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
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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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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- 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.
“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”.

“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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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
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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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

- Structure
- Cost and Value
- Risk
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STRUCTURE
Programme PSCP - Contractual Arrangements

SoSH / NHS ESTATES

- Framework Agreement

Framework level
Long term relationship of construction industry with Health Service as a whole established at Framework level – performance based

PSCP

Scheme level
Partnering arrangements established with each NHS Client using ECC Option C Target Contract with Activity Schedule

Scheme Agreement

NHS Client
SUPPLY CHAINS

■ THE TRADITIONAL MODEL

- MANUFACTURER
- MERCHANT
- INSTALLER
- 1ST TIER
- CUSTOMER

■ A NEW ADDITION

- MANUFACTURER
- INSTALLER
- SOME CUSTOMERS
- MERCHANT
- 1ST TIER
NHS ProCure 21

NHS PROJECT DIRECTOR

PRINCIPAL SUPPLY CHAIN PARTNER

PRINCIPAL SUPPLY CHAIN MEMBER

SUPPLIER

STAKEHOLDER

NHS CLIENT

PROFESSIONAL ADVISOR

CLINICIAN
ProCure 21 - An Integrated Procurement Initiative
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
PC21 cost compared with BCIS* Cost Range

Construction cost (per m2 of gross floor area)

- Day hospitals (BCIS): £1950
- Outpatients/casualty units (BCIS): £1575
- Radiotherapy units (incl linear accelerators) (BCIS): £2425
- Occupational therapy, physiotherapy, hydrotherapy (BCIS): £2075
- Hospital laboratories (BCIS): £1600
- Diagnosis excluding radiography (x-ray) (BCIS): £1850
- Cardiac units (BCIS): £2050
- Mental, psychiatric hospital facilities (BCIS): £1771
- Hospital - mixed specialist facilities (BCIS): £2230

*=P

NHS ProCure 21
NHS ProCure 21

PARTNERING
The Essential Elements of Partnering

- Mutually agreed objectives
- Active search for improvements
- Performance targets and measurement
- Jointly agreed processes for decision making
- All problems jointly owned and resolved by the team

Source: The Seven Pillars of Partnering (1998)
WHERE WE
WOULD
BE

WHERE WE
ARE
NOW

PARTNERING is the vehicle NOT the destination!
Team Development Model

- Forming: Direction High, Support Low
- Storming: Direction High, Support High
- Norming: Direction Low, Support High
- Performing: Direction Low, Support Low
DESIGN QUALITY
The following diagram shows the framework and criteria for AEDET.

- **FUNCTIONALITY**
  - Uses
  - Access
  - Spaces

- **IMPACT**
  - Character and Innovation
  - Citizen Satisfaction
  - Internal Environment
  - Urban & Social Integration

- **Excellence**

- **BUILD STANDARD**
  - Performance
  - Engineering
  - Construction
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
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!!
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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BEST CLIENT
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
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BENCHMARKING
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
The Benchmarking Process

- Project Completion
- Best Value Benchmarking
- Proving Time, Cost/Quality
- Applied to follow on projects
- Continuous Improvement
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.
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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
When is the Target Price Set?

Target Price is typically set where there is approx 80% design certainty.

Clarifying needs:
- Value Management
- Risk management

Cost reduction through:
- Value Engineering
- Risk management
- Process re-engineering
- Innovation
- Standardisation

Cost

Option appraisal  Business case  Outline design  Developing Design  Detail design  Construction

Time (Design/Cost development)
Target Mechanism

Agreed Price

£x

100% pain to supply side
100% gain to supply side

Never seen by client

Transparent to client

Pre-defined pain & gain share between client & supply side

‘Traditional’ arrangement

‘Open-book’ arrangement

COST
Setting the Target Price

Typically built up using ‘building blocks’ (cost models)

