

Report

Subject : Office Centralisation – Procurement Strategy

Report to : The Cabinet

Date : 03 May 2006

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Cabinet Member for Resources : Councillor D A Culver

1. Purpose of report:

1.1 Agree amendments to the previously approved Procurement Strategy.

2 Procurement Strategy:

2.1 Cabinet at its meeting on the 31 August 2005, approved a procurement strategy for the construction works that involved three distinct contracts for the enabling works, the newbuild extension and the refurbishment of Bourne Hill.

2.2 In light of the current position the Design Team has reviewed the options for the procurement strategy and the table forming **Appendix 1** explains the justification for change to procurement, which combines the newbuild and the house refurbishment using single stage traditional procurement. The contractors who would undertake these works are either national contractors with local regional offices or larger regional contractors. It is likely that the contractor selected would establish 2 site based teams to manage the project. The majority of the works would be undertaken by specialist subcontractors engaged and managed by the main contractor.

2.3 The Project Manager and Costs Consultants in conjunction with the design team have considered the allocation of risk. The greatest risk once a contract is awarded on this project is the discovery of further works required to the house due to its condition. . If there are no mechanisms for addressing unforeseeable changes in costs contractors will either make enhanced provision for risks in their bid price, seek to transfer unforeseeable risks to the Council or withdraw from tendering for the project. The procurement route adopted provides for a fixed price contract but with flexible arrangements for variations and enables the Council to control and manage the contingency sum. Mechanisms can be put in place to address unforeseeable changes in costs with a view to achieving a balance between the interests of the Council and contractor and thereby promote collaborative working. Cabinet has previously delegated the selection of the form of contract to the Project Sponsor.



Awarded in:
Housing Services
Waste and Recycling Services



2.4 The Project Manager attended Cabinets Policy Development Day on the 24 March 2006 and gave a detailed presentation on the procurement/contract options available. A copy of the Powerpoint presentation is attached at **Appendix 2**.

3. Consultation undertaken:

- "Prescribed" internal consultees
- Project Manager, Costs Consultants and design team

4. Recommendation:

Agree the revision of the previously agreed procurement strategy to provide for a combined contract for the newbuild and refurbishment works using single stage traditional procurement

5. Background papers: None

6. Implications:

- **Key decision** : no
- **Financial** : costs control is a key driver for the proposed revised procurement strategy
- **Legal** : none
- **Human Rights** : none
- **Personnel** : none
- **Community Safety** : none
- **Environmental** : none
- **Council's Core Values** : communicating with the public
- **Wards affected** : City

Appendix 1

Approved Procurement Strategy			Proposed Procurement Strategy	
Contract	Procurement Method	Justification	Procurement Method	Justification
Enabling Works	Traditional procurement using a single stage procurement based upon specification and drawings.	Small value contract of relatively simple value with minimal risk.	No Change	No Change
New build	Traditional procurement using a two-stage procurement. 1 st stage tenders based financially upon Preliminaries, day works overheads and profit. Other quantitative factors also used in evaluation process. 2 nd stage tender developed through compilation of competitively tendered packages e.g. Groundworks; plastering. NB This contract would require advertising in the European journal as the value exceeds the current threshold.	A 2-stage approach will enable the programme to be optimised with an overlap of initial construction with finalisation of the contract sum. The construction team are brought into the process earlier than a single stage approach and are therefore able to provide detailed input on buildability and other construction issues including site management issues. It also provides the opportunity for greater 'team working' and partnering as promoted by Latham and Egan.	Traditional procurement using single stage procurement based upon Bills of Quantities.	The introduction of an Environmental statement to support the planning application together with the enhanced level of design required to assist the compilation of the Environmental statement has necessitated that buildability and other construction issues are addressed with the ES documentation. This has been achieved with the support of a contractor. Soft-market testing by the PM and QS has established that appropriate contractors for these works have the technical expertise to undertake both types of work concurrently. Cabinet approving the decant strategy at the meeting of 1st February 2006 recognised the savings that could be achieved from a wholesale decant. The opportunities to introduce partnering are not estimated, but they are deferred until a constructor is appointed.
Bourne Hill House	Traditional procurement using single stage procurement based upon Bills of Quantities. It should be noted that due to the nature of the works a proportion of these will be approximate as works are exposed.	Complex refurbishment of listed building with significant design development risk and compliance with various bodies, i.e. English Heritage, all of which would involve significant risk, which the contractor would price accordingly. Appropriate client management of risk is therefore required. Bills of Quantities are recommended to assist with vigorous post contract cost management.		