



# An Overview on Changes in Procurement

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7 May 2009



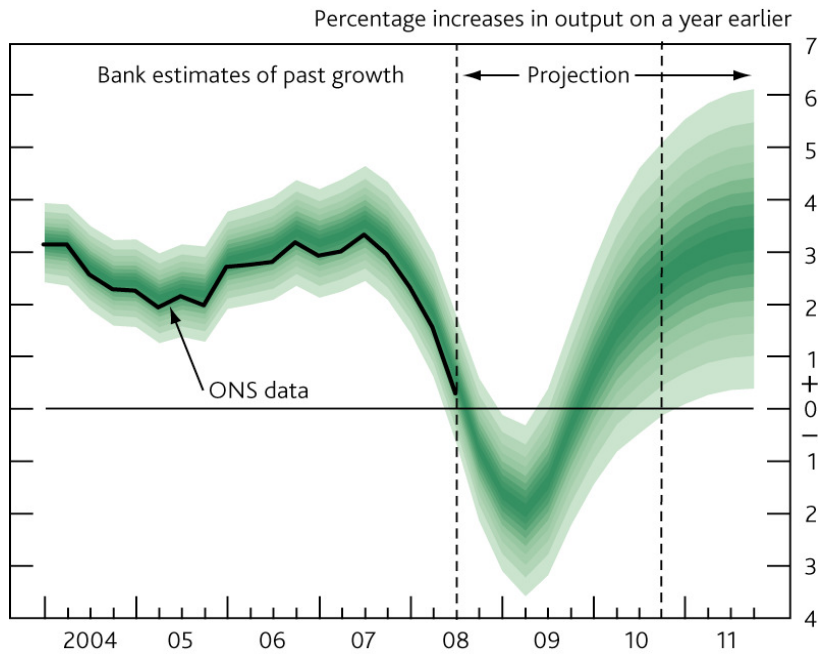


## UK Economic Background



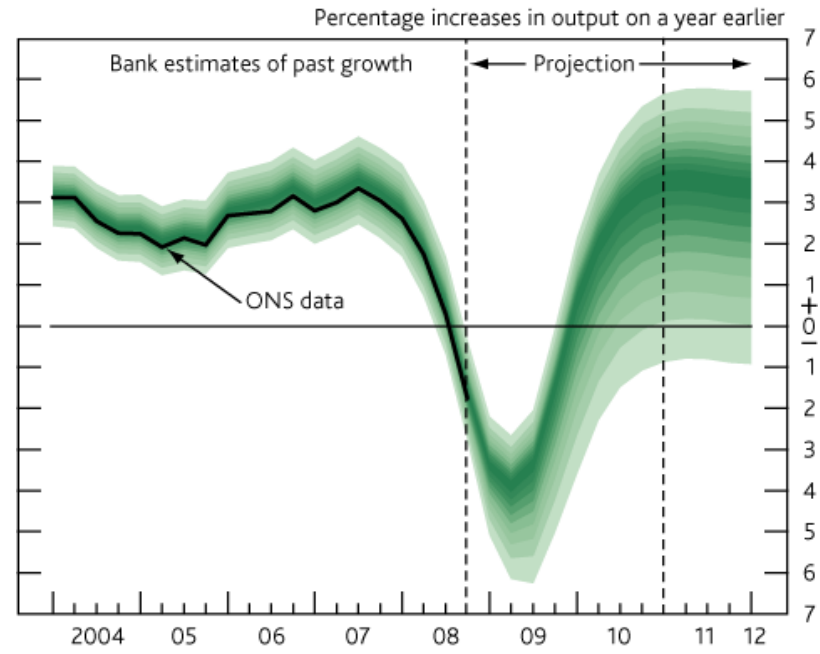
# GDP Projection (Based on market interest rate expectations)

