# Jersey Future Hospital Project

## Outline Business Case

## Appendix 19 – Detailed Procurement Strategy – Main Hospital

**CLIENT:**
THE STATES OF JERSEY

**PROJECT NUMBER:**
FUTURE HOSPITAL PROJECT

**ISSUING COMPANY:**
GLEEDS ADVISORY

## Document Control

| Version | Date Issued | Summary of Changes | Author |
|---|---|---|---|
| V1 | 26.9.17 | Document compilation | T Nicholls |
| V2 | 28.9.17 | Appendices removed and Briefing Note added | T Nicholls |
| V3 | 24.10.17 | Template updated | T Nicholls |

# Briefing note

The main hospital procurement strategy has been provided within this OBC appendix but for the purposes of brevity the appendices have been removed. If required the full appendices to the main hospital procurement strategy can be found on Gleedspace.

States of Jersey

# Detailed Procurement Strategy WB 20150205

## Project Name

**Prepared by: Gleeds Management Services**

**CP17/05/524**

**Date: 29th June 2017 v3**

## Reviewed & Approved by:-

**Accounting Officer**

**Signature:**

**Print Name:**

**Date Approved:**

**Director of Strategic Procurement (if over £250k)**

**Signature:**

**Print Name:**

**Date Approved:**

## Approvals

| Approval By | Role | Signature | Date |
|---|---|---|---|
| John Rogers | Chief Officer - Department for Infrastructure | | |
| Caroline Hastings | Director of Strategic Procurement - Treasury and Resources | | |
| Ray Foster | Director - Jersey Property Holdings | | |
| Mike Penny | Director – Gleeds Management Services | | |

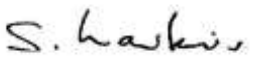
**GLEEDS PROJECT CONTROLS**

## Originators

| MJM | Hassell | Arup | Gleeds | Other (State) |
|---|---|---|---|---|
| ☐ | ☐ | ☐ | ☒ | …….. ☐ |

**Originator QA:**

**Detailed Procurement Strategy**

**Name:** ……Sven Howkins (Signature) 

Name: ……Mark Plenty (Signature) 

**Gleeds QA:**

**Name:** ……Mike Penny …… (Signature) …  .

## Distribution

| CA Approval | HSSD | Contracting Authority | Other (State) |
|---|---|---|---|
| ☐ DA/RS/RF | ☐ HO'S/ BP/ GLS | ☐ JH / RG | …Key Stakeholders DPS Item 7 ☒ |

| Comment by SOJ | Response |
|---|---|
| | |
| | |
| | |
| | |
| | |
| | |

# Executive Summary

To clearly set out Gleeds Management Services' (GMS) procurement recommendations by building on the Procurement Strategy Report for Jersey Future Hospital (JFH) dated 1st March 2017 (copy at Appendix A) such that a decision can be made by the client in respect of the detailed procurement strategy of Jersey Future Hospital.

**Summary of Recommendations**

Based on States of Jersey's Project Brief, together with our evaluation of the different Procurement Strategies against the Procurement Objectives, consideration of our Client's project objectives and our own professional judgement, we would recommend the following Procurement Strategy for the project:

| | |
|---|---|
| **Contract Scope:** | One single contract for the Main Hospital Works. |
| **Design Responsibility:** | RIBA Stage 3 (Developed Design) to be concluded prior to Contract Award. Contractor will take ownership of the entire design, following novation of the design team, which will take place upon completion of RIBA Stage 3 market testing and will be concluded within RIBA Stage 4. |
| **Pre-Selection Procedure:** | Pre-Qualification Questionnaire followed by First-Stage Tender. |
| **Tender Strategy:** | Two-stage tender including the procurement of the contractor's preferred mechanical and electrical services subcontractor as part of the Stage 1 tender process.<br>All sub-contract tendering will be managed through the contractor's portal to which the States of Jersey (SoJ) client team and GMS-led team will have access to provide a transparent sub-contract procurement process.<br>*Note:*<br>*Contractor subscribes to Pre-Construction Services Agreement; Full Contract Award following completion of RIBA Stage 3 market testing. This allows maximum control over design and specification by the SoJ client team and GMS-led team.* |
| **Number of Contractors to Tender:** | A maximum of 6 for ITT |
| **Tender Period:** | PQQ – 4 weeks<br>First-Stage Tender – 8 weeks |
| **Procurement Strategy:** | Design and Build |

| | |
|---|---|
| **Basis of Invitation Documents:** | Employer's Requirements, incorporating design brief, performance/quality specifications, drawings, and all other supporting Works Information. |
| **Design Consultants:** | Design consultants, Hassell and Arup, to be novated to the Contractor at award of Main Contract. |
| **Contract Conditions:** | Main Contract: NEC 3 Engineering and Construction Contract (Z Clauses to be provided by Shepherd & Wedderburn and SoJ procurement). |
| **Contract Strategy:** | NEC 3 ECC Option C - Target Cost |
| **Risks and Responsibilities:** | Risk to be allocated into contractor owned, client owned and client/contractor shared risk categories. |
| **Compliance Monitoring:** | Technical Advisors to be provided by GMS following novation to advise on contractor's design proposals. |

## Table of Contents

**Appendices Listed:**

| | | |
|---|---|---|
| Appendix A | - | JFH Procurement Strategy Report for Jersey Future Hospital dated 1st March 2017 |
| Appendix B | - | Procurement Discussion Paper dated September 2016 |
| Appendix C | - | Notes from Soft Market Testing |
| Appendix D | - | Risk Register |
| Appendix E | - | How to intelligently set the Contractor's share percentages and share ranges – a paper by Jon Broome |
| Appendix F | - | Agenda for Procurement Workshop held on 5th May 2017 |
| Appendix G | - | Gantt Chart Programme |
| Appendix H | - | ITT Themes and Questions |

# 1. Project Introduction

## 1.1 Background

Deliverable B703 Preparation of the Detailed Procurement Strategy.

The objective of this report is to build on the recommendations of the Procurement Strategy Report For Jersey Future Hospital (JFH) dated 1st March 2017 (copy included at Appendix A) and the Procurement Discussion paper issued by GMS in September 2016 (copy included at Appendix B).

The development of this Detailed Procurement Strategy report is the result of internal discussions that have focussed on and developed the thinking behind GMS' previous recommendations, scrutiny and challenge from members of the JFH team, which includes Shepherd & Wedderburn Solicitors, who attended the JFH Procurement Workshop on 5th May 2017 (Workshop Agenda at Appendix F), Kelvin Hughes a contract consultant who provides contract training and advice to Gleeds and was a member of the original NEC drafting panel, as well as giving due consideration to the feedback from the soft market testing that has been carried out with prospective contractors who have expressed an initial interest in tendering this project. The key findings from the soft market testing are summarised at Appendix C. This further thinking has sought to capitalise on the opportunities that the recommended procurement strategy presents in terms of:

- buildability input (including commissioning of the new building) at the optimum stage of the design process;
- ensuring we have the right level of expertise contributing to the buildability of the proposed facility;
- passing maximum, yet controllable, risks to the Contractor;
- ensuring maximum interest is achieved in tendering this project throughout the supply chain;
- providing an alternative recommendation on the choice of contract conditions in light of understanding SoJ's experience of contracting under different forms, feedback from soft market testing and giving due consideration for establishing the behaviours that we expect from those parties appointed to this project;
- consideration of the transition from the construction stage into operation of the new hospital.

### 1.2 Core Objectives

The Project Brief sets out the core principles agreed within Change Request 25, which relates to 1/500 scale plans and supports the clinical engagement, ratification of the Initial Brief and development of design, cost and management proposals in support of the following core objectives:

1. That the safe operation of the Jersey General Hospital will be maintained throughout the construction of JFH.
2. That JFH will be located on the Jersey General Hospital site, through demolition of part of the existing hospital
3. That the additional properties on Kensington Place will be acquired, to meet the site boundary requirements
4. That the JFH will be operational within 8 years (from tender issue)
5. That the JFH will be delivered at a comparable cost to the new-build alternative site options, identified within the OBC
6. That some flexibility in Planning Policy will be tested
7. Some operational compromise will be accepted to support the spatial constraints of the site
8. A high quality new-build JFH will be delivered
9. That there will be support for the release of adequate on site area to facilitate the new- build (via a suite of Enabling Schemes)
10. That the JFH will be delivered in one main construction phase (excluding the Granite Block).

## 2. Accounting Officer(s) or Ministerial Involvement

The Accounting Officer and Minister are aware of the Detailed Procurement Strategy report for JFH and by virtue of the Accounting Officer approving this Detailed Procurement Strategy, support the recommendations proposed herein.

## 3. Contract Durations

Pre-Construction Services Agreement: 30/11/17 to 09/08/18 (9 months).

Main Contract Demolitions: 03/04/19 to 03/03/20 (11 months).

Construction: 27/05/20 to 12/03/24 (46 months).

## 4. Expenditure Analysis

To date the only expenditure for the main hospital relates to professional fees against set deliverables. As at the 1st June 2017 this stands at £2,978,045 excluding GST. The design team are continuing to work through the RIBA Stage 2 design process and are recovering costs on a time-charge basis, capped per deliverable. A further tranche of financial commitment will be required to continue into RIBA Stage 3 and will include the appointed contractor's tendered fee for Pre-Construction Services.

## 5. Anticipated value / budget

The current total project budget is £466m with an estimated works cost - excluding enabling schemes, professional fees, optimism bias, compulsory purchase, risk/contingency - for the main hospital of circa £250m.

Following appointment under the PCSA, the contractor will be required to perform a health check on the budget against the proposed design. Once they have confirmed the suitability of the budget all parties will have an agreed shared position from which design development can be managed and the scheme delivered within this cost envelope.

## 6. Market Engagement

Market Engagement and Research has been undertaken through a soft market testing process with nineteen potential bidders for the main hospital scheme. This interface (where possible)/teleconference followed a prior issue of an Overview Briefing to the bidders on the scheme, comprising:

- The scheme type and size
- Contract type as proposed
- Overview programme for delivery.

Each of the bidders approached were identified as being competent and capable of delivering JFH on the basis of prior projects completed of a similar type and scale.

Bidders were asked a series of questions in relation to the above in order to glean interest in the project, insight into perceived contractor risks and position on contract types available for delivery of this scheme and experience in association.

Salient file notes for each interface meeting are included within Appendix C which notes the differing responses only. A full set of minutes is available, but duplicate heavily across the bidders engaged with.

M&E partners were intimated by some bidders but at very high level with no commitment envisaged. M&E partners are declared during PQQ Stage to enable lead advisor, GMS, to

undertake financial and status checks in time for the ITT shortlisting to avoid late non-compliance identification.

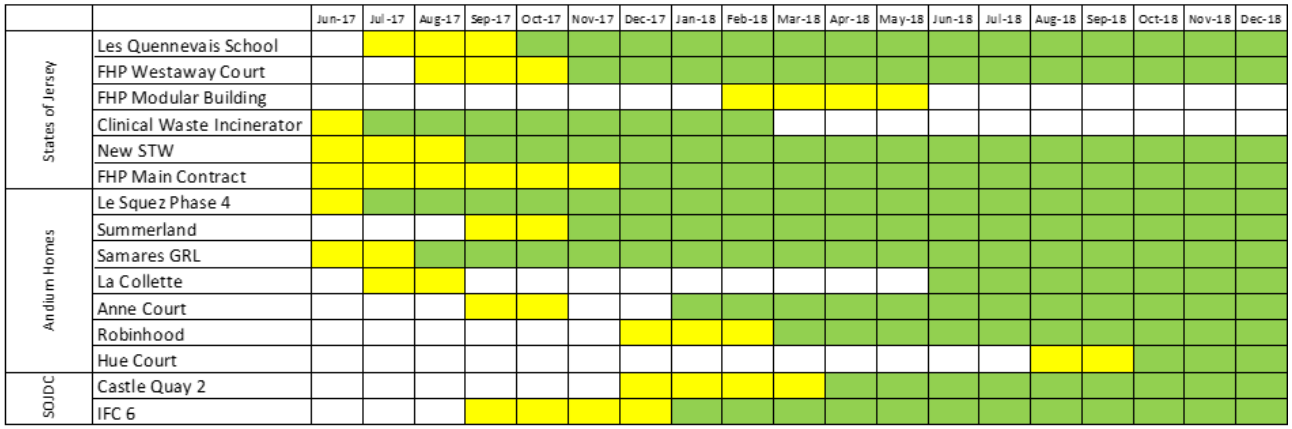
Key findings from the Soft Market Testing are:

- As a low barrier to entry all bidders advised that they would prefer a Two Stage Tender Procurement process over a more costly tender submission for a single stage. This is to ensure that the maximum number of bidders respond to the PQQ.
- There is an indifference between JCT and NEC as the chosen contract and all bidders are open to either approach.
- Concern raised as to the "Impact of Public Sector on Island Programme" in regard impact on JFH through access to skilled workforce and local supply chain. The level of saturation is key to understanding how much JFH can target reliance upon Island resources.
- All bidders were accepting of the need to Novate the incumbent design team over forming a new independent team without the essential project knowledge and understanding. Several bidders raised comment around flexibility to vary the extent of Novation in regard Partial Duties, in particular for M&E design. The preference being for a subcontractor M&E designer to take the lead role during the implementation stage with the incumbent Arup undertaking a supporting role.
- Bonded storage would be needed on Island to mitigate weather delays in relation to channel crossing material deliveries, in order to maintain programme.
- At ITT stage a maximum of six contractors would be invited to tender. Any more than this would present a low chance of success and therefore a higher barrier to entry.

Market capacity to deliver was appraised in respect of the Island's resources in conjunction with an off Island supplier resourcing solution. To ensure that the local market are engaged, the threshold of on Island capacity, to support the JFH scheme is crucial. This defines the off Island supplier requirement for materials and personnel. The object being to utilise the on Island resources to their maximum potential.

The on-Island capital programme and local supplier availability is a consideration while preparing this strategy for approval as it is essential for the success of the project that there is on-Island involvement in its delivery. Research undertaken suggests that the current on-Island construction market is buoyant at present both in terms of local main contractors and therefore their onward sub-contract supply-chain.

The table presented below provides a summary of the known current and future works planned within the early stages of the JFH project.




Sourcing and Procurement

Construction Activity

This research supports the aim of making the opportunity and approach to market attractive to contractors.

The off Island supplier capacity is able to support delivery of a remote scheme and no concerns in this regard were raised by bidders. The risk for remote delivery is focused on delays caused by the weather and how this may impact on the transport of materials. This indicates that bonded storage is required as a mitigation. Indicative locations were discussed with bidders for an off-site provision. This would need to be supported by a contractor site delivery mechanism to ensure flow of goods for just-in-time delivery.

Competitive interest in the scheme is good, particularly given the passage of time since the scheme was originally discussed in 2015. Now that a location for the JFH is agreed (in principle upon which the OBC is based) and 1/500 layout designs to support planning/massing, funding principles in association for the scale of project proposed, programme/risks are advanced, contractor confidence in the scheme becoming a reality is high.

Following market testing, of the nineteen Contractors engaged, eight have positively responded.

## 7. Key Stakeholders and Communications Plan

The following stakeholders have been identified as being essential participants within this procurement process:

- Andrew Ross – EY
- Bernard Place – SoJ, Clinical Lead
- Caroline Hastings – Director of Strategic Procurement, Treasury and Resources
- Dan De La Cour – Head of Category, Management, DFi Procurement
- Darren Woodside – Law Office Dept. – Lead Partner
- Gareth Parry – Shepherd & Wedderburn
- Graeme Le Sueur – SoJ, Engineering Services

- John Rogers – Chief Officer, Dept. for Infrastructure/Project Sponsor
- Rhona Harper – Shepherd & Wedderburn
- Richard Guest – EY
- Mark Plenty – GMS
- Mike Penny – GMS
- Ray Foster – Director, Jersey Property Holdings
- Roy Short – GMS Health and Safety Planning Coordinator
- Stewart Rowney – Rowney Sharman
- Sven Howkins – GMS
- Tom Brader – GMS.

