

# Central Bedfordshire Council

Executive

2 April 2019

## Procurement of Design and Project Management partner for Capital Construction Service

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**Report of:** Cllr Eugene Ghent, Executive Member for Assets and Housing Delivery,  
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**Responsible Director(s):** Marcel Coiffait, Director of Community Services,  
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**This report relates to a decision that is Key**

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### Purpose of this report

The purpose of this report, and its submission to Executive, is to request approval for the procurement of a Multidisciplinary Design and Project Management partner for Capital Construction Schemes.

#### RECOMMENDATIONS

The Executive is asked to:

1. review and approve the approach to procure a Multidisciplinary Design and Project Management partner; and
2. delegate authority to the Director of Community Services, in consultation with the Executive Member for Assets and Housing Delivery, to issue an Invitation To Tender and award the contract(s) to the most economically advantageous tenderer.

### Overview and Scrutiny Comments/Recommendations

1. As a procurement report it was felt that it was not necessary for this to go to Overview and Scrutiny Committee.

## Summary

2. In September 2017 the Council approved the creation of a single Capital Construction Service within the Assets department. The purpose of the service was to deliver all major construction projects identified in the Councils Capital Programme, except Highways. To establish the service, officers from Children's Services and Housing transferred into the team in November 2017, and a restructure was undertaken that resulted in the implementation of a lean 'Intelligent Client' service model in June 2018.
3. An 'Intelligent Client' service is considered to be best practice for the delivery of capital projects because it offers the Council all of the benefits of an internal professional services team (Architects, quantity surveyors etc.) in terms of control but in a more cost effective way than having a large team permanently recruited, allowing resource to flex with business requirements and still access specialist skills when needed.
4. Since the new structure went live on 1<sup>st</sup> June 2018 the service has been running a comprehensive recruitment campaign, with support from HR and external recruitment agencies. Unfortunately, the service has struggled to recruit to some critical posts. To reduce the impact of vacancies the service commissions external resources as and when they are needed from a range of suppliers.
5. The workload of the Capital Construction Service has grown substantially since the creation of the team. It currently has 21 live projects with a value exceeding £200m, and a further 14 potential projects in the pipeline.
6. Limited internal resource is preventing the service from operating with maximum efficiency and effectiveness. The service is committed to ensuring that availability of internal resources does not impact on the standard to which projects are delivered and does not constrain the number of capital projects the Council can deliver.
7. The service is therefore proposing to address the internal capacity issues and provide resilience by identifying a Design and Project Management partner to assist with the delivery of the service. The partner will offer a multi-disciplinary team of construction expertise, including Architects, Mechanical and Electrical Engineers, Design, Quantity Surveying and Project Management.
8. Taking a partnership approach will allow the Capital Construction Service to build up a strong working relationship with a single provider, who will invest in understanding the Council and acting in its best interest. Having a single supplier will make contract management simpler and will mean that the commission is of sufficient value to be attractive to the market.
9. The partner will have a wide resource base, that will allow it to quickly flex the resources available to the Council with the peaks and troughs in the workload. In addition, the wealth of experience and expertise that the Council will be able to access through this partner will significantly benefit the Council in terms of the quality of solutions and end products, as well as for knowledge transfer and development of Council employees.

10. The successful partner will be an extension to the existing team and work to complement them. They will work in the same way as the internal teams, advising at RIBA stage 0 and stage 1, but primarily operating from RIBA stage 2 onwards, as is best practice.
11. The Capital Construction Service is capitalised and in order to determine project budget requirements, industry standard fees for the private sector are used. The cost of delivering the project is on actual time spent. The cost of delivering the project will continue to be on actual time spent and the cost of the delivery partner will also be capitalised.
12. The Capital Construction Service have undertaken an options appraisal on the routes to market, and found that the use of an existing collaborative, OJEU compliant framework would enable swift appointment of a partner and provide best value to the Council, by using nationally agreed rates on a fixed percentage fee and benefiting from the economies of scale associated with a framework partner.
13. To ensure value for money and the selection of a contractor that meets the needs of the Council's forthcoming capital project requirements, a mini-competition will take place through the appropriate framework.