£10m

Target Price

Target Price

£

Unit costs

Risk

Overheads/management fee

Profit
Payment of Actual Cost

- **Target Price**
- **Interim valuation no. 5 = £6m**

**£10m**
- **Profit**
- **Overheads/management fee**
- **Risk**
- **Unit costs**

**Actual Cost**
- **Profit**
- **Overheads/management fee**
- **Actual Cost**

- Expressed as a %
- or
- Lump sum
Gain Share

(Assuming 50/50 split)

Target Price = £10m
Actual Cost = £9m
Gain share = £0.5M each
Payment to contractor = £9.5m
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DART
(DESIGN AND RISK Toolkit)
Three Dimensional Risk and Value Management Tool
METHODOLOGY RICH PICTURE
PROCESS FOR USE OF DART

Mitigation of "show stopper" risks (i.e. score above ave. 20).
3.3 ALLOCATION OF RISK THROUGHOUT VARIOUS PROCUREMENT ROUTES

CLIENT

TURNKEY

DESIGN, BUILD, OPERATE, MAINTAIN

2 STAGE DESIGN, BUILD

MANAGEMENT CONTRACTOR

CONSTRUCTION MANAGEMENT

TRADITIONAL CONSTRUCTION

RISKS

CONTRACTOR

Legend:

- Blue: Change of mind
- Red: Regulatory
- Dark Red: Unforeseen conditions
- Green: Contractor interfaces
- Black: Fit for purpose
- Gray: Other
3.4 THROUGHOUT OPTIONS A-F of ECC

<table>
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<tr>
<th>OPTIONS</th>
<th>CLIENT</th>
<th>RISKS</th>
<th>CONTRACTOR</th>
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<td>OPTION A</td>
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<td>(Priced with Activity Schedule)</td>
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<td>OPTION B</td>
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<td>(Priced with BoQ)</td>
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<td>OPTION C</td>
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<td>OPTION E</td>
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<td>(Cost Reimbursable)</td>
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<td>(Management Contract)</td>
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Legend:
- **Blue**: Change of mind
- **Red**: Regulatory
- **Green**: Uncategorised
- **Black**: Uncategorised
The DART Workshop Process

**PRE WORKSHOP**
- Recognize the need for DART Process in any project
- Appoint a DART Manager
- Training in DART for anyone who is unfamiliar with DART management process
- Workshop Preparation

**WORKSHOP**
- Hold a DART Management Workshop
- Introductions to: Each other, the workshop, the project
- Confirm the rich picture
- Identify and agree aims and objectives to form a framework for Risk identification
- Thorough introduction to AEDET
- Criteria Brainstorming
- Team or Consensus scoring
- Develop Design Evaluation Profile
- Show Stopper Risk Identification using Risk Matrix
- Shortlist
- Prioritise
- Consolidate
- Rank into hierarchy of high level risks
- Identify show stopper risks and develop DART
- Develop the GAP Template Action Plan for each high level risk

**POST WORKSHOP**
- Post Workshop Activities
- Produce DART Workshop Report
- Objective Score and Weighting
- AEDET Radar Chart
- Risk Dartboard
- Show Stopper Risk Radar Chart
- 'Gap' Template Action Plans
- Post Workshop Review
- Management tool for controlling the project
- Continuous Risk Management
- Review the Integrated DART Profile
- SOG, ORIC, FBC, Minimum DART workshop
- Any change to AEDET
- Any change to DART
- During construction periodically review and update risk register
- Post Project Evaluation
- Update standard lists, DART database
- Post Project Report

**Project Manager**
- Introduces the DART Manager to the project
- Project Manager and DART Manager customise standard list
- DART Manager provides relevant DART management documentation e.g. rich picture influence diagram etc.
- DART Manager prepares a briefing document to familiarise the workshop members with the format
- Project Manager organises accommodation for the workshop away from the normal working environment of the participants

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NHS ProCure 21

Time is Running out!!
There is still a long way to go!!
But keep at it.....it will be worth it!!
Thank you for your attention