The methods of communication will be:

- Telephone/conference call – to discuss specific issues following the distribution of a report, for example, that has previously been issued via email;
- Email – to raise specific questions and distribute information;
- Meetings – on-island in terms of meeting with SoJ/members of the on-island team to review, in detail, reports issued via email;
- Workshops – to present a report to a wider audience and gain feedback

## 8. Interdependencies /Collaboration Opportunities

This procurement is linked to a suite of Enabling Schemes (ES), which are being administered by GMS via Rowney Sharman. The two programmes are tracked given that the ES 07 completion is critical path to commencement of demolitions for the JFH. Any delay to this ES will result in consequential delays to the main scheme commencement.

Summary Narrative for each of the Enabling Schemes:

ES01 – Catering CPU (off-site) circa 75 weeks
ES02 – Engineering Block (now aborted) circa 74 weeks
ES03 – Clinics to GFL vacated catering (on-site) with a phased commencement (construction duration moved into ES08 given proximity this will now form a single contract given the working sequence dependency)
ES04 – Temporary Clinic Block (on-site)
ES05 - Medical Records (off-site)
ES06 – Corporate Functions (off-site)
ES07 – Westaway Court (off-site)
ES08 – Granite Block Clinics (on-site)
ES09 – Critical Plant (on-site)
ES10 – Staff Accommodation (off-site).

ES 01, 03 and 08 have recently been paused until decision making for new requirements is made. This may impact on ES 08's proposed completion which would in turn further impact the critical path. The mitigation for this risk is controlled sign-off for the revised scope of the ES schemes, to align with client requirements and ES budget allocations. In parallel the PCSA has been drafted to allow for flexibility to include Early Works as required to enable the appointed PSCA contractor to potentially undertake the Westaway Court or other Enabling Schemes early, avoiding delay to demolitions commencement.

## 9. Risks, Issues and Mitigation

9.1 Risk Register

A copy of the latest Risk Register is included at Appendix D 28/06/17 v11.2, with the current allocation of risks identified between the two parties who will enter into a works contract for the delivery of JFH, namely SoJ and the Contractor who will be selected following the completion of this procurement process. The Risk Register is a live document and will evolve during the course of this procurement and indeed over the course of the project. The Accepted Programme, which sits at the heart of the ECC, draws upon the relevant risks which will be reflected in terms of Time Risk Allowance to ensure a co-ordinated set of project controls documentation is in place throughout the contract.

The Risk Register will be updated regularly and the key risks that require mitigation measures will be highlighted in monthly Project Board reports.

It is felt worthy of drawing out a specific risk from the appended Risk Register: the risk associated with commencing this procurement process without the project funding being in place. The way in which the works are recommended to be procured – a two-stage tender leading to a works contract being entered into between SoJ and the appointed contractor during RIBA Stage 4 – means that there will be no requirement for the full funding to be confirmed until the completion of the PCSA, which is anticipated to be in 2019. Up until this point, partial funding will be required to enable GMS, the design team and the contractor appointed to deliver the PCSA, to deliver the detailed design and specification and to carry out the tendering exercise to arrive at a Contract Price for JFH. Should SoJ not be in a position to confirm funding at the end of the PCSA, there is no obligation on SoJ to enter into a works contract with the contractor.

9.2 Parent Company Guarantee (PCG)

This is where a parent organisation has control over the subsidiaries (including subcontractors as applicable), which are created through purchase or split from the parent company.

In the same way that a Performance Bond (PB) provides protection against insolvency the parent takes the risk of the subsidiaries becoming insolvent.

If a PCG is in place and the parent company carries sufficiently low risk as an origination under review through a Dun and Bradstreet assessment and Bon a PB might not be required. For complex schemes and to minimise client risk a PB might also be required to bolster a PCG to cover the risk of the entire group becoming insolvent i.e. the parent and subsidiaries. Therefore for the JFH scheme a PB Bond will be priced under the Invitation to Tender for consideration by GMS on behalf of SoJ. This allows for a PB Bond to be implemented as required to mitigate risk.

9.3 Performance Bond (PB) for construction

The purpose of a PB Performance Bond, which is commonplace in the construction industry is to mitigate client risk of contractors failing to deliver on their contractual obligations (the alternative, an On Demand Bond is not being opted for). The requirement of a PB is derived from the perceived risk that a contractor presents in respect of financial performance, assessed through commercial evaluation (such as a Dun and Bradstreet business credit file which provides growth opportunities and risks in relation to bad debt and poor cash flow) and the risk of insolvency during the works. In the event of the contractor defaulting if a situation arises, the PB bond provides guaranteed compensation by a third party (the surety), up to the agreed amount within the PB to allow progression and completion of the works (Bonds are typically set at 10% of the contract value so notionally £25m for JFH).

# 10. Procurement Approach

## 10.1 Contract Scope

**Supporting the transition from construction to operation**

Our advice remains consistent in that there will be one single contract for the main hospital works. In delivering this single contract it is imperative to be cognisant of the effective operation of the new hospital following handover. The key issues to consider in this respect are:

1. the involvement of the Client's team, who will be responsible for managing and maintaining the new building following handover, in the design and construction stages of the project;
2. ensuring the Client's team receive the necessary training in the effective operation of the new hospital in advance of handover;
3. retaining the right level of resource on site from the contractor's team to support the transition from construction to operation and making good defects that arise;
4. the resourcing levels of the Client's team responsible for operating the new hospital – this element falls outside of the contract scope for the construction works and, depending on the resource levels required, may entail the separate tendering and letting of a Facilities Management contract.

In order to meet the objectives set out in points 1 to 3 above, it would be GMS' recommendation for the project to adopt the principles of Soft Landings (SL).

**Soft Landings (SL)**

We are aware that SoJ wish to implement the principles of Soft Landings (SL) without absolute adherence to either Building Services Research and Information Association (BSRIA) or Government Soft Landings (GSL) methodologies.

The two frameworks are similar, however BSRIA SL focuses on collaboration via stakeholder and design reviews in tandem with programme, through the SL Champion. GSL is more detailed in regard relationship with the BIM process and project deliverables.

The adoption of principles only approach offers flexibility to ensure the developing SL strategy can be appropriate to and best supports the requirements of the Future Hospital project (consistent with the BIM Employers Information Requirements).

SoJ's SL Champion (FM and Services Lead for the main hospital, Graeme Le Sueur for SoJ (Qualifications to be confirmed) will work with the design team SL Champion, Building Services Engineering Lead Dave Pitman for Arup: (BSC, CEng, MCIBSE, MIET and FIHEEM) and subsequently the appointed Contractor throughout the PCSA and Main Contract. The SL strategy and scope will be developed via workshop processes and deliverables and output requirements articulated as a result. Best practice will be followed, to guarantee SL is considered in design, delivery and training, ultimately ensuring seamless transition to handover and operation.

The five key framework stages are:

1. Inception and Briefing – defining requirements
2. Design Development and Review – reviewing similar projects with regards to Facilities Management and proposed use
3. Pre-handover – training prior to handover ahead of occupation
4. Initial Aftercare – in-use feedback to ensure smooth operation following initial bedding in of systems and maintenance thereof
5. Extended Aftercare and Post Occupancy Evaluation – enabling the resolution of issues past initial aftercare, providing learning for future schemes, tailoring training to suit requirements for maintenance staff. Reviews are typically annual and usually for three years in total.

The JFH SL strategy will identify specific targets for measurement - hard measures such as Energy, Water and Carbon consumption are linked to environmental credits;

soft measures will link to social and economic performance targets – and will be developed during the course of the PCSA with input from the contractor as required. These targets will be integrated as part of the wider sustainability function and a BREEAM target of "Excellent". This will ensure that through the application of SL broad principles, specific BREEAM environmental credits and softer measure targets are delivered.

In order to ensure that we procure the time and expertise from the main contractor and their supply chain to deliver the training that is required to deliver SL, and to provide the necessary resource to support the maintenance of the hospital for an agreed period following handover, these activities would be identified within the Preliminaries schedule that is issued within the Invitation To Tender. Furthermore, it would also need to be a consideration when procuring sub-contractors e.g. Building Management System subcontractor, to ensure that training input identified as being required from them forms part of the sub-contract tendering and selection process. This would ensure the correct level of resource is attributed to this important aspect of project delivery.

With regards to the resourcing of the Client's team responsible for operating the new hospital, this is a matter that can be addressed in advance of handover when there will be a better understanding of the Client's resources available to maintain the new hospital, which will inform whether there is a requirement to procure a Facilities Management contract, which would be separate from the construction works contract.

**Specialist Equipment**

As the design progresses through RIBA Stage 3, there will be a focus on integrating the equipment into the design i.e. ensuring that the design considers all facets of the equipment. This will enable the team to identify those items of equipment that will be incorporated into the works as construction progresses and those items that will be delivered to JFH either towards the end of the construction period or shortly after completion.

The decision as to which party procures a particular item of equipment must consider the buying power of each organisation. From a risk perspective, there would be a preference for the contractor to procure those items of equipment that are identified as being incorporated into the works as construction progresses. Therefore, when considering the discounts that the client may be able to achieve over and above those of the contractor, the risk associated with free-issuing equipment to the contractor to meet a specific date within the contract must also be considered before a decision is reached.

One of the deliverables of the PCSA that will be requested of the contractor, will be a priced equipment schedule and a detailed construction programme showing equipment procurement lead-in times and required delivery dates.

## 10.2 Design Responsibility

**Novation of the Design Team**

The timing of the contract award follows the market testing of the of RIBA Stage 3 design, which will conclude early within RIBA Stage 4 and which will ensure 80% of the estimated works value is tendered. Further advice in respect of the status of the prices received from this sub-contract market testing of the RIBA Stage 3 design is included within Section 11.0 – Contract Strategy.

Following completion of the RIBA Stage 3 market testing and subsequent agreement of a Target Cost (refer to Section 11.0 for further details) it is our recommendation that the design team i.e. Hassell and Arup, are novated to the appointed contractor. The wording of the novation agreement, to be drafted by Shepherd & Wedderburn and included within the Invitation to Tender (ITT), will stipulate that the liability for the entire design be transferred to the contractor and in doing so achieve a single point of responsibility for design and construction. GMS' Project Management, Cost Management and Health and Safety services (including the role of Health and Safety Project Coordinator) would not be novated nor would the services of the Healthcare Planner, MJM. The PCSA that the successful contractor will enter into will stipulate the need for them to appoint their own Healthcare Planner.

**Advantages and Disadvantages of Novation**

It is necessary to set out at this juncture, our rationale for recommending the novation of Hassell and Arup. There are many hybrids of design and build, which include variances on the role that the design team are appointed to perform pre and post-contract and indeed the decision as to whether the original design team have any role within the project following the appointment of the main contractor. The variances that have been considered in this report are:

- Novation – the principal defining feature of novation is that once the initial project requirements have been prepared by the client's design team and the main contractor selected, the contractor then appoints the client's design team to complete the design. In addition, novation rescinds the original contract between the client and design team and replaces it with a new one between contractor and design team, thereby clarifying loyalties.

- Consultant switch – the main difference between novation and consultant switch is that, under the latter, the design team would still be contractually bound to the Client to fulfill certain duties as well as being contractually bound to the contractor to fulfill design duties, leading to the problem of unclear liabilities and conflicting loyalties. This dual role required of the design team is likely to be a response by clients to fulfill their requirement to continue to receive advice from the designers

with whom they would have built a working relationship throughout the briefing and early design stages of the project.

- Contractor selection of their own design team – it is feasible to complete the design up to a particular stage, let's assume RIBA Stage 2, and then tender for the selection of a main contractor based upon a client requirement for the contractor to appoint their own design team.

Set out below are the relative advantages and disadvantages of novation drawing upon the alternatives of consultant switch and contractor selected design team to inform the debate.

**Advantages:**

1. Continuation of the same design team throughout the whole project i.e. the client has full control over the design before novation, continuity of the same design team post-novation with the appointed main contractor providing single-point responsibility. This is an important point in the context of a project in which buildability, risk mitigation and innovation are facets that the GMS-led team are seeking to introduce from RIBA Stage 3 by way of incentivising the main contractor, with their chosen M&E subcontractor, under a Target Cost contract. The incentivisation mechanism will drive the contractor to interrogate the existing RIBA Stage 2 design and shape the RIBA Stage 3 design. It is in assessing the contractor's design proposals that the novated team, who have 'owned' the design from the outset and whose knowledge of the SoJ team's vision for JFH will be reflected in the design for the project, will be well placed to steer the main contractor away from alternative solutions that compromise design integrity. Instead, they will focus the contractor on those proposals that would be acceptable to the SoJ team. In this way, the client retains a custodian of all things that are important in maintaining the integrity of the design that was produced under the original design team appointment.

2. The appointed contractor, to whom the design team are novated, has access to the design expertise that has been employed on the project from the outset. The informal market testing carried out in March and April 2017, with a number of main contractors who are likely to tender for the JFH project, informed the GMS team that novation was preferred. The soft market testing informed GMS that the appointed contractor may decide to 'cherry pick' the services to deliver the design from RIBA Stage 4, from a combination of the novated design team and other designers with whom the main contractor and M&E subcontractor have previously worked; this is likely to include specialist trade contractors.

   So in practice, for example, this may mean the contractor uses the novated mechanical and electrical services engineer to size the primary plant and Low

Voltage power distribution and appoints the services of a specialist trade contractor, with design capability, to design the final circuitry. This is one example of how a two-stage tender presents the contractor with opportunities to ensure buildability is designed into the project and also demonstrates the value that the prospective contractors see in having the existing design team novated to them.

Shepherd & Wedderburn have been requested to advise on the requirement for collateral warranties in respect of the novated design consultants and in respect of design carried out by other designers appointed directly by the contractor/M&E subcontractor.

3. Developing the point made above, it could be argued that if the main contractor perceives there to be a benefit in selecting the existing design team to carry on the design from RIBA Stage 4 then we could simply write into the ITT that the selection of the design team is a contractor decision. It is likely that Hassell and Arup will be appointed and then there is no requirement for a novation. This raises the following issues:

- If the reason the Client is selecting this option is to retain the services of the existing design team to work client-side from RIBA Stage 4 in the role of Technical Advisor, then the selection of the same design team to carry out design from RIBA Stage 4 would create a conflict of interest with the Technical Advisors being tasked with reviewing their own company's design solutions. There would therefore be little value in retaining the existing design team as Technical Advisors should the contractor select the existing design team to perform the design duties from RIBA Stage 4;

- There is a risk that the contractor does not select any or all of the existing design team to perform design duties from RIBA Stage 4; this would enable some or all of the existing design team to fulfill the role of Technical Advisor but would not enable the client to obtain the advantage of having the same design team continue throughout the project – refer to point number 1 above;

- Should a different team be selected by the contractor to produce the design from RIBA Stage 4 then there would be copyright issues to overcome in respect of the original design and there would invariably be a period for the new design team to review and question the original designers and indeed for the new design team to carry out their own design calculations in respect of some aspects of the design. It is possible that this will generate caveats from the contractor and potentially lead to ambiguity of design ownership between the original design team and the new one, which would be avoided in the case of design team novation through a well drafted novation agreement by Shepherd & Wedderburn;

4. Novation provides continuity of the design team and clarity of roles and responsibilities; two key issues that cannot be attributed to either consultant switch or contractor selection of their own team.

**Disadvantages:**

1. The Client team need to backfill the role that would have been performed by the original design team had they not been novated; this will relate to advice in respect of reviewing subcontractor design proposals; quality checks of installed work; signing off completed work as being constructed/installed in accordance with the contract drawings and specification. This role could be backfilled by Technical Advisors who are qualified designers. For more detailed information on this, refer to section 2.3 below – The Role of Technical Advisors.

2. Point number one of the advantages of novation states that the continuance of the same design team under a novation provides a custodian of the design integrity. Conversely, it could be argued that this is a disadvantage, as the design team are likely to be less flexible than a team who did not have the same ownership of the original design, which manifests itself in resisting change in response to contractor innovation and buildability proposals.

   This could ultimately result in not realising the full potential of cost savings under the Target Cost gain mechanism.

3. The communication between designer and client is discouraged following novation to ensure clarity over the loyalties of the design team post-novation. Any concerns that the client has in losing this formal line of communication with a design team with whom they have built a close working relationship could be overcome in part by inviting the principals from each of the novated designers to sit on the core group that will be set up in accordance with clause X12 of the NEC3 Engineering and Construction Contract (ECC). For more information on this, refer to section 10.1 below – Setting the tone.

   Neither consultant switch nor a contractor selected team solve this issue; it is all about striking the right balance between not compromising the design integrity while maximizing the innovation and buildability ideas of the team that are appointed under a two-stage tender arrangement.