### **Approach to Procurement**

14. The key objectives of the procurement are:
  - a) To identify a partner to provide multi-disciplinary services across a range of construction expertise, primarily Design, Commercial/Quantity Surveying and Project Management, to work with the Capital Construction Service to deliver the Council's capital projects.
  - b) To identify a partner with a delivery model that copes with the frequent peaks and troughs found in capital construction.
  - c) To ensure a sustainable, high quality, value for money outcome.
15. The service has engaged with a specialist consultant to undertake a full review of the delivery model and market research on the route to procurement. This information has been reviewed by the Council's procurement service and they support the proposed approach.
16. The services being procured are not bespoke to the Council and are standardised in the construction industry. It is therefore more expedient to use an existing framework to procure the partner than to undertake a full OJEU compliant tender. As providers have already competed to gain a place on the framework, they are OJEU compliant and best value can be demonstrated.
17. Using an existing collaborative framework will enable the Council to quickly appoint a partner, immediately in some cases, although closer to a month with a mini-competition. This is significantly shorter than an open tender/OJEU process.

18. Using a framework is also the best value for money solution, as the frameworks are aggressively competed, offer economies of scale and standardised, established processes. The value added is through the engagement of a professional service with sector knowledge and competitively agreed rates. The framework carries a fee of 1%, but this is offset by the savings from the preferential rates agreed by such a large, well competed procurement framework.
19. The construction industry is well established and as such there are several frameworks available for the Council to use. An options appraisal of the most commonly used existing frameworks has been undertaken, as well as several innovative niche frameworks and this piece of work has identified that the most appropriate framework for this procurement would be ESPO.
20. This framework was selected because it offers a good range of medium to large size suppliers, who would be able to offer the full suite of services. The framework also offers the opportunity direct award, if required, as well as running a competition.
21. There are 28 suppliers on the ESPO framework. As the intention is to appoint a single partner, a mini-competition between these suppliers is proposed to give all suppliers the opportunity to fairly compete for the opportunity. The competition will also seek further improvement on value for money and most importantly ensure the appointed partner can deliver on the quality aspects unique to Central Bedfordshire. The provider that scores the highest in the mini-competition will be awarded the contract.
22. In construction projects quality is very closely linked to costs. Poor quality design, project or financial management can significantly increase the cost of construction and maintenance of an asset. The procurement of a partner will therefore focus more heavily on quality than cost and will be weighted as 70% quality and 30% price.
23. The fees associated with managing the delivery of a project are a relatively small proportion of the overall cost of the project and there are industry standards for these fees, which will be used for the pricing in this procurement.
24. It is intended that the partner will be procured for a period of up to 4 years. The ESPO Framework runs until December 2020 and has an option to extend for a further 24 months. In addition, arrangements can be extended past this date and the Framework will allow either an extension to the provider as a whole, or extensions to see the completion of individual projects that extend past this period.
25. This partnership will have no fixed cost to the Council and will instead be based on a percentage fee of the cost of the individual capital construction projects. This fee will be regularly benchmarked against both public and private sectors to ensure it offers good value for money to the Council. The average cost across the UK for these services is 14.3% to 16.6% of total project value. Due to the economies of scale and competitive environment offered by ESPO, and the volume of work generated by Central Bedfordshire Council, it is anticipated that costs of this partnership will be less than the benchmark rate, although this can't be confirmed until the procurement exercise has been concluded.

## Innovative Principles

26. **Pricing** – The partnership will be regularly benchmarked against both public and private sector to ensure they remain competitive. Through the award process, the fee will be broken down into various disciplines e.g. Architect, Quantity Surveyor, Clerk of Works, Mechanical Design, Electrical Design etc. and a quality standard agreed.
27. The proposed pricing method has several advantages:
  - a. The partner is working to the same criteria as the internal teams.
  - b. Costs are fixed for the client in respect of capital fees, and the delivery partner has no incentive to incur additional costs on behalf of the Council, vary the project, extend delivery times etc. Any delays or additional work will be at their cost, within the fixed price envelope.
  - c. It encourages efficiency and innovation, if the partner can achieve the required quality in less than fixed cost, they will make increased profits.
28. **Partnership** – the contract will be one focused on partnership working rather than being a transactional arrangement.
29. The intention is for the appointed partner to merge seamlessly into the Capital Construction Team and for the staff from both parties to work together as one team to deliver projects. This is important as it will ensure consistency in approach, quality and output for internal customers that use the service.
30. A partnership arrangement will also bring additional benefits such as shared learning, up-skilling, innovation and service improvements.
31. **Digital** – The construction industry like others is moving digital. During the award process, bidders will be asked on how they will bring digital innovation to the partnership and what benefits it will have for the Council and its customers.
32. **Sustainability** – The cost of constructing an asset is a relatively small cost in relation to the costs associated with operating and maintaining the asset throughout its useful life. We will ensure the partnership focuses on whole life costing and delivering sustainable construction for the residents of Central Bedfordshire. The partner will be expected to make links and work closely with the Council's new Corporate Landlord Service.