NOVEMBER 2008



Source: Bank of England Inflation Report November 2008

FEBRUARY 2009

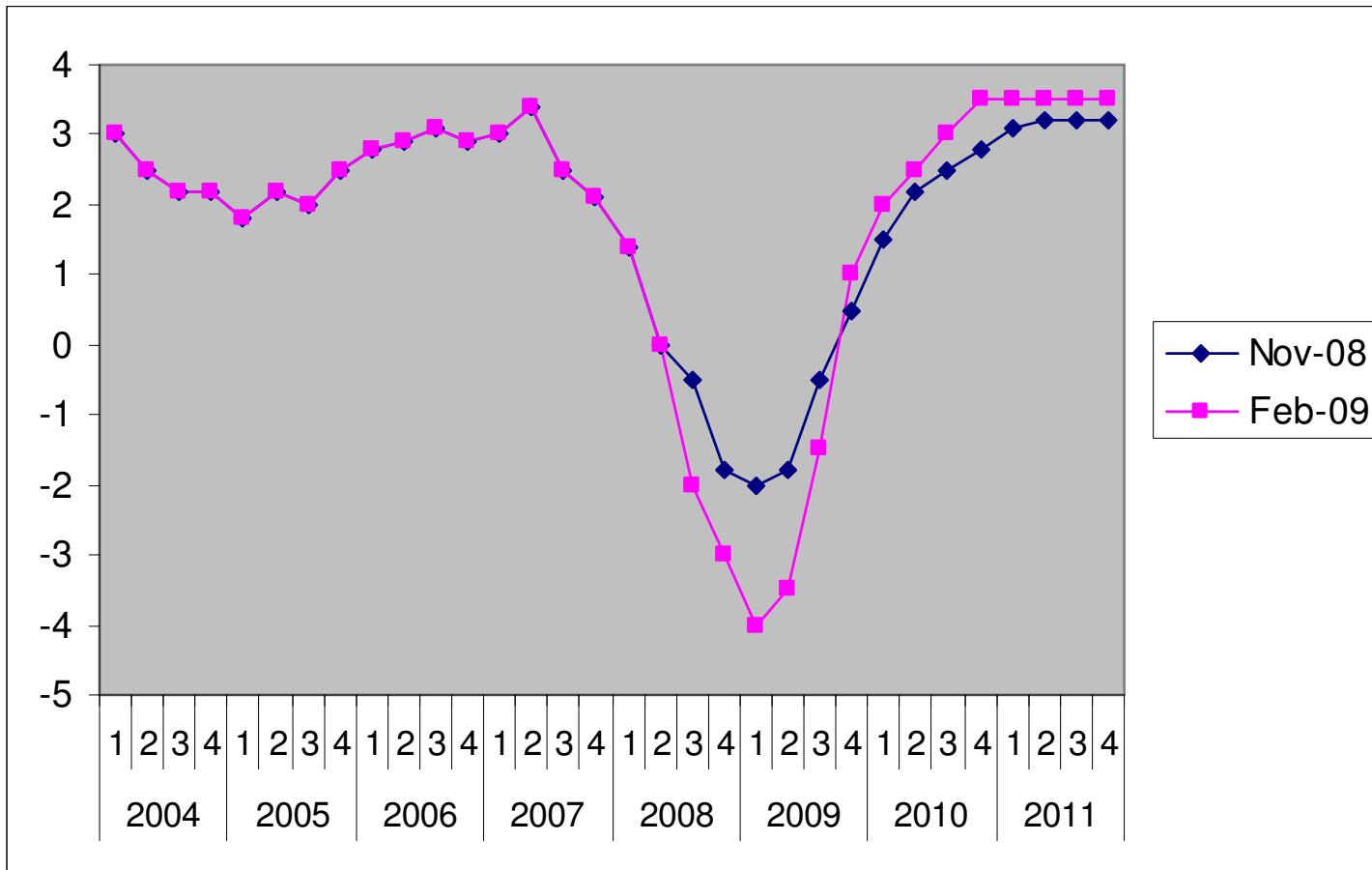


Source: Bank of England Inflation Report February 2009



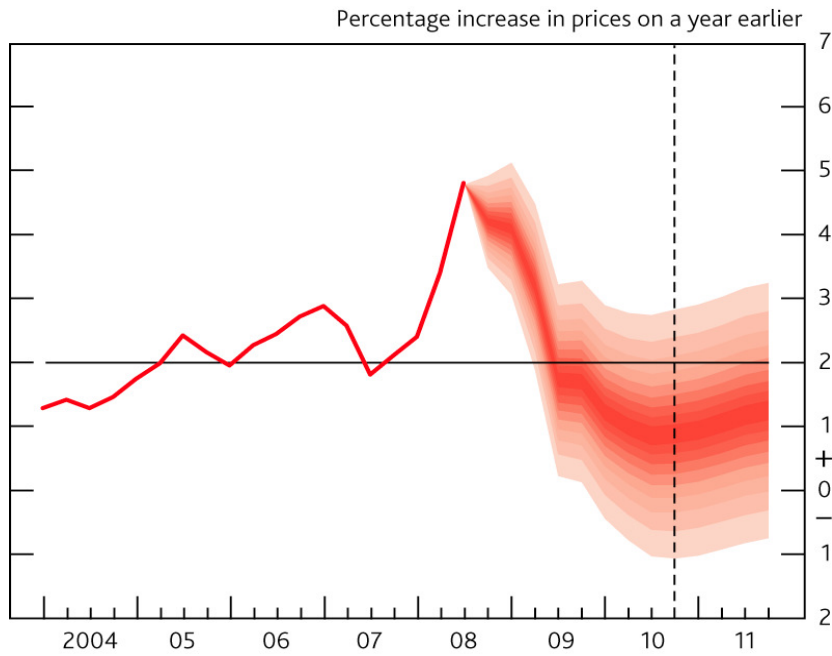