Our recommendation to novate Hassell and Arup is based upon an assessment of the above points and reaching the conclusion that novation provides the best balance, in comparison with consultant switch and a contractor selected team, between maintaining the integrity of the design completed up to RIBA Stage 3 and maximizing the opportunity to drive innovation and buildability into the design to the benefit of both the SoJ and contractor under the Target Cost gain share mechanism. This

recommendation does however require a separately appointed team of Technical Advisors to backfill a service gap left by the novated design team. This is the subject matter of item 2.3 below – The role of Technical Advisors.

**The role of Technical Advisors**

Following novation of the design team, there will be no design expertise left within the Client's project team. There are several reasons why this expertise must be back-filled with professionals with the right qualifications and experience:

- A two-stage tender encourages the contractor to bring innovation and buildability into the design; alternative design proposals put forward to the Client's project team by the contractor and their team of designers must be reviewed, checked and commented upon. This will provide further assurance to ensure the integrity of the design is maintained;
- As the technical design solutions are produced during RIBA Stage 4, there will be a need for elements of the design to be reviewed and checked. For example, it is likely that the contractor will have specialist trade contractors contributing to elements of the detailed design; these design proposals should be submitted to our client-side Technical Advisors for review and comment;
- In the event of a post-contract client instructed scope change, costed proposals for the change will be submitted by the contractor and this may have an impact on the existing design for which the project team will require the necessary technical support to robustly review the contractor's proposals before instructing the change.

In terms of who is best placed to fill this role, consideration has been given to appointing advisors from Hassell and Arup and creating a "Chinese Wall" to ensure there is no conflict of interest between the advice of the Technical Advisors and that of the novated design team. This solution has the possibility of undermining the contractor who, by this stage within the project, has full responsibility for the design and construction of the new hospital.

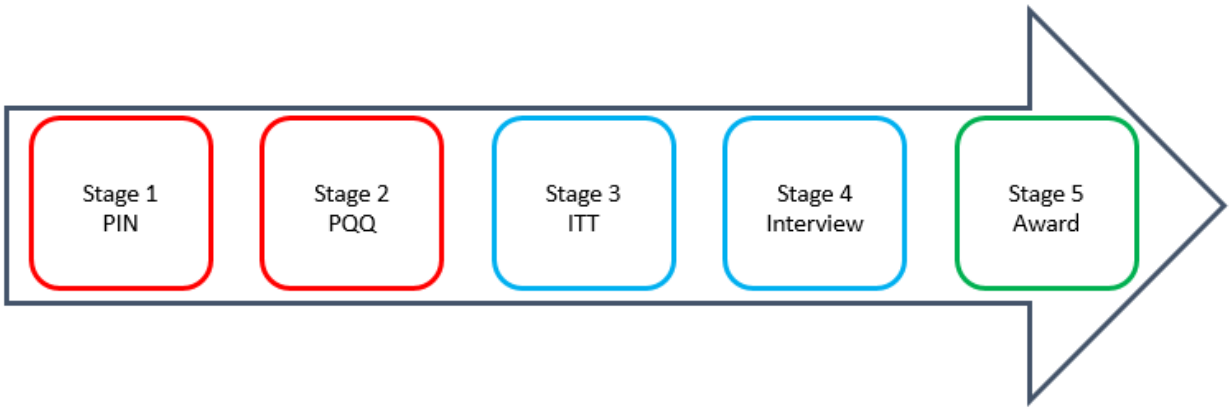
To ensure the contractor's authority is not undermined, it would be our recommendation to appoint a team of Technical Advisors who are not within the employ of Hassell or Arup. Instead, it is proposed that GMS will employ the professionals who will be needed to fulfil the requirements of the Technical Advisor roles, which will include architectural, building services, structural engineering, highways engineering and acoustic engineering expertise. To reiterate the point made above, Healthcare Planning will not be novated and MJM will continue to support the GMS-led team.

## 10.3 Procurement Process

This procurement exercise is being conducted as a Restricted Process.

A Restricted Process, in this sense, means that only those Applicants meeting the required standards set within the PQQ process (Stage 2) will be invited to submit a tender (Stage 3).

The stages of this procurement process are illustrated within the diagram below:




**Stage 1 Prior Information Notice (PIN)**

The procurement of JFH is not governed by European Union Directives; there is therefore no mandatory requirement to advertise this project within the Official Journal of the European Union (OJEU). However, on the basis that compliance with EU Directives has encouraged best practice in the procurement of contracts, JFH will be guided by its requirements. Therefore, the language and procedure adopted to describe the Pre-Selection Procedure is taken from the Public Sector Directive as this is likely to be familiar to the reader and is a tried and tested method of procurement.

A PIN will be issued directing interested parties to the Channel Islands Procurement Portal where applicants will be able to express their interest in the project formally and complete the Pre-Qualification Questionnaire.

In addition to this, GMS will notify each of the contractors who took part in soft market testing once the PIN is released. This PIN constitutes call for corporate competition.

**Stage 2 Pre-Qualification Questionnaire (PQQ)**

A PQQ process will be undertaken to identify companies that can demonstrate their experience and track record of delivering works of a similar scale and complexity as well as meet other due diligence criteria set out within this document.

The PQQ process will be open to all applicants and will be conducted on the Channel Islands Tender Portal.

The PQQ process will identify the potential Mechanical and Electrical delivery partners of each applicant enabling due diligence to be carried out on this key element of the supply-chain during this early stage of the procurement process.

**Stage 3 Invitation to Tender (ITT)**

As set out within this document for approval, this Procurement Strategy recommends a Two-Stage Tender approach.

The first-stage tender will require the short-listed contractor to provide pricing information and respond to a number of qualitative questions. Further details on the information that will be sought from the tenderers and the suggested scoring of the tenders submitted is set out in Section 10.4 – Tender Strategy.

Following the completion of the first-stage tender, a contractor will be appointed to carry out Pre-Construction Services only under a PCSA. There is no obligation on SoJ to enter into a works contract with the contractor following completion of the PCSA.

It is envisaged that no more than six contractors will be invited to tender; this approach will achieve a balance between commercial competition and maintaining bidder interest.

**Stage 4 Interview**

Following the conclusion of ITT, evaluation Interviews will be held with tenderers that have scored sufficient marks within their written responses to be in a position to win the tender prior to the interview. Interviews will be scored in accordance with that set out within this document.

The interview will afford the evaluation team the opportunity to seek clarity in respect of the tenderers' written submission along with the opportunity to 'drill down' into greater detail should this be required. In addition, it will also give the evaluation team an insight into the tendering teams' dynamics in a pressure situation. If deemed necessary, site visits may also be required to finalise the interview scoring.

**Stage 5 Appointment**

Following the conclusion of the Interview process a contractor will be recommended for appointment within the ITT Evaluation Report and subsequently appointed for the PCSA stage of the project. If at some point either during or upon completion of the PCSA, the SoJ do not wish to continue with the services of the appointed contractor, the SoJ will not repeat the pre-qualification process, instead the contractors that were short-listed to the ITT Stage will be invited to tender.

This tender may include the provision of pre-construction services or may be a single-stage tender.

In the event that this situation arises, a procurement strategy report will be prepared by GMS that will take account of the specific circumstances and recommendations made that are cognizant of the SoJ's project objectives and market intelligence.

## 10.4 Tender Strategy

**The Contractor's Team**

The recommendation to undertake a two-stage tender for this project gave full consideration to the benefits that can be achieved in terms of buildability, risk mitigation and innovation that the appointed contractor can bring to the project. Approximately 40% of the contract sum will be attributed to the mechanical and electrical (M&E) services installation for which buildability and innovation advice is also necessary from our appointed contractor team. It would therefore be our recommendation that the first-stage tender will seek the procurement of the main contractor and their preferred M&E services sub-contractor such that expert advice across all elements of the design is available from RIBA Stage 3. The PQQ would require main contractors to name their preferred M&E services subcontractor(s) and there would be an associated requirement within the PQQ document for the M&E services subcontractor(s) to submit information in respect of their financial standing.

This approach is generally supported by the contractors that have been approached in respect of soft market testing. Whilst this approach is tried and tested, one contractor did offer an alternative view in respect of procuring the M&E services subcontractor. They highlighted the risk that M&E services subcontractors could commit exclusively to one main contractor during the first-stage tender and given that there are relatively few organisations who have the track record of delivering the M&E services on a contract similar in scale and value to JFH, this may leave one or two main contractors unable to team up with their preferred M&E services contractor. This will be addressed within the PQQ by stipulating that main contractors cannot sign up their preferred M&E services subcontractor exclusively during the first stage tender.

The alternative approach is to commence procurement of the M&E services subcontractor following the appointment of the main contractor; whilst there may be some commercial advantage to this approach, the time taken to carry out the procurement will see the RIBA Stage 3 design progress by up to six weeks, without the benefit of the input of the M&E services sub-contractor. We would therefore not recommend this approach.

## 10.5 Selection Criteria

**Pre-Qualification Questionnaire**

At this point the intention is that the PQQ will include selection criteria relating to the following themes;

| PQQ Evaluation Theme | Evaluation Approach |
|---|---|
| Company Information | PASS / FAIL |
| Declarations and Conflicts of Interest | PASS / FAIL |
| Insurances | PASS / FAIL |
| Financial Status and Legitimacy | PASS / FAIL |
| Health and Safety | PASS / FAIL & SCORED |
| Health and Safety Procedure | SCORED |
| Experience and Capability | SCORED |
| Quality Management | SCORED |
| Environmental Management | SCORED |

The weightings for the scored criteria identified above will be established and agreed prior to publishing the PQQ and will be made available to applicants within the PQQ documents.

**Invitation To Tender**

The first-stage tender will comprise the Instructions to Tenderers (including the scoring matrix), Pricing Information, and Qualitative Questions, the Pre-Construction Services Agreement, the design brief, specifications, drawings and other project related information deemed relevant at this stage for the contractors to submit a comprehensive response.

Pricing Information: A detailed set of preliminaries, both time related and fixed, in respect of delivering the works contract will be prepared by GMS; the preliminaries will be priced by the main contractors and their selected M&E services subcontractor. Pricing of Overheads and Profit will also be requested.

A detailed set of pre-construction duties, deliverables and Key Performance Indicators will accompany the first-stage tender document. This will form the basis of the tendered price for pre-construction services that will be delivered by the main contractor and their preferred M&E services sub-contractor.

Qualitative questions: At this point the intention is that the ITT will include selection criteria relating to the following themes:

| ITT Evaluation Theme | Evaluation Approach |
|---|---|
| Health and Safety | SCORED |
| Island Interface and use of Supply-Chain | SCORED |
| PCSA Resource, Management and Delivery | SCORED |
| Main Contract Resource, Management and Delivery | SCORED |

A list of provisional questions has been provided at Appendix H to demonstrate the detail being prepared at present. The questions presented will be refined, finalised and attributed weightings according to their importance and potential impact upon the successful outcome of this procurement process during a workshop due to take place during the coming weeks.

The provisional questions have been formulated by giving due consideration to the Core Objectives set out in Section 1.2, which brings a focus on tenderers having to demonstrate a capability of delivering a complex construction project in a remote location, involving an appropriate level of on-Island resources and ensuring a high quality facility is delivered.

Within the ITT, it is recommended that a scoring ratio of 60% Quality: 40% Price is adopted in assessing the first-stage tenders.

It is proposed that the 40% of the marks available for the Price element will be allocated as 10% for Preliminaries, 25% for Overheads and Profit and 5% for Pre-Construction Services. The 60% of the marks available for the Quality element will be allocated as 40% for the written response to the questions and 20% for the interview.

The thinking behind the composition of the 40% Price element is as follows:

***Preliminaries*** – At the point that the first stage tender is issued to the market the Works Information will still be in the early stages (part way through RIBA Stage 2 design). As a result the design will not be sufficiently mature to achieve a fully detailed set of Preliminary costs based upon a known methodology and site set up. Despite this, Preliminary costs will form a significant proportion of the total project costs and therefore the opportunity to get standard elements of the Preliminaries bid in a competitive environment should be taken. The balance of these considerations leads to a scoring of 25% of the overall financial element to be deemed suitable.

***Overheads and Profit*** – It is possible to fix the percentage for overheads and profit as part of the first stage tender in a competitive environment. This percentage will then be applied against all costs established through the actual cost mechanism adopted under the Option C Target Cost Contract. As such a 1% variant on overheads and profit will impact the total costs by over £2million. Given the combination of the simplicity of this element of the pricing of the overheads and profit and the associated impact

of a small variant, the weighting has been proposed at 62.5% of the overall financial scoring.

***Pre-Construction Services*** – This component of the financial scoring relates to the fee for the Contractor engaging with the design team through RIBA stage 3 and into RIBA Stage 4 under the PCSA. This will be a fixed fee based upon a set of duties and deliverables. The relative cost of the PCSA will be comparatively less than either the Preliminaries or Overheads and Profit components of the financial assessment. However, the quality of this service will have a disproportionate impact on the overall costs and it is therefore critical that the quality of service is not diminished. The result of this thinking is that a weighting of 12.5% of the overall financial scoring is allocated against the Pre-Construction Services element, which will deter tenderers from submitting an abnormally low bid for this element of the submission.

Of the 60% of the marks available under the Qualitative section of the ITT, there is further work to be done in order to fully define the weighting of each aspect that comprises this section of the ITT. This work will be done at a forthcoming ITT workshop and will seek contribution from members of the SoJ team, GMS, Shepherd & Wedderburn and EY.

It should be noted however that proposed contract amendments made by tenderers will be taken into account in the evaluation process. A number of contract terms and conditions will be considered pass/fail and these will be highlighted to prospective tenderers, whilst proposed alterations to the remaining terms and conditions will be accounted for in the scoring of this part of the submission.

In addition, the Client's and Contractor's share range and share percentage under the Target Cost Option will form part of the Qualitative assessment, with tenderers being requested to propose a model. This point is discussed in more detail in Section 11.2 – Contract Strategy.

Finally, it is proposed that the bidders are provided with access to the GMS-led team and the SoJ team during the tender period for Stage 1 tenders. This would be an opportunity for the tenderers to raise questions in respect of the content of the ITT and, importantly, for them to meet our team and for us to meet theirs. These mid-tender review meetings would be set up and chaired by GMS and would be minuted; the associated minutes would be distributed to all contractors taking part in the ITT within forty-eight hours of the last meeting. It is suggested that each tenderer is allocated a two-hour slot for this purpose, which is envisaged will take place in either Bristol or Cardiff.

**Pre-Construction Services Agreement**

To ensure consistency of procurement approach across the whole works contract, it is GMS' recommendation that the contractor is required to produce works package Bills of Quantities; this would be a deliverable written into the PCSA. This will have the

dual benefit of attracting trade contractors to tender knowing that the task of measuring the works has already been done and it will also make the task of reviewing the tender submissions more robust, as the review can focus on what differentiates one sub-contractor from the other safe in the knowledge that it is not inconsistency of measurement of the works.

During the PCSA stage the contractor is required to undertake procurement activities in order to establish the target cost, this will be mapped out within an NEC "Accepted Programme" for the PCSA Deliverables (under NEC 3 Option A Lump Sum) (this is separate to the main contractor programme (under NEC 3 Option C) which is issued for Acceptance under the Works Contract. Any procurement activity undertaken by the contractor in relation to this project will be conducted in accordance with procurement best practice using both Technical and Commercial evaluation criteria and tenders will be awarded on the basis of Most Economically Advantageous Tender (MEAT). The establishment of cost of the project during the PCSA and throughout the contractor's appointment will not be limited to 'lowest cost wins'.

By employing this approach, we remain consistent in procuring best value, rather than selecting lowest cost, throughout the supply chain.

Our final recommendation in respect of sub-contract tendering, is that whilst all sub-contract tenders are issued and returned through the contractor's portal, access to the portal must be provided to the GMS and SoJ team. In this way, the GMS-led team can influence control over the quality of the tender documents issued, has sight of the queries raised during the tender period and receives the completed tenders i.e. the whole sub-contract tendering process is transparent.

Consideration will be given for the need to vet submissions in regard cyber security and the risk of a data virus transmittal, via the Jersey Portal.

Finally, from a contractual perspective, the PCSA will include a clause that stipulates that SoJ has no obligation to enter into a works contract following completion of the services set out in the PCSA.

