

Procurement Strategy Report

The Guildhall, Civic Quarter

Cambridge

For and on behalf of

Cambridge City Council

C230077/E7-8/0024 DA/II/G100

Revision: 1

23rd October 2024

Table of Contents



1	INTRODUCTION	1
2	PROJECT OBJECTIVES.....	1
3	PROCUREMENT OPTIONS.....	3
4	TENDERING	4
5	CONCLUSION	5

APPENDIX A - PROCUREMENT ROUTE OPTIONS

APPENDIX B – PROCUREMENT ROUTE ASSESSMENT

APPENDIX C – ANTICIPATED PROGRAMME

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Date	23 rd October 2024	1	Date	23 rd October 2024	1

Construction Procurement Strategy

The Guildhall, Cambridge

1. INTRODUCTION

- 1.1 In October 2022, the Future Office Accommodation Strategy was presented to Cambridge City Council's Strategy and Resources Committee. The Committee approved the recommendation to undertake more detailed investigations on a proposal that would retain the Guildhall as the main civic and office space for the Council.
- 1.2 The City Council subsequently appointed a consortium design team, led by Cartwright Pickard to progress the design to RIBA Stage 2 to demonstrate the capability of the Guildhall to meet the office and civic requirements of the council, while continuing to provide a commercial revenue stream for the Council.
- 1.3 Since their appointment, the design consortium has been developing the project proposals to RIBA Stage 2 concept design. The completed RIBA Stage 2 design proposals are due to be considered by CCC at the S&R committee in November 2024.
- 1.4 With the conclusion of RIBA Stage 2 design activities scheduled over the next 2-month period and the onset of RIBA Stage 3 design development, CCC have requested calfordseaden provide an analysis of the options for the procurement and tendering of the construction works, with consideration given to the project objectives, client risk profile, site constraints, timing and implementation.
- 1.5 Accordingly, this report aims to set out the options available for the procurement of the construction works for consideration by CCC. In addition, we have provided our recommendation for implementation of a process for Contractor selection that we consider best matches CCC's risk appetite and the project goals.

2. PROJECT OBJECTIVES

- 2.1 Developing and implementing the procurement strategy is critical for the successful realisation of the project goals. Developing a strategy needs to consider three main components:
 - Establishing the priorities of the project objectives and requirements.
 - Evaluation and selection of the most appropriate procurement option.
 - Ability to utilise the selected procurement option.

As part of this report, we will endeavour to establish the priorities of the project objectives to consider an appropriate route to engage with the construction market and procure the construction works.

- 2.2 The main considerations of procurement are time, cost and quality. As The Guildhall is a listed building, quality will be at the forefront of the priorities list. Precise adherence to the Conservation Officer's requirements will be key to both time and quality. Additionally, the specification for this historic building must not be subject to interpretation by the contractor – the quality must be maintained. As with all projects, The Guildhall will be subject to funding availability and therefore whichever procurement route is selected, cost control will be paramount. Finally, even though timescales and programme are not known at this stage, time is money and programme control must be maintained throughout the procurement and construction phases of the project.

Construction Procurement Strategy

The Guildhall, Cambridge

2.4 We understand that CCC's objective in respect of cost is to obtain the most competitive price for the works to ensure the viability of the scheme. Securing cost certainty to manage the financial risk of the project is therefore essential to ensure delivery of the scheme within the budget constraints. It was identified within the design consortium's brief, at commencement of RIBA Stage 2 design, that capital expenditure of £35m exc VAT (based upon Q12024 prices) for the Guildhall is the target construction cost parameter.

