

**supporting information**  
and example documents

**Rethinking  
Construction  
in local  
government**

ten key issues and how to address them



**CONSTRUCTING  
EXCELLENCE**

## Rethinking Construction principles

- Traditional processes of selection should be radically changed because they do not lead to best value;
- An integrated team which includes the client should be formed before design and maintained throughout delivery;
- Contracts should lead to mutual benefit for all parties and be based on a target and whole life cost approach;
- Suppliers should be selected by Best Value and not by lowest price: this can be achieved within EC and central government procurement guidelines;
- Performance measurement should be used to underpin continuous improvement within a collaborative working process;
- Culture and processes should be changed so that collaborative rather than confrontational working is achieved.

# supporting information and example documents

This part of the Guidance Pack contains supplementary guidance material together with some example documents. It has been produced as a series of appendices, which should be read in conjunction with the appropriate section of the Pack.

## **Strategic issues**

- 1 Ten Golden Rules for Establishing a Partnering Agreement (section 2.5)
- 2 Example Skills/Training Matrix (section 3.5)
- 3 Essentials of a Brief (section 5.6)
- 4 Business Case Template (section 5.3)
- 5 Assembling the Team: Project Appointments (section 5.5)
- 6 Role of the Project Sponsor (section 5.2)
- 7 Example 'Radar Chart' (section 4.1)

## **Operational issues**

- 8 Proposed Risk Matrix (Tender Invitation) (section 3.6)
- 9 Illustrative Reward Strategy (section 3.7)
- 10 Illustrative Quality/Price Assessment and Recording Methodology (section 1)
- 11 The Prudential Code: Brief Outline of Key Issues (section 2.1)
- 12 Performance of the Contractor (section 5.3)
- 13 Performance of the Project Team (section 5.3)

### Ten golden rules for establishing a partnering agreement

#### 1 Spend plenty of time planning

- ▶ Partnering requires much more time to be spent 'up front'. Consider at the outset the full extent of what needs to be done, by whom, and by when.
- ▶ Establish a complete procedure timetable with consultation periods, approval dates, tender invitation and evaluation and contract award.

#### 2 Clarify what is important to you

- ▶ Be clear why you are partnering. Identify your Success Factors, and how you will judge at the end of the exercise whether your project is successful.
- ▶ Establish your objectives (e.g. minimising life cycle of whole life costs, raising standards, reducing defects, complaints etc) and communicate them to all involved.

#### 3 Benchmark current performance

- ▶ Measure performance currently achieved by letting projects by the traditional route and identify any areas where you wish to see improvement.
- ▶ Establish Key Performance Indicators that focus on your areas for improvement and Success Factors. Set targets for improvement, and Action Plans for achieving them.

#### 4 Ensure that everybody is ready

- ▶ Ensure that all involved, including lawyers, auditors and members, fully understand the concept of partnering.
- ▶ Nominate a 'partnering champion' to help remove any potential obstacles to partnering (e.g. Standing Orders) before your start.

#### 5 Establish a 'Focus Group' or 'Project Board'

- ▶ A small team, representing partners and stakeholders, should steer the project by focusing on achieving the Success Factors.
- ▶ The team will propose the principles of the agreement (basis of cost, form of contract, duration etc.) and how it will demonstrate the benefits secured.

## 6 Compile robust evaluation models for selecting partners

- ▶ Select your partners on the basis of quality as well price, where 'quality' represents a candidates' potential for adding to the value of the project and the achievement of your Success Factors.
- ▶ Ensure that the selection process is fair and is able to demonstrate probity and accountability.

## 7 Establish mutual objectives with your partners

- ▶ Compile objectives for the project that incorporate both you and your partners' success factors.
- ▶ Make sure your partners understand your objectives and provide them with clear incentives for achieving your Success Factors.

## 8 Hold partnering workshops regularly

- ▶ Get everybody involved to attend a 'start up' workshop to agree details (e.g. reporting procedures, 'open book' arrangements, 'pain/gain' shares, dispute resolution process).
- ▶ Regular workshops help ensure commitment is sustained and that the focus is maintained on the Success Factors by all concerned through to completion.

## 9 Monitor and Review Progress

- ▶ Establish a monitoring system that is based on the Success Factors and Key Performance Indicators that you have identified.
- ▶ Ensure that the cost consultant adequately checks any actual costs that are to be reimbursed, and monitors expected final costs against available budgets.

## 10 Learn from the process and above all else, enjoy it!

- ▶ Hold a 'post-completion' workshop and ask how would you do it better next time? How can we repeat what went well and not what went badly?

## Appendix 2

### Example skills / training matrix

Name	Position	Date
Bill Hawkins	Senior Procurement Officer, XXXX Department	5 April 2004

Required competency level	Actual competency level	Training requirements
<p><b>1 Procurement policy context</b></p> <p>Awareness of procurement context and associated implications. Compliance with pre-determined rules, accompanied by an understanding of the risk of non-compliance. Through experience has the knowledge and understanding of when to seek advice.</p>	<p><i>General awareness of the 'rules' as he understands them, but unclear as to meaning of sustainable development and implications of fair employment issues.</i></p>	<p><i>General awareness of Standing Orders, and introduction to sustainability etc.</i></p>
<p><b>2 Strategic Awareness</b></p> <p>Awareness of strategic issues, and ability to identify circumstances where value and risk require a strategic approach to be taken. Enough experience of strategic procurement to know when to seek advice. Aware of strategic importance of sustainable procurement and electronic commerce.</p>	<p><i>Does not feel he is in a position to influence strategic thinking of authority. High awareness of electronic commerce issues.</i></p>	<p><i>Awareness of strategic procurement issues.</i></p>
<p><b>3 Markets</b></p> <p>Basic knowledge of markets and products, with ability to apply basic procurement processes in search of best value. Some commercial focus, with enough experience to know when to seek advice.</p>	<p><i>Good awareness of markets and considerable experience in application of basic procurement processes.</i></p>	<p><i>None</i></p>
<p><b>4 Processes</b></p> <p>Able to apply basic procurement processes to routine procurement situations. Some experience of negotiation, but requires support. Experienced enough to know when to seek help or advice.</p>	<p><i>Considerable experience in basic procurement processes but would like update on current initiatives.</i></p>	<p><i>Awareness of current procurement initiatives.</i></p>