**Independent Commissioning (witnessing role)**

Due to the relative complexity of a hospital's M&E services and the importance of making sure they operate as they are designed to, it is imperative that these systems are robustly commissioned. To achieve this, these systems must be designed and installed with their testing and commissioning in mind and secondly, the commissioning of these systems should either be carried out by a commissioning contractor who is independent of the installation contractor or alternatively, their testing and commissioning should be witnessed by an independent commissioning company who will verify the results. This provides further benefit in that the commissioning period allowed within the programme is often reduced in the event of the contractor coming under pressure to meet the handover date; independent

commissioning input will provide the team with early warning should they see this arising with a view that this can be prevented.

It is therefore GMS' recommendation that an independent commissioning company be appointed from RIBA Stage 3, whose role will be to initially advise the designers on the ability of the design to be commissioned and to then carry out the witnessing of the testing and commissioning of the hospital's M&E systems. We would advise from a single point responsibility perspective that the testing and commissioning of the services remains with the installation sub-contractor rather than the independent commissioning company i.e. this will be a witnessing role rather than a hands-on commissioning role.

This role should be tendered to competent commissioning companies with a track record in commissioning large, complex buildings to ensure that SoJ is receiving best value. Consideration will be given for the need to vet submissions in regard cyber security and the risk of a data virus transmittal, via the Jersey Portal.

This role should be tendered to competent commissioning companies with a track record in commissioning large, complex buildings to ensure that SoJ is receiving best value.

### 10.6 Number of Contractors to Tender

It is suggested that following the Pre-Qualification Questionnaire stage, four to six (as a maximum) contractors, are invited to the first-stage tender.

## 11. Contract Type

### 11.1 Contract Conditions

The JFH Procurement Strategy Report For Jersey Future Hospital dated 1st March 2017 recommended the main contract conditions to be JCT Design and Build Contract 2011 (DB); with amendments to the contract clauses and supplemental contract clauses to client's requirements. Further internal discussion has led GMS to reconsider our recommendation.

Consideration of establishing a collaborative team culture comprising a high performing team led us to reconsider the benefits that the NEC ECC would offer this project.

**Setting the Tone**

The ECC is written in plain English, stipulates clear timeframes within which decisions must be made and includes a requirement for the parties to work together in a spirit of mutual trust and co-operation. A partnering agreement (X12) is available for

incorporation in the contract; the partnering agreement does not create a legal partnership but nevertheless establishes a framework for the partnering agreement, which includes the formation of a core group, key performance indicators and incentive payments.

**Driving Performance**

The Programme sits at the heart of the administration of the ECC in recognition that a live up-to-date programme can be a valuable management tool in giving certainty of outcome. The contract is explicit about what the contractor must include within the programme i.e. Float, Time Risk Allowance, Key Dates – this may be dates on which free-issue equipment, for example, is required from the client. In short, it focusses on the effective management of risk, which the JFH project would invariably benefit from.

Clear timeframes are stipulated for agreeing Compensation Events (variations to the contract), which drives their agreement as the works progress as opposed to leaving issues to resolve until the end of the contract i.e. it mitigates unwanted surprises.

In terms of managing the quality of the work on site, the ECC requires the role of Supervisor to be carried out to ensure that the works are provided to the standard and performance required in the Works Information (the Works Information includes the specification and drawings). It is envisaged that separate building and M&E services Supervisors will be required to work on JFH to reflect the competency levels required to inspect and comment upon the standard of the works. It is proposed that GMS will employ the professionals who will be needed to fulfil the requirements of the Supervisor roles.

In terms of SoJ's experience of letting NEC contracts, whilst JFH would not be the first it would be our recommendation for some staff within the SoJ team to undertake some NEC training. This training would be tailored to suit the specific requirements of team members who would need a basic understanding of how the contract works, key terminology and the NEC's requirement to deliver information within stipulated timeframes. This training would be delivered by one of GMS' in-house NEC trainers and could be delivered in Jersey.

Based upon the emphasis that this form of contract places on the management of risk, the focus on delivering a quality product under the watching eye of the Supervisors and the collaborative approach that this form of contract engenders, it would be GMS' recommendation to adopt the ECC.

The soft market testing carried out indicated that contractors were supportive of both the ECC and JCT forms of contract, therefore our recommendation would not meet any resistance in the marketplace.

Having recommended the ECC form of contract, the final recommendation relates to the choice of, what is referred to as, the main Option. This is the subject matter of Section 11.0 – Contract Strategy.

## 11.2 Contract Strategy

**Choice of Main Option**

The selection of a main Option determines the balance of financial risk between the client and the contractor, as summarised in Figure 1. There are six main Options within the ECC, A to F. Option E is a cost reimbursable contract and Option F is a management contract, neither of which are deemed to meet the SoJ's objective of cost certainty.

| Contract Type | Main Options | Balance of Risk | |
|---|---|---|---|
| | | Employer | Contractor |
| Priced | A<br>B | | |
| Target | C<br>D | | |
| Cost Reimbursed<br>Management Contract | E<br>F | | |

**Fig. 1 Balance of risk for each main Option under the ECC.**

It should be borne in mind that the objective of a contracting strategy is to strike the balance between risk allocation and contractor incentivisation. If the Works Information is complete and fully detailed and the risks are well defined and hence accurately costed, then a lump sum contract (Option A or B) would be recommended. The risk of the works exceeding the Contract Price rests 100% with the contractor; similarly, the benefit of achieving savings through innovation and/or early completion also rests with the contractor. Conversely, if the Works Information is only partially complete, there is little basis on which to agree a price, in which case a cost reimbursable contract would be the recommended option. If the Works Information is reasonably well defined but not 100% complete, the risks are numerous and quantifying them commercially is not straightforward and hence not easy to allocate, and the complexity of the design creates an opportunity for innovation, then consideration for a contract strategy that sits between a lump sum contract and a cost reimbursable contract, in terms of risk profile, should be considered. With this in mind, it is necessary to consider the characteristics of JFH, which are:

- High value project with a high risk profile borne out of the complexity of the design, its location and the low number of contractors in the marketplace who have the track record, skillset and risk appetite to deliver it;
- A high priority project objective to deliver the works contract within budget, hence the accepted recommendation of a design and build procurement strategy;
- Market testing the design based upon RIBA Stage 3 design information i.e. design will not be 100% complete; the market testing enables the GMS cost plan to be

tested at the earliest opportunity whilst arriving at a figure upon which to base a Contract Price. GMS would advise that following market testing of the RIBA Stage 3 design, 80% cost certainty would be achieved i.e. 80% of the estimated works cost would have been market tested at which point a comparison between the GMS cost plan and market tested works costs can be compared;

- An objective to drive buildability and innovation into the design, facilitated by early contractor engagement through a two-stage tender approach.

Based upon these characteristics, whilst a lump sum contract (Options A or B) creates a risk profile that leaves the Client with least risk, the underlying assumption is that the risk which has been allocated to the contractor (this will be included in the Contract Price for the works) is well defined and commercially quantifiable and the amount agreed by both the Client's team and the contractor. In the case of JFH this could be in the order of 5% to 10% of the Contract Price i.e. £12 million to £24 million. The reality is that on a project of this complexity, agreement of the contractor's risk contingency may be problematic, with the contractor incentivised to make this risk sum as large as possible for two reasons: firstly, to ensure that all anticipated risks that materialise will be covered commercially and secondly, to increase profit margin as all unspent risk money would remain with the contractor. Conversely, if it transpires during the course of delivering the works contract that the contractor's risk contingency is inadequate and will not cover the risks that are materialising, the contractor will be incentivised to seek other means of recovering their commercial position as it will be unacceptable to the contractor's Main Board to report a loss on this project. On a large hospital project in a relatively unique location, there will be plenty of opportunities for the contractor to seek ways of recovering their losses.

In consideration of this and the fact that a lump sum contract does not enable the client to benefit from contractor innovation – this would be to the contractor's benefit only under a lump sum contract – it is necessary to consider an alternative contract strategy that better addresses the allocation of risk and the allocation of savings borne out of contractor innovation.

An alternative contract strategy would be a Target Cost contract, which incorporates a Target Cost – this would be based upon the results of the market testing carried out during the RIBA Stage 3 design stage and would act as the control price for the work – and a Guaranteed Maximum Price (GMP), the sum at which the client's risk is capped.

The aim of the contractor and their supply chain is then to secure maximum value for money by completing the works as far below the target cost as possible through innovation and alternative design approaches. The contractor is awarded a pre-agreed percentage of any cost savings as a reward for their innovation; this is known as the 'gain share'. This contract strategy also has a mechanism that recognises the fact that events may occur that are the fault of neither the client nor contractor but which nonetheless might increase the project cost. In this case the additional costs are often shared between the contractor and employer; this is known as the 'pain share'. The

client's liability in this respect is limited by the introduction of a GMP, which represents the absolute limit of the client's liability unless the client causes the project to overspend by, for example, making scope changes to the work. In this event, the Target Cost and GMP would be uplifted to reflect the cost associated with the scope change.

Based upon these characteristics, whilst a lump sum contract (Options A or B) creates a risk profile that leaves the client with least risk, the underlying assumption is that the risk which has been allocated to the contractor (this will be included in the Contract Price for the works) is well defined and commercially quantifiable and the amount agreed by both the client's team and the contractor. In the case of JFH this could be in the order of 5% to 10% of the Contract Price.

In the case of JFH, the Target Cost could be set based upon 80% cost certainty achieved following the market testing of the RIBA Stage 3 design. Those risks that are considered best shared between the client and contractor would comprise the risk contingency; the total of the prices obtained through the market testing and the risk contingency would combine to form the Target Cost. For our initial allocation of the risks between client and contractor refer to the Risk Register at Appendix D. The risks identified reflect current information relative to mid-RIBA Stage 2 (Concept Design). This allocation of risk is GMS' proposal that will be tested with the appointed contractor during the PCSA period in association with Target Cost setting.

This approach recognises that the quantification of risks on a large, complex project is not straightforward and therefore provides a mechanism by which the realisation of those risks, that comprise the contract risk contingency, are shared between the two contracting parties. The client would still maintain a separately held contingency to cover those risks that are clearly owned by the client e.g. the risks associated with scope change. Similarly, those risks that are best managed by the contractor would be allocated accordingly and ring-fenced as being contractor owned and their materialisation would not therefore be a shared cost.

A Target Cost contract strategy would provide the contractual mechanism for equitably managing the risk, equitably distributing the savings associated with contractor innovation whilst meeting the client's objective, through the provision of a GMP, of achieving cost certainty. The role of the Technical Supervisors (set out in detail on Page 20) will be called upon to ensure that alternative designs proposed by the appointed contractor maintain the integrity of the specification and provide added-value as opposed to a cheaper solution.

It would therefore be GMS' recommendation to implement a Target Cost contract for the delivery of the works. Furthermore, we would recommend that the contractor's and subcontractor's contracts be back to back. This would encourage the incentivisation and risk sharing that is being advocated between client and main contractor to flow down through the supply chain. We would also recommend that the

partnering agreement (X12) is incorporated in the contract (refer to Section 10.1 – Setting the tone).

There is a more extensive role for GMS to carry out, should a target cost contract be selected, due to the audit requirements of this contract, which would require a full audit of the contractor's accounts to establish Actual Cost. The impact in association with the Cost Auditing is circa £100-150k to administer the Target Cost Contract above the existing cost plan allowance for Lump Sum under JCT or NEC Option A.

With regards to the Client's and Contractor's share percentages and share ranges, it would be our recommendation to request the tenderers to make their own proposals as part of the ITT, which would then be scored as part of the Qualitative submission. The Client's and Contractor's share percentages and share ranges would be tested and discussed with the SoJ client team ahead of the ITT being issued and this testing would inform our approach to scoring this element of the ITT. To this end, GMS are seeking financial advice from EY to carry out scenario tests to ascertain the optimum pain and gain percentages that seek to incentivise the contractor to innovate and in doing so achieve real cost savings whilst limiting the client's exposure in the event of the target cost being exceeded or over-paying the contractor for abnormally large savings achieved. In addition, legal advice on the proposed pain/gain share model is being sought from Shepherd & Wedderburn.

GMS' research into setting the share percentages and share range has led us to a paper written by an NEC expert, Jon Broome, who wrote on the subject of pain / gain share profiles as part of his post-doctoral research. The article included at Appendix E is the conclusion of Jon Broome's research paper and has been advocated as an aid to practitioners when thinking about setting the share percentages and share ranges under the target cost options of the NEC 3 family of contracts.

The proposed 5-Zone Model advocated by Jon Broome, will be tested with proposed fee percentages through the independent client cost supervisor EY, for pain/gain and agreed percentages over and below the target cost agreed to set the upper and lower limits of the zones.

During the PCSA period challenge to contractor pricing is through parallel costing and or end checks for packages. To bolster this cost review process a Technical Advisor will be appointed through GMS to ensure that consideration if given to the proposed contractors specification and buildability change proposals, any similar or approved suggestions to be accommodated within the NEC 3 Option A "Works Information" for the Lump Sum PCSA. The Technical Supervisor role will continue into the main contract under NEC 3 Option C but will not replace the formal role of the NEC Supervisor who carries different duties and powers.

### 11.3 Examples of ECC in Healthcare Projects

GMS have delivered a number of project and cost management commissions under The Designed for Life: Building for Wales Framework (DfL1) for Major Projects.

GMS are the Project and Cost Management consultants appointed to deliver the £350 million Specialist and Critical Centre, a 553 bed state of the art healthcare facility in Gwent, South Wales. This project is currently in RIBA Stage 4 and is due to open in 2021. This project is being delivered under a Design and Build procurement route using the NEC 3 Engineering and Construction Contract, Option C – Target Cost.

GMS were also appointed to deliver Project and Cost Management services on the £70 million Llandough Adult Mental Health Unit, in South Wales. This is a completed NEC 3 Engineering and Construction Contract, Option C – Target Cost. In addition, a two-stage tendering strategy was adopted enabling contractor and sub-contractor engagement during the design development (RIBA Stage 3) phase to offer buildability advice and ensure the better management of risks.

## 12. Project Timescales

See Gantt Chart Programme within Appendix G.

| | |
|---|---|
| Prior Information Notice | 29th June 2017 |
| PQQ issue | 30th June 2017 |
| PQQ response period | 4 weeks |
| Latest date for receipt of PQQ applications (the 'Deadline') | 28th July 2017 |
| PQQ evaluation / shortlisting period | 3 weeks |
| Approval of shortlist (notify applicants) | 18th August 2017 |
| Launch of ITT | 23rd August 2017 |
| ITT response period | 6.5 weeks |
| ITT latest date for receipt of tenders | 5th September 2017 |
| ITT tender evaluation | 4 weeks |
| Conduct interviews | 2nd and 3rd November 2017 |
| Notify results of tender evaluation | 8th November 2017 |
| 10-day standstill period ends | 22nd November 2017 |
| OBC, planning and funding approval | Late November 2017 |
| PCSA contractor appointed | Early December 2017 |
| PCSA commences | Mid December 2017 |

## 13. Scope of Work / Specification

Following its approval by Ministers, a site for the new hospital will be created by clearing a portion of the existing hospital site and augmenting it with key property acquisitions. This single site approach allows for the main hospital to be constructed in one phase, following relocation and decanting projects to clear Peter Crill House and Gwyneth Huelin Block. The single phase retains attractiveness to the construction market and allows safe ongoing operation of the existing hospital on the remainder of the Jersey General Hospital site.

On completion of the development the Granite Block will be retained to serve the new build hospital providing accommodation for corporate, admin and training departments. The residual site retained for future use by the Health and Social Services department; subject to a development control plan created in tandem with the outline planning application for the main hospital site.

The main hospital development will be supported by several decentralised services buildings. These have been designed to integrate fully with the design of the new hospital but will be delivered locally to minimise delivery timescales and to economically support the island industry.

The approach described herein, sets out our recommended procurement strategy for delivering JFH giving due consideration for achieving SoJ's project objectives set out in Section 1.2 – Core Objectives.

## 14. Evaluation Method

**PQQ & ITT**

**Step 1 – Assessment of Compliant Responses**
Responses will be checked by the nominated evaluator to ensure that all requirements of the PQQ / ITT have been met and that all documentation required to form a compliant response has been submitted.