2.5 We understand that CCC have a desire to realise the project proposals with high level programme targets established as follows:

S&R Committee approval to proceed to RIBA Stage 3	Nov '24
RIBA Stage 3 to Planning & Listed Building Consent	Dec '24 - Jul '25
Submit Planning Application	Aug '25
Planning Award	Dec '25
Judicial Review	Mid Feb '26
Progress RIBA stage 4	Feb '26 – Aug '26
Tender Activities / Mobilisation	Aug '26 – Dec '26
Construction Period	Jan '27 – Jul '28
Build Completion	July 2028

The procurement strategy therefore should realise the timely delivery of the works as well as explore opportunities to improve upon the dates highlighted above.

2.6 The Project Brief identified the key design objectives for the project which are summarised as follows:

1. Sustainability – the Council will require the Guildhall to be an exemplar project with a Net Zero Carbon aspiration.
2. Office – the proposals should demonstrate that the Guildhall is capable of providing sufficient modern office desk space to accommodate current and future needs of the Council.
3. Civic function – the proposals should demonstrate how the core civic functions will continue to be met. In addition, the building should accommodate a Customer Service function for the public. This is currently provided at Mandela House.
4. Commercial use – the Guildhall currently provides a range of commercial income generating uses. Opportunity should be taken to maximise commercial use in addition to the office and Civic functions.

2.7 The overriding objective of the procurement strategy is to strike the correct balance between the conflicts of programme, cost and design/quality that ensures the project objectives are fulfilled. Accordingly, the following section assesses the options available in procuring the construction works.

Construction Procurement Strategy

The Guildhall, Cambridge

3 PROCUREMENT OPTIONS

- 3.1 When assessing the procurement of the construction works alongside the core project objectives consideration must be given to influences that affect the following aspects:
- The financial risk to which the client is exposed
 - The degree of control that the client wishes to retain over the design and construction processes
 - The information required at the time the construction contract is awarded
 - A structure which distributes responsibility and accountability between the parties
- 3.2 Having considered the relative merits of the project, we have identified the procurement routes in which the project objectives could be delivered. These are summarised as follows:
- Traditional
 - Design and Build
 - Construction Management
- 3.3 The three core procurement routes each offer benefits and disadvantages which are summarised in more detail at Appendix A.
- 3.4 To review the options that we consider will best suit the nature and objectives of the scheme we have prepared an analysis included at Appendix B that assesses the procurement options under the three key project elements of time, cost and quality. We have applied scores and a weighting relative to a set of criteria which we consider distinguishes the following items as the key project priorities:
- Programme commitment from a Contractor prior to contract award (20% weighting)
 - Price certainty before commitment to build (20% weighting)
 - Control over design and materials (15% weighting)
- 3.5 The assessment we have conducted identifies that a design and build procurement route provides the optimum opportunity for achieving best value and certainty of cost and programme delivery.
- 3.6 A traditional procurement route can deliver competitive tender returns; however, the responsibility for the design would remain with CCC which will increase the risk of cost increases during the construction period should the design require changes due to unforeseen site conditions. The design development and supervising the performance of the main contractor is the responsibility and risk of the Employer.
- 3.7 A design and build procurement route will transfer the design risk to the Contractor and enable works to be tendered earlier than traditional procurement supporting earlier commencement of work on site and opportunity to improve upon the programme delivery dates and mitigate overrun.
- 3.8 In terms of construction management procurement, whilst there are benefits to flexibility of build and programme this comes at the disadvantage of uncertainty of cost which is not achieved until completion of the project. Essentially the Client would retain the risk of increased costs and delayed programme throughout the construction period.
- 3.9 The table included at Appendix B provides an assessment of the procurement options in the context of the project and underpins our recommendation to pursue a design and build procurement route for this project.