Required competency level	Actual competency level	Training requirements
<p><b>5 Contract Management</b></p> <p>Able to monitor contractor performance against predetermined milestones, and to identify when corrective action needed. Requires assistance to negotiate improvements.</p>	<p><i>Good ability, but would like to see more on performance indicators 'from the top'.</i></p>	<p>None</p>
<p><b>6 Finance and Accounting</b></p> <p>Limited appreciation of financial accounts/ appraisal, and of supplier cost bases. Enough knowledge to know when further advice may be necessary.</p>	<p><i>Considered to have little, but sufficient knowledge of financial issues</i></p>	<p>None</p>
<p><b>7 Inventory Management</b></p> <p>Appreciation/familiarity with basic stock control. Able to operate stock control systems in line with pre-determined criteria e.g. re-order levels. Able to recognise where advice is required.</p>	<p><i>Competency not required in this post.</i></p>	<p>None</p>
<p><b>8 ICT and e-commerce</b></p> <p>Ability to operate basic ICT and e-commerce tools, coupled with an appreciation of how to exploit them to support.</p>	<p><i>Has been the catalyst in the department to the adoption of various ICT tools.</i></p>	<p>None</p>
<p><b>9 Marketing/customer management</b></p> <p>Understands and commits to a positive, helpful customer focussed approach. Knows when to seek support.</p>	<p><i>Always works with the client in mind.</i></p>	<p>None</p>
<p><b>10 Management (self)</b></p> <p>Makes good use of time, is flexible. Aware of the need to plan. Limited ability to be creative, limited awareness of risk and its implications. Possesses basic numeracy and communicates well. Limited influencing skills, but able to be a good team player.</p>	<p><i>Good planning and time management skills. A good team player.</i></p>	<p>None</p>

Required competency level	Actual competency level	Training requirements
<p><b>11 Management (team)</b></p> <p>Aware of the need to support others in a helpful, flexible way. A good team player who can effectively manage staff. Able to work with others as part of a team. Aware of the need to support management in ensuring that an effective team is developed to deliver the needs of the business plan. Able to identify staff conflicts and work with management to resolve.</p>	<p><i>A good team player, but often felt let down by others.</i></p>	<p><i>Teambuilding</i></p>
<p><b>12 PFI/PPP and strategic partnering</b></p> <p>Some awareness of PFI/PPP policy and practice and strategic partnering. Able to follow pre-determined procedures. Understands risks of non-compliance. Sufficiently knowledgeable to recognise when to seek advice and other support.</p>	<p><i>Awareness of general issues, but no experience of such agreements.</i></p>	<p><i>Overview of PFI/PPP and strategic partnering agreements</i></p>
<p><b>13 Gateway review process</b></p> <p>Limited awareness of gateway review process.</p>	<p><i>No awareness or experience.</i></p>	<p><i>Introduction to gateway process.</i></p>
<p><b>14 Project Management</b></p> <p>Basic understanding of project management and the formulation, key components and use of the project plan.</p>	<p><i>Full understanding of processes and requirements.</i></p>	<p><i>None</i></p>
<p><b>15 Construction and Property</b></p> <p>Able to understand the key issues of each subject heading and their implications for the client department. Understands the current health and safety Legislation and its effects on projects.</p>	<p><i>A good understanding of most issues, but feels update on new initiatives necessary.</i></p>	<p><i>Awareness of current procurement initiatives.</i></p>



This matrix is based on 'Skills Framework for Procurement and Contract Management in Local Government' (IDeA) to which reference should be made for full details.

Required competency level	Actual competency level	Training requirements
<p><b>16 ICT Projects</b></p> <p>Communicate ideas and work within multi-functional teams with minimum supervision and infrequent reference to others. Have a methodical and organised approach to work and demonstrate ability to learn new skills and apply newly acquired knowledge. Basic awareness of the importance of ICT, the role that procurement should play and the need for procurement to be involved at an early stage.</p>	<p><i>Excellent awareness. Has led teams on ICT projects within the department.</i></p>	<p><i>Possible secondment to strategic unit to enhance development</i></p>
<p><b>17 Social Care Contracts</b></p> <p>Able to understand the key issues of each subject heading and their implications for the social services department, service users, carers and advocates.</p>	<p><i>Not relevant to current post.</i></p>	<p><i>None</i></p>

### Essentials of a brief

Whatever the stage of a project, and whatever the level of development, a brief should:

- Embody the mission and convey this to the reader;
- State what is expected, by when and from whom;
- Define the context;
- Set out the perceived problem unambiguously;
- Establish requirements on cost, quality and time;
- Be clear about the required lifetime of the product;
- Tease out the assumptions of the people involved;
- Do not leave any 'big' questions unanswered;
- Be honest without raising unrealistic expectations;
- Be able to respond to change;
- Give flexibility so that different options can be explored;
- Be explanatory, stating the reasons for any requirements;
- Include success factors and measurements that can be used to test the result; and
- Set out potential conflicts so that the project team can respond

Above is reproduced from 'Briefing the Team'  
Construction Industry Board 1997

## Business case template

### Purpose

The Business Case is used to obtain management commitment and approval for investment in business change, through rationale for the investment. The Business Case provides a framework for planning and management of the business change. The ongoing viability of the project will be monitored against the Business Case.