## Reason/s for decision

33. The Capital Construction Service does not have sufficient in-house capacity to meet the needs and aspirations of the Council in terms of its Capital Programme.
34. The preferred option mitigates key service areas delivery-based risks, as well as providing a number of improvements and added value, such as knowledge and skills transfer, quickly responding to peaks and troughs and economies of scale.

## **Council Priorities**

35. The proposed action supports all the Council's priorities, listed below:

- Delivering great services to residents
- Making Central Bedfordshire an even better place
- A more efficient and responsive Council

## **Corporate Implications**

### **Legal Implications**

36. The ESPO framework is tried and tested. All suppliers to the framework have gone through a competitive process to access the framework. Whilst direct award is available, mini competition would be preferable if the desired result is to engage a Partner on a single call-off. Alternatively, a direct award could be made for each individual project if preferred, but that may not result in the Partner type model which the Council is seeking.

### **Financial and Risk Implications**

37. Currently, the cost of resourcing a project is estimated using industry standard fees at the start of the project. The cost of the project is based on actual time spent, which can give rise to a variance to the original estimated cost. Usually this is lower, but it can be higher, especially if the project experiences significant issues. Projects resourced from the external partner, will have greater certainty on costs given it will a fixed fee at the beginning of the project.

38. The performance of the partner within their fee will be closely monitoring through the contract to ensure the Council is getting value for money.

39. The management of the contract will be undertaken by existing staff and will therefore be at no additional cost to the organization.

40. The costs of this partnership should provide good value for money, but the full financial implications cannot be identified until tender responses have been received.

### **Equalities**

41. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

42. As part of meeting this duty it is vital that the Council successfully and consistently delivers inclusive environments as an integral part of the design and development processes. An inclusive environment is one that can be used by everyone, regardless of their protected characteristics.

An important part of delivering this commitment is breaking down unnecessary physical barriers and exclusions imposed on disabled people by poor design of buildings and places.

43. As part of the procurement processes, prospective contractors will be asked to provide evidence of the following:
- a corporate policy that requires inclusive design to be part of all concept briefs to architects or other designers.
  - knowledge of and adherence to British Standards Codes of Practice relating to design of accessible and inclusive built and external environments.
  - degree of expertise and qualifications that architects or designers have relating to accessible and inclusive design or evidence that alternative professional advice is obtained by appointing an access specialist to the design team.
  - liaison with appropriately qualified access professionals on the correct wording of design briefs and the preparation of access statements.

## Conclusion and next Steps

44. It is recommended that Executive delegates authority to the Director of Community Services, in consultation with the Executive Member for Assets and Housing Delivery to undertake the procurement process set out in this report and appoint a Multidisciplinary Design and Project Management partner.
45. The timescales for undertaking the procurement exercise are outlined below.

<b>Activity</b>	<b>Deadline Date</b>
Draft Specification	20 <sup>th</sup> March 2019
Key Stakeholders review Invitation to Tender (ITT)	28 <sup>th</sup> March 2019
Finalise Specification	29 <sup>th</sup> March 2019
Paper to Executive	2 <sup>nd</sup> April 2019
Issue Invitation to Tender (ITT)	3 <sup>rd</sup> April 2019
Close ITT and submission of tender responses	17 <sup>th</sup> April 2019
End of interviews/Clarifications	24 <sup>th</sup> April 2019
Evaluate Responses	26 <sup>th</sup> April 2019

Award	29 <sup>th</sup> April 2019
Contracts go live	June 2019

## **Appendices**

None.

## **Background Papers**

The following background papers, not previously available to the public, were taken into account and are available on the Council's website:

None

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