

empa Business Case

£7.4 million saved by East Midland's public authorities



empa Construction & Asset Management benefits

The East Midlands Property Alliance (empa) provides collaborative procurement arrangements through framework agreements for all public bodies in the East Midlands. This approach has enabled empa to secure collective buying power from the market and deliver better services than can be obtained via one off or individual contracting.

Public bodies are incurring unnecessary administration costs by duplicating procurement activity. Many public bodies continue to undertake expensive procurement exercises rather than using existing framework agreements.

“In 2008 we estimate that more than 2,500 public sector OJEU tendering exercises were unnecessary”

(Audit Commission and Office of Government Commerce (OGC), 2010)

Regional frameworks across the country have been or are in the process of being set up. This is in conjunction with the regional improvement and efficiency partnerships (RIEP) and the OGC. Results have identified £78M or 4.1% average costs savings from using regional construction frameworks.

“4.1% Cost Saving”

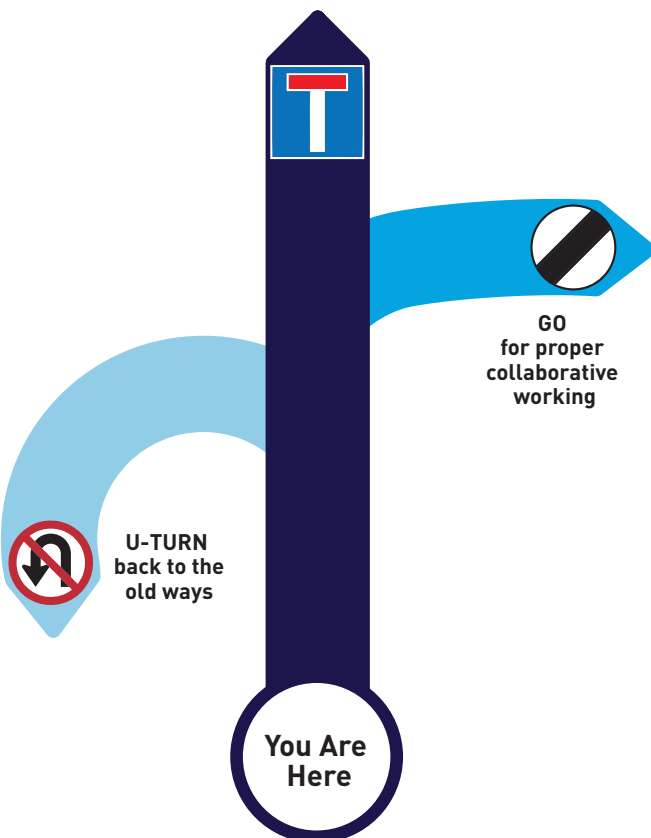
(National Improvement & Efficiency Partnership (NIEP), 2010)

The OGC have reviewed the projects procured by empa and its regional partners through the RIEP's and identified a 9% saving on project costs by using best practice processes.

“RIEP framework project costs are 9% less than industry comparators”

(OGC)

Economic regeneration and local employment are key drivers of empa framework agreements. This is demonstrated by local spend targets being exceeded and employment opportunities being created through empa's unique skills academy.



“93% of public bodies now use framework agreements which had always, or often, resulted in better value for money”

(National Audit Office (NAO), May 2010)

“90% of expenditure is within 40 miles of a project, 20 apprentice places have been created and over 200 local businesses have received training.”

empa are leaders in collaboration providing cost effective solutions for the public sector using a tried and tested process that is simple, easy and stress free. £7.4M cost savings have already been identified whilst delivering an inclusive engaging experience for empa members and the communities they serve.

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Explanation of Benefits

Benefits to both our partners and clients

These long term arrangements are providing a significant work stream to empa partner contractors operating within the regional frameworks and they have recognised the need to develop a long term collaborative approach with Clients to ensure excellent service delivery.

empa frameworks provide greater certainty to users in an uncertain construction market by managing risks and driving out value.

Competitive and cost effective

empa partner contractors have competed hard to secure a place on the Framework. Highly competitive overhead and profit percentages will be honoured throughout the life of the framework even when the construction market improves. Competitive staff costs remain fixed (subject to annual RPI adjustment). The 'open-book' principles ensure market competition is maintained for all other cost elements throughout the project tender process. Contractors are continually benchmarked to their original tenders and the advice they provide at each stage.

