



WELSH HEALTH **ESTATES**
YSTADAU IECHYD CYMRU

Consultation Document

on the proposals for

**The all-Wales NHS Designed for Life: Building for Wales 2
major capital procurement framework commencing in July
2011**

June 2010

Contents

1. Introduction
2. Designed for Life: Building for Wales 2
3. The Consultation Process
4. Regional Frameworks
5. National Framework
6. Programme

1. Introduction

In June 2006 the NHS in Wales introduced *Designed for Life: Building for Wales* as the main vehicle for the procurement and delivery of all major capital construction projects with a total cost exceeding £6 million (construction, professional fees, equipment, non-works costs, risk and Value Added Tax).

It comprised two frameworks - a mandatory framework for Supply Chain Partners and an optional framework for Support Consultants (made up of three elements - Project Managers, Cost Advisors and Supervisors). Three organisations were generally engaged for each of the Framework disciplines with each Supply Chain, led by a Constructor and comprising Project Leaders, Architects, Civil and Structural Engineers, Building Service Engineers, Building Services Installers, Health Planners, Cost Managers, CDM Coordinators and FM Advisors.

The Framework was founded around the principles of integrated Supply Chains, Collaborative Working and Continual Improvement and utilised the NEC3 form of contract, Option C, target contract with activity schedule.

The Frameworks were for a period of 4 years with an option to extend by up to two years.

Welsh Health Estates managed the Frameworks on behalf of the Welsh Assembly Government. Projects below the threshold were managed by Local Health Boards and NHS Trusts.

The four year duration was up in June this year but contractually all framework parties had to be advised of any proposed extension by the end of March 2010. To assist the Welsh Assembly Government decide on its options an independent Performance Review was commissioned and prepared by Constructing Excellence in Wales (CEW) and the Centre for Construction Innovation (CCI) based at the University of Salford.

In summary the Performance Review concluded that the Framework had been a positive development which complies with best practice models of procurement and should, in time, achieve its objectives, hit its targets and deliver the desired benefits for the citizens of Wales.

In March the Welsh Assembly Government agreed for the existing Framework to be extended to 30th June 2011 and instructed Welsh Health Estates to put in place a process to procure a follow on Framework from July 2011.

Various "lessons learnt" workshops have been held with Health Boards and Trusts, existing Supply Chain Partners and Support Consultants and Welsh Health Estates have also considered the structures of Procure21 (the English NHS Framework), Frameworks Scotland (the Scottish NHS Framework) and systems in Northern Ireland to determine the most appropriate way forward for the successor Frameworks.

The outcome of these deliberations is outlined in this document.

2. Designed for Life: Building for Wales 2

General

It is intended that it will remain a mandatory requirement for NHS organisations in Wales to procure all major capital construction projects with a construction value (Works Cost) of over £4 million (including enabling works but excluding VAT) via the proposed framework. This equates very closely with the current OJEU Works Directive threshold of £3, 927,260 (1st January 2010) and delivers significant benefits to the NHS by avoiding the cost and time implications of procuring stand alone project appointments.

It is also intended to procure the new arrangement on the basis of an initial 4 year contract with the option to extend by up to two years.

However in future there will be two tiers to the framework:

- Regional Frameworks: which will deliver construction projects between £4m and £10m construction value, and
- A National Framework: This will deliver construction projects with a construction value in excess of £10m.

Note the change from total capital cost to construction value which is more easily recognised by parties outside the NHS.

The main reasons behind the establishment of the two tier approach are set out below:

- One size does not necessarily fit all;
- The risk profile between the two tiers is different and the consequences of the risks to the NHS in Wales under the National Framework are of a greater magnitude than under Regional Frameworks;
- The processes for Regional Frameworks can be much simplified;
- Additional competitive elements can be introduced at selection stage for Framework appointments;
- Regional Frameworks will allow more access for the local medium size construction companies and consultants

Provision will be made to include use of the Frameworks where joint agency working with other public sector or voluntary bodies may be required.