Construction Procurement Strategy

The Guildhall, Cambridge

- 3.10 Finally, given this is effectively a refurbishment project of an existing building, we recognise the risk of a design and build process watering down the design intent if not controlled, as well as failing to capture any unforeseen requirements that can inevitably arise. Therefore, to control this the proposals (unusually for a D&B procurement) take the design up to conclusion of RIBA stage 4 (i.e. a fully developed design). This ensures that the details, quality, and investigations to uncover 'unforeseens' will happen prior to the final build contract being concluded, the only remaining design work being the final co-ordination of design elements as construction occurs.
- 4 TENDERING
- 4.1 Alongside consideration to the procurement route, it is also important to identify a tendering strategy that will strengthen the realisation of the project objectives securing engagement with the right construction partner.
- 4.2 Due to the size and complexity of the scheme, calfordseaden consider that a two-stage tendering procedure would be appropriate for the project and would appeal to the local construction market promoting competitive bids and introducing early main contractor engagement to contribute to "de-risking" the RIBA stage 3 proposals. The introduction of a main contractor at RIBA stage 3 would allow matters such as build methodology, sequencing and cost planning to be tested prior to submission of the Planning Application. This input alongside an audit of the project cost plan would be of significant benefit by ensuring the project cost, quality and programme objectives are carried forward into the delivery phase of the scheme.
- 4.3 A design and build route will transfer design risk to the contractor however early engagement will enable the main contractor to better understand the project risks and should promote the reduction of any risk allowances included within their final tender sum.
- 4.4 The process for Stage 1 tender returns would typically include financial and qualitative information, which are to be evaluated in accordance with the percentage weightings, for example 60% qualitative: 40% financial. Precise criteria for the stage 1 tendering would need to be discussed and agreed between CCC and the project team.
- 4.5 The stage 1 tender will provide competitive costs for project preliminaries, overheads & profit (OHP) percentages and anticipated costs for contractor stage 2 input. The Stage 1 tender will also provide a guide price in the form of a budget cost plan for the completion of the whole project. It is intended that the budget cost plan will provide a benchmark for the full pricing of the scheme at tender stage 2 whilst also ensuring the continued viability of the scheme.
- 4.6 During stage 2 of the tender process, it is envisaged that the selected contractor partner will work with CCC and their directly engaged design team to complete the RIBA Stage 3 proposals to facilitate the submission of the planning application. Following determination of the planning consent it is envisaged that the contractor the Contractor would enter into a Pre-contract Services Agreement (PCSA) with CCC to coordinate the development of the scheme design and specification (RIBA Stage 4) to enable detailed pricing and the submission of applications to Building Control and discharge pre-commencement planning and listed building consent conditions. The Contractor's anticipated costs for this process will be identified within their stage 1 return.

Construction Procurement Strategy

The Guildhall, Cambridge

- 4.7 During the RIBA Stage 4 / Tender Stage 2 phase, further investigations and surveys will take place to enable the Contractor to produce a fully informed price, free of qualifications and provisional sums, i.e. a fixed price in its true sense. This will help to ensure one of the key drivers for procurement on Guildhall – price certainty. The PCSA will be terminated following agreement of the Contract Sum and CCC will enter into the Main JCT Design and Build Contract with the Contractor. The Contractor design aspect will be reduced over normal D&B projects given the need for design and quality certainty, so enhanced specifications and designs will be part of the Main Contract.
- 4.8 Consideration will need to be given during RIBA Stage 3 / Tender Stage 1 to the novation of CCC's directly engaged design team to the Contractor to ensure design continuity and maintenance of quality standards. This could also be achieved through the retention of the current Architects by CCC as 'Design Guardians' to effectively police the continuation of the design. We would suggest that RIBA stage 3 is completed by the current Architects as a direct appointment to CCC up to the end of stage 3, with the novation of the design team and creation of the design guardian role occurring at the start of RIBA stage 4.
- 4.9 Stage 2 tendering will be conducted on an "open book" basis with the contractor overseeing the procurement of multiple quotations / price submissions from each relevant trade sub-contractor and/or supplier before applying the OHP rates identified at tender stage 1. This process will allow for transparency of the elemental breakdown of the contract sum analysis which throughout the process will be audited by the cost consultant. This should include evidence of package pricing from the supply chain.
- 4.10 We have prepared an indicative programme at Appendix C to illustrate how and when the two-stage design and build tender enquiry could be implemented during RIBA Stage 3.
- 5 CONCLUSION
- 5.1 The Guildhall requires special consideration in that it involves refurbishment of an existing listed building to Net Zero standards. Therefore, careful consideration will need to be given to the selection of both consultants and contractors. Experience and expertise in these areas will be key to the successful delivery of the project.
- 5.2 We have concluded that the most important aspects of the procurement route will be the control of the design and quality required for the refurbishment, along with cost certainty and cost control. This was integral to our procurement recommendation.
- 5.3 After considering the specific requirements for the project, it is our recommendation that a design and build procurement route with the application of a two-stage tender process. This combines the advantages of early contractor design involvement and price certainty whilst design quality is still protected through the use of a Pre-Construction Services Agreement (PCSA) and via full development of the design through to completion of RIBA stage 4 before entering into contract.
- 5.4 Two stage tendering aims to combine the benefits of competitive tendering with early contractor involvement yielding potential benefits of improved collaboration with the selected construction partner, enhancement of cost certainty and reduction of project risk.