# GDP Bank of England Projection comparison – TO SCALE !

Percentage increase on output on a year earlier



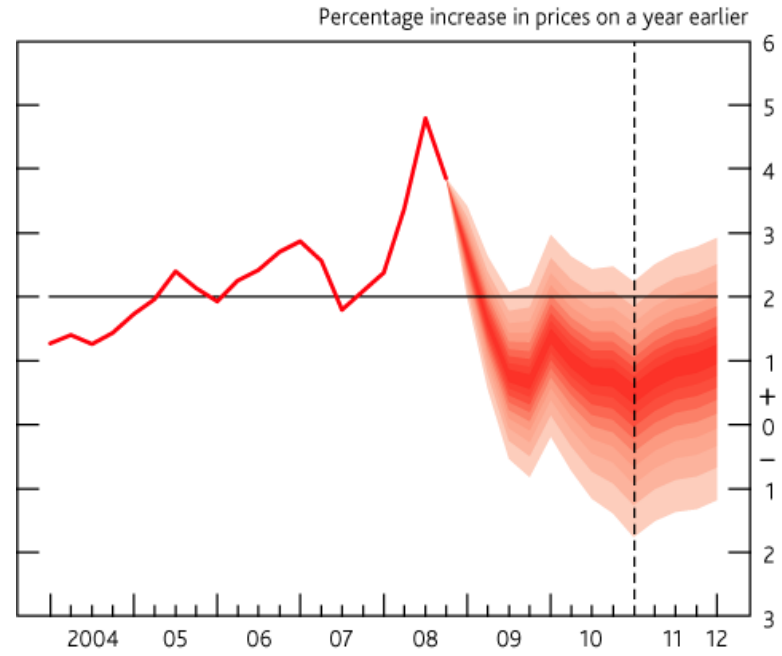
# CPI Projection (Based on market interest rate expectations)