It is expected the NHS in Wales will establish a Framework, outside of Designed for Life: Building for Wales 2, to provide health planning and other Service support services.

3. The Consultation Process

The purpose of this consultation is to inform the NHS in Wales and the construction industry in Wales of the new proposals for the procurement and delivery of major capital construction projects commissioned by the NHS in Wales from July 2011 and to listen to their views prior to finalising proposals in July 2010 before commencing a procurement process.

This document outlines the proposals which will also be explained at four "Open Days" that are to be held, two in North Wales and two in South Wales. The arrangements for these meetings are outlined below:

For the NHS in Wales

Date: 29th June 2010
Time: To be confirmed
Location: Cardiff

Date: 1st July 2010
Time: To be confirmed
Location: North Wales

For the construction industry in Wales

Date: 6th July 2010
Time: 09.00 - 11.45
Location: Cardiff

Date: 8th July 2010
Time: 09.00 - 11.45
Location: North Wales

Written responses to the consultation proposal should be sent, by Friday, 16th July 2010 to:

Mr Neil H Davies
Director
Welsh Health Estates
PO Box 182
Bevan House
24-30 Lambourne Crescent
Llanishen
Cardiff
CF14 5GS

E-mail responses should be sent to: Neil.Davies4@wales.nhs.uk

During the consultation, queries should be directed to Mr Patrick Riordan, Deputy Director, Welsh Health Estates at the above address or by e-mail to Patrick.Riordan@wales.nhs.uk or by telephone to 02920 315545.

4. Regional Framework

It is intended to establish three Regional Frameworks:

- South-East Wales covering:
 - Aneurin Bevan LHB

- Cardiff & Vale University LHB
- Cwm Taf LHB
- Powys teaching LHB (south)
- Velindre NHS Trust
- South-West Wales covering:
 - Abertawe Bro Morgannwg University LHB
 - Hywel Dda LHB
- North Wales covering:
 - Betsi Cadwaladr University LHB
 - Powys teaching LHB (north)

The Welsh Ambulance Service NHS Trust and Public Health Wales are organisations that operate on a national basis and will be able to draw down services for projects below £10m construction value from whichever Regional Framework meets their geographic need. For projects above £10m they can utilise the National Framework.

There will be a maximum of three Constructors per Regional Framework and they will be required to operate throughout the Region and compete for every project regardless of the nature, location or value within the Regional Framework band.

Construction and Consultant organisations may be on more than one Regional Framework.

An example of a typical Regional Framework structure is attached as Annexure A.

The Regional Frameworks will be designed to be flexible and to work with two separate business case processes:

- The Business Justification Case Process, or
- The Full Business Case Process

and are to be configured around two project stages within these processes:

- Pre-concept or Pre-OBC, and
- Post-concept or Post-OBC.

Refer to Annexure B for a broad outline of the project process.

At Pre-concept or Pre-OBC stage Health Boards or Trusts will be able to appoint consultants on pre-agreed fees from the following support consultant frameworks:

- Project Managers (including the optional provision of Supervisory services)
- Cost Advisors
- CDM Co-ordinators
- Architects/Lead Design Consultant
- Civil and Structural Engineers
- Building Services Engineers

Feedback is required on the options as to:

- *whether a Design Consortium approach would be more effective combining the Architect/Lead Design Consultant, the Civil and Structural Engineer and the Building Services Engineers under one "umbrella" and*
- *that there should be only one CDM Coordinator framework covering both the Regional and National frameworks.*

There will be three organisations on each support consultant framework.

Health Boards or Trusts should not appoint Support Consultants from outside the Framework because:

- firstly, the separate procurement process could put them out of kilter with all other appointments, particularly when European Procurement Directives have to be followed,
- secondly, organisations outside of the Framework make no contribution to the Framework and this is unfair to those who actively contribute for the benefit of all.
- thirdly, organisations outside of the Framework are not part of the network and are unable to share Framework experiences, guidance and advice and therefore continual improvement will be impossible.

