

***FAC-1 Framework Alliance Contract – Improved  
Value and New Solutions***

**LIPS Conference 2016**

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# Frameworks and alliances

- A framework agreement is *“an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged”* Public Contracts Regulations 2015
- *“An alliance in general terms is a collaborative and integrated team brought together from across the supply chain. The team share a set of common goals aligned with customer and client outcomes and work under common incentives”* UK Infrastructure Client Group Alliancing Code of Practice, 2015

# Good faith and good business

- Overriding duty of company director to “*act in a way that he considers, in good faith, would be most likely to promote the interests of his company*”, while also fostering “*business relationships*” and “*maintaining a reputation for high standards of business conduct*” - Section 172.1 UK Companies Act 2006
- Williamson O.E.(1985) “*The Economics of Capitalism*”- the “*subversion of morality for profit*” -there is no universal business morality to constrain economic opportunism (as distinct from legitimate self-interest), **except** through contracts, other binding legal obligations and the shared principles of trade
- Single project contracts only tell part of the story – need to explore how framework and alliance contracts secure better value and help to reconcile self-interest with good practice

# “Effectiveness of frameworks”

- Appendix G in UK pan-industry “*Procurement/Lean Client Task Group*” Report 2012 examined evidence taken from a range of Government frameworks, identified features of effective frameworks and commented on the problems arising on others
- Concerns expressed where frameworks are:
  - implemented as a “*short-cut to market*” without “*demonstrable business need*”, or
  - are implemented by advisors/consultants not familiar with or committed to “*collaborative partnering processes*”, or
  - are implemented by “*less expert clients*” who believe lowest cost tendering equals best value, or
  - where clients do not understand the benefit of retaining certain risks on “*more complex schemes*”

# UK Ministry of Justice new build alliance frameworks praised in 2012 report



# MoJ new build alliance frameworks

- “Solid governance structure through a Strategic Core Group comprising representatives from the MoJ and the Alliance suppliers”
- KPI information and cost analysis “made available to all schemes”
- Use of PPC2000 two stage project contract with “standardised suite of processes and contract templates ...to ensure consistency and ease of use” plus “early engagement of the supply chain... encouraged by the two stage approach”
- Major benefits “include reduced operating costs estimated at £10m, reduced burden on industry tendering of around £30m and procurement risk mitigation of about £2m”
- Total procurement cost saving of **£42m**
- MoJ alliance frameworks enabled individual MoJ projects to deliver audited savings of up to **20%** of project value <https://www.gov.uk/government/publications/procurement-trial-case-study-cookham-wood-prison>

# Project Horizon - UK local government alliance using supply chain collaboration



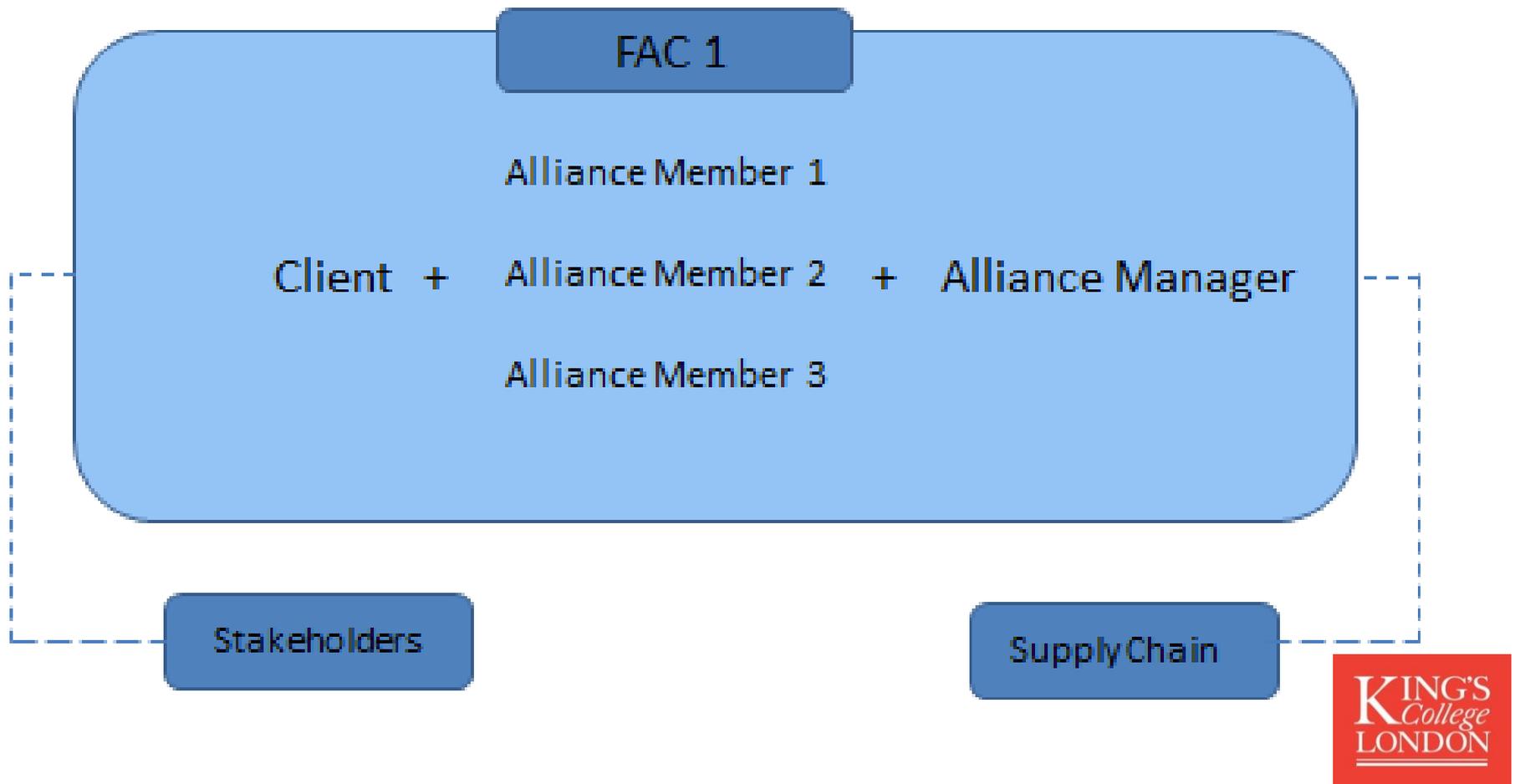
<https://www.gov.uk/government/publications/procurement-trial-case-study-report-highways-maintenance>