NOVEMBER 2008



Source: Bank of England Inflation Report November 2008

FEBRUARY 2009

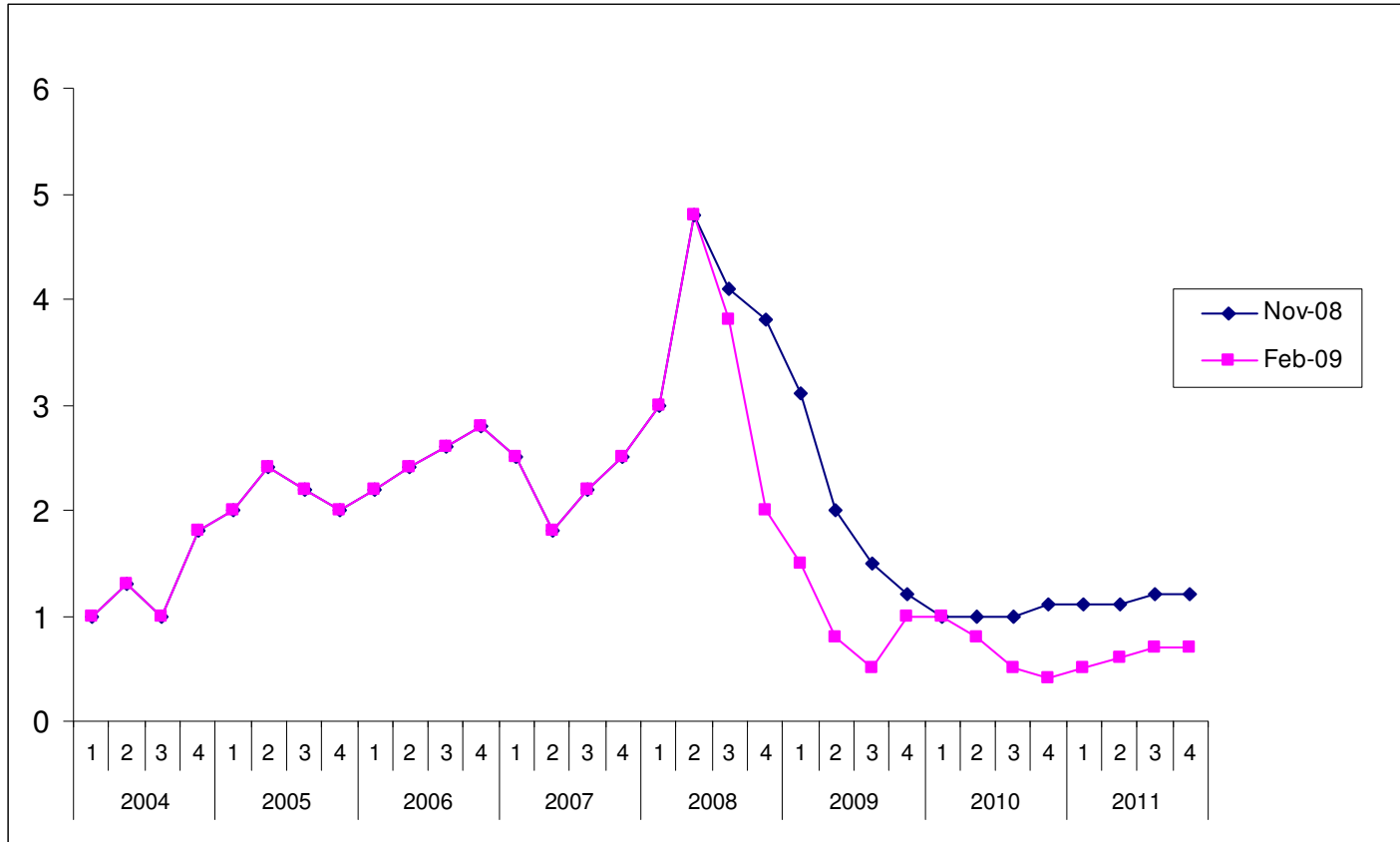


Source: Bank of England Inflation Report February 2009