### Fitness for purpose checklist

- Is the business need clearly stated?
- Have the benefits been clearly identified?
- Are the reasons for and benefits of the project consistent with the organisation's strategy?
- Is it clear what will define a successful outcome?
- Is it clear what the preferred option is?
- Is it clear why this is the preferred option?
- Where there is an external procurement is it clear what the sourcing option is?
- Is it clear why this is the preferred sourcing option?
- Is it clear how the necessary funding will be put in place?
- Is it clear how the benefits will be realised?
- Are the risks faced by the project explicitly stated?
- Are the plans for addressing those risks explicitly stated?

## Suggested content

The Business Case should contain information covering five key aspects:

### **Strategic fit**

- Description of the business need and its contribution to the organisation's business strategy
- Objectives
- Why it is needed now
- Key benefits to be realised
- Critical success factors and how they will be measured.

### **Options appraisal**

- High level cost/benefit analysis of (ideally) at least three options for meeting the business need
- Include analysis of 'soft' benefits that cannot be quantified in financial terms
- Identify preferred option and any trade-offs.

### **Commercial aspects**

- Proposed sourcing option with rationale for its selection
- Key features of proposed commercial arrangements (e.g. contract terms, contract length, payment mechanisms and performance incentives)
- The procurement approach/strategy with supporting rationale.

### **Affordability**

- Statement of available funding and 'ballpark' estimates of projected whole-life cost of project
- Including departmental costs (where applicable).

### **Achievability**

- High level plan for achieving the desired outcome, with key milestones and major dependencies (e.g. interface with other projects)
- Outline contingency plans e.g. addressing failure to deliver service on time
- Major risks identified and outline plan for addressing them
- Provider's plans for the same, as applicable, skills and experience required.

## Assembling the team: project appointments

The value for money delivered by a project will be influenced by the number of firms that are invited to submit tenders, and the length of time given to them to prepare their bids. The following guidance is reproduced from a table in 'Constructing Success' published by the Construction Industry Board in 1997.

Appointment	Preliminary List		Tender List	
	Number invited	Time to return enquiry	Number invited	Time to return enquiry
<b>Advisers and consultants</b>				
including early strategic advice, design, cost consultancy, project management	Max 10 Ideally 4-6	Min 2 weeks	Max 6 Ideally 3-4	3 weeks usually sufficient
<b>Lead Contractors</b>				
Construction manager, management contractor	Max 10 Ideally 4-6	Min 2 weeks	Max 6 Ideally 3-4	Min 4 weeks
Main contractor, design and construct	Max 6 Ideally 3-4	Min 3 weeks	Max 3	Min 12 weeks*
Main contractor, construct only	Max 10 Ideally 4-6	Min 3 weeks	Max 6 Ideally 3-4	Min 8 weeks*
<b>Subcontractors</b>				
Design only	Max 10 Ideally 4-6	Min 2 weeks	Max 4	Min 3 weeks
Construct only	Max 8	Min 2 weeks	Max 6 Ideally 3-4	Min 6 weeks*
Design and construct	Max 6 Ideally 3-4	Min 3 weeks	Max 3	Min 10 weeks*

\* Period may be shorter for smaller or less complex projects, but contractors must have time to obtain tenders from subcontractors.

NB. This table is subject to the EU Procurement Rules for works and services above the threshold values. In particular, it should be noted that these stipulate that the number of undertakings that an authority intends to invite to tender in a restricted procedure cannot ever be fewer than five.

### Role of the Project Sponsor

The role of the Project Sponsor should include the following responsibilities:

#### ■ **Co-ordination**

To co-ordinate the actions and information required from the various sections of the authority and that required by professional advisers. For example, to ensure that estimated costs are produced for all items of expenditure for decision-making purposes, including construction, fees, fitting out, and operating costs, at project appraisal stage. This will also include ensuring all professional advisers have in their possession, and comply with the Council's Standing Orders, Financial Regulations, Procurement Manual and any approved budgetary control arrangements. The Project Sponsor needs to ensure that procedures are in place for co-ordinating the timetables of the individual professional advisers.

#### ■ **Communication**

To act as the single point of communication between the authority and the project team. This will ensure that information and advice from the design team is passed on to the correct people within the authority, and that instructions to the project team are properly authorised. Additionally, any contentious issues raised are conveyed to the Authorised Officer as and when necessary

#### ■ **Monitoring Performance**

As the main conduit for all communications with each member of the project team, including the contractor and professional advisers, the Project Sponsor is in an ideal position to ensure their performance is adequately monitored. This will include monitoring progress of the project in accordance with key dates and approved total project costs including professional fees. Monitoring procedures should, however, not involve the checking of work to such an extent that it dilutes the responsibility of the project team.

#### ■ **Monitoring Budgets**

The Project Sponsor should be responsible for ensuring comprehensive budgets are produced and that they are regularly updated. Such budgets should include all expected costs, including construction, fees, fitting out etc.