**Step 2 – Individual Response Evaluation by Evaluation Panel**
The Evaluation Panel will be required to read, score and form the basis of their evaluation of each response in preparation for Step 3. The time allowed for the completion of this step will be proportionate to the number of responses received.

**Step 3 – Consensus Scoring Evaluation Meeting**
The Evaluation Panel are required to attend a meeting in order to discuss and evaluate each response. Evaluators will be required to justify their views on each response to the rest of the group and reconcile against a pre-agreed scoring rationale before a consensus score is awarded against each evaluation criterion. The outcome of the evaluation and all comments will be recorded using an Evaluation Matrix. The Evaluation Panel Lead will have the deciding 'vote' should there be disagreement within the panel.

**Step 4 – Clarification Period**
Should there be a need to seek clarification from Applicants, a period of time proportionate to the detail and volume of clarifications will be allowed. All clarification activity will be managed using the E-Portal.

**Step 5 – Interview (ITT Only)**
Interviews will be scored in accordance with that set out within this document.
The interview will be used to determine the outcome of the Tender process.

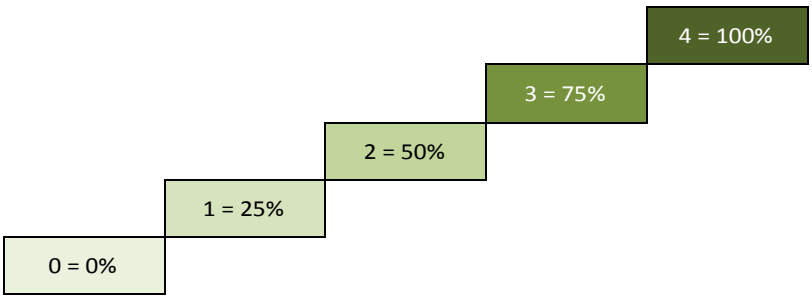
The interview will be scored using guidance to be produced by GMS.
All scoring will be done by consensus following the conclusion of the Interview.

It should be noted that the need to use different evaluators during the Interview may arise and therefore this strategy is seeking approval to do so if necessary.

**Step 6 – Approval of Shortlist of Tenderers (PQQ) Approval of ITT Outcome (ITT)**
On completion of the PQQ evaluation, a report will be presented to the Accounting Officer and Director of Strategic Procurement for approval before continuing to ITT stage. On completion of the Interview evaluation, an ITT evaluation report will be presented to the Accounting Officer, Director of Strategic Procurement and other key stakeholders for approval before continuing to appointment.

**Scoring PQQ and ITT Responses**
The PQQ and ITT will contain qualitative questions with weightings attributed to them.

Responses to the questions posed within the PQQ and ITT will be scored using a numerical 5 point scale, which converts into a normalised percentage score to be used for weighting and aggregation purposes as set out below.




Rationale behind the award of each score will be provided to the Evaluation Panel ahead of evaluation of responses.

**Evaluation of Commercial Criteria**
Prices will be gathered at ITT stage using pro-forma documents.

Each Commercial criterion identified within this document will be evaluated as a stand-alone price.

The lowest price will be awarded a score of 4.0 and the highest price will be awarded a score of 1.0. The remaining prices submitted will then be awarded a score between 4.0 and 1.0 in proportion to the difference in price to lowest and highest totals. This score will then be converted to a percentage similar to the Technical Evaluation where 4.0 is 100% of the available score and 1.0 is 25%.

**Evaluation of Acceptance of Terms and Conditions**

The project's legal advisor Shepherd & Wedderburn will lead on this part of the evaluation.

Tenderers responses to the ITT section relating to contract acceptance will be evaluated in terms of risk to SoJ and responses will be awarded a score between 0 and 4 in accordance with the following table:

| Score | Value | Guidance to Evaluators |
|---|---|---|
| Fail | non-compliant | Mark up submitted by the Tenderer proposes significant or widespread changes to the Mandatory Conditions identified in Section 8.5.1 of the ITT. |
| 0 | 0% | Mark up submitted by the Tenderer proposes changes to the Mandatory Conditions and/or other changes to the Contract that the Contracting Authority considers to represent a shift in the risk profile of the Contract that, whilst not wholly unacceptable to the Contracting Authority, are classed as "major". |
| 1 | 20% | Mark up submitted by the Tenderer proposes changes to the Contract that the Contracting Authority considers to represent a shift in the risk profile of the Contract that, whilst not wholly unacceptable to the Contracting Authority, are classed as "substantial". |
| 2 | 40% | Mark up submitted by the Tenderer proposes changes to the Contract that the Contracting Authority considers to represent a shift in the risk profile of the Contract that, whilst not wholly unacceptable to the Contracting Authority, are classed as "significant". |
| 3 | 60% | Mark up submitted by the Tenderer proposes changes to the Contract that the Contracting Authority considers to represent a shift in the risk profile of the Contract that, whilst not wholly unacceptable to the Contracting Authority, are classed as "minor". |
| 4 | 100% | Tenderer accepts the terms contained within the Contract or the mark up submitted by the Tenderer proposes changes to the Contract that the Contracting Authority considers to represent a benefit to the Contracting Authority. |

## 15. Evaluation Panel & Conflicts of Interest

Our proposed Evaluation Panel is set out in the table below. It is acknowledged that each member of the Evaluation Panel will be required to declare that they do not have any conflicts of interest and will not share any of the tender process information.

| Name | Role |
|---|---|
| Andrew Ross /Richard Guest | EY, Finance Support |
| Bernard Place | SoJ, Clinical Lead |
| Dan De La Cour | DFi, Procurement Lead |
| Graeme Le Sueur | SoJ, Facilities, Technical Lead |
| Mark Plenty | GMS, Technical Lead |
| Ray Foster | SoJ, Evaluation Panel Lead |
| Rhona Harper or Gareth Parry | S&W, Legal Review |
| Roy Short | GMS, HSPC |
| Stewart Rowney | GMS, Technical Support |
| Sven Howkins | GMS, Technical Support |
| Tom Brader | GMS, Finance Lead |

## 16. Due Diligence Process

Due diligence has been designed into every step of the procurement process.

The procurement process itself has been review and scrutinised by experts within their field, as referred to in Section 1 – Project Introduction and Background.

In terms of the due diligence designed into the selection criteria, the PQQ requires contractors to evidence their experience of delivering works contracts comparable in size, complexity and location to that of the proposed JFH. In addition, financial information will be required from contractors, and their preferred M&E subcontractor, at PQQ stage to ensure only those companies with the requisite financial standing are able to proceed through to the ITT stage.

Once appointed, the sub-contract tendering that will be carried out by the appointed main contractor will embrace the same level of due diligence that applies to the selection of the main contractor and their M&E services subcontractor i.e. requests for evidence of delivery capability in terms of size, scale and complexity of the works as well as the request for the submission of company financial information.

## 17. Key Performance Indicators

Key Performance Indicators (KPIs) were touched upon in section 12.1 – Contract Conditions, where it was explained that the ECC supports the implementation of KPIs. It is our intention

to include KPIs to measure the appointed contractor's performance; our approach in this respect will be to have one set of KPIs to measure the extent to which the appointed contractor adds value during the PCSA and another set to measure contractor performance during the construction stage.

The focus of KPIs during the PCSA will be on Risk Mitigation, Innovation leading to reduced costs (either capital cost or operating costs of the JFH) and buildability leading to reduced activity durations and/or safer methods of construction.

The focus of KPIs during the construction stage will be on Health & Safety, Communication, Delivery against Programme, Cost, Quality (Supervisor's reports will be used to measure this aspect) and engagement with Soft Landings methodology.

Specific KPIs and measurement techniques will be developed over the coming weeks and will be included with the ITT.

## 18. Roles / Responsibilities

| | Agreement on division of Primary Responsibility | | | |
|---|---|---|---|---|
| | GMS | EY | S&W | DfI |
| Project Board -establishment & management | | | | **X** |
| Market research | **X** | | | |
| Spend Analysis | **X** | **X** | | |
| Advise on Procurement Route options/Requirements | **X** | **X** | **X** | **X** |
| Provide Template for Procurement Strategy | | | | **X** |
| Advise/Recommendation re Procurement Strategy | **X** | | | |
| Complete Procurement Strategy | **X** | **X** | **X** | **X** |
| Sign off of Procurement Strategy | **X** | **X** | **X** | **X** |
| Advise on Terms & Conditions | **X** | | **X** | |
| Sign off on Terms and Conditions | **X** | | **X** | **X** |
| Advise/Recommendation re PQQ | **X** | | | **X** |
| Complete PQQ | **X** | | | |
| Sign off of PQQ | **X** | **X** | **X** | **X** |
| Advise potential suppliers | **X** | | | |
| Issue PIN | | | | **X** |
| PQQ Upload to eportal | | | | **X** |
| Management of PQQ Q&A on eportal | | | | **X** |
| PQQ Verification and Distribution from eportal | | | | **X** |

| | | | | |
|---|---|---|---|---|
| Provide Template for Pre-Qualification Evaluation | X | | | |
| Management of PQQ Evaluation and Evaluators | X | | | |
| Sign off of PQQ Evaluation | X | X | X | X |
| Provide Template for PCSA | | | X | |
| Advise/Recommendation re PCSA | X | X | X | X |
| Complete PCSA | | | X | |
| Sign off of PCSA | X | X | X | X |
| Provide Template for ITT | | | | X |
| Advise/Recommendation re ITT | X | X | X | X |
| Complete ITT | X | | | |
| Sign off of ITT | X | X | X | X |
| ITT Upload to eportal | | | | X |
| Management of ITT Q&A on Eportal | | | | X |
| ITT Verification and Distribution of responses from portal to evaluators | | | | X |
| Produce Template for ITT evaluation | X | | | |
| Management of ITT Evaluation and Evaluators | X | | | |
| Organisation of ITT Interviews and production of Interview information | X | | | |
| Produce ITT Evaluation Report | X | | | |
| Sign off of ITT Evaluation | X | X | X | X |
| Provide Template for Contract | | | X | |
| Advise/Recommendation re Contract | X | X | X | X |
| Complete Contract Preparation | | | X | |
| Sign off of Contract Content | X | X | X | X |
| Lead on Finalisation on Contract with Supplier | X | | X | |

## 19. Appendices:

# Appendix A – JFH Procurement Strategy for Jersey Future Hospital dated 1st March 2017

# Procurement Strategy Report

**For**

**JERSEY FUTURE HOSPITAL**

**Issue Date**

**1.03.2017**

*** This Page is Intentionally Blank ***

## Contents

***** This Page is Intentionally Blank *****

## Executive Summary

### Objectives of Report

Further to the issue of the Procurement Discussion Paper in September 2016, the objective of this report is to identify and discuss the various issues in designing a suitable Procurement Strategy for Jersey Future Hospital and to realise a suitable solution and recommendation.

### Summary of Recommendations

Following evaluation of the available information, it is recommended that the procurement strategy for the Jersey Future Hospital be based on the following:

| | | | |
|---|---|---|---|
| 1. | **Design Responsibility**: | The Contractor is to be responsible for the whole design. | |
| 2. | **Tender Strategy**: | Two-stage strategy. | |
| 3. | **Contract Strategy**: | Design and build. | |
| 4. | **Design Status**: | Contract Sum to be established at end of RIBA Stage 3 (Developed Design). | |
| 5. | **Number of Contracts**: | All relocation projects are to be procured separately and awarded to on-island Contractors.<br>The main hospital works are to be procured under a single contract to include demolition works. | |
| 6. | **Contract Conditions**: | JCT Design and Build Contract 2011 Edition amended to reflect Jersey Law and any specific risks that States of Jersey wish to transfer to the Contractor. | |
| 7. | **Novation**: | **Design**: | The Architectural, Structural and MEP designs to be novated to the Main Contractor at the end of RIBA Stage 3 (Developed Design) |

Detailed conclusions and recommendations are at Sections 8 and 9 of this report, respectively.

Notwithstanding our recommended Procurement Strategy, it will be necessary for the strategy to be regularly reviewed to reflect any emerging changes to States of Jersey's Project Brief, and the design as it is developed and more information about the Project becomes available.

***** This Page is Intentionally Blank *****

## Introduction

### Purpose of the Report

Deliverable 7 – Detailed Procurement Strategy

The objective of this report is to set out a considered procurement strategy for the Jersey Future Hospital project – Option F, located in St. Helier, Jersey. This report builds upon the Procurement Discussion paper issued by Gleeds in September 2016.

The strategy developed for Project procurement has resulted from objective assessments of States of Jersey's needs and the Project characteristics.

Our recommended Procurement Strategy provides a 'best-fit' solution based on our professional judgement; taking account of the identified procurement criteria, the acceptable distribution of risk, and that it will help States of Jersey achieve and demonstrate value for money.

In arriving at our recommendation, we have considered the procurement strategy under the following headings:

- Section 1: Project Definition.
- Section 2: Procurement Criteria.
- Section 3: Contract Strategy Options.
- Section 4: Contractor Selection.
- Section 5: Choice of Contract Conditions.
- Section 6: Risks and Responsibilities.

## Section 1: Project Definition

### 1.1 Project Outcomes

The briefing process has established a set of project parameters covering the key constraints and outcomes for the project.

From the full list of project parameters the success of the following elements will be influenced by the selection of the procurement strategy:

- The hospital is to be delivered within the funding envelope of £466 million.
- The hospital will be operational within seven to eight years;
- A high quality new build hospital will be delivered;
- The hospital will be delivered in one main construction phase.
- The safe operation of hospital will be maintained throughout

## Section 2: Procurement Criteria

### 3.1 Generally

3.1.1 The proposed construction works associated with the Jersey Future Hospital are complex with, potential for cost and time overruns or the finished buildings performing less well than planned. To minimise such risk, it is important to select a Procurement Strategy that matches the Procurement Criteria.

### 3.2 Primary Procurement Criteria

3.2.1 The three main criteria for the selection of procurement routes were considered – i.e. time, cost and performance (performance includes design and quality) – and their relative importance decided:

(1) **Time**: an earlier completion can be achieved if the construction works are able to commence before all elements of the design are completed. Contract strategies such as design and build, construction management and management contracting provide an overlap between design and construction phases, allowing construction to start earlier than sequential strategies and offer potential for earlier completion;

(2) **Cost**: with the exception of simple 'standard' buildings and certain 'design and build' strategies, a final construction cost cannot be established until the design is complete. Any overlap between design and construction means that construction starts before the cost is fixed. This increases the importance of accurate cost forecasting during the construction phase of the Project (i.e. is price or cost certainty required before the contract is let?); and

(3) **Performance (Design and Quality)**: the quality and performance characteristics required from the completed buildings determine both time and cost. Some procurement routes will reduce States of Jersey ability to control and make changes to the specification after the contract(s) have been let. Performance includes the function of the building, its quality and appearance and other factors such as durability, cost and flexibility (i.e. what level of control over performance do States of Jersey wish to retain?).

3.2.2 These three criteria are interdependent, consequently the selected Procurement Strategy accommodates and reflects the needs of States of Jersey. We have also considered the technical ability and resources, as well as the amount of control over the process which States of Jersey will wish to exert directly or through their Project Manager (Contract Administrator or Employer's Agent).

### 3.3 Secondary Procurement Criteria

3.3.1 In developing a suitable Procurement Strategy for the Jersey Future Hospital, we have also considered the following secondary, but important, objectives in addition to time, cost and performance:

(1) **Project characteristics (Complexity)**: The size, complexity and location of the Project have also been considered; with particular attention given to any novel elements.

(2) **Contractual relationships (Responsibility)**: Fewer contractual relationships should reduce risks associated with disputes.

(3) **Ability to make change (Variations)**: It is preferable to identify the total needs of the Project during the early design stages but this is not always possible. Changes in the scope of a Project very often result in an increased cost, especially if they arise during construction. Changes introduced after the design is well advanced or construction has

commenced often have a disproportionate effect on the Project, in terms of cost, delay and disruption, compared with the change itself. The design process goes through a series of 'design freezes' as it develops. It is recommended that States of Jersey, on the advice of their Design Team, set a final design freeze date after which no significant changes to requirements or design will be allowed.

Under the two stage approach we recommend that design freezes occur at the following key stages:

- Stage 1 Tender Information (forms the basis of tenderers initial costs)
- Stage 2 Contract Information

(4) **Risk management (Risk Avoidance)**: Different Contract Strategies allocate risk and responsibility in different ways.