# CPI Bank of England Projection Comparison – TO SCALE!

Percentage increase in prices on a year earlier





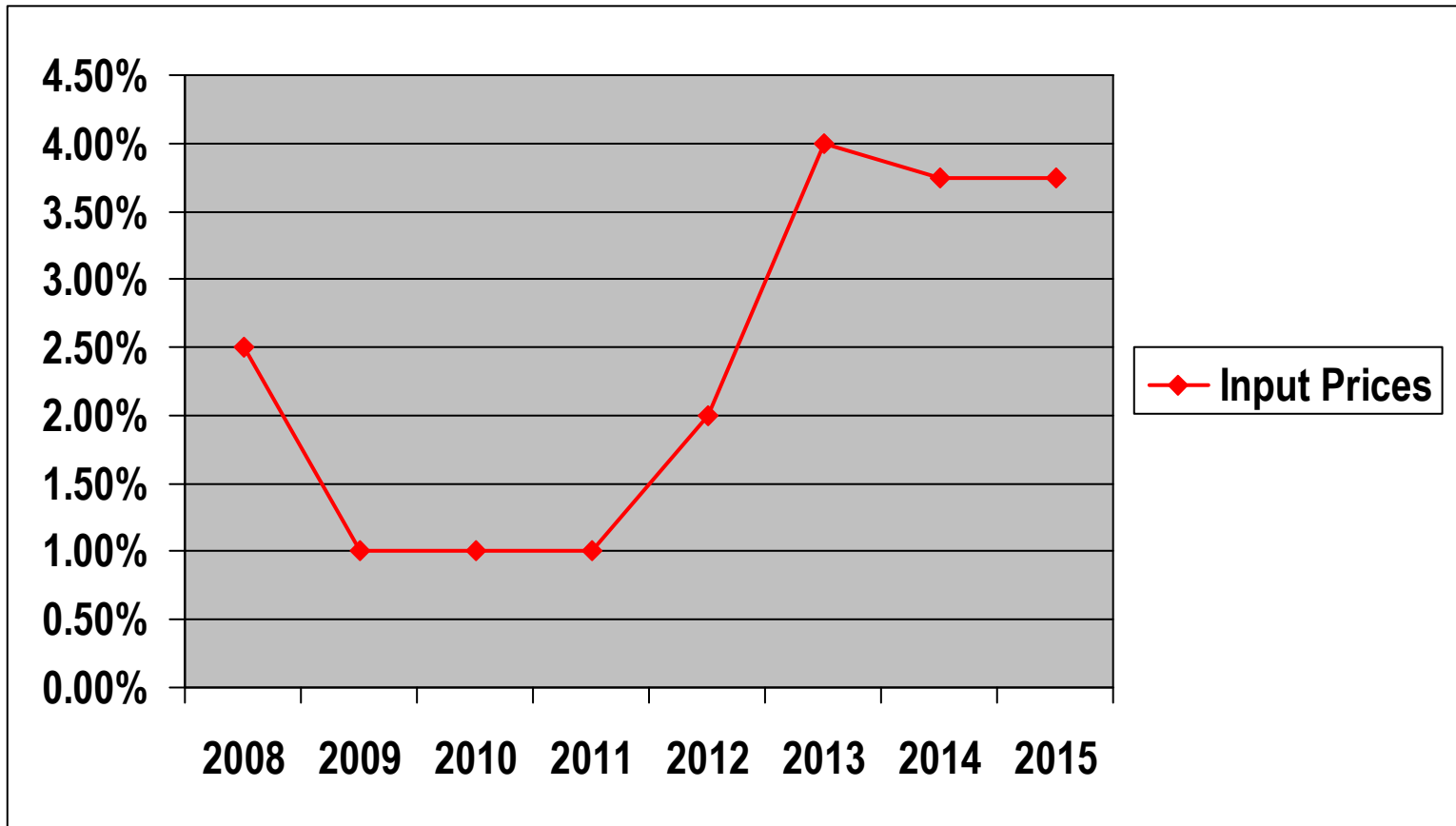