#### ■ **Reports**

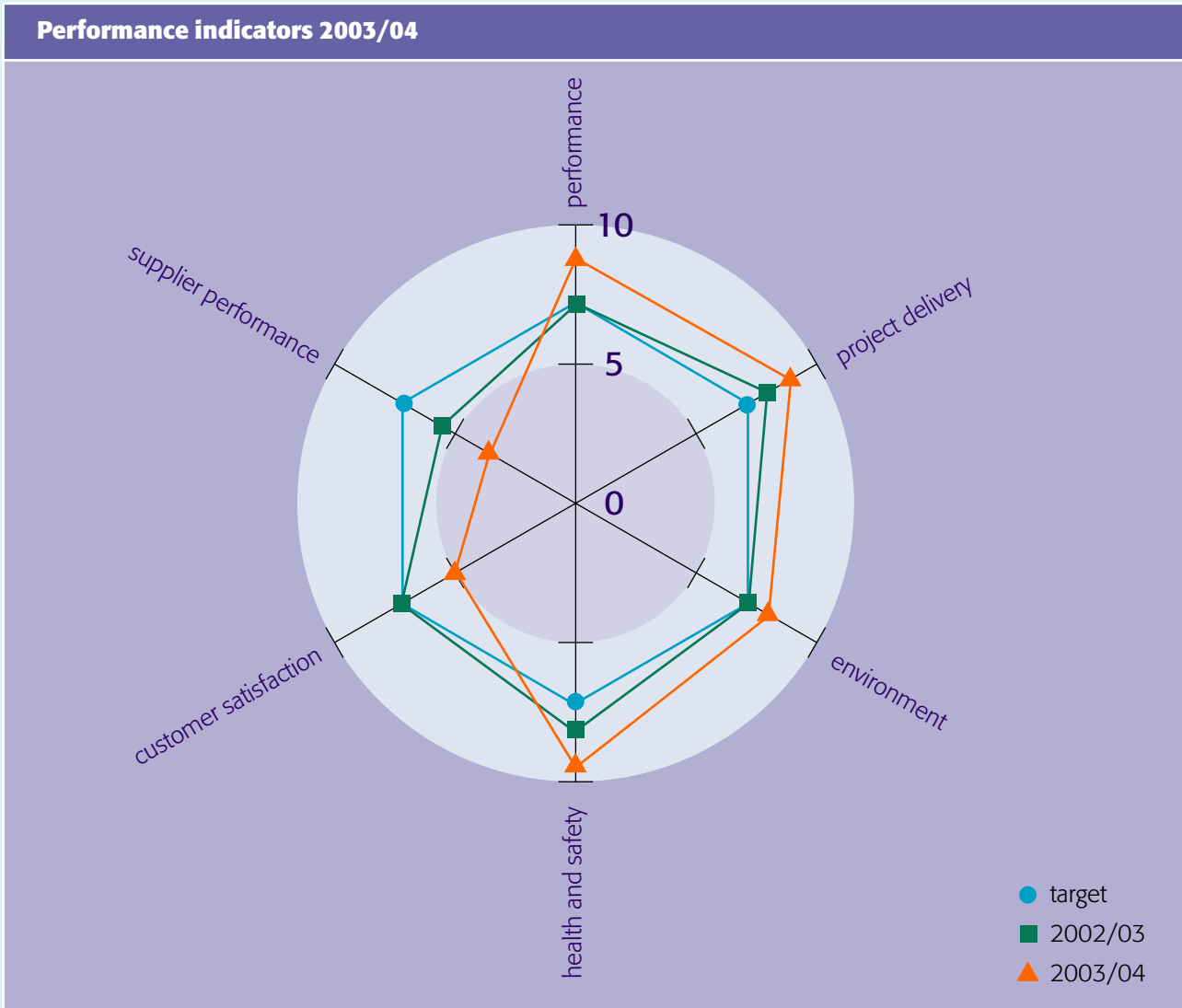
The Project Sponsor should also be responsible for ensuring reports are produced and submitted to the appropriate Committee, as required by the authority's Financial Regulations or Contract Standing Orders.

Generally the duties of the Project Sponsor, for both capital and revenue contracts, include:

- helping the client define project objectives and prepare the project brief
- ensuring that committee approval is obtained to the formal brief
- providing recommendations on the selection of professional advisers to ensure fair fee competition, advise as necessary on performance related fees, secure arrangements for appointment and professional indemnity insurance
- ensuring the quality of design e.g. the building, operating system etc.
- ensuring value for money is obtained and advising the Council on capital and running costs
- seeking advice on maintenance implications of various design decisions
- advising professional advisers where the Council has standard specifications for materials and equipment
- recommending the form of project and procurement route
- agreeing budgetary control arrangements and assessing risk
- confirming that the design fully satisfies the project brief and service requirements
- setting an overall implementation timetable with key dates and monitoring progress against it
- monitoring professional advisers performance
- ensuring that as far as possible the project is fully designed at tender stage
- for construction contracts, ensuring that the number of Prime Cost and Provisional Sums included in the tender documents are kept to a minimum
- providing consultants with the information regarding project preliminaries and dates for tender return
- agreeing with professional advisers the list of contractors in line with Standing Orders and ensuring recommendations are made to the relevant committee
- ensuring professional advisers are fully conversant with the Council's procedures regarding invitation to tender

It is not essential for a Project Sponsor to be an expert in technical matters and procedures associated with the contract. What is important is that the Project Sponsor is an expert in project management and has full knowledge of the various people and sections of the authority that are relevant to the successful outcome of the project.

## Example 'radar chart'



### Notes

A radar chart is a graphical display of the differences between actual and ideal performance. It enables actual performance, compared to targets, to be readily communicated and understood and rapidly identifies strengths and weaknesses.

To prepare a chart, all indicators are converted to a scale of 0 to 10,

irrespective of their unit of measurement. The targets for each indicator are given the same 'score' (7 in the above example). Actual performance is then plotted on the chart accordingly.

In the above example, it can be readily seen that the organisation has achieved its targets two years

running, and is steadily improving in the areas of performance, project delivery, environment and health and safety. Performance, however, in the other two areas is falling and requires attention.