Work streams that commit empa partner contractors to deliver

- Aggregated purchasing power of multiple public bodies – strong support and usage of the framework by clients has galvanised contractors to compete hard to retain and capitalise from one of the limited places as a framework partner.
- Continuity of work to contractors is equally if not more important than profit and contractors are very keen to win projects in this high value ongoing stream of work.
- Contractors give a commitment to deliver all projects within the framework programme & timescales.

Early contractor involvement to secure design & financial benefits

- The scale of the framework will focus contractors on achieving good performance scores to ensure they are chosen or allocated work.
- The empa approach will promote earlier contractor involvement, the following risks are considerably reduced or can be eliminated :-
 - Increased costs and claims during construction
 - Design problems identified pre and post construction adding time & cost
 - Self regulating site construction problems impacting on Client resources
- Improved build-ability from early contractor involvement will provide an accurate cost and time agreement before work commences.

Single project tendering negates any possibility of accessing these essential and significant client benefits.

Better value for money

The cost of not using the empa frameworks can be considerable:-

- £ The single stage tendering approach incurs significantly greater procurement costs and design fees will inevitably be far greater. Many advisors are currently advocating single stage tendering but this does not necessarily provide best overall value. It may produce a low tender figure but in reality costs increase as the successful bidder spends time and resources trying to recover money to make the project profitable. The client must also increase their expensive resources to counteract these claims.
- £ Set up costs of individual framework agreements are in the order of £100,000 to £150,000 (empa members' cost estimates). **Engaging empa is quick and cost free using the Go2 Collective website.** The contractor engagement process is both simple and transparent. Overall project acquisition costs are improved via the empa approach.

Elimination of claims and contractual disputes

A possible consequence of appointing contractors via “Individual Lowest Cost Tenders” are claims for changes or additional works which will arise after work commences, and the keener the price the greater will be the likelihood of bigger claims as companies who have bid low to win look to recover their cost and profit. **empa trains clients and contractors to deliver projects collaboratively, creating a positive team approach.** empa and its members represent a very important client which contractors would not want to disappoint.

Fast delivery of projects

Eliminating procurement time on a project and using empa frameworks can save 6-9 months. empa’s collaborative model encourages users to appoint contractors at the earliest stage of a project, ideally even before feasibility.

empa contractors have a wealth of knowledge, employing experienced and highly qualified professional staff.

Scapa helps develop the team to make best use of these resources on behalf of public sector clients.

Early engagement can provide significant benefits:-

- Design time and costs are reduced – the contractors will bring considerable practical realism to the design and help ensure the optimum design solutions are achieved first time, thus reducing abortive work and duplication.
- Construction periods are significantly reduced – the early involvement of contractors at design stage impacts considerably on the construction phase, meaning the construction programme will be developed alongside the design. Operations will be better sequenced. Specialist elements of the building and sub contractors can be put on earlier notice and/or orders can be placed earlier.

More effective working with supply chain

- The attraction of a considerable overall pool of work for the successful contractors – will attract a strong interest from the supply chain and help deliver the projects locally.
- Improved value engineering / value management – contractors can point out a range of practical issues, including, the use of standardised rather than bespoke items, specifying components more generically given greater procurement options, advising against the selection of elements that restrict procurement options.
- Better use of supply chain – using the first hand experience of contractors to point toward options that will provide better value for money.
- Potential to aggregate procurement of materials.

What is empa delivering ?

38 authorities in the East Midlands are benefiting from using empa. In the last year of operation **120 projects worth over £110M are saving the public sector £7.4m** by collaborating on construction procurement and strategic asset management.

The average construction project procured through empa is now completed within 3% of the expected budget and timescale – far exceeding the performance of comparable projects tendered in the traditional way (9% average 2007/08, OGC).