## Forecast of UK Tender Prices





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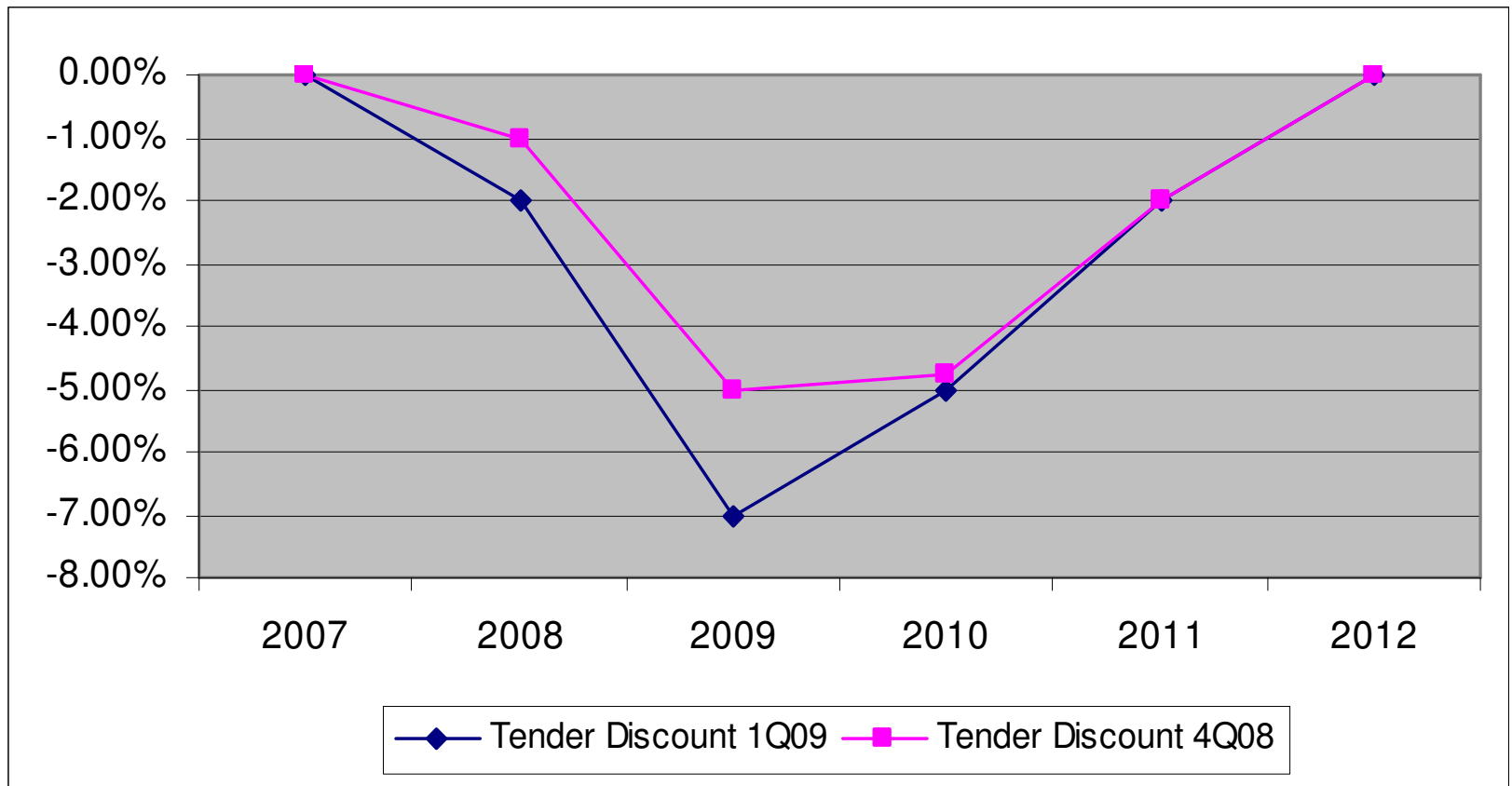
## Construction Input Indices