Construction Procurement Strategy

The Guildhall, Cambridge

- 5.5 As part of our review into the procurement strategy, we have discussed options with Cartright Pickard (CPA) as leader of the design consortium overseeing the preparation of the RIBA Stage 2 design proposals. Accordingly, we share an opinion with CPA that there are advantages to maintaining the involvement of the design team via novation to the main contractor during RIBA Stage 4 or retention as “Design Guardian” to CCC to maintain design continuity and limit opportunities for the contractor to potentially reduce the value of the scheme design, which can be a risk to design and build procurement.
- 5.6 The retention of the design team would mitigate against the potential loss of design control following formal appointment of the main contractor. However, it remains that the Employer’s Requirements and design work undertaken pre-tender under a design and build route must be robust and clearly define the scheme deliverables for the project to control quality and ensure end user requirements are achieved. This remains a key objective of the design and project team during RIBA Stage 3 design development.
- 5.6 We would highlight that the procurement of the construction works is to comply with the Procurement Act 2024 and as such further discussion will be necessary with CCC and the wider project team to establish matters such as criteria for the stage 1 tender enquiry, procedures for issue of documents, return and evaluation of tenders and requirements for timescales for the tender stages.
- 5.7 We await CCC’s feedback and further instructions in respect of the recommendations included herein.

Signed:



Mark Watts MRICS MAPM
Partner
For and on behalf of calfordseaden LLP

Date: 23 October 2024

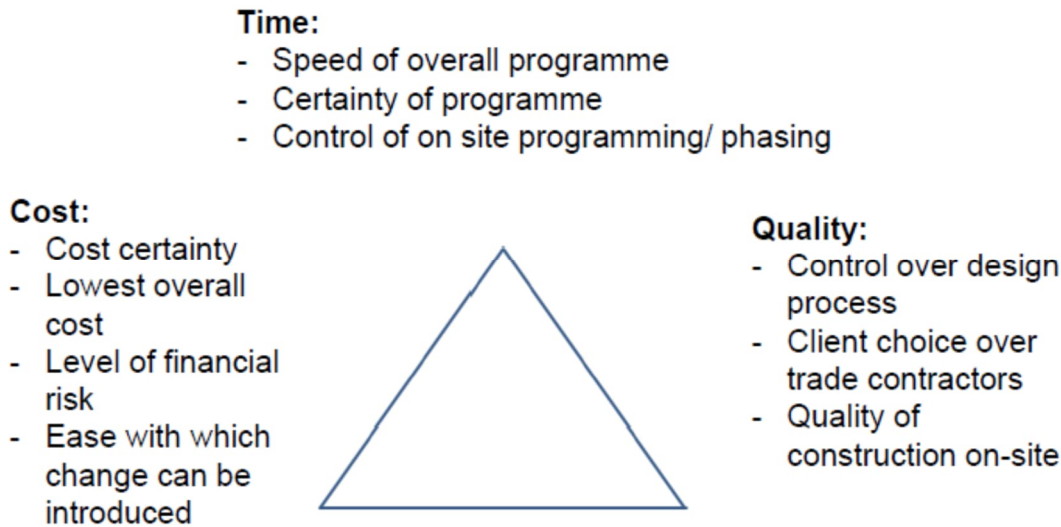
Construction Procurement Strategy

The Guildhall, Cambridge

Appendix A – Procurement Route Options

There are many factors which can influence the choice of the procurement route however most can typically be categorised under the project priorities of time, cost and quality. In many circumstances these factors can conflict; therefore the selection of an appropriate procurement route is often the best method to realising the priorities and objectives of a project.

Figure. 1 below identifies the relationship between time, cost and quality.



The core procurement options summarised in this report are:

- Traditional
- Design and Build
- Construction Management

Each of the procurement options are analysed against the above relationship diagram (figure 1) to illustrate the relevant options balance between the priorities of time, cost and quality.

Construction Procurement Strategy

The Guildhall, Cambridge

Traditional

A traditional procurement strategy requires that the project design is completed prior to the invitation to tender and the award of the building contract. The Client is responsible for the direct engagement of the design team throughout the delivery of the project.

The construction works will typically be described by reference to drawings and bills of quantities prepared by or on behalf of the Employer and given to the contractor. Bills of quantities are effectively lists of the items which will be needed for construction (including a description of the item and the quantity required) and on which payment is based. Traditional building contracts, such as the JCT Standard Building Contract, are typically a lump sum contract where the employer provides the contractor with bills of quantities to define the quantity and quality of the work (which is used to calculate the lump sum). Under this method of procurement, a construction contractor is appointed by the employer who is given the responsibility of successful construction of works within the agreed scheduled timelines, in accordance with the designs provided by the employer's team of design consultants, in consideration of the fixed amount of contract sum. The design development and supervising the performance of the main contractor is the responsibility and risk of the employer. As its name suggests, such contracts by their nature are founded on a 'fixed price lump-sum' basis, usually called the "Contract Sum". The Contract Sum payable to the contractor upon successful completion of the project remains fixed, except for revisions upwards or downwards under certain circumstances that are also envisaged in the contract via change in the scope of work, or issue of variation orders necessitated for the benefit of the works.

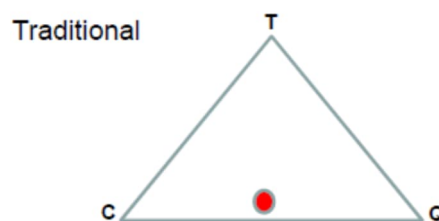
If the design is completed diligently and to the required standard, traditional procurement will provide the Client with robust cost certainty whilst maintaining control over the design ensuring quality is maintained to the required standards.

The Client retains responsibility for the design, therefore, any design errors, changes to regulations/legislation or identification of unforeseen events once the building contract has been awarded will be the Employer's liability. As a result, costs can increase post contract, and the final cost of the works will not be known until works are complete.

With the Client retaining design liability, the Contractor is responsible only for the construction works therefore tender returns will not include a design risk allowance which can promote more competitive tender returns compared to other routes.

Due to the design having to be completed prior to works being tendered, the programme is often more protracted than other options leading to later commencement of works due to the sequential nature of the process.

Figure 2 below illustrates the position of the traditional procurement route against the time, cost and quality relationship diagram, identifying a greater quality and cost certainty.



