

A spotlight on

“Modern methods of procurement”

Five trends for tendering and procurement strategies in 2021

Strategy

(average % acceptability according to contractors)

Contractors were asked to rank the acceptability of the following procurement / tendering routes in the current market. This diagram shows their average scores.



With an uncertain market and continued risks from the effects of COVID-19 and Brexit, challenges remain for contractors in 2021. Commercial pressures will lead to caution from contractors in tender pricing and it was no surprise that contractors responding to our Autumn 2020 survey ranked a negotiated route as the most acceptable in the current circumstances.

Second highest in acceptability was a two stage design and build approach. However, there is increasing debate that this approach is failing, particularly due to unsuitable risk transfer down the supply chain, declared versus hidden margins and last-minute contract sum changes.

In this spotlight report we are considering potential strategies which may be used either in full or in part, to improve tendering/procurement processes and help to achieve overall better outcomes for projects.



01 Emergence of large specialists

Some of the larger specialist subcontractors, particularly in London, are offering more trades such as demolition, complex temporary works, excavation, piling and concrete frame services under one banner, in addition to their traditional specialisms. This allows for efficiencies — both financial and programme related — and means that ground risk can sometimes be mitigated ahead of other contract works, thus reducing the overall project risk.



02 Early consideration of Modern methods of construction (MMC) and Design for Manufacture and Assembly (DfMA) in design stages

The government's presumption in favour of offsite continues, and the challenges with labour availability and benefits in terms of quality and programme will mean that MMC and DfMA will be increasingly considered for a wide range of projects outside of the public sector. Early collaboration between design and construction teams is important, to ensure that the design is suitable for these methods, and early discussions with suppliers will be beneficial to find the right solutions for projects. Embracing the full benefits of building information modelling (BIM) will also help to easily share data and coordinate information.



03 Early supply chain input

Understanding the specialist requirements of the scheme at an early stage allows suppliers to be approached for input. This can be particularly useful for schemes with complex logistical arrangements and/or designs, and also to understand lead-in times and origins for materials and products to enable planning for these. For some projects, specialist trades are being approached early in the design process (before main contractor procurement) for design and buildability advice, sometimes under formal Pre-Construction Services Agreements. This allows the design to develop with their guidance but the package to be procured in competition under the main contractor.

There are also some instances of main contractor input starting earlier on schemes, for example, at RIBA Stage 2, to allow their input on issues such as logistics, BIM, opportunities for offsite and MMC as the design develops.



04 Frameworks and longer term contracting

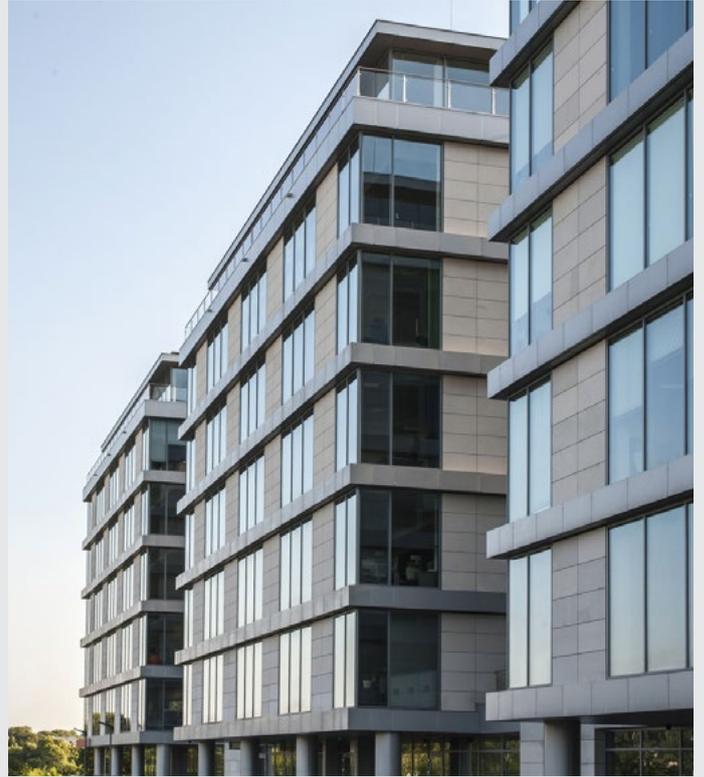
The recently launched Construction Playbook is advocating longer-term contracting, for transparency on plans and pipelines allowing the market to prepare accordingly. This is particularly important with the increased use of MMC as it allows capacity to be increased and encourages investment in technology and capability.

Frameworks are being used by both public and private sectors to reduce bidding costs and to allow collaborative relationships to be developed.



05 Value extended to outcomes — focus on sustainability and social value

Whilst affordability will always be a key factor, increasingly, tenders are looking at broader value benefits in addition to financial and the most economically advantageous tender. Clients are looking at topics such as sustainability, social contribution, diversity, wellness and inclusion as scoring measures, and some are integrating these into key performance indicator measurements post-award. Some clients have started to consider the second lowest tender as a means of measuring the cost to ensure that budgets are realistic and achievable, rather than encouraging the “race to the bottom”.



Summary

In summary, procurement and tendering strategies in 2021 will be focussed on understanding the supply chain and gaining early input from specialists. The ongoing challenges from COVID-19 and Brexit will mean that consideration of where products, materials, etc. are coming from will be key, and MMC will continue to be used to mitigate labour supply issues and restrictions on numbers on site due to social distancing measures.

Due to commercial pressures, it will be important to carefully consider the approach and fair allocation of risk to avoid pricing premiums from cautious contractors. Early supply chain input will allow risk to be considered and mitigated as far as possible, in order to potentially avoid it being passed down to the end of the supply chain.

A wider consideration of frameworks and longer term partnerships, the sharing of pipelines, and increased weighting of other types of value will hopefully allow the industry to "build back better", creating a more stable and collaborative industry that generates improved project outcomes and realises wider benefits of projects.

Talk to an expert



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