The selected team will work with the Health Board or Trust, and other consultants engaged by the Client, e.g. Health Planners, to develop the service requirement and translate it into a Conceptual Proposal that will

secure the necessary funding and allow a Constructor to be brought on board to take the proposal to final approval stage and progress to construction.

Project Managers and Cost Advisors will be appointed by the Health Board or Trust for the duration of the whole project.

Architects, Building Services Engineers and Civil and Structural Engineers shall be appointed by the Health Board or Trust for the Pre-concept/Pre-OBC stage and then shall be novated to the Constructor for completion of the project. Fees for these consultants shall be pre-agreed with the Health Board or Trust at appointment for the complete project.

The Constructor and CDM Coordinator shall be appointed Post-concept/Post-OBC by the Health Board.

The Constructor will be appointed by a two-stage process:

1st Stage

To take the project from Conceptual Proposal through validation and design to agreement of Target Price or Price not to be exceeded.

2nd Stage

After Welsh Assembly Government approval to take the project from finalisation of design, through construction to handover and settlement of final account.

The selected suite of contract for construction will be the NEC3 engineering and construction contracts with Option C: target contract with activity schedule the preferred choice. However other Options may be selected depending upon the circumstances of the project.

For Consultant appointments the NEC3 professional services contract will generally be utilised.

5. National Framework

The proposals for the National Framework are:

Supply Chain Partners (SCPs)

There will be three SCPs that will deliver all major construction projects with a construction cost over £10m. They will be required to operate on an all-Wales basis and be expected to compete for every project regardless of the nature or location of the project. They will be appointed generally at commencement of Outline Business Case and, if appropriate stage approvals are received and performance is acceptable, take the project through to completion.

It is expected that each SCP will be led by a Constructor. The Supply Chain team will comprise the following disciplines:

- SCP Design Manager
- Architect
- Civil and Structural Engineer
- Building Services Engineer
- Building Services Installer

An SCP can appoint up to three organisations per discipline but must have a minimum of two. The exception is the SCP Design Manager where a minimum of one would be acceptable if provided from the Constructor's organisation. Each SCP will operate as a Squad with teams for each project being picked from the Squad. Membership of each Squad is exclusive and no organisation will be allowed to be a member of more than one Squad. Health Boards and Trusts will identify any preferences for the team for their project prior to commencement of the appointment process.

Support Consultants (SCs)

There are to be three Support Consultant Frameworks, the use of each by the Health Board or Trust is optional. Members (or associate organisations) of the Support Consultant Frameworks will not be allowed to also be part of any Supply Chain. Health Boards and Trusts can draw support from these Frameworks if they choose or if they feel they have the expertise in-house use their own personnel.

Health Boards or Trusts should not appoint Support Consultants from outside the Framework because:

- firstly, the separate procurement process could put them out of kilter with all other appointments, particularly when European Procurement Directives have to be followed,
- secondly, organisations outside of the Framework make no contribution to the Framework and this is unfair to those who actively contribute for the benefit of all.
- thirdly, organisations outside of the Framework are not part of the network and are unable to share Framework experiences, guidance and advice and therefore continual improvement will be impossible.

The three Frameworks are:

- Project Managers (including the option to provide Supervisory services). Project Managers may be appointed at Strategic Outline Case but otherwise should be appointed prior to selection of the SCP;
- Cost Advisors. These will work with the Health Board or Trust and the SCP to manage, report and control cost on all projects. They should be appointed at Strategic Outline Case but may be deferred until commencement of Outline Business Case;
- CDM Coordinators. These will normally be appointed at commencement of Outline Business Case.