Construction Procurement Strategy

The Guildhall, Cambridge

The main advantages and disadvantages of this route are summarised below:

Advantages	Disadvantages
Competitive fairness, as all tendering contractors are bidding on the same basis	Complete designs required prior to tender delaying start on site
Design-led, with the client able to have direct influence, thus facilitating a high level of performance and bespoke quality in the design	If an effort is made to speed up the process by producing tender documents from an incomplete design, this can result in less cost and time certainty and can be the cause of expensive disputes
Well-known procedures, ensuring confidence in those involved throughout the supply chain;	Extended design programme - construction cannot be commenced prior to the completion of design (with no parallel working possible)
Changes are relatively easy to implement	May result in extended lead-in period thus increasing overall development duration
	No "buildability" input - there is no contractor or supply-chain involvement in the early planning or design stage, when the most expensive decisions, or those likely to have an impact on time, are made
	Potential for adversarial attitudes - strategy is based upon price competition

Construction Procurement Strategy

The Guildhall, Cambridge

Design and Build

A design and build procurement strategy provides for a Contractor assuming a single point of responsibility for designing and constructing the project including all associated risks in return for a fixed lump sum price. To perform the combined roles of design and construction, it is necessary that a contractor who is equipped with the design development capabilities should be engaged. The contractor may either have its in-house design team or may engage a professional design development team. In order to ensure that the contractor fulfils the employer’s requirements, it is advisable for the employer to engage its own design consultant(s) to supervise the design submitted by the contractor until their finalisation process is completed.

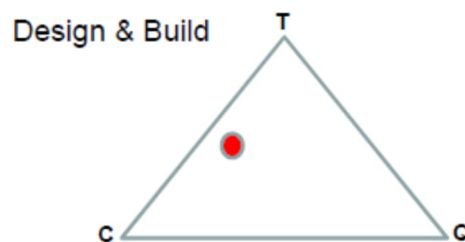
As the name suggests, the contractor is made responsible for executing the project’s design and construction work within the agreed-upon contract cost and time frame. Under this method, the employer’s team provides the contractor with a basic or concept design at the time of entering into the contract, or even at the tender stage. Thereafter, based on the concept design, the contractor develops the detailed design for approval of the employer. Until the basic design is finalised and labelled as ‘final design’ the employer may make changes to the design as per its needs.

This route provides the Client with robust cost certainty as the risk for design changes is transferred to the Contractor. Changes in the design or works resulting from design development or unforeseen site conditions will be the Contractors liability and typically included in the fixed lump sum price.

The Client can also benefit from a reduced project programme due to the ability for design to take place in tandem with construction. Engagement of a main contractor will generally occur earlier in the programme than traditional procurement.

Quality and control of specification and design requirements is achieved for the Client by ensuring that the Employer’s Requirements are robust and clearly defined in the Contract, thus avoiding opportunities for quality to be reduced as the Contractor is restricted in looking for lower cost options for design solutions.

Figure 3 below illustrates the position of the design and build procurement route against the time, cost and quality relationship diagram, identifying a greater programme and cost certainty.



Construction Procurement Strategy

The Guildhall, Cambridge

The key advantages and disadvantages of design and build procurement are identified below:

Advantages	Disadvantages
The client has only to deal with one firm, giving single point responsibility, and significantly reducing the need to commit resources and time to contracting with designers and contractors separately. Client risk is reduced due to the single point responsibility.	Quality may be compromised as the client relinquishes control to the design and build Contractor which can result in the potential for limited opportunity for client to exercise design overview
Inherent "buildability" - the strategy enables an integrated constructor contribution to the design and project planning	Difficulties can be experienced by clients in preparing an adequate and sufficiently comprehensive brief or set of employer's requirements, or in defining what they require
Price certainty providing client requirements are adequately described	The client is required to commit to a concept design at an early stage; often before the detailed designs are completed.
The total project time of a design and construction route may be reduced, because of overlapping activities.	Competitiveness of tenders can be difficult to evaluate if Employer's Requirements are not robust
	Changes to works can be difficult to implement and expensive post contract

Construction Procurement Strategy

The Guildhall, Cambridge

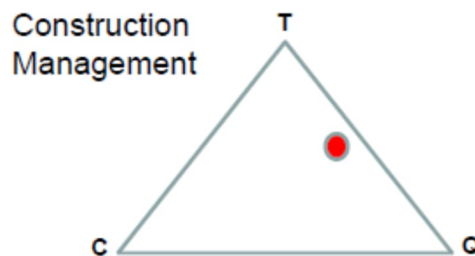
Construction Management

Construction Management procurement involves the client directly engaging with specialist trade contractors through direct trade contracts without the input of a Main Contractor.