NB. See Strategic Issues 4.1 to 4.3 for benchmarking, setting targets, and comparing results.



Proposed risk matrix (tender invitation)

Risk	Proposed Contractual Treatment /comments	Local authority	Contractor	Shared	Mechanism for pricing risk	Agree/ disagree
1 Design	Contractor will have overall responsibility for ensuring that their design meets planning and Council's specified requirements		✓			
2 Environmental/ ground conditions	Contractor responsible for surveys		✓			
3 Legislative changes		✓			Clause 12.2 in contract	
4 Compliance with statutory requirements			✓			
5 Changes in Council policy		✓			Clause 12.3 in contract	
6 Failure to meet performance or quality standards	Failures will result in financial deduction/ potential termination		✓		Clause 15 of contract	
7 Archaeological finds				✓	Clause 22	
8 Inflation	Allowance included in contract costs		✓			

Candidates are invited to indicate within the matrix, their position on the extent of risk transfer that has been identified.

### Illustrative reward strategy

The following is an example mechanism for calculating the reward to be provided to a contractor for their contribution in achieving a project's key success factors. For the purposes of this example, key success factors have been identified (in priority order) as follows:

- Completion within budget
- Level of defects
- Health and Safety

#### Completion within budget

The contractor's share of any savings achieved from the approved budget will be 50%

#### Level of defects

The contractor's share of savings (50%) will be adjusted according to the extent to which defects delayed availability of the completed building, in accordance with the following table:

Level of defects	Adjustment to share of savings
Defects free	+20%
Few, but available on programme	+10%
Some causing slight delay in availability (less than 2 weeks)	-10%
Major defects causing delay of over 2 weeks	-20%

#### Health and Safety

The contractor's share of savings (50%), as adjusted following the above ( $\pm 20\%$ ), will be further adjusted according to the number of health and safety incidents on site, in accordance with the following table:

Health and Safety incidents	Adjustment to share of savings
No incidents	+10%
50% below the industry norm	+5%
Industry norm	0
50% above Industry norm	-5%
100% or more above industry norm	-10%

Maximum share of savings to contractor is therefore 66% (50% plus 20% plus 10%).

#### Savings to be shared between team members as follows:

Main contractor 50%; Architects 10%; Major steelwork subcontractor 15%; Manufacturer 10%; Major earthworks subcontractor 8%; Structural Engineer 2%; Cost consultant 5%.

## Illustrative quality/price assessment and recording methodology

- 1 Quality/Price: Example Overall Summary** [see page 20](#)  
Illustrates final scores for three candidates for a hypothetical tender exercise
- 2 Quality Evaluation: Example Summary Score Sheet** [see page 21](#)  
Provides a summary breakdown of how total quality scores, included within Appendix 10.1 above, have been compiled.
- 3 Quality Criterion: Example Summary Score Sheet** [see page 22](#)  
Indicates how the total score in respect of quality criterion number six, included within Appendix 10.2 above, has been compiled.
- 4 Quality Criterion: Illustrative Assessment Model** [see page 23](#)  
Produced before tenders were invited, describes the methodology to be used to compile Appendix 10.3 above.
- 5 Quality Criterion: Illustrative Scoring Model** [see page 24](#)  
Produced before tenders were invited, this provides a framework for scoring submissions and to be used to compile Appendix 10.3 above.
- 6 Quality Evaluation: Example Individual Score Sheet** [see page 27](#)  
Using the scores awarded by one assessor in respect of one of the candidates, (within Appendix 10.3 above) this demonstrates how scores should be recorded.
- 7 Illustrative Calculation of Price** [see page 28](#)  
An illustration of how price has been calculated within the content of Appendix 10.1 above.
- 8 Illustrative Pricing Document** [see page 29](#)  
Provides an example of the document provided to candidates for compilation of their prices (used for the calculations at Appendix 10.7 above).
- 9 Alternative Price Assessment Methodology** [see page 30](#)  
Not connected with the above appendices, this provides an alternate method of assessing price.

## Quality/price: example overall summary

	Candidate A	Candidate B	Candidate C
<b>Quality scores</b>			
Quality Score	80.82	75.66	69.09
Quality Points (highest score awarded 100 points)	100.00	93.62	85.49
<b>Price scores</b>			
Price	£318,040	£303,921	£281,961
Price Points (lowest price awarded 100 points)	87.21	92.22	100.00
<b>Overall scores</b>			
Quality weighting (80%) x quality points	80.00	74.90	68.39
Project price weighting (20%) x price points	17.44	18.44	20.00
<b>Overall scores</b>	<b>97.44</b>	<b>93.34</b>	<b>88.39</b>
<b>Order of tenders</b>	<b>1</b>	<b>2</b>	<b>3</b>

## Quality evaluation: example summary score sheet

Quality criteria			Candidate A		Candidate B		Candidate C	
	Weighting	Average score	Weighted score	Average score	Weighted score	Average score	Weighted score	
1	Capacity to Deliver	25%	85.30	21.33	83.00	20.75	63.90	15.98
2	Technical Capability	20%	75.06	15.01	72.00	14.40	74.26	14.85
3	Potential for establishing and managing an effective supply chain	15%	86.00	12.90	83.00	12.45	60.00	9.00
4	Ability to control and manage sites	15%	77.97	11.70	79.22	11.88	83.17	12.48
5	Quality of key personnel that will be devoted to the project	15%	77.50	11.63	60.10	9.02	75.50	11.33
6	Potential for effectively controlling programme, costs and risks	10%	82.60	8.26	71.60	7.16	54.60	5.46
<b>Total</b>		100%	<b>80.82</b>		<b>75.66</b>		<b>69.09</b>	
Percentage difference from best quality submission			0.00		6.38		14.51	
<b>Quality points score</b>			<b>100.00</b>		<b>93.62</b>		<b>85.49</b>	

