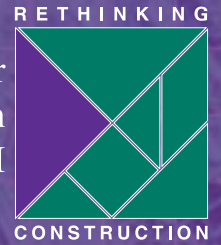




PROJECT 157

Movement for Innovation M⁴I



JULY 2001

Rethinking procurement in local government

CASE HISTORY

Moray Flood alleviation Group formed

The Moray Council in north-east Scotland has abandoned lowest price bidding for consultancy services to a £20m, five-year flood alleviation project. Peterborough based Posford Duvivier beat off 9 rivals in a staged procurement process designed to attract the best value for money bids. Moray is one of the first councils in Scotland to trial the government's best value procurement policy. In the 85/15 quality/price assessment, bidders demonstrating ability to partner and innovate scored the best marks. It is a completely fresh look at procurement in local government. "The quality assessments were objective, with a detailed marking plan. We got a better feel of how the consultants worked by visiting teams in their own offices," says Moray consultancy manager Dave Gowans.



“We will get the benefits of integrated team working for the first time in this organisation”

The scheme affects three towns, Elgin, Forres and Lhanbryde where flooding has historically been a problem, as highlighted by a disaster in 1997 and several subsequent less serious events.

Dave Gowans,
Moray Flood Alleviation Group

Moray Council is forming the Moray Flood Alleviation Group, a virtual company that is a partnership of the client, consultant and (when appointed) the constructor. The plan is for the Group to execute the feasibility, design and construction as one entity.



Moray Flood Alleviation Schematic

Benefits of this procurement method

Although barely six months of a potential five-year contract have elapsed, both parties are expecting substantial benefits.

For the client:

The Moray Council is expecting a long-term **reduction in costs** of procurement and contract administration. "That means we devote fewer resources to contract administration and more on delivering the project itself," claims Gowans.

Long-term arrangements will be **better value for money**. Gowans says: "We believe that by partnering with Posford Duvivier we will get the benefits of integrated team working for the first time in this organisation."

For the consultant:

This procurement method made the commission more **commercially attractive**. Posford Duvivier's project manager Steven Trehwella explains: "The long-term

packaging made it practical to resource the contract competitively and establish a local base with the client."

Selecting consultants on the lowest price makes it difficult for them to show how they can add value. "It would have meant restrictive pricing based on the client's limited appreciation of the work rather than the full range of services required to do the job properly," says Trehwella. This way, **consultants win commissions by demonstrating their expertise**.



CREDITS

Client - The Moray Council
Consultant - Posford Duvivier

Rethinking procurement in local government

The challenge

Severe floods in 1997 prompted Moray Council to develop flood alleviation schemes. They would need specialist consultants to make it happen. Traditionally, local government had engaged consultants by lowest price tendering for fixed packages of work (a practice promoted by the now abandoned Compulsory Competitive Tendering policy). Speculative bidding had discouraged long-term commitment and fostered a claims culture. Sponsors decided to select consultants on 85/15 quality/price criteria, radical thinking indeed.

The solution

Assessing quality so far ahead of price was a major departure from established practice and some Councillors and colleagues in legal and finance departments were justifiably hesitant. But the accumulated wisdom of the Latham and Egan reports, the Chartered Institute of Public Finance and Accounting, Government Construction Procurement Guidance and M4I backed the necessary compromises and changes in legal and financial policies and practices. The three schemes would normally involve consultants assigned at the feasibility, design and construction stages, in potentially nine packages. The innovation reduces this to only one package, an immense administrative saving.

Implementation

11 consultants were invited to talks in 1998, resulting in the decision to offer the whole scheme under one bid. This was advertised and tender documents were issued to 15 interested consultants. Officers assessed outline quality submissions only and invited the best three bidders to prepare detailed quality bids and accompanying, but separate, financial bids. They scored the two conforming bids by Posford Duvivier and an Arup-led consortium, comparing written quality submissions and interviews. That formed 85% of the potential scores. Only then were financial bids opened. Posford Duvivier's marginal lead in quality was increased by their better price and the contract was awarded in late 2000.

Future development

The Moray Flood Alleviation Group is now established with Posford Duvivier staff working in dedicated Group offices at the client's premises. They will be recruiting a constructor to join the team by early 2002.

Innovation case history

This case history is a snapshot of just one innovation making construction in the UK more profitable for the supply chain and the Client. Further details will be found in the Knowledge Exchange or you should contact the Innovator directly or M⁴I.

How to make this radical change in your business

To find the best value for money consultant:

- Remember that the consultant's fee is small in the context of the whole life cost but their input is critical
- Shortlist bidders on the basis of outline quality assessment alone
- Demand straight answers in quality submissions and penalise waffle
- Decide which consultants are offering the best quality outcome
- Then, and only then, consider price
- Price should account for no more than 30% of the assessment score
- The best value for money bid wins!

Contact

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Links

The Moray Council: www.moray.gov.uk
Posford Duvivier: www.posford.co.uk
HM Treasury Procurement Guidance: <http://pipe.cta.gov.uk/treasury/reports.nsf>
Chartered Institute of Public Finance and Accountancy: www.cipfa.org.uk



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The M4I Strategy Model applied to this innovation

