

Parker House – Procurement strategy summary

Given the client's overall drivers and constraints, the wide variety of procurement routes available has been shortlisted to three possible routes which could achieve an appropriate balance between the time/cost/quality/risk requirements for the project. These three are single stage Design and Build, two stage Design and Build, and two stage Traditional. Please refer to appendices A and B for a description of the drivers considered, and the procurement routes themselves.

Of the constraints mentioned, programme is increasingly seen as a key constraint, with a desire by both the client and other stakeholders to complete the project in as short a time as possible, whilst giving proper consideration to commercial viability and the quality of the final product. Of the three routes identified, a two stage approach would offer the fastest route to Main Contractor appointment. Design and Build offers the most appropriate allocation of risk and allows early contractor input into the design process. The contracting market's preference also currently leans towards two stage, particularly when the programme is constrained.

Due to the requirement to start this year, and to minimise the impact to the neighbouring St Joseph's school, demolitions have already been procured on a detailed methodology and overall five month programme from Keltbray. The demolitions are planned to start on site early June in order to lead-up to hard demolitions at the start of the school holiday period on 20 July 2016 to allow a clear six week period without impacting on the school. This is in advance of what would be considered typical. The design is at an early stage and is not sufficiently developed to allow procurement of the remainder of the works in time for the Main Contractor to follow on directly after completion of demolitions. An enabling works package is therefore required (discussed in detail below) to maintain activity on site.

The current design information (Stage C- architectural only) must be coordinated with MEP and structural in order to provide a robust set of information for contractor procurement. Stage C is the earliest stage at which design information would be sufficient for first stage procurement. Ideally the design would be further progressed to Stage D, however the current programme constraints preclude this. A coordinated set of Stage C information will feed into the first stage procurement process, and allow appointment of the Main Contractor under the first stage by early October 2016, please refer to the programme included in appendix C.

Design development will continue concurrently with first stage tendering, with the intention of having Stage E information ready for second stage package tendering once the Main Contractor is appointed at the conclusion of the first stage. The need to complete the second stage as early as commercially viable means that design information release must be staggered versus a typical Stage E design delivery to allow early release of information for certain packages. This also reduces stacking of individual package tenders, allowing a more efficient and deliverable process by the Main Contractor. This is not without risk – staggering packages means that making changes in earlier packages due to design development in later packages is more difficult and costly. However, due to the overall programme constraints this is considered to be an appropriate compromise.

Under a two stage process, it is not necessary to competitively tender all packages. We would recommend negotiating some of the smaller packages, up to a maximum of 20% of the packages by overall packages value, which would further accelerate the process. Anything above 20% would have significant commercial implications. Overall, the second stage process would run from early October 2016 and result in a finalised, fixed price appointment of the Main Contractor by March/April 2017. Please refer to the programme in appendix C for details.

In conjunction to the activities mentioned above, in order to maintain activity on site once the demolitions package is complete, it is necessary to procure construction of the initial portion of construction works outside of the Main Contract, as a separate enabling works package. In addition, archaeological works of approx. three to four weeks are expected and due to the unknown exact period it is not desirable to have a Main Contractor incurring

preliminaries costs during this period. The enabling works is likely to consist of piling, excavation, construction of the basement box, lower basement slab/raft, and possibly the ground floor slab in order to occupy fully the available time between completion of demolitions and mobilisation by the Main Contractor.

This enabling works contract could be competitively tendered in advance of the main contract, as the required structural information could be accelerated and would require a tender period of c.4 weeks only. Alternatively, this could be negotiated with Keltbray who are already undertaking the demolition works. As a competent specialist well known in the market, this would mitigate concerns regarding a Main Contractor's willingness to assume liability for early works prior to their involvement. Such an approach would however come at a premium versus competitively tendering.

Further programme acceleration strategies

Further acceleration of the second stage process may be possible, but this is a highly risky strategy and is not recommended. In order to make notional programme gains of any significance (to completion of the second stage, not necessarily Practical Completion), it would be necessary to negotiate a large portion of the packages with the Main Contractor, on incomplete design information.

Core Five's experience is that negotiation leads to a 5-20% increase in cost versus competitive tender for the packages in question. However, this is based on typical negotiating conditions, not on negotiating significant portions of the overall project. Aiming for e.g. a two month improvement on the March/April 2017 date, could result in negotiation of c.50% of the overall construction value to include fit out, mechanical electrical and plumbing, lifts, etc. This would be well in excess of the benchmark conditions the 5-20% figures are based upon and premiums in excess of 20% could well result. It is unlikely the scheme would be commercially viable at this level, and securing funding would prove challenging. It is also likely that due to incomplete design information and likely requirements for further detailed survey coordination etc, the contractor would be unwilling to accept the programme risk and would therefore caveat his programme. The overall end date would therefore be uncertain and could well exceed that shown in appendix C despite the additional two months notionally created in the tendering phase. Quality would also be put at risk, for both the affordable and private units, as the design information on which negotiation would be based would not be clear or robust.

Considering the time constraints, the programme currently shown in appendix C offers an appropriately quick route to contract execution and also to overall completion, whilst taking into account commercial considerations and providing sufficient control of the final quality of the development as a whole.