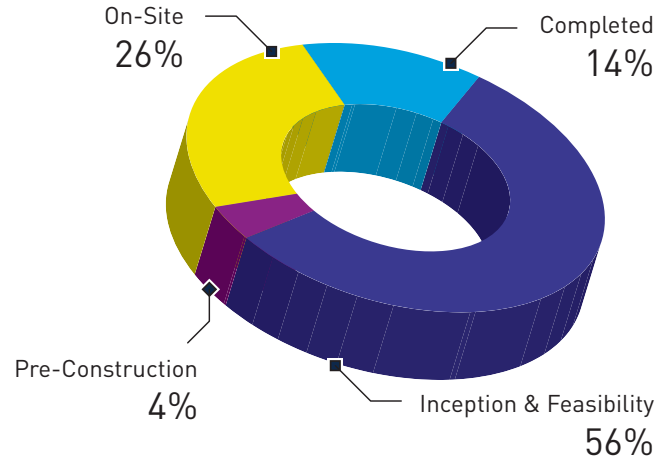
The empa collaborative approach is realising a combined efficiency saving of 8% to date and moving towards the government target of 10% (10% based on 210 large projects analysed by OGC and endorsed by the NAO).

Benefits are captured through the empa contractors recording KPI information at key stages of the project through the empa gateway process. We also record new innovative solutions that can be shared across empa members within the lessons learned programme shared with clients.

empa has provided all local authorities with a best practice project process, easy to understand, simple to use with all documentation available for clients to use free. **Using a single process to deliver projects will help achieve your efficiency savings.**

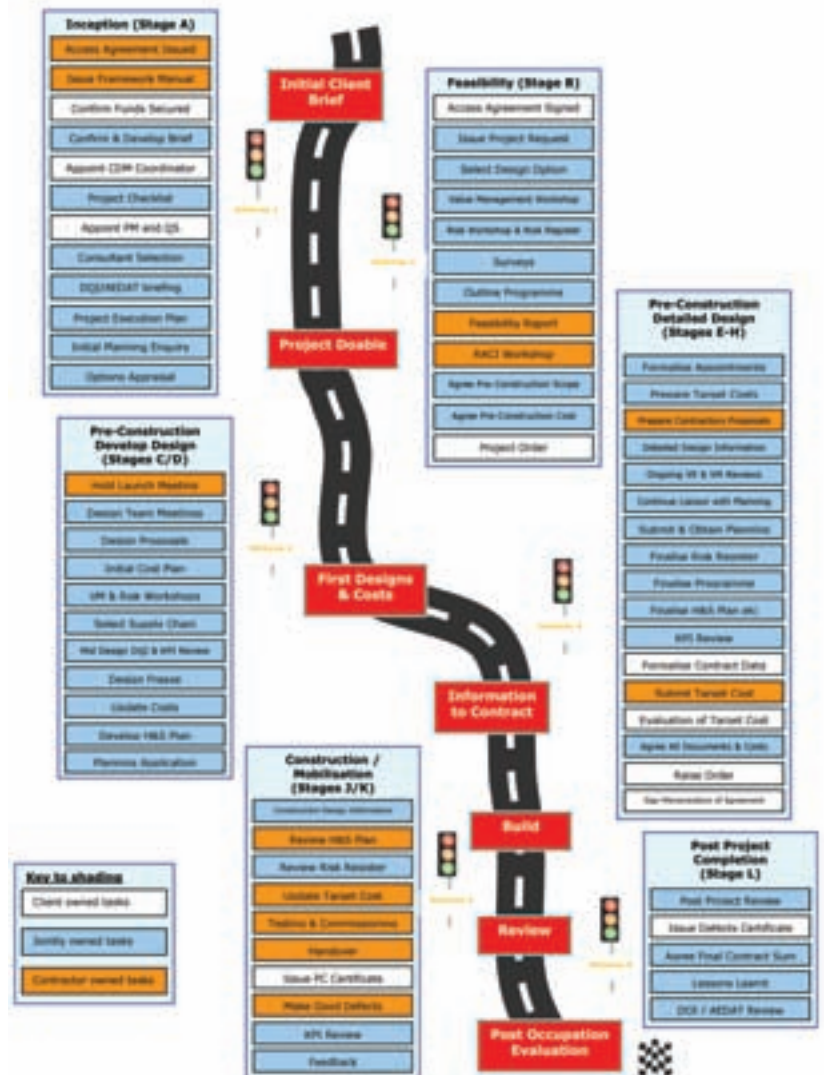
The benefits are based on the 80 projects currently being managed by empa and they are all at different stages. See opposite.

Progress of projects being analysed



empa Project Gateway Process

empa contractors recording KPI information at key stages of the project through the empa gateway process.



Facts & Figures

Cost Efficiencies have been calculated using the OGC AEC quantification methodology.