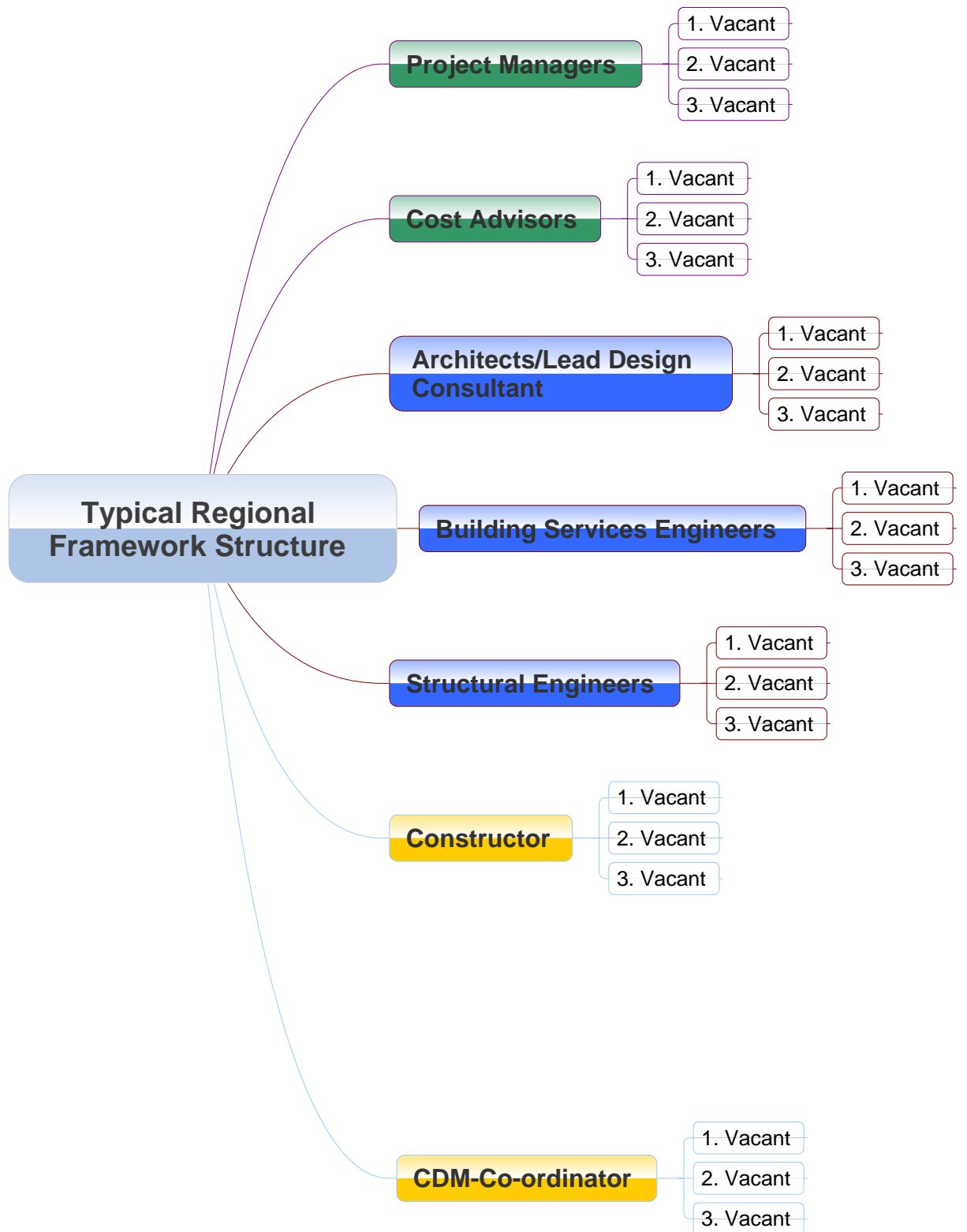
There will be three organisations each in the Project Manager, CDM Coordinator and the Cost Advisor Frameworks.

Annexure C outlines the proposed structure of the National Framework.

6. Programme

It is proposed to procure the two tiers in parallel with the objective of having the Regional Frameworks in place by July 2011 and the National Framework by June 2012.