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# Projected Tender Discount



**Note** Discounting period 2008 to 2011

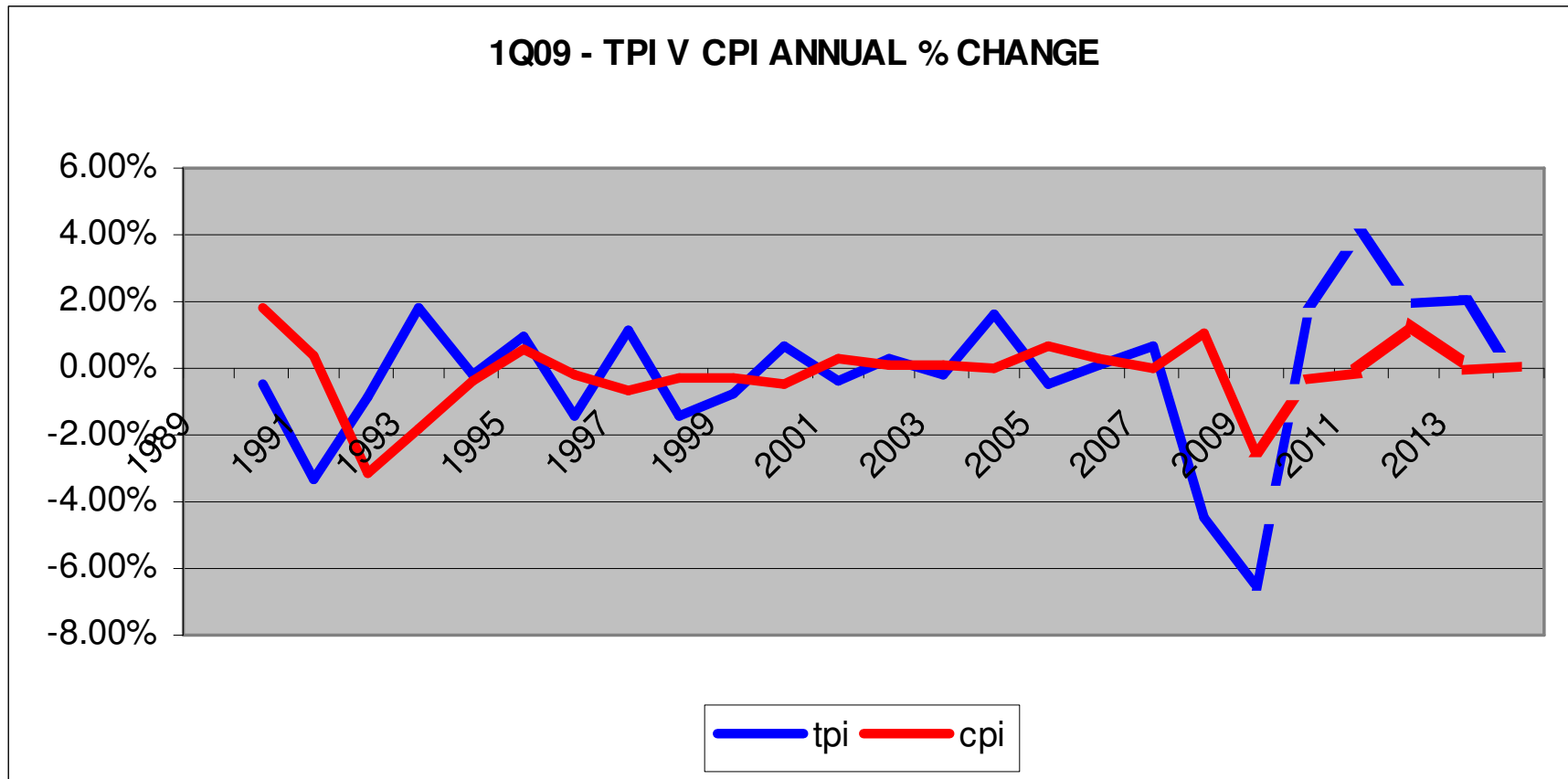


## G&T Published Index

Year	Projected Inflation Percentage	Projected Tender Discount	1Q09 TPI Average
2008	2.50%	-2.00%	0.50%
2009	1.00%	-7.00%	-6.00%
2010	1.00%	-5.00%	-4.00%
2011	1.00%	-2.00%	0.00%
2012	2.00%	0.00	2.00%
2013	4.00%	0.00	4.00%
2014	3.75%	0.00	3.75%
2015	3.75%	0.00	3.75%