Sub regional frameworks 9 x £150,000	= £1,350,000
Major OJEU projects 19 x £75,000	= £1,425,000
Minor projects 90 x £15,000	= £1,350,000
Projected minimum efficiency savings 3% x £110M	= £3,300,000
Total	= £7,425,000

Analysis of completed projects

empa is in its infancy and only a small number of projects have been completed to date. However, early performance indicators are very encouraging and indicate targets will be achieved. Below is empa's latest performance data.

KPI 1: TIME



KPI 2: COST



KPI 3: DEFECTS

All empa projects have been completed with zero defects.

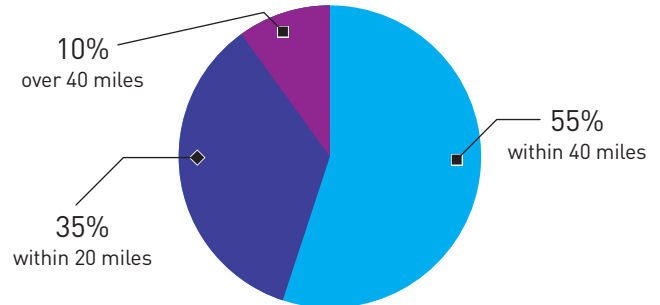
KPI 4: SAFETY



KPI 5: FAIR PAYMENT

All projects have complied with the fair payment charter.

KPI 6: LOCAL SPEND



KPI 7: EMPLOYMENT

17 School agreements being signed by contractors on East Midlands schools to raise the profile of the construction industry and support the curriculum.

21 Construction Ambassadors trained to present to school children.

12 Teachers briefed about the construction industry.

20 Apprenticeship places have been identified and currently being filled on empa projects.

200+ businesses trained on an empa training module.

250+ Local Authority Officers have taken part in empa training.

Further KPI's are being monitored and a full suite of information will be provided to clients later this year.

Getting Best Value + Added Value Benefits

Scape has been procuring and managing framework contracts successfully for nearly 10 years. All the lessons learnt over this period have been applied to all empa collaborative framework agreements which follow OJEU and Public Procurement rules.

Clients benefit from the very latest market rates for management costs, providing an excellent value for money service. 100% of the costs on an empa framework project are market tested, with the works packages being let at the nearest point to delivery. All cost information is available for the client to validate – this is not available to the client under a traditional tender process.

empa builds into its framework arrangements the need to procure & manage on a regional basis thus receiving economies of scale; whilst delivering projects locally optimising the social and economic sustainability of the local community. Scape uses the NEC3 option C target cost contract as recommended by the OGC.

As a best practise organisation, empa has set a number of objectives for the frameworks which include:

- ✔ Modernising the construction process
- ✔ Delivering & demonstrating value for money
- ✔ Better value from improved predictability
- ✔ Developing close working relationships
- ✔ Collaborative working and early contractor involvement
- ✔ Improvements in Health & Safety
- ✔ Client preparation to contract
- ✔ Training & development
- ✔ Local employment and training through a pre-agreed plan
- ✔ Fair Payment
- ✔ Directly assisting with service delivery
- ✔ Creating sustainable places

empa managed frameworks provide on every project or programme of work:

- ✔ Client engagement from the start
- ✔ Risk management
- ✔ Supply chain procurement & selection process
- ✔ Structured project delivery process following PRINCE2 processes
- ✔ Ongoing project support
- ✔ Performance management
- ✔ Continuous improvement
- ✔ Removing waste on site and in the system

To maximise the success of your projects empa works with all parties to the contract ensuring clients are ready to engage in the project, recognising the need:

for technical training

- ✔ contractual and wider issues
- ✔ multi skilling across disciplines

for strong interpersonal skills

- ✔ need for personal development
- ✔ collaborative/team development

The opportunity benefits to all public bodies of the empa approach are:

- ✔ Increased opportunity to deliver on Time/Cost & Quality criteria
- ✔ Quick to introduce
- ✔ No direct tender costs to users
- ✔ Incentivised contracts to improve delivery
- ✔ No direct revenue costs to Local Authorities
- ✔ Costs reduced by use of programmes
- ✔ Removes need for Clients to develop their own systems
- ✔ Encouragement and support to deliver locally
- ✔ Early Involvement with and continuous improvement by Supply Chain
- ✔ Inception to start on site time minimised
- ✔ Help to increase skills within clients
- ✔ Opportunities for improving social and economic opportunities

The opportunity benefits to the supply chain of the empa approach are:

- ✔ Workflow and larger programmes of work,
- ✔ Fair Payment
- ✔ Less tendering
- ✔ Sustained development
- ✔ Develop local teams
- ✔ Joint supplier and client training
- ✔ Incentivisation

Social & Economic Sustainability

Sustainable construction is a cornerstone of empa and has been built into every project. This includes sustainability workshops, health checks, whole life costing and life cycle analysis, site waste plans.