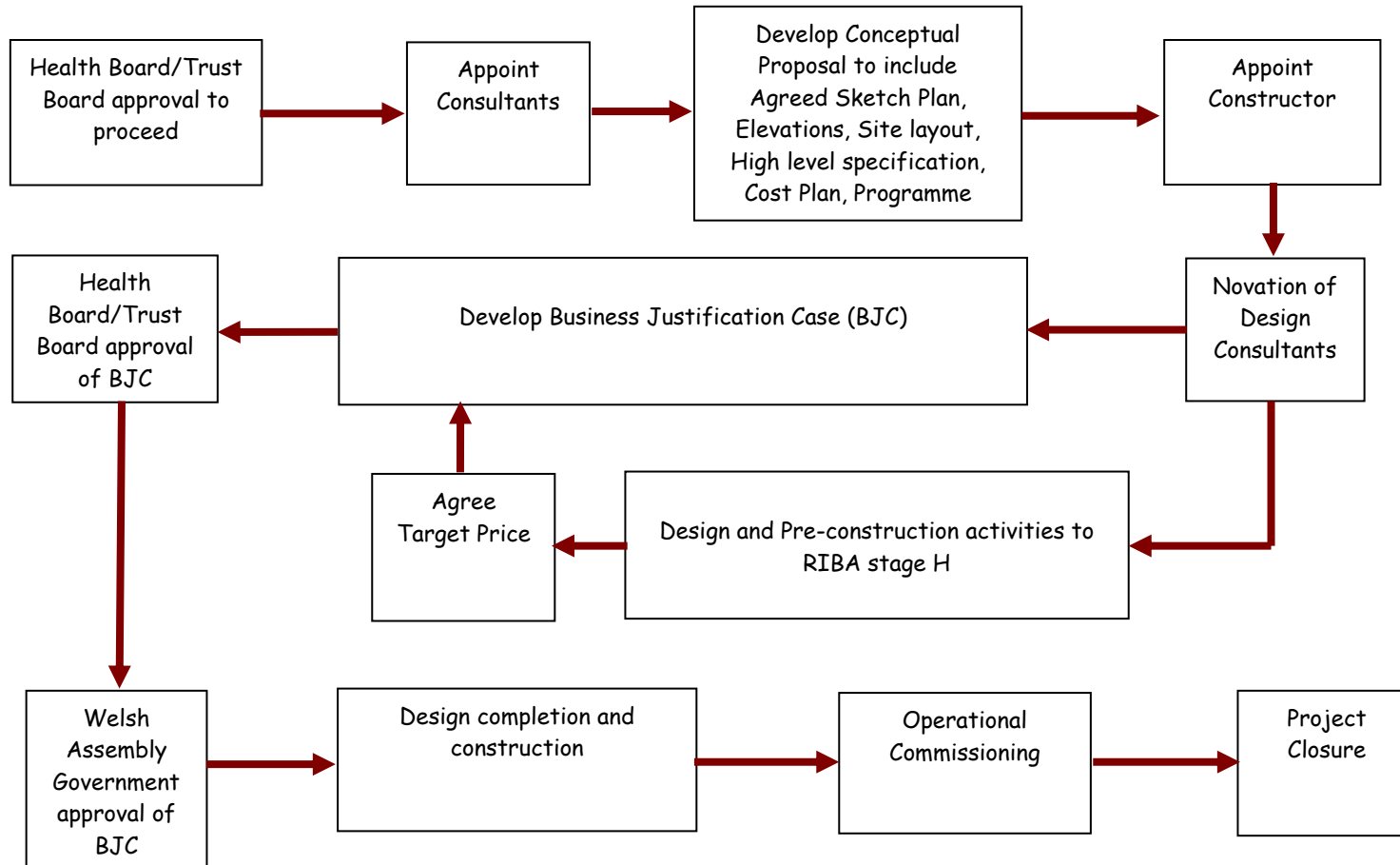
To achieve this, the existing Designed for Life: Building for Wales Framework will be need to be extended, by agreement with the current members, by a further 11 months to May 2012 to provide cover for the void periods.