(5) **Cost issues**: There are two issues:

(a) **Price certainty**: Influences the Project timing and the Contract Strategy which should be used. Generally, design must be complete if price certainty is required before construction commences.

(b) **Cost of changes**: If cost certainty is to be maintained during the course of construction; changes must be avoided. Changes often have cost and time implications on a Project well in excess of the change itself. It is important for States of Jersey, on the advice of the Project manager, to fix a date after which no significant changes will be introduced.

(6) **Resources**: Certain Contract Strategy would require States of Jersey through their Project Manager, to devote considerable time to the administration of a large number of contracts and agreements. Unless States of Jersey wish to employ additional resources, a strategy fewer contractual relationships is considered to be more appropriate.

(7) **Construction times:** Total construction time is a consequence of design. More complex buildings and structures will take longer given the same cost or size, and may require more resources. Although it is possible to work on site for extensive hours, subject to statutory requirement, or increase resources, it is not always possible to achieve directly resulting productivity. The law of diminishing returns will have an influence because of the limited space and nature of construction methods.

(8) **Buildability**: Is the early involvement of the Contractor required to help inform the design; to ensure what is being designed can actually be built. To what extent is Contractor design involvement required to set the performance and quality specification?

3.3.2 States of Jersey's procurement criteria important to deliver the Future Hospital project are considered to be as follows:

| No. | Procurement Criteria | Requirement |
|---|---|---|
| 1. | Time: | Maintenance of the existing programme. Certainty of Dates for Completion, and Occupation Dates. |
| 2. | Price Certainty: | Certainty of price is required before construction commences. |
| 3. | Cost of Changes: | Cost of changes must be reasonable. Under no circumstances must total costs exceed the authorised budget. |
| 4. | Performance (Design and Quality): | The specification for the Project will be of a relatively high, but not prestigious, standard. |
| 5. | Responsibility: | Minimum contractual links preferred. Reduction in the opportunity for disputes by having single point responsibility. |
| 6. | Variations: | The brief is to be well defined. It is unlikely that there will be major changes after construction commences. |
| 7. | Risk Avoidance: | Pass maximum, but controllable, risks to Contractor. |
| 8. | Buildability: | Design to be largely prepared before the Contractor is appointed. Some Contractor involvement in setting the design parameters and performance/quality criterion required, but States of Jersey wish to control the design for as long as possible. |

## Section 4: Contract Strategy Options

4.1 Different contract strategies provide different ways of allocating risk and responsibility to the organisations contributing to the Project. The main types of procurement routes appropriate to a Project of the size, complexity and value are summarised below:

(1) **Traditional** (Sequential): Design by the employer's consultants is completed before the Contractors are invited to tender for, then carry out construction;

(2) **Design and Build**: Detailed design and construction are both undertaken by a single Contractor in return for a lump sum price. Where a design is largely prepared before the Contractor is appointed, the strategy is called 'develop and construct'.

Consultants are appointed to design the Project to a certain stage, including securing any planning permission. Tenders are then invited from Contractors to develop and complete the design and construction of the building. This may be undertaken by the Contractor's own design team, or if design continuity is important, it may be stipulated that the design team originally appointed be transferred (in the case of external design consultants) to the Contractor, for completion of the design under the responsibility of the Contractor. This process is commonly known as 'novation';

(3) **Construction Management**: Design by the employer's consultants and construction overlap. A fee-earning construction manager defines and manages the works package. All contracts for work packages are between the employer and the works package Contractors. The final cost of the Project may only be accurately forecast when all work packages have been let;

(4) **Management Contracting**: Design by the employer's consultants and construction overlap. A management Contractor is appointed early to let elements of work progressively by works package Contractors (called 'work packages'). As with construction management, the final cost of the works can only be accurately forecast when the last package has been let; and

(5) **Design and Manage**: This is similar to management contracting, with the Contractor also being responsible for either the detailed technical design or managing the detailed technical design process.

4.2 The key advantages and disadvantages of each of the above contract strategy, together with a summary of advantages and disadvantages, are set out at [Annexes B and C] of this report.

4.3 On some projects it may be necessary to use more than one contract strategy to meet the Procurement Objectives.

4.4 The choice of Contract Strategy informs the contract conditions to be used.

## Section 5: Contractor Selection

### 5.1 Pre-Selection Procedure

5.1.1 The objective of this phase is to ensure genuine competition by identifying those Contractors that are capable whilst at the same time limiting the number of tenderers to avoid unjustified tendering and administrative costs.

5.1.2 Firstly, a 'Long List of Potential Contractors' is compiled from the following possible sources:

- Market intelligence gathered by the Project Manager and other Project Team members; and
- Details of Contractors who have serviced the Client well in the past.

5.1.3 The key criteria for selection of firms for the long list are:

- Experience in type of Project;
- Track record on similar Project; and
- Experience with the size and nature of Project envisaged.

5.1.4 When the 'Long List of Potential Contractors' has been fixed, a Pre-Qualification Questionnaire is sent to each Contractor.

5.1.5 When all Pre-Qualification information has been gathered, and evaluated, the Final List of Contractors to be invited to tender can be produced.

5.1.6 Contractors selected for the Final List will be advised, in writing, so that they can plan resources in readiness of the receipt of Tender Documents.

5.1.7 Those Contractors who are not included on the Final List will also be advised in writing.

### 5.2 Tender Strategies

5.2.1 Tender strategies can broadly be classified as either single-stage or two-stage. Both procedures can be based on selective completion or negotiation.

5.2.2 **Single-Stage Tendering:**

Single-stage tendering is the more traditional route, used when all the information necessary to calculate a realistic price is available when tendering commences:

- An invitation to tender is issued to prospective suppliers (perhaps following completion of a pre-qualification questionnaire and / or a pre-tender interview). The invitation to tender will include information describing the goods or services required in sufficient detail to enable prospective suppliers to prepare an accurate tender.
- Tenders are prepared and returned by prospective suppliers (this may involve questions and answers and a mid-tender review meeting to clarify the Client's requirements).
- Submitted tenders are then assessed and compared (this may involve further interviews).
- The preferred tenderer is selected and negotiations opened.
- Subject to the outcome of those negotiations the preferred tenderer may then be appointed.

5.2.3 **Two-Stage Tendering:**

Two-stage tendering is a procedure typically used to achieve an early appointment of a Contractor to a lump-sum contract. For the first-stage, the objective is to competitively appoint, on the basis of limited information, a preferred Contractor for further negotiation.

The first-stage competition is typically based on deliverables including a construction programme and method statement, detailed preliminaries pricing, and overheads and profit. The first-stage may also include the competitive tendering of some Work Packages, together with lump sums for pre-construction services, design fees, risk margins for work that will not be tendered in the second-stage, and so on. The first-stage usually concludes with the appointment of a Preferred Contractor (or a Preferred Bidder) on the basis of a Pre-Construction Services Agreement (PCSA) prior to the completion of a Contract at the end of stage-two.

The second-stage, which is typically managed as a negotiation between the Employer and the preferred Contractor relies upon competition between second tier Contractors (sub-contractors) for Work Packages. The second-stage is concluded with the agreement of a lump-sum contract sum, typically based upon the competitive tender of between 70% and 80% of the value of Work Packages.

This process clearly relies upon an element of co-operative negotiation during the second-stage. The abuse of a negotiating position during the second-stage can have a damaging effect on the conduct of the entire Projects and cannot be tolerated.

It is essential that an exit strategy is maintained should negotiations breakdown.

Two-stage tendering is adopted for a number of reasons, including:

- Achieving early appointment of the Main Contractor ahead of the completion of design, and potentially a quicker start on site.
- Securing the involvement of a Contractor for pre-contract services on a competitive basis, to obtain input on buildability, sequencing and sub-contractor selection.
- Retaining greater Client involvement in the pre-selection and appointment of sub-contractors.
- Motivating the design and construction team to drive out cost and to drive in value.
- Transferring a greater degree of design and other construction risk to the Contractor.

5.2.4 **Selective Tendering:**

Selective tendering only allows suppliers to submit tenders by invitation. A pre-selected list of possible suppliers is prepared that are known by their track record to be suitable for a contract of the size, nature and complexity required. They might then be asked if they would be interested in tendering for the contract, and then based on the responses received, a number of them invited to tender (generally no more than 6). From the tenders received, a preferred tenderer is selected based on criteria such as price and quality and negotiations entered into.

5.2.4 **Negotiated Tenders:**

Negotiated tendering occurs when the client approaches a single supplier based on their track-record or a previous relationship and the terms of the contract are then negotiated.

Negotiating with a single supplier may be appropriate for highly specialist contracts (where there may be a limited number of potential suppliers), or for extending the scope of an existing contract. It can give the client the confidence of working with a supplier they already know, can reduce the duration and costs of tendering and can allow early supplier involvement.

However, unless the structure of the negotiation is clearly set out there is the potential for an adversarial atmosphere to develop, even before the contract has been awarded. Carrying out negotiations in the absence of competition so that both parties feel the outcome is fair can be complex and time consuming.

## Section 6: Choice of Contract Conditions

6.1 There are three key aspects to the type of contract which may be adopted for the Project:

(1) The basis on which the price is to be sought (i.e. the pricing strategy);

(2) The basis on which payment is to be made to the Contractor; and

(3) The type of contract strategy selected (e.g. Contractor-led design, Client-led design).

6.2 Largely, there are considered to be two suites of standard contract conditions that will be both suitable for the Project and acceptable to [Insert name of Client organisation]. These are the:

(1) JCT 2011 suite of contract conditions; and

(2) NEC3 (Engineering and Construction Contract) suite of contract conditions.

6.3 We understand that in order to align either of the above forms of contract with Jersey Law that amendments would need to be incorporated. In addition to alignment with Jersey Law a schedule of amendments and supplemental clauses may need to be incorporated to reflect any additional risks which States of Jersey wish to transfer to the Contractor.

## Section 7: Risks and Responsibilities

7.1 There is a finite amount of risk and responsibility associated with any Project. From the decision to undertake the Project until its completion, States of Jersey will be uncertain about its outcome. Will it be finished on time? What will it finally cost? Will it perform as intended? It is the objective of a procurement strategy to limit and manage these risks as much as possible.

7.2 The uncertainties of time, cost and performance are the three main categories of risks that are present in every Project. Risks are usually considered as uncertain future events, which may have significant effects: e.g. extra cost, delay or damage to the performance of the finished Project. Having set the Project's Objectives, we have considered the effect of those objectives not being met and the resulting risks to which States of Jersey could be exposed.

7.3 Ideally, risk and responsibility should go together, so that the party responsible for performing a task is accountable. Each risk should be allocated to the party with the greatest ability to manage its effects. But responsibility for risk and the ability to control a Project interact. Consequently the more States of Jersey choose to allocate risk to the Contractor, the less control they will have over the way in which the Project is executed.

7.4 The way in which risk is allocated by different Contract Strategy is summarised at [Annex A] of this report.

## Section 8: Conclusions

8.1 For the successful delivery of the Future Hospital project, the States of Jersey require a Procurement Strategy that:

(1) Can maintain the existing programme and provide certainty of dates for completion and occupation;

(2) Gives best price certainty before construction commences;

(3) Permits valuation of changes at fair and economic rates and prices;

(4) Permits some Contractor-led design input into overall design, whilst allows the performance/quality specifications of important requirements in the Project to be controlled;

(5) Facilitates a relatively high, but not prestigious, standard of design and construction;

(6) Provides minimum contractual links, reducing the opportunity for disputes by having single point responsibility;

(7) Passes maximum, but controllable, risks to Contractor.

8.2 The Procurement Strategy also needs to:

(1) Allow the Contractor to manage the final stages of design development;

(2) Make the Contractor responsible for the co-ordination of the design, including building engineering services; and

(3) Facilitate a degree of works Contractor and supplier involvement in design development and product selection;

8.3 Our assessment of each potential Strategy, following discussion with the market has concluded the following:

(1) The traditional strategy is weak in meeting the requirements of time certainty, contractual responsibilities, risk avoidance and buildability.

The time involved in the team completing Stage 4 Technical Design prior to establishing a fixed price contract is considered to be prohibitive in maintaining the programme and achieving the cost targets (additional time has a direct impact on the costs due to inflation).

Additionally under this route the client would retain the risk of errors or omission in the design documentation. This provides less cost certainty even post contract award.

(2) Construction management, management contracting and design and manage are less suitable for the Project as the volume of risk retained by the client is considered to be too high.

Given the complexity of the packages and the risks associated with local rates and inflation (the project is island based over a long duration) retaining the risk of the packages is not considered viable.

(3) Design and build is considered to give the required certainty both on programme and cost grounds. When combined with a two-stage tendering approach we believe this will enable contractor input into buildability during the 1st stage and remove the barriers to entry the market may consider when compared to a single stage approach.

8.4 In reaching this conclusion we have spoken to a number of contracting organisations to understand their appetite for tendering for the project and the perceived barriers to entry / risks.

In order to balance the needs of the client with the appetite of the market we recommend a two-stage design and build route on the following grounds:

(1) Low barrier to entry. The market is nervous of the large costs associated with tendering a project of this nature with the potential for no cost recovery. Under a two stage approach we are able to competitively tender a number of key elements with minimal costs to the Contractor body such as:

a. Overheads and Profit
b. Preliminaries
c. Risk
d. Pre-Construction Services

The competitively tendered Pre-Construction Services Agreement (PCSA) will need to be specific to ensure that the client gets maximum benefit from the earlier involvement of a Contractor. Agreement of a fee for the PCSA responds to the markets concern over abortive costs and also gives a strong signal to the market that the project is funded and will move forwards.

(2) Early Contractor input. In order to benefit from the markets real time knowledge of projects of this nature it is important to get this engagement early in the process. Through this approach the Contractor can influence the design and assist the team in delivery of practical and economic solutions (avoiding challenge later in the process which may result in abortive work and delay).

(3) Maintaining the project programme. The programme has been established on the basis of contract award prior to completion of Stage 4 (Technical Design). Should this be reversed we consider that the project would extend and additional costs result.

The overall project duration is considered to be most efficiently managed by involving a contractor early in the process, allowing the Contractor to gain both confidence and understanding of the scheme.

(4) Achieving cost certainty. Design and Build enables a fixed price lump sum to be reached, we note however that confidence around this should not be assumed until the conclusion of the Stage 2 process.

During Stage 1 the project will benefit from the buildability input of the contractor ensuring design development does not add unnecessary cost. At the conclusion of Stage 2 cost certainty can be achieved (subject to post contract variations).

8.5 We note that the success of this Procurement Strategy will be impacted upon by the following key areas that will require careful management at the next stage:

(1) Preparation of a robust Stage 1 tender document that requires contractual commitment to key elements of the project i.e. OH&P, Preliminaries.

(2) Clarity on the Pre-Construction Services agreement to ensure the Contractor is committed to clear deliverables

(3) Consideration of an exit strategy at Stage 2. It is possible that the Contractor seeks to exploit their position as a single source bidder during the 2nd stage and builds risk into the Stage 2 bid. In order to keep the Contractors bid competitive we would wish to consider how an alternative Contractor could be involved should the relationship between Client and Contractor break down at the end of the 2nd Stage.

8.6 Regarding which form of contract to use, we believe that the JCT 2011 suite of Standard Forms of Contract are best suited to States of Jersey. However, the Standard Contract Conditions will need to be amended to reflect Jersey Law and the risks that the client wishes to transfer to the Contractor.

## Section 9: Recommendations

9.1 Based on States of Jerseys Project Brief, together with our evaluation of the different Contract Strategies against the Procurement Objectives, consideration of our Clients Project needs and our own professional judgement, we would recommend the following Procurement Strategy for the Future Hospital project:

| | |
|---|---|
| **Contract Scope:** | One single contract for the Main Hospital Works. |
| **Design Responsibility:** | RIBA Stage 3 (Developed Design) to be concluded prior to Contract Award<br><br>*Note:*<br>*Design brief and performance/ quality specifications (i.e. Employer's Requirements) for important requirements in the Project are fully and unambiguously defined before inviting bids.* |
| **Pre-Selection Procedure:** | Pre-Qualification Questionnaire. |
| **Tender Strategy:** | Two-stage.<br><br>*Note:*<br>*Contractor subscribes to Pre-Construction Services Agreement; Full Contract Award following sign-off of RIBA Stage 3 design by States of Jersey. This allows maximum control over design and specification by the Client.* |
| **Number of Contractors to Tender:** | TBC (dependent on market response to PQQ) |
| **Tender Period:** | TBC |
| **Contract Strategy:** | Design and Build |
| **Basis of Invitation Documents:** | Employer's Requirements, incorporating design brief, performance/quality specifications, drawings, planning consent, and all other supporting information. |
| **Design Consultants:** | Principal design consultants to be novated to the Contractor at award of contract. |
| **Contract Conditions:** | **Main Contract**: JCT Design and Build Contract 2011 (DB); with amendments to the contract clauses and supplemental contract clauses to Clients requirements. |
| **Pricing Strategy:** | Fixed price lump sum |

| | |
|---|---|
| **Risks and Responsibilities:** | Contractor risks to be transferred via the Contract Conditions and pricing strategy. |
| **Compliance Monitoring:** | By retained members of the design team (to act as Employer's Compliance Team). |

9.2 Notwithstanding our recommended Procurement Strategy, it will be necessary for the Strategy to be reviewed in the light of emerging changes to the Project Brief and the design as the design is developed and more information about the Project becomes available.

***** This Page is Intentionally Blank *****

## Annex A: Contract Strategies – Primary Risks

| Procurement Route | Time | Cost | Performance |
|---|---|---|---|
| (a) | (b) | (c) | (d) |
| **Traditional** | Fixed, but extensions of time possible due to employer and Designer initiated changes. | Fixed, but subject to change where design changes are made, where inflation occurs or where Contractor is alleged to have grounds for contractual claim for direct loss/and or expense. | Designed by employer's consultants. Quality set by contract documents (i.e. drawings and specification). |
| **Design and Build** | Fixed, but extensions of time possible due to employer initiated changes. | Fixed, but subject to change where design changes are made, where inflation occurs or where Contractor is alleged to have grounds for contractual claim for direct loss/and or expense. | Design by Contractor but with varying degrees of design input by Employer. Quality is defined by 'Employer's Requirements' (drawings and specification). |
| **Construction Management** | Not fixed by Contract. | Not fixed before commencement of construction works. | Designed by Employer's consultants. Quality set by contract documents (i.e. drawings and specification). |
| **Management Contracting** | | | |
| **Design and Manage** | | | |

## Annex B: Contract Strategy Options – Advantages and Disadvantages

| | | Contract Strategies | | | | |
|---|---|---|---|---|---|---|
| **Ref** | **Criteria** | **Traditional** | **Design and Build** | **Construction Management** | **Management Contracting** | **Design and Manage** |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 1. | **Competition** | **A:** Competitive fairness, as all Contractors price the same Project. | **A:** Competitive fairness in that all Contractors tender on same information.<br>**D:** Does not make use of competitive bidding where prospective builders bid on the same design. | **A.** Each work package let competitively. | **A.** Each work package let competitively. | **A.** Each work package let competitively. |
| 2. | **Bids** | **A:** Bids easy to compare, as all based on the same information. | **D:** Bids are difficult to compare since each design programme and cost will vary. | | | |
| 3. | **Design Management** | | **D.** Few Contractors fully understand their responsibility to manage and co-ordinate design. | | | **D.** Few Contractors fully understand their responsibility to manage and co-ordinate design. |
| 4. | **Contractual Relationships** | **A:** Employer has direct contracts with all consultants as well as Contractor – gives control.<br>**D:** Large number of contractual relationships, as discrete contracts required for all consultants and the Contractor – increasing risk to employer. | **A:** Employer has direct contract with only the design and build Contractor.<br>**D:** Employer has no direct relationship with the design consultants or the work package Contractors and it is, therefore, difficult for the employer to recover costs if they fail to meet their obligations. | **A:** Employer has direct contracts with all consultants, the contract manager and all work package Contractors. Consequently, the employer makes all payments to them.<br>**D:** Needs informed proactive employer in order to operate procurement method. | **A:** Employer has direct contracts with all consultants as well as the management Contractor<br>**D:** Employer has no direct relationship with the design consultants or the work package Contractors and it is, therefore, difficult for the employer to recover costs if they fail to meet their obligations. | **A:** Employer has direct contracts with only the design and manage Contractor.<br>**D:** Employer has no direct relationship with the design consultants or the work package Contractors and it is, therefore, difficult for the employer to recover costs if they fail to meet their obligations. |

| | | Contract Strategies | | | | |
|---|---|---|---|---|---|---|
| **Ref** | **Criteria** | **Traditional** | **Design and Build** | **Construction Management** | **Management Contracting** | **Design and Manage** |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 4. | **Contractual Relationships (Cont'd…)** | | | **D:** Relies on very good quality team. | **D:** Relies on very good quality team. | |
| 5. | **Design Liability** | **A:** Design liability rests with the employer**.**<br>**Note:**<br>With the exception of any portion of the design carried out by the Contractor (e.g. Contractor Design Portion or Contractor Designed Works); the design liability for such works rests with the Contractor. | **A:** Design liability rests solely with the Contractor**.**<br>**D.** Design liability is limited by the contract conditions.<br>**Note:**<br>Contractor contracts to design to the same standard 'as would an architect if the employer had engaged one direct', | **A:** Design liability rests with the employer**.** | **A:** Design liability rests with the employer**.** | **A:** Design liability rests solely with the Contractor**.** |
| 6. | **Quality** | **A:** Design-led, facilitating high level of quality in design.<br>**D:** Over use of unclear performance specifications can undermine design quality. | **D:** Difficulties can be experienced by employers in preparing an adequate design brief (i.e. Employer's Requirements.<br>**Note:**<br>It is very important, therefore, that the design brief and performance/ quality specifications (i.e. Employer's Requirements) for important requirements in the Project are fully and unambiguously defined before inviting bids. | **D:** Need for good quality design brief from employer. | **D:** Need for good quality design brief from employer. | **D:** Employer loses direct control over the design quality. |

| | | Contract Strategies | | | | |
|---|---|---|---|---|---|---|
| **Ref** | **Criteria** | **Traditional** | **Design and Build** | **Construction Management** | **Management Contracting** | **Design and Manage** |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 6. | **Quality (Cont'd…)** | | **D:** There is no design overview unless separate consultants are appointed by the employer for this purpose.<br>**Note:**<br>Employer's Compliance Team | | | |
| 7. | **Price Certainty** | **A:** Reasonable price certainty.<br>**D:** Often abused when design is not complete, resulting in less price certainty (e.g. over-use of provisional sums to address shortcomings of consultants' design). | **A:** Price certainty is obtained before design is completed and construction commences.<br>**Note:**<br>Provided that the employer's requirements are adequately specified and changes are not introduced. | **A:** There is some evidence that this procurement method results in lower prices because of improved cash flow certainty (i.e. the employer makes payments direct).<br>**D:** No price certainty achieved until the last work package has been let.<br>**Note:**<br>Administrative burden to the employer of processing large numbers of payments (extra administrative costs may be incurred). | **D:** No price certainty achieved until the last work package has been let. | **D:** No price certainty achieved until the last work package has been let. |

| | | Contract Strategies | | | | |
|---|---|---|---|---|---|---|
| **Ref** | **Criteria** | **Traditional** | **Design and Build** | **Construction Management** | **Management Contracting** | **Design and Manage** |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 8. | **Changes** | **A:** Relatively easy to value when pricing strategy based on bill of quantities. | **D:** Can be expensive (when compared to other procurement methods). | **A:** Can be accommodated, without paying a premium, provided that work packages affected have not been let and earlier work packages let are not too adversely affected. | **A:** Can be accommodated provided that work packages affected have not been let and there is little or no impact on those already let. | **A:** Can be accommodated provided that work packages affected have not been let and there is little or no impact on those already let. |
| 9. | **Buildability** | **D:** No buildability input by Contractor (except for aspects of Contractor designed work). | **A:** Buildability potential is inherent. | **A:** Buildability potential is inherent. | **A:** Buildability potential is inherent. | **A:** Buildability potential is inherent. |
| 10. | **Time (Programme)** | **D:** Overall programme is likely to be longer than for other strategies, as there is no parallel working (i.e. overlap of design and construction). | **A:** Reduced overall programme possible due to overlapping of design and construction. | **A:** Time saving potential for overall Project time due to overlapping of design and construction – i.e. parallel working is inherent.<br>**D:** Time and information control is required. | **A:** Time saving potential for overall Project time due to overlapping of design and construction – i.e. parallel working is inherent. | **A:** Early completion possible due to overlapping of design and construction. |
| 11. | **Relationships** | **D:** Potentially adversarial. | | **A:** Breaks down traditional adversarial barriers (as Contractor part of the employer's team). | **A:** Breaks down traditional adversarial barriers.<br>**D:** Removes resistance to financial claims from work package Contractors (i.e. because there is no 'benefit' in the management Contractor to robustly challenge). | |

| | | Contract Strategies | | | | |
|---|---|---|---|---|---|---|
| **Ref** | **Criteria** | **Traditional** | **Design and Build** | **Construction Management** | **Management Contracting** | **Design and Manage** |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 11. | **Relationships (Cont'd …)** | | | | **D:** Management Contractor may become no more than a 'post box'. | |
| 11. | **Accountability** | **A:** Satisfactory in terms of accountability. | **A:** Satisfactory in terms of accountability. | **A:** Satisfactory in terms of accountability. | **A:** Satisfactory in terms of accountability. | **A:** Satisfactory in terms of accountability. |
| 12. | **Risks** | **D:** Limited opportunity to transfer risks to Contractor.<br>**D:** Strategy often abused as a result of incomplete design, resulting in an inordinate number (and value) of provisional sums and the inherent risks associated with them. | **D:** Inadequate design brief and performance/ quality specifications (i.e. Employer's Requirements).<br>**D:** By transferring design liability to the Contractor, the employer loses some control over the Project.<br>**D:** Employer required to commit to a contract before the detailed technical design of the Project is completed. | **A:** Clarity of roles, risks and relationships for all participants. | **A:** Clarity of roles, risks and relationships for all participants.<br>**D:** Management Contractor often acts no more that a post box.<br>**D:** No pressure on management Contractor to validate or contend claims received from work package Contractors. | **A:** Contractor assumes risk and responsibility for the integration of design with construction.<br>**D:** No pressure on design and manage Contractor to validate or contend claims received from work package Contractors. |

*** End of Procurement Strategy Report ***

# Appendix B – Procurement Discussion Paper dated September 2016

# JERSEY FUTURE HOSPITAL PROJECT

## PROCUREMENT DISCUSSION PAPER

SEPTEMBER 2016

gleeds

Future Hospital

New hospital services for a healthier Jersey

# Jersey Future Hospital Project

| GLEEDS PROJECT CONTROLS | | | | |
|---|---|---|---|---|
| Originators | | | | |
| MJM | Hassell | Arup | Gleeds | Other |
| ☐ | ☐ | ☐ | ☒ | ☐ |
| Project QA | | | | |
| Gleeds | | | | |
| Document Status | Approved | ☐ | WIP | ☒ |

## Redevelopment of Jersey General Hospital

## Procurement Discussion Paper

Project reference: TBC

Version: 2

Issue Date: 2nd September 2016

Author: Mike Penny

Client: States of Jersey

Client SRO: John Rogers

Client Project Director Delivery: Will Gardiner

Document number: To be confirmed

## Document Control

**Revision history**

| Revision No | Previous revision no | Revision date | Summary of changes | Produced by |
|---|---|---|---|---|
| 2 | NA | 2nd September 2016 | Base document | M Penny |

**Approvals**

| Name | Signature | Title / Role | Date Issued | Version Approved |
|---|---|---|---|---|
| Terry Langdon | | Director | 2nd September 2016 | 2 |

**Distribution**

| Name | Tile / Role | Date issued | Version | Status |
|---|---|---|---|---|
| Will Gardiner | Project Director - Delivery | 2nd September 2016 | 2 | Draft |

| Originator and Status | | | | | |
|---|---|---|---|---|---|
| **Ref** | **Author** | **QA by** | **Issue date** | **Status** | |
| | Mike Penny | T Langdon | 2nd September 2016 | For Approval | |

| Gleeds Assurance and release | | | | | |
|---|---|---|---|---|---|
| **Gleeds Ref** | **Assurance** | **Release Date** | **Technical Review** | **Full review** | **Final** |
| | | | ☒ | ☐ | ☐ |

| For review by | | | | |
|---|---|---|---|---|
| **Contracting Authority** | **Client Dept** | **EY** | **Other** | **Requested Return Date** |
| ☒ | ☐ | ☐ | ☐ | |

## Contents

# 1. Executive Summary

This discussion paper outlines some of the key questions required to be resolved to support the procurement of the Jersey Future Hospital project.

The document offers those attending the procurement workshop an overview of the key topics to discuss and review prior to attending to ensure the best level of input across the team.

Whilst this paper offers an summary on the procurement solutions available and gives some guidance as to the risks and benefits involved with each the collaborative aspect of the procurement workshop will ensure a broad input from client, stakeholders and consultants.

The stages to follow are to scope the detailed procurement strategy (agree which aspects of the total project will be included and the nature of the procurement), selection of contract and tender strategy (as multiple contract and tender strategies can respond to one procurement approach) and assessment of risks and programme impact at each stage.

The onward appointment of the consultant team to facilitate both the procurement, design and delivery of the Future Hospital project should be addressed to support the chosen procurement route and minimise the programme delay. The existing programme assumes significant parallel working to the benefit of the project but continuity of service is paramount to maintaining this.

How to deploy the best level of on island resources to maximise the benefit to the island economy without impacting the programme or creation of a market 'bubble' on the island (or perhaps without enhancing the projects risks by undertaking the work in a fragmented way or using contractors / suppliers that lack track record or experience in the type of project or construction method) should be considered in detail.

This discussion paper does not consider, at this stage, the relocation projects nor the ongoing procurement of the Lead Advisor Team.

Once approved the discussion paper will form the basis for the Agenda of the Outline Procurement Workshop and the contents herein utilised to support the facilitated discussion, provide evidence for the outcome of the workshop and ultimately the basis of the Outline Procurement Strategy to be presented to the Project Board and FHPOG for approval.

## 2. Scope of the Procurement Strategy

To address the issues prior to the procurement workshop some high-level matters require resolution, first the scope of the procurement should be addressed as the nature of the overall management of the project and the delivery mechanisms utilised will be influenced by this. The aspects of the total project to be considered in the procurement include:

- The preferred hospital site (New Build)
- The relocation projects (permanent and temporary)
- The critical local infrastructure changes required (Enabling works)
- Demolition of the Existing Hospital Site
- Equipment (Advanced Procurement)

The bespoke nature of construction projects increases the inherent risks including for example; completing a project that does not meet needs, is delivered late or costs more than the client can pay or fund. The procurement strategy developed should balance risks against project objectives at an early stage. The key criteria listed below are interdependent and often in tension:

- Time (speed or certainty of completion date)
- Cost (value, target cost or cost certainty)
- Quality (Aesthetic, functionality or performance)

The procurement strategy will continue to be tested against emerging design and hospital strategies against the following project parameters previously accepted by the Project Board:

- That the safe operation of hospital will be maintained throughout;
- That the hospital will be located on the Jersey General Hospital site
- Additional properties on Kensington Place will be acquired;

- That the hospital will be operational within 7-8 years;
- That the hospital will be delivered at a comparable cost to new build site options; within what is now understood to be £465 million.
- That some flexibility in Planning Policy will be tested;
- Some operational compromise will be accepted to support the spatial constraints;
- A high quality new build hospital will be delivered;
- That there will be support for the release of adequate on site area;
- That the hospital will be delivered in one main construction phase.

Emphasis on only one of the criteria will have a negative effect upon the others. The procurement strategy will therefore help determine which criteria are most important and which could constitute the greatest risk. In most cases the priorities of the projects will fall into two of the three criteria identified as most important to project success. It is rare for time, cost and quality to be equal in impact.

In order to gain the maximum insight and benefit from the outline procurement report (forming part of Deliverable 3) the outline procurement workshop will undertake a review of this proposal to gain key stakeholders input and support their understanding of the following key aspects;

- Design Liability; the process of assignment of design liability and the risks and benefits associated with potential transfer of responsibilities at various points in the programme, combined with the need of the complex project logistics driving the need to gain early contractor involvement to delivery maximum buildability.
- Contracting strategy; the method of procurement, its form and the key benefits and risks associated with choosing a particular route. Additionally agreement needs to be sought on the assessment of the preferred route (via a weighted evaluation tool)
- The implications of a decision to potentially follow EU procurement regulations, understanding of the governance procedures for the states of Jersey and consideration of the external factors influencing the strengths, weaknesses, opportunities and threats to the procurement.
- Tender Strategy; assuming a commercial assessment route for the tender the implications of single or two stage tendering
- The next steps and longer term programme for the Outline Procurement Strategy and its implications of the programme and subsequent deliverables.
- How risks and the costs associated with them are shared between the contractual parties within the various procurement routes.

## 3. Design Liability

Generally a significant driver in selecting a procurement strategy is which party will be liable for the design and at what point will the take ownership of this strategy. Obvious choices for the owners of the design liability are:

- The Contractor
- The Client
- Shared
- The Design Team

Consideration as to at what point will the design liability be passed to the contractor should be made, this will influence who holds the design risk but not its existence. The selected procurement and contract strategies should support the design to be transferred at the appropriate point during the project.

For projects with a complex and client led design the liability would be best held by the end user, (the client in most situations) until the level of design has reached a point at which the end user can agree the design meets their needs.

The table below offers an indication of the key risks and benefits associated to transfer of responsibilities of the design from the consultant team to the contractor following each of the RIBA work stages.

## 4. Design Liability – Risks and Benefits

| Transfer design after RIBA Stage: | Risks associated with transfer of responsibilities: | Benefits associated with transfer of responsibilities: |
|---|---|---|
| 0 – Strategic Definition | Client has not defined brief, understanding of hospital requirements limited and therefore design outcome uncertain to meet complex technical and practical requirements.<br><br>It works for warehouses but not for hospitals unless procurement supports a complex client / contractor relationship in which risk would be shared in any event.<br><br>Contractors may be adverse to high level of risk associated with incomplete design, this would relate specifically to elements such as ground conditions and planning constraints.<br><br>The procurement and design process cannot be over-lapped leading to prolongation of programme<br><br>Creating a competitive structure for the tender (particularly if a two stage tender is undertaken) will be difficult as basis of comparison difficult to ascertain. | **Client can transfer a large proportion of the risk**<br><br>**Contractor will have a great deal of input into the design, which may support improved buildability.**<br><br>**Enduring relationship with the client / contractor can be procured, although cost of procurement will be higher.** |
| 1 – Preparation & Brief | Client brief does not predict design interrelationships and therefore these may be compromised later as the design develops.<br><br>Interpretation of the brief may differ across contracting organisations and therefore tender comparison may be challenging<br><br>Planning risk remains challenging to transfer at this stage as only pre-application discussions would be concluded. | **Client can transfer a large proportion of the risk**<br><br>**Contractor will have a great deal of input into the design, which may support improved buildability.**<br><br>**A two stage tender could create a 'contractors proposals' response to the brief, although this would be costly and may create a barrier to entry for some organisations** |
| 2 – Concept Design | Whilst space planning is largely completed definition of room level elements will be incomplete, in a functional space these aspects often have a large impact on the client / end user. | **Procurement and design phase can now be over-lapped, with potential for early contractor involvement (via a pre-construction agreement)** |

| | | |
|---|---|---|
| | Loss of control over this would be a detriment to the end product<br><br>Planning risk remains but pre-application discussion now completed.<br><br>Consultant's commitment to contract may wain as they will rely too heavily on the Contractor.<br><br>Limited level of cost fixity for the client at this stage so pricing risk remains (only able to fix overheads, profit and some preliminary items) | **Optimal stage for two stage tendering, reducing barrier to entry and improving competitive aspect of procurement.**<br><br>**Contractor can input into design and supply chain going into detailed design.**<br><br>**Opportunity to assess Contractors performance before committing to full works contract** |
| 3 – Developed Design | Impact of early contractor involvement can be limited, but design team need to be challenged and two stage tender can support this. | **Scheme is clearly defined and agreed by the client stakeholders, level of design promotes understanding and correlation with brief.**<br><br>**Planning issues clear and resolved**<br><br>**Design risks can be more clearly defined and therefore management plans agreed.**<br><br>**Two stage tendering and early contractor involvement supported.**<br><br>**Improved cost fixity is available at this stage offering the client with a clearer understanding of funding requirements and the ability to have greater control over value management.** |
| 4 – Technical Design | Few design consultants have the detailed technical knowledge of tier 2 and 3 design detailing to complete this stage of design; but control of concept and brief key to success of project.<br><br>Client bears design risk for prolonged period.<br><br>Early contractor involvement may not be beneficial as contractor has less vested interest to ensure construction economies.<br><br>Lack of flexibility in design by creating a fixed single stage handover creates risks for complexity of incorporation of later changes.<br><br>Longer overall programme as no opportunity for parallel working (design needs to be fixed before procurement starts).<br><br>Lack of early contractor involvement will be a barrier to entry for many contracting organisations. | **Client has improved control over value management and a fixed price can be achieved.**<br><br>**Once project is tendered the risk ownership is very clear.**<br><br>**Completed design may allow greater utilisation of on island contractors.** |

## 5. Is Early Contractor Involvement needed?

The limited soft market testing carried out to date has indicated that contractors feel that being involved in the early stages of the design would be beneficial to the project, this would allow critical input into the following:

- Utilisation of on island contractors
- Tier 2 and 3 procurement solutions
- Programming and planning
- Suitability for pre-fabrication
- On site Construction Methods

At what stage should the contractors be involved needs review as part of the procurement workshop, whilst involvement is possible at a very early stage the contract and tender strategy needs to support this inclusion.

This would be then supported by further more formal soft market testing during the completion of Deliverable 7 the detailed procurement strategy.

## 6. Contracting Strategies

Once the level of procurement to be included has been decided the type of procurement can be reviewed for its suitability for use to serve the varying project interdependencies. At the highest-level choices for procurement strategy include:

- Traditional / Construct only
- Construction Management
- Design and Build
- Design, Construct and Maintain
- Design, Construct, Maintain & Operate
- Design and Manage

Dependant on the requirements of the States of Jersey to incorporate various aspects of the project into the procurement and the over-arching programme of these elements each of these procurement choices will have a varying benefit. These benefits should be assessed as part of the procurement workshop for each of the strategies prior to selection of a preferred route. Alongside this the procurement strategy should reflect the level of work provided by contractors and suppliers on island as opposed to off island.

The design liability implied by each of these options has an influence on which of the parties holds the design risk within each strategy.

The risks that would or could be transferred as part of the procurement can be considered for each procurement, contract and tender strategy, generally the earlier the design is transferred the greater proportion of this risk is shed to the contractor, this however also leads to loss of control of the design and can impact quality elements of the project.

The States of Jersey should consider the existing risks they hold and define which is best managed by each party during the project process. This would then support the type of procurement, contract and tender strategy they deploy to facilitate this.

What new risks are created by the procurement should be captured and the influence upon the existing risks should also be assessed.

Our initial assessment of primary risks, advantages & disadvantages and a proposed method of evaluation are in the following pages;

## 7. Contract Strategies – Primary Risks

| Contract Strategy | Time | Cost | Performance |
|---|---|---|---|
| (a) | (b) | (c) | (d) |
| **Traditional / Construct only** | Fixed, but extensions of time possible due to Employer and Designer initiated changes. | Fixed, but subject to change where design changes are made, where inflation occurs or where Contractor is alleged to have grounds for contractual claim for direct loss/and or expense. | Designed by Employer's consultants. Quality set by Contract Documents (i.e. drawings and specification). |
| **Design and Build**<br>**(including Maintain and Operate solutions)** | Fixed, but extensions of time possible due to Employer initiated changes. | Fixed, but subject to change where design changes are made, where inflation occurs or where Contractor is alleged to have grounds for contractual claim for direct loss/and or expense. | Design by Contractor but with varying degrees of design input by Employer. Quality is defined by 'Employer's Requirements' (drawings and specification). |
| **Construction Management** | Not fixed by Contract. | Not fixed before commencement of construction works. | Designed by Employer's Consultants. Quality set by Contract Documents (i.e. drawings and specification). |
| **Management Contracting** | | | |
| **Design and Manage** | | | |

# 8. Contract Strategies – Advantages and Disadvantages

| | | Contract Strategies | | | | |
|---|---|---|---|---|---|---|
| **Ref** | **Criteria** | **Traditional / Construct only** | **Design and Build (including Maintain & Operate Options)** | **Construction Management** | **Management Contracting** | **Design and Manage** |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 1. | **Competition** | **A:** Competitive fairness, as all Contractors price the same project. | **A:** Competitive fairness in that all Contractors tender on same information.<br>**D:** Does not make use of competitive bidding where prospective builders bid on the same design. | **A.** Each Work Package let competitively. | **A.** Each Work Package let competitively. | **A.** Each Work Package let competitively. |
| 2. | **Bids** | **A:** Bids easy to compare, as all based on the same information. | **D:** Bids are difficult to compare since each design programme and cost will vary. | | | |
| 3. | **Design Management** | | **D.** Few Contractors fully understand their responsibility to manage and co-ordinate design. | | | **D.** Few Contractors fully understand their responsibility to manage and co-ordinate design. |

| | | Contract Strategies | | | | |
|---|---|---|---|---|---|---|
| **Ref** | **Criteria** | **Traditional / Construct only** | **Design and Build (including Maintain & Operate Options)** | **Construction Management** | **Management Contracting** | **Design and Manage** |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 4. | **Contractual Relationships** | **A:** Employer has direct contracts with all Consultants as well as Contractor – gives control.<br>**D:** Large number of contractual relationships, as discrete contracts required for all Consultants and the Contractor – increasing risk to Employer. | **A:** Employer has direct contract with only the design and build Contractor.<br>**D:** Employer has no direct relationship with the design Consultants or the Work Package Contractors and it is, therefore, difficult for the Employer to recover costs if they fail to meet their obligations. | **A:** Employer has direct contracts with all Consultants, the contract manager and all Work Package Contractors. Consequently, the Employer makes all payments to them.<br>**D:** Needs informed proactive Employer in order to operate procurement method.<br>**D:** Relies on very good quality team. | **A:** Employer has direct contracts with all Consultants as well as the management Contractor<br>**D:** Employer has no direct relationship with the design Consultants or the Work Package Contractors and it is, therefore, difficult for the Employer to recover costs if they fail to meet their obligations.<br>**D:** Relies on very good quality team. | **A:** Employer has direct contracts with only the design and manage Contractor.<br>**D:** Employer has no direct relationship with the design Consultants or the Work Package Contractors and it is, therefore, difficult for the Employer to recover costs if they fail to meet their obligations. |
| 5. | **Design Liability** | **A:** Design liability rests with the Employer**.**<br>**Note:**<br>With the exception of any portion of the design carried out by the Contractor (e.g. Contractor Design Portion or Contractor Designed Works); the design liability for such works rests with the Contractor. | **A:** Design liability rests solely with the Contractor**.**<br>**D.** Design liability is limited by the contract conditions.<br>**Note:**<br>Contractor contracts to design to the same standard 'as would an architect if the Employer had engaged one direct', | **A:** Design liability rests with the Employer**.** | **A:** Design liability rests with the Employer**.** | **A:** Design liability rests solely with the Contractor**.** |

| | | Contract Strategies | | | | |
|---|---|---|---|---|---|---|
| **Ref** | **Criteria** | **Traditional / Construct only** | **Design and Build (including Maintain & Operate Options)** | **Construction Management** | **Management Contracting** | **Design and Manage** |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 6. | **Quality** | **A:** Design-led, facilitating high level of quality in design.<br>**D:** Over use of unclear performance specifications can undermine design quality. | **D:** Difficulties can be experienced by Employers in preparing an adequate design brief (i.e. Employer's Requirements.<br>**Note:**<br>It is very important, therefore, that the design brief and performance/ quality specifications (i.e. Employer's Requirements) for important requirements in the project are fully and unambiguously defined before inviting bids.<br>**D:** There is no design overview unless separate Consultants are appointed by the Employer for this purpose.<br>**Note:**<br>Employer's Compliance Team | **D:** Need for good quality design brief from Employer. | **D:** Need for good quality design brief from Employer. | **D:** Employer loses direct control over the design quality. |
| 7. | **Price Certainty** | **A:** Reasonable price certainty.<br>**D:** Often abused when design is not complete, resulting in less price certainty (e.g. over-use of provisional sums to address shortcomings of Consultants' design). | **A:** Price certainty is obtained before design is completed and construction commences.<br>**Note:**<br>Provided that the Employer's requirements are adequately specified and changes are not introduced. | **A:** There is some evidence that this procurement method results in lower prices because of improved cash flow certainty (i.e. the Employer makes payments direct).<br>**D:** No price certainty achieved until the last Work Package has been let.<br>**Note:**<br>Administrative burden to the Employer of processing large numbers of payments (extra | **D:** No price certainty achieved until the last Work Package has been let. | **D:** No price certainty achieved until the last Work Package has been let. |

| | | Contract Strategies | | | | |
|---|---|---|---|---|---|---|
| **Ref** | **Criteria** | **Traditional / Construct only** | **Design and Build (including Maintain & Operate Options)** | **Construction Management** | **Management Contracting** | **Design and Manage** |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| | | | | administrative costs may be incurred). | | |
| 8. | **Changes** | **A:** Relatively easy to value when pricing strategy based on bill of quantities. | **D:** Can be expensive (when compared to other procurement methods). | **A:** Can be accommodated, without paying a premium, provided that Work Packages affected have not been let and earlier Work Packages let are not too adversely affected. | **A:** Can be accommodated provided that Work Packages affected have not been let and there is little or no impact on those already let. | **A:** Can be accommodated provided that Work Packages affected have not been let and there is little or no impact on those already let. |
| 9. | **Buildability** | **D:** No buildability input by Contractor (except for aspects of Contractor designed work). | **A:** Buildability potential is inherent. | **A:** Buildability potential is inherent. | **A:** Buildability potential is inherent. | **A:** Buildability potential is inherent. |
| 10. | **Time (Programme)** | **D:** Overall programme is likely to be longer than for other strategies, as there is no parallel working (i.e. overlap of design and construction). | **A:** Reduced overall programme possible due to overlapping of design and construction. | **A:** Time saving potential for overall project time due to overlapping of design and construction – i.e. parallel working is inherent.<br>**D:** Time and information control is required. | **A:** Time saving potential for overall project time due to overlapping of design and construction – i.e. parallel working is inherent. | **A:** Early completion possible due to overlapping of design and construction. |
| 11. | **Relationships** | **D:** Potentially adversarial. | | **A:** Breaks down traditional adversarial barriers (as Contractor part of the Employer's team). | **A:** Breaks down traditional adversarial barriers.<br>**D:** Removes resistance to financial claims from Work Package Contractors (i.e. because there is no 'benefit' in the management Contractor to robustly challenge).<br>**D:** Management Contractor may become no more than a 'post box'. | |
| 12. | **Accountability** | **A:** Satisfactory in terms of accountability. | **A:** Satisfactory in terms of accountability. | **A:** Satisfactory in terms of accountability. | **A:** Satisfactory in terms of accountability. | **A:** Satisfactory in terms of accountability. |

| | | Contract Strategies | | | | |
|---|---|---|---|---|---|---|
| **Ref** | **Criteria** | **Traditional / Construct only** | **Design and Build (including Maintain & Operate Options)** | **Construction Management** | **Management Contracting** | **Design and Manage** |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 13. | **Risks** | **D:** Limited opportunity to transfer risks to Contractor.<br>**D:** Strategy often abused as a result of incomplete design, resulting in an inordinate number (and value) of provisional sums and the inherent risks associated with them. | **D:** Inadequate design brief and performance/ quality specifications (i.e. Employer's Requirements).<br>**D:** By transferring design liability to the Contractor, the Employer loses some control over the project.<br>**D:** Employer required to commit to a contract before the detailed technical design of the project is completed. | **A:** Clarity of roles, risks and relationships for all participants. | **A:** Clarity of roles, risks and relationships for all participants.<br>**D:** Management Contractor often acts no more than a post box.<br>**D:** No pressure on management Contractor to validate or contend claims received from Work Package Contractors. | **A:** Contractor assumes risk and responsibility for the integration of design with construction.<br>**D:** No pressure on design and manage Contractor to validate or contend claims received from Work Package Contractors. |

## 9. Contract Strategies – Advantages and Disadvantages - Summary

| Project Objectives | | | General Appropriateness of Contract Strategy in Meeting