Local SME's & employment

We know how important working with local businesses is to empa members and to provide employment opportunities through all empa projects. empa has invested in an unique infrastructure that enables local SME's to access every empa project and bid for work packages and if applicable, receive support from business link and other support agencies to help local businesses grow and develop.

Environment

empa has set ambitious targets for contractors who work in the east midlands. This includes to be carbon neutral and to send zero waste to landfill by 2012. **BREEAM targets have been set and we aim to improve year on year** by improving empa projects rating on energy performance. This commitment is demonstrated by empa contractors who have all signed up to the Waste Resource Action Programme (WRAP) initiative.

Knowledge

The collective intelligence of partners and stakeholders enable empa to be at the cutting edge of innovative construction and asset management practices. Examples include a regional approach to strategic asset management (collaborative asset mapping and shared service options), best practice project delivery process and a seat on the National Improvement and Efficiency Partnership (NIEP) which provides access to the latest innovations across the country.

Investment

empa provide a cost effective methodology for authorities to benefit from a collaborative approach. Examples include a web based programme management tool that manages every empa project & produces client KPI reports, free of charge.

Training & Development

empa has put in place training programmes which help clients to understand how to make best use of empa's best practice contracts, processes and procedures. Employment opportunities are maximised through the use of employment and skills plan for every empa project and delivered through the empa National Skills Academy for Construction (NSAFC).

Technology

The shared use of technology bring even more efficiency to empa construction process which includes project management, performance reporting, regional asset database, supply chain database and benchmarking tool. This reduces empa members time and cost by avoiding duplication and driving out waste.

Testimonials

Nanpantan Sports Ground

Key points are the client being fully integrated into design team meetings, risk evaluations, value engineering options and the whole decision making process. It's a great example of teamwork and collaborative working, teamwork being the whole team including client side so that the end user is fully up to speed with the proposals. The client has found the empa framework experience very positive, pro-active and a pleasurable way to implement a key project for the Council.

Mellor Primary School

A great example of being work ready and on site within 6 months of picking up the design from stage C. The process included the selection of a contractor appointed design team that involved the client within the selection, scoring & interview process. The empa framework is flexible to allow early orders to be placed for this type of work. The team have worked really hard to achieve the goal of developing the design in line with budget constraints and providing a building that performs excellently in terms of BREEAM and will transform the teaching experience for the school. The team have also brought innovation to the building including 3D modelling to enable the end users to see what the finished scheme will look like, state of the art air sourced heat pumps for efficiency and flexible working spaces that are of equal quality in terms of size, daylighting & acoustic performance.

Royal Mail

A challenging project for Leicester City Council delivered on behalf of the Royal Mail. Again, speed to site will be within 4 months and includes the management of a complex network of stakeholders, including Royal Mail, EMDA, LCC, British Waterways and the Environment Agency. Bringing contractor experience in delivering both projects on contaminated sites and for the Royal Mail has added real benefit where design can be challenged to provide real project savings. Project savings of up to £500k on initial design have so far been identified and accepted.

Seathorne Skegness

In the early stages of feasibility, the empa framework provides early contractor involvement to assist clients with developing projects and options. On this school where the budget has been reduced by £250k already the contractor are reverse engineering the scheme to establish what areas could be remodelled and what areas could be new build. This helps enormously with setting the scene with schools who have very high expectations but where the budget is limited. Early risk and build ability advice will also ensure the option selected is the option delivered creating certainty within the scheme.

Brighouse and Sowerby Bridge

Using the NEC contract and partnering approach has been a revelation. From initial meetings, through design and planning to construction has been excellent and embodied the spirit of partnership. The construction phase is currently well over half way through and the projects are both on time and on budget and to a very high quality. The commitment, knowledge and experience of staff are second to none and would have no hesitation in recommending the use of the framework partnering approach.



Scape is a Local Authority controlled company and Managing Agent for empa.

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