The Employer directly employs multiple subcontractors (referred to as Trade Contractors) instead of employing a single Main Contractor. Traditionally, the developer employs a Construction Manager to manage the project on their behalf for a fee lower than that of a main contractor. The Construction Manager has no vested interest in the financial outcome of the project and, barring professional negligence, carries no risk. Their overriding obligation is to act in the best interests of the developer. He or she will manage the programme and performance of the trade package contractors, financially and operationally, and give the Employer the opportunity to take informed decisions throughout the project. The Construction Manager supervises the building process and co-ordinates the design team but has no contractual links with either the trade contractors or the design team. As a result, the programme and cost risk sits with the client. Any time or cost overruns are the responsibility of the Client therefore cost certainty is not achieved until the final trade package works are completed.

A Construction Management route is typically resource intensive Client side, requiring the Client to have a dedicated team, experienced in managing trade contract packages. There are clear benefits to construction management which is similar to design and build procurement in so far as programme can be reduced by allowing design and construction to run in tandem.

Figure 4 below illustrates the position of the procurement route against the time, cost and quality relationship diagram, identifying a greater programme and quality benefits.



Construction Procurement Strategy

The Guildhall, Cambridge

The key advantages and disadvantages of this route are summarised below:

Advantages	Disadvantages
Potential for time saving for the overall project due to overlapping of design and construction	Price or time certainty is not achieved until the last trade packages have been let. Budgeting depends heavily upon design team estimates, and duration upon the sequence needed to construct the building as designed. An informed, pro-active client is required to operate such a strategy.
Buildability potential is increased	Direct client involvement is required
Clarity of roles, risks and relationships	Client does not have single point of responsibility
Changes in design can be incorporated at a later stage with greater cost control and less impact on programme	The client must provide a good-quality brief to the design team. The design will not be complete until the client has committed significant resources to the project.
The client has direct contracts with trade contractors and pays them directly. (There is some evidence that this results in lower prices, because of improved cash flow certainty.)	Client retains risk of increased costs and delayed construction period

Construction Procurement Strategy

The Guildhall, Cambridge

Appendix B – Procurement Route Assessment

	Weighting %	LS Traditional Lump Sum fixed price		D&B Design and Build		CM / MC Construction Management	
		Score	WS	Score	WS	Score	WS
Score of 5: Achieves criteria very well	5						
Score of 3: Achieves criteria averagely	3						
Score of 1: Does not achieve criteria	1						
WS = Weighted Score							
Time							
Programme commitment from Contractor before entering Contract	20.0	5	100	5	100	1	20
Shortest overall programme	10.0	2	20	4	40	5	50
Control over programming / planning on site	5.0	2	10	1	5	5	25
Cost							
Price certainty before commitment to build	20.0	3	60	5	100	1	20
Lower construction cost	10.0	4	40	3	30	2	20
Liquidated damages recoverable from Contractor (late completion)	5.0	5	25	5	25	1	5
Quality							
Control over design and materials	15.0	5	75	3	45	5	75
Input (during design) from Contractor on programming and buildability	5.0	2	10	3	15	5	25
Single point of responsibility for design and construction	5.0	1	5	5	25	1	5
Ability to introduce and accommodate changes	5.0	3	15	2	10	5	25
Overall weighting							
Score	100.0		360		395		270
Rank			2		1		3

Construction Procurement Strategy

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APPENDIX C – Anticipated Programme