## Quality criterion: example summary score sheet

## Quality criterion number 6: pre-interview scores

			Candidate A		Candidate B		Candidate C	
Issue	Weighting %	Assessor	Score	Weighted score	Score	Weighted score	Score	Weighted score
1.1	30%	FD	5		4		3	
		PC	5		4		3	
		TR	-		-		-	
		DD	-		-		-	
		Average	5.00	1.50	4.00	1.20	3.00	0.90
1.2	20%	FD	4		3		3	
		PC	4		3		3	
		TR	-		-		-	
		DD	-		-		-	
		Average	4.00	0.80	3.00	0.60	3.00	0.60
1.3	10%	FD	4		4		4	
		PC	4		4		4	
		TR	-		-		-	
		DD	-		-		-	
		Average	4.00	0.40	4.00	0.40	4.00	0.40
2.1	15%	FD	-		-		-	
		PC	-		-		-	
		TR	4		3		2	
		DD	4		3		2	
		Average	4.00	0.60	3.00	0.45	2.00	0.30
2.2	15%	FD	-		-		-	
		PC	-		-		-	
		TR	4		4		3	
		DD	3		3		2	
		Average	3.50	0.53	3.50	0.53	2.50	0.38
3.1	10%	FD	3		4		2	
		PC	-		-		-	
		TR	-		-		-	
		DD	3		4		1	
		Average	3.00	0.30	4.00	0.40	1.50	0.15
Total				4.13		3.58		2.73
Percentage score				82.6%		71.6%		54.6%

## Quality criterion: illustrative assessment model

### Quality Criterion No.6: Likelihood that candidate will effectively monitor and control programme, costs and risks

Issue / tender invitation questions	Assessment methodology	Weighting
<b>1 The extent to which the candidate is likely to adequately manage and control costs.</b>	Assessors: F Davies (FD) and P Carr (PC)	
1.1 Describe in no more than 800 words, together with examples from previous projects, how you would intend to measure and control project costs and what cost information would be reported to the Project Manager each month.	The extent to which the candidate is likely to adequately manage and control costs (measure and control project costs and the cost information that would be available).	30%
1.2 Describe in no more than 800 words, together with examples from previous projects, how you would intend to demonstrate the accuracy and robustness of the target cost during its development throughout the design Development Period.	The extent to which the candidate is likely to adequately manage and control costs (accuracy and robustness of target cost during its development throughout the design Development period)	20%
1.3 Describe in no more than 800 words, together with examples from previous projects, how you would intend to identify and notify early warnings and compensation events to the Project Manager and how the cost and programme impact of such events would be assessed and agreed.	The extent to which the candidate is likely to adequately manage and control costs (notification of early warnings and compensation events and how cost impact of such events would be assessed).	10%
<b>2 The extent to which the candidate is likely to adequately manage and control progress.</b>	Assessors: T Reynolds (TR) and D Doherty (DD)	
2.1 Describe in no more than 800 words, together with examples from previous projects, the procedures you would intend to measure progress throughout the duration of the project and what progress information would be reported to the Project Manager each month.	The extent to which the candidate is likely to adequately manage and control progress (measuring progress)	15%
2.2 Describe in no more than 400 words, together with examples from previous projects, how you would intend to ensure that this project is completed on or before the completion date.		15%
<b>3 The extent to which the candidate is likely to adequately manage and control risks.</b>	Assessors: F Davies (FD) and D Doherty (DD)	
3.1 Describe in no more than 800 words the procedures you would intend to establish to identify and mitigate project risks throughout the duration of the project.	The extent to which the candidate is likely to adequately manage and control risks	10%

## Quality criterion: illustrative scoring model

### Quality Criterion No.6: Likelihood that candidate will effectively monitor and control programme, costs and risks

Issue	points	Point scoring guide
<p>1.1 The extent to which the candidate is likely to adequately manage and control costs (measure and control project costs and the cost information that would be available.</p>	5	Exceptional response that exceeds expectations. Candidate has demonstrated a full appreciation of what needs to be monitored, how this should be reported and is fully supported by several good examples of where their methodology has been applied on past projects.
	4	Very good response. Candidate has demonstrated a very good appreciation of what needs to be monitored, and how this should be reported and which is well supported with good examples.
	3	Satisfactory response. Candidate has demonstrated a satisfactory appreciation of what needs to be monitored and how this should be reported. At least one good example provided of where this has been applied on previous projects.
	2	Less than satisfactory response. Candidate has demonstrated an appreciation of some of the factors that need to be monitored and how they should be reported. Poor examples provided.
	1	Inadequate response. Candidate has demonstrated little appreciation of the factors that need to be monitored and how they should be reported. Poor examples provided.
	0	Very poor response. Candidate has failed to demonstrate their appreciation of the factors that need to be monitored and how they should be reported. Considered that the candidate will not be likely to adequately manage and control costs.
<p>1.2 The extent to which the candidate is likely to adequately manage and control costs (accuracy and robustness of target cost during its development throughout the design Development period</p>	5	Fully detailed response, the candidate demonstrates a full appreciation of the development of target cost throughout the design development period that is exceptionally well supported with examples.
	4	Fully detailed response, the candidate demonstrates a full appreciation of the development of the target cost that is well supported with examples.
	3	Satisfactory response, the candidate demonstrates an acceptable appreciation of the development of the target cost, adequately supported with examples.
	2	Adequate response, candidate demonstrates some appreciation of the development of target cost, supported with limited examples.
	1	Limited response, the candidate demonstrates some appreciation of the development of target cost but provides inadequate examples.
	0	Response lacks sufficient detail, and/or it is considered that the candidate will not be likely to adequately manage and control costs.