# Year on year change in TPI and CPI: Actual and Forecast





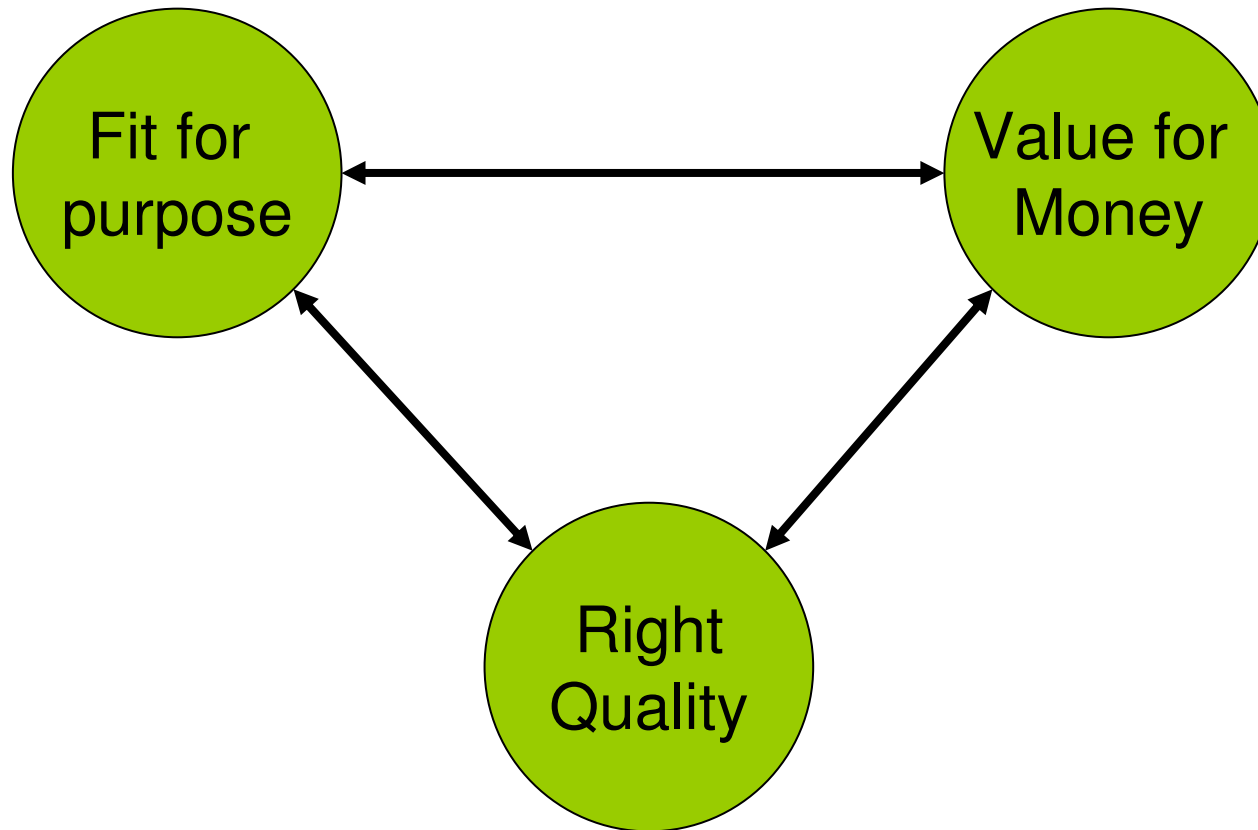
# Procurement Strategy





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## Required outcomes



## Identifying Risks

- Tender discount versus out turn cost
- Input Inflation still positive ie. forex
- Claims Culture in delivery
- Changes to brief
- Supply Chain financial stability and reliability to deliver
- Relationships/Partnering – Long Term/Short Term view
- Timing – investment decisions and risk profiles will change over the next 1 to 2 years



## Timing

- Now is the time to consider renewing supplier frameworks.
- To capture the benefits of discount in tendering, investments should be undertaken in 2009 / 2010 – suits likely Universities funding window.
- Review procurement strategies over short and longer term – these will be different.
- Note regional and sub-regional variations, and sub-sector characteristics



## Defence Strategy Proactive Procurement

- Get a clear accurate brief – no changes.
- Procurement route - Single Stage / Two Stage Tenders.
- Tender Lists appropriate to nature of work.
- Quality of Tender Documents – Detail, Coordination, Design Responsibility, Risk Transfer all clearly defined.
- Financial Security, bonds
- Programme Periods – there is no discount in time to complete activities properly.
- Out turn cost provision





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**Fill your boots!**

