



Coventry City Council drives down costs year on year in its successful Primelines and Highways Contract

Contractors:	Aggregate Industries, Jackson Civil Engineering, Dew Construction
Project Manager:	Jacobs Babbie
Client:	Coventry City Council
Case Study Ref:	289
Project Number:	2920
Publication Date:	August 2007
Region:	West Midlands
Sector:	Local Government, Infrastructure
Project Timescales:	April 2004 – March 2008 (with possible yearly extensions to 2012)
Themes:	Integrated teams
Contract Value:	£10m per annum

In April 2004 Coventry City Council took a hitherto unprecedented step and let their Primelines and Highways Programme under the NEC Professional Services Contract and the NEC Engineering and Construction Contract option C, including open book costing and target costing with pain/gain incentivisation. Contracts were awarded to three Contractors and one Designer/Project Manager: Aggregate Industries, Jackson Civil Engineering, Dew Construction and Jacobs Babbie.

The Primelines contract is part of an integrated transport programme and an innovative step by Coventry City Council to provide delineated bus routes with safe, comfortable and easy access for all its passengers.

It involves specific individual projects from the construction of new bus shelters and disabled access routes through to major road widenings.

Table 1: Differences Between Final Construction Target Price and Actual Cost – Project Examples

Project	Original Construction Target Price	Adjusted Construction Target Price	Actual Construction Cost	% Difference (Target, Actual)
COMPLETED YEAR 04/05				
Disabled facilities at Signals	£166,854	£250,368	£256,990	2.65
PL – Binley Road Widening	£1,764,840	£1,861,720	£1,829,519	-1.73
Brays Lane Major Maintenance	£204,654	£201,581	£173,037	-14.16
PL – Lockhurst Ln./Foleshill Rd. juntn Imp.	£416,157	£555,194	£530,007	-4.54
COMPLETED YEAR 05/06				
Kenilworth Road/Coat of Arms Bridge Rd.	£116,421	£112,227	£101,126	-9.89
PL – Clifford Bridge Rd.	£420,429	£481,785	£426,405	-11.49
PL – Belgrave Rd. Bus Stops	£285,315	£487,176	£432,565	-11.21
Radford Rd. Slipway	£330,447	£388,940	£388,452	-0.12
Radford Rd. Embankment	£1,416,639	£2,043,416	£1,842,315	-9.84

Table 2: Yearly Summaries

Project	Original Construction Target Price	Adjusted Construction Target Price	Actual Construction Cost	% Difference (Target, Actual)
COMPLETED YEAR 04/05	£2,834,800	£3,152,100	£3,050,500	-3.2
COMPLETED YEAR 05/06	£6,203,500	£10,433,500	£9,138,000	-12.4

Results

The tables on the previous page illustrate a selection of project examples from the first two years of operation indicating the original construction budget cost based initially on Coventry City Council historic costs, the final adjusted construction target price and the actual construction cost. Table 2 summarises all the projects for both the years. Coventry City Council has achieved tremendous results delivering projects in the first year 3.2% lower than targeted (a saving in excess of £100k) and in year two 12.4% lower (a saving of £1.3m). With the predictability of cost and budget assurance, Coventry City Council was able to add work to their initial brief adding value to the project at the most efficient and cost effective time and earlier than envisaged.

Benefits

- Driving down project costs by utilising actual costs in one project to derive the next project target cost
- Development of a fuller understanding of the risks and costs drivers leading to the provision of better value projects and more cost predictability
- Budget confidence
- Flexibility in programming allowing local environmental factors to be capitalised or absorbed
- Efficient design and construction mandates
- Understanding of costs
- Open and transparent risk identification and management
- Firmer predictability with regard to programme
- Quality improvements with reduced defects
- Incentivised performance from the Contractors with gain savings being distributed
- Introduction of early warnings allowing potential pitfalls to be avoided
- Fewer compensation events have been experienced.



Collaborative working

It was a new experience to move away from the adversarial form of contract previously used, and although there were difficulties in the beginning of the contract, both commercially with the sharing of information and the setting of the target costs, and culturally by actively collaborating with the previous enemy. Coventry City Council kept one step ahead using the procurement period to train staff, in both the hard and soft issues that this change was to bring and jointly carrying out training workshops with the contractors during the mobilisation period.

Dave Bates, Senior Engineer for the works programme is very pleased with the new arrangements. After 2 years in operation he cannot see how they worked any other way. Working in partnership with the designers and contractors from the concept stage of a project, allows all interests and experience to be gathered which informs on, amongst other things, the extent of detailed design required, risk identification and minimisation and alternative more efficient methods of construction.

Example

Brays Lane – Major maintenance works

This was a project that had been on hold before the formation of the partnership. It was problematic in that when the work was to be undertaken there would be no available residential parking. In full collaboration with the partners, it was decided to borrow a local school parking area for the residents and carry out the work during the school holidays. This was a tighter programme than envisaged but with full co-operation the project was brought in on time, under target cost (additional weekends not required) and completely snag free.

The Future Looks Bright

Results so far indicate another good year for Coventry City Council, with target costs again being driven down by the introduction of actual costs from year two. The savings already made being sustained and new savings being found from collaborative incentivised working. Good news for all partners involved and for the city residents and visitors.