**Quality Criterion No.6:** Likelihood that candidate will effectively monitor and control programme, costs and risks

Issue	points	Point scoring guide
<p>1.3 The extent to which the candidate is likely to adequately manage and control costs (notification of early warnings and compensation events and how cost impact of such events would be assessed).</p>	5	Exceptional response that exceeds expectations. Candidate has submitted exceptionally robust proposals for identifying early warning notices and compensation events, and for assessing their impact on programme and cost. Fully supported by several good examples of where their methodology has been applied on past projects.
	4	Very good response. Candidate has submitted good proposals for identifying early warning notices and compensation events, and for assessing their impact on programme and cost. Fully supported by several good examples of where their methodology has been applied on past projects.
	3	Satisfactory response. Candidate has submitted satisfactory proposals for identifying early warning notices and compensation events, and for assessing their impact on programme and cost. At least one good example provided of where their methodology has been applied on past projects.
	2	Less than satisfactory response. Candidate has submitted less than satisfactory proposals for identifying early warning notices and compensation events, and for assessing their impact on programme and cost. Poor examples provided.
	1	Inadequate response. Candidate’s proposals considered impractical. Poor examples provided.
	0	Very poor response. Candidate’s proposals inadequately detailed indicating little appreciation of requirements.
<p>2 The extent to which the candidate is likely to adequately manage and control progress (measuring progress)</p>	5	Fully detailed response, the candidate has provided excellent proposals for measuring the progress of the project, will more than meet the minimum requirements of the EEC contract, and has provided detailed examples of progress reports for both this and previous projects.
	4	Fully detailed response, the candidate has provided good proposals for measuring the progress of the project, will meet the minimum requirements of the EEC contract, and has provided detailed examples of progress reports for both this and previous projects.
	3	Fully detailed response, the candidate has provided adequate proposals for measuring the progress of the project, will meet the minimum requirements of the EEC contract, and has provided examples of progress reports for both this and previous projects.
	2	Adequate response, the candidate has provided limited proposals for measuring the progress of the project, further negotiation to meet the minimum requirements of the EEC contract, and has provided examples of progress reports for both this and previous projects.
	1	Minimal response, the candidate has provided few proposals for measuring the progress of the project, significant negotiation to meet the minimum requirements of the EEC contract, and has provided limited examples of progress reports for both this and previous projects.
	0	Response lacks sufficient detail, and/or it is considered that the candidate will not be likely to adequately monitor the progress of the project.

**Quality Criterion No.6:** Likelihood that candidate will effectively monitor and control programme, costs and risks

Issue	points	Point scoring guide
3 The extent to which the candidate is likely to adequately manage and control risks	5	Exceptional response. The candidate demonstrates a full appreciation of the issues, exceptionally well supported with examples.
	4	Good, fully detailed response. The candidate demonstrates a good appreciation the issues, which is adequately supported with examples.
	3	Adequate detailed response. The candidate demonstrates an adequate appreciation of the issues, which is well supported with examples.
	2	Less than adequate response. The candidate demonstrates some appreciation of the issues, supported with limited examples.
	1	Limited response, the candidate demonstrates some appreciation of the issues but provides no examples.
	0	Response lacks sufficient detail, and/or it is considered that the candidate will not be likely to adequately manage and control costs.

## Quality evaluation: example individual score sheet

Candidate: A

Assessor: Daniel Doherty

Quality criteria	Comment	Score
3 3.2 Demonstrating understanding of need to partner their supply chain	<i>Demonstrated a full understanding of the need to partner their supply chain. Would like to test this in more depth at interview.</i>	5
6 2.1 Procedures for measuring progress throughout the duration of the project and what progress information would be reported to the Project Manager each month.	<i>Examples of recent projects contained within their tender submission provided several examples of their proven success on projects of this type.</i>	4
6 2.2 Procedures for ensuring that this project is completed on or before the completion date	<i>Good response, which provides adequate proposals and will meet the minimum requirements of the EEC contract. Some good examples provided.</i>	3
6 3.1 Procedures intended to identify and mitigate project risks throughout the duration of the project.	<i>Tender demonstrates an adequate appreciation of the issues and well supported with examples.</i>	3
Signed D Doherty		Date 17 May 2004

## Illustrative calculation of price

<b>Candidate A</b>		
<b>Fee Cost</b>		<b>£</b>
Estimated net cost of project	£2,750,000	
Fee bid by candidate	5.5%	
Calculated fee cost		£151,250
<b>Management and supervisory staff</b>		
Estimated duration of project	65 weeks	
Weekly cost bid by candidate	£2,566	
Calculated weekly costs		£166,790
<b>Total price</b>		<b>£318,040</b>

### Explanation

The fee will be calculated by multiplying the percentage fee bid by each candidate, by the total net estimated cost of the project which is £2,750,000.

The cost of management and supervisory staff, not included in the percentage fee, will be calculated by multiplying the total weekly cost bid by each candidate, by the assumed contract period of 65 weeks.

## Illustrative pricing document

Overhead and profit percentage				
Section ref				Percentage
9.9.1	Percentage overhead and profit, to be included in the main contract as the fee percentage.			5.5%
Breakdown of overhead and profit percentage				
9.9.2	Included in the above percentage are charges for: Costs incurred during development of design; Visiting staff i.e. building manager and managing quantity surveyor; Director, Senior Departmental Managers, Regional Planner; Estimating and buying; Accounts and clerical administration; Health and Safety; Quality Assurance; Regional office; Temporary work design; Contract Insurances.			4.0%
	Profit Margin			1.5%
Schedule of weekly rates for management and supervisory staff				
(i.e. not included within general overheads and profit fee)				
Section ref	Job title	Weekly rate	% charged to project	Weekly amount charged to project
9.10.1	Contracts Manager	£840	40%	£336
	Project Manager	£750	100%	£750
	General Foreman	£550	100%	£550
	Engineer	£630	40%	£252
	Quantity Surveyor	£530	100%	£530
	M&E Co-ordinator	£740	20%	£148
	<b>Total weekly cost</b>			<b>£2,566</b>

NB. Any items not included in the above, or within the Schedule of Cost Components, will be deemed to be included within the general overheads and profit fee.

