

# The Two Stage Open Book Process



Shaping public construction

# 1

## Basic Principles

### The Traditional Approach

The traditional way of delivering a project is to commission consultants to design and estimate costs / or products or services before tendering it to a number of contractors. The lowest price is usually selected. The risks of this approach are:

- Cost escalation – historical evidence shows that costs rise through the project for unforeseen items by an average of around 10%.
- The contractor will price for risks which may not happen, and hence cost money for no reason.
- The contractor is unable to help with ideas and suggest alternative products and solutions to build the project, as the tender process does not allow any early contractor involvement.
- Consultants do not always have the best market intelligence to inform project costs or programme.
- The supply chain, the people who will actually build the project, are excluded from the whole process.
- The client has lots of different advice from different people and struggles to understand what is going on.
- Design gaps are not identified until the contractor is on site, leading to disputes.

### Two stage approach

Two stage open book integrates the client, consultants, cost advisors, contractors and key supply chain into a single outcome focused team with a common objective, which is to deliver the best possible product for the available budget.

In the same way that key consultants are chosen for their best fit with the clients' requirements, so a single most suitable contractor is chosen to be an equal part of that team.

The whole team assesses the project package strategy, management, risk and tenders the packages to the supply chain, selecting the best value suppliers.

A contract sum is agreed based on the transparent and agreed package costs tendered through the supply chain, management, risk, and a lump sum contract is agreed. This minimises further risk or cost escalation or dispute.

# 2

## The four key requirements for successful 2 stage

- A** You must have a properly integrated team.
- B** Contractors and their key supply chain members must be engaged as early as possible as equal partners.
- C** Design and procurement must be integrated, not done separately.
- D** There must be a joined up approach from the whole team to risk management and ownership including a fully priced risk register.



## A - The integrated team

The team must have jointly agreed objectives. It sounds simple, but different team members have different drivers. Whilst some will want impact designs, others will want simple structures which are easy to cost and build, whilst others still will only be concerned with maintenance and operational issues. It is important to get the project manager to facilitate the agreement of a set of objectives for the whole team which may have specific measures (energy use for example).

The team must have agreed roles and responsibilities. Too often, gaps are found in the team responsibilities that leave things undone or in dispute. Reliance on contract does not help team work, so taking time to set everyone's expectations about what they are responsible for will empower individuals to deliver.

There must be a jointly agreed timetable of activities. Programme is usually something that contractors are left to do for the building works. People can only be clear about their roles when they know when they are expected to deliver. Planning the programme as an integrated team can bring enormous benefits in terms of mitigating key risks, and finding opportunity for efficiency.

There must be effective governance. Contracts talk about good faith and mutual cooperation. Unfortunately, there is no legal definition of these. They can only happen if there is a core team of individuals committed to making it happen. The core team should have strong leadership from client, consultants, and contractors and be supported by an effective gateway review structure.

There must be effective communication. Projects tend to start to go wrong when ad hoc stakeholder requirements are implemented without reference to the impact on the key objectives. There needs to be a planned approach to management of stakeholders.

## B - The early engagement of the supply chain

There will be key supply chain suppliers who will have more expertise than anyone else in the team to ensure that you get the very best value. For these key items or products, it makes sense to engage with the suppliers as early as possible to make sure any waste or risk is driven out. Mechanical and Engineering tends to be the best example of this where there is a complex heating or ventilation system that needs to be coordinated with the building works.

## C - Integrated design and procurement

Through the planning sessions, there will be a strategy for delivering design output for the package tenders. The whole team must be involved in the procurement strategy so that SME'S and local firms are considered, and appropriate pricing methods are used. Everyone must be clear about their role in the process, and no one should be allowed to sit back and not be part of it. A combined integrated approach, avoids the danger of reverting to just allowing the contractor to give a price for the project.

## D - Joint cost and risk management

Risk management is a key part of two stage open book. It depends upon workshops rigorously identifying risks, allocating owners, putting a cost to risks, and devising mitigation plans. Rather than putting all the risk on the contractor, who will just price it all to make sure they do not lose out. Risks can then be placed with the most relevant parties to manage. The key target is to mitigate or eliminate as much risk as possible before signing the construction contract.

# 3

## Can I tailor my approach to my needs?

Two Step Open Book fundamentally involves the whole team integrating together, this has enormous benefits. Optimised solutions can then be explored together. This minimises on-site uncertainty and unforeseen items.

# 4

## How can SCF help me?

SCF is specifically designed to work this way. All of the SCF contractors have been rigorously vetted to make sure they understand the process, what their roles are, and how to get the very best out of it. The SCF Framework Agreement includes:

- Defined roles and responsibilities for the contractors at each and every stage of the process.
- The contractors have to induct all members of their staff into the process before they can work on an SCF project.
- We have simple “not to exceed pricing” for fees to enable swift and simple mini competition to get your chosen contractor into your team as early as possible.
- We have set minimum standards of performance for the contractors to remain part of SCF.
- The framework is designed to facilitate key initiatives such as BIM, Project Bank Accounts, Employment and skills etc.
- The contractors have further pledged to make handover and aftercare a priority for the framework.
- We have robust systems in place, designed by the contractors, for package procurement, option selection, collaborative planning and risk management, as well as enhanced cost management systems. These are common to all our contractors ensuring a consistent approach all the time.
- We are dedicated to making this work for you.

## Contact us:

For more information please contact your Regional Framework Manager:

T: 01962 845942

W: [southernconstructionframework.org.uk](http://southernconstructionframework.org.uk)

E: [info@southernconstructionframework.org.uk](mailto:info@southernconstructionframework.org.uk)



Shaping public  
construction