Legend:

- Appointed By Health Board/Trust at both Pre- and Post-OBC stages
- Appointed by Health Board/Trust at Pre-OBC stage and novated to Constructor at Post-OBC stage
- Appointed by Health Board/Trust at Post-OBC stage

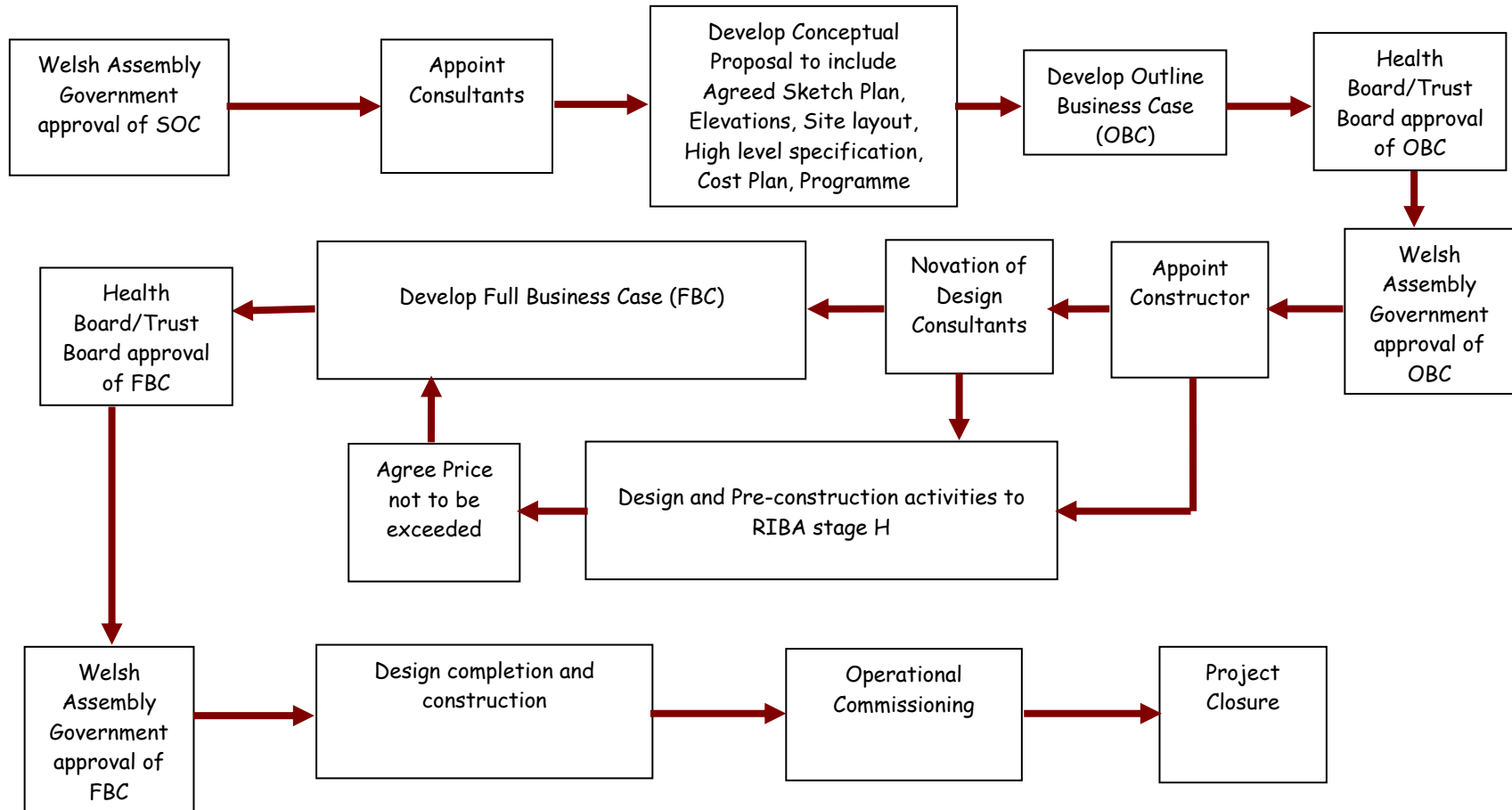
Regional Frameworks - Business Justification Case Process



Designed for Life: Building for Wales 2

Annexure B

Regional Frameworks - Full Business Case Process



Designed for Life: Building for Wales 2