## Alternative price assessment methodology

Price can be evaluated by simply awarding the lowest price tender 100 points, and all other tenders 100 less the percentage by which their tender exceeded that of the lowest. This methodology has been used for the purposes of Appendix 10.1.

However, if there is a wide spread of tenders, say more than 100% between the lowest and highest, the methodology could be flawed as negative price scores would be produced. This could favour a candidate who submits an unexpectedly low bid, as it would be extremely difficult, if not impossible, for other candidates to make up the difference in their quality submissions.

In order to remove this flaw, price could be scored on the extent to which the submitted prices differ from the estimated cost, in accordance with a range of likely outcomes. The following is an example, based on a contract for which the estimated cost is £235,000.

Price submission	Price (estimated cost = £235,000)	Price score
<b>Under estimated cost by:</b>		
more than 20%	under £188,000	100
15%	£199,750	95
10%	£211,500	90
5%	£223,250	85
<b>At estimated cost</b>	£235,000	80
<b>Over estimated cost by:</b>		
10%	£258,500	75
15%	£270,250	70
20%	£282,000	65
25%	£293,750	60
40%	£329,000	50
60%	£376,000	40
80%	£423,000	30
100%	£470,000	20
150%	£587,500	10
more than 200%	over £705,000	0

A sliding scale could be used to differentiate between bids. For example a bid that is 40% over estimated cost could be allocated 50 points; a bid 50% over 45 points; and a bid 55% over 42.5 points.

As it is likely that prices will fall within the range of +40% to -10% of the estimated cost; then the likely price score will fall within the range of 50 to 85 which is comparable with the range of likely quality scores.

# The Prudential Code: brief outline of key issues

## Basic principle

The basic principle of the new system is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out the indicators that local authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.

## Impact of the new system

The problem with the present system is that schemes that would save money over time and provide better services, but which require up-front investment, often do not proceed because of government controls over capital spending. Under the new system, an authority will be able to undertake such a project since it will be the authority's own judgement that will determine the scale of its capital investment.

The present system in England and Wales by which the government controls local authority borrowing by a system of credit approvals will be abolished. In Scotland, the new system is being introduced by the Local Government in Scotland Act 2003.

## Corporate governance

It will be for each local authority to set the prudential indicators specified in the Code, and to make its own decision as to limits of its capital expenditure.

## Affordability

When deciding to invest in a capital asset, the authority must do more than simply determine whether it can afford the immediate cost. In order to ensure long-term affordability, decisions have also to be prudent and, in the long term, sustainable.

The investment will also have broader implications for running costs and income. The Code therefore requires that the authority does not only consider its anticipated capital resources but also its overall revenue forecast for the following and subsequent two years, and subsequent years where there are known significant variations beyond this.

## Prudence

If the authority is unable to deliver its capital programme, or to afford the cost of running and maintaining the new facilities, the chosen level of capital investment will not be sustainable in the long-term. Prudence and affordability are related concepts.



### Performance of the contractor

A review should be undertaken of the performance of the contractor to assist in the future selection of tenderers. If the contractor is included on an approved list, then information as to how that contractor has performed on the contract should be fed back to the custodian of the list in order that it is available to officers who may be considering their selection on future contracts.

#### Performance review

A performance review will generally address the following questions:

- Was there a good working relationship between the contractor and the rest of the project team?
- Was the standard of workmanship good?
- Was there an adequate level of supervision?
- Were there any delays in obtaining the right plant, machinery and materials at the appropriate time?
- Was the contract completed on time, taking into account extensions of time?
- Was the cost within the initial contract sum, discounting any contract price fluctuations?
- Was the scale of variations, and the contractor's attitude to them reasonable?
- Were any claims made, were they reasonable and were they settled satisfactorily?
- Did the contractor complete any remedial works without being unduly pressed?
- Was the supply chain adequately managed and monitored?
- Was the site well organised and provided a safe and healthy working environment?
- Would you employ this contractor again?

This can be assisted by the completion of a standard appraisal form on completion of each scheme.

### Performance of the project team

The success of a project is probably more dependent upon the performance of each member of the project team than upon any other party. It is essential, therefore, that their performance should be assessed. The criteria for this assessment should be the same as for the contractor, but the following matters should also be considered:

- adequacy and economy of design;
- ability to meet the project's programme requirements;
- willingness and ability to liaise;
- flexibility of approach;
- ease of communication;
- scale fees and time charges;
- competence of staff, their number and turnover;
- internal staff relations;
- professional competence;
- standard of supervision of contract (if applicable);
- extra costs incurred through delays in providing drawings and information, or delays in supplying products/materials etc;
- relationships with the contractor;
- relationships with employer's representatives; and
- attitude towards disputes and queries.

**dti**

**CIPFA**

**SEC  
GROUP**

 **audit  
commission**

**construction  
products association**

  
**Local Government Association**

 **CONSTRUCTING  
EXCELLENCE**

**Innovation ■ Best Practice ■ Productivity**

**Rethinking  
Construction  
in local  
government**

**Local Government  
Task Force**



**CONSTRUCTING  
EXCELLENCE**