# Project Horizon-supply chain collaboration

- Surrey County Council with Kier, Aggregate Industries and Marshall Surfacing
- Contract processes and timetable for performance improvement and changes agreed by all supply chain members
- £100m of work subject to demonstrable delivery of £115m of value
- Improved value offered through joint risk management leading to extended warranties and agreement of sustainable designs
- Cost savings of 12% offered by tier 2/3 subcontractors/ suppliers (against previously quoted rates) in return for:
  - Greater involvement in planning work and developing continuity of work - 2%
  - Agreed minimum annual volume of work - 5%
  - Agreed minimum size of individual works orders -2%
  - Prompt(er) payment by Tier 1 Contractor -1%
  - Storage facilities in available space at Client depot -2%

# FAC-1 Framework Alliance Contract

published July 2016 after 12 months international consultation (120 responses) and creates new systems using lessons from MoJ, Project Horizon and other framework alliances



# Alliance Activities/Supply Chain Collaboration

Alliance Activities under **FAC-1**:

- agreement of improved, consistent working practices
- improved links between *Project Contracts*
- other agreed systems by which collaborative working may achieve *Improved Value*.

*Supply Chain Collaboration* under **FAC-1** enables *Alliance Members* to:

- revisit competitive proposals obtained when *Alliance Members* are selected
- seek improvements through new ways to engage with tier 2/3 *Supply Chain* members under a system monitored by the *Client*

All *Alliance Activities* include agreed actions set out in

**FAC-1** *Timetable*

# FAC-1 Core Group

- **FAC-1** provides for *Core Group* governance by named individuals or agreed alternates who reach decisions unanimously by *Consensus* of those members present at a meeting
- *Core Group* supports collaborative implementation of **FAC-1** and seeks an agreed course of action following *Early Warning*, to be given by *Alliance Members* if any matter adversely affects or threatens the *Alliance* or the *Framework Programme* or any *Alliance Member's* performance
- **FAC-1** also provides a range of options for non-adversarial dispute resolution, including appointment of an *Independent Adviser* to provide impartial and constructive advice/support to the *Core Group*, or appointment of a *Dispute Board* or a *Conciliator*

# FAC-1 in practice

- *“This revolutionises the value of frameworks and keeps them alive throughout the term”* - Antony Silk, Director of Procurement, AmicusHorizon
- *“I like the style which is easy to read. I also like the concept of the Framework Alliance which draws the parties together”* - David Ferroussat, Infrastructure Procurement Director, Heathrow Airport
- *“Futures Housing Group is very pleased to be the first adopter of the FAC-1, it came just at the right time. I am confident it will deliver excellent value and high standards throughout the framework, we are already planning the next one”* - John Thornhill, Futures Housing Group
- **FAC-1** works alongside and is compatible with all and any national and international *Project Contract Conditions*
- **FAC-1** can be purchased from the UK Association of Consultant Architects- **(0044)1959 928412, email: office@acarchitects.co.uk**