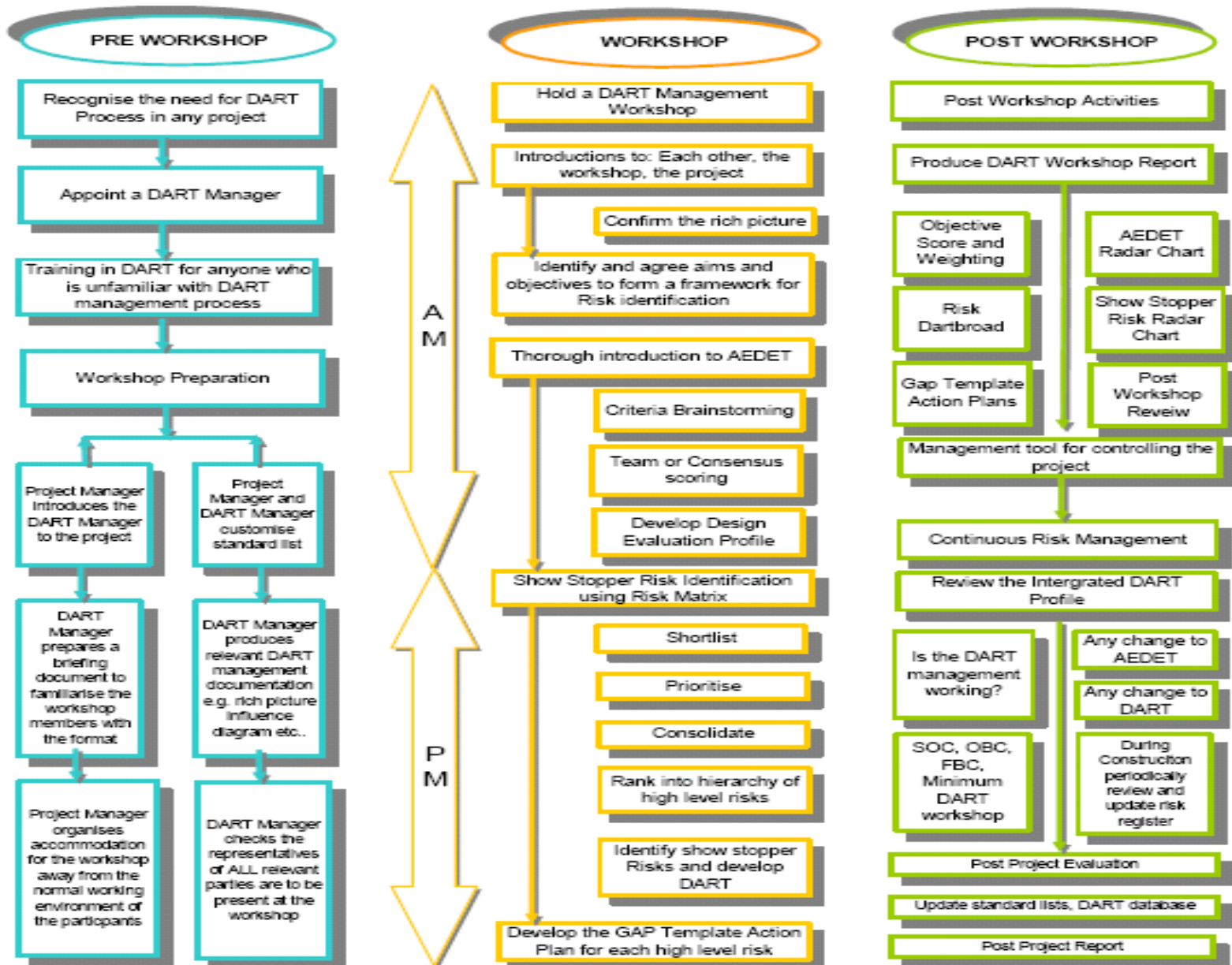
3.3 ALLOCATION OF RISK THROUGHOUT VARIOUS PROCUREMENT ROUTES



3.4 THROUGHOUT OPTIONS A-F of ECC



The DART Workshop Process



[NHS ProCure 21]

Time is Running out!!

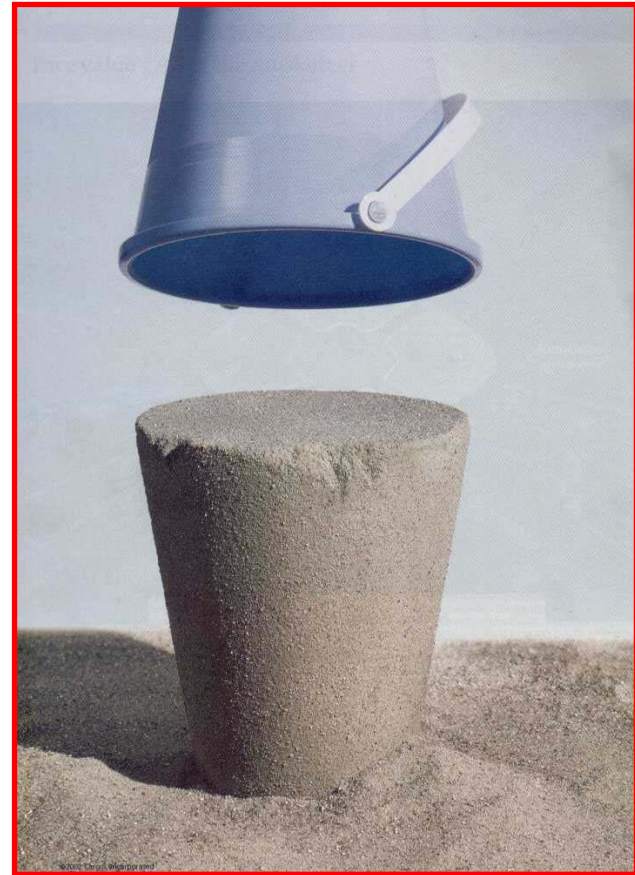


There is still a long way to go!!



[NHS ProCure 21]

But keep at it.....it will be worth it!!



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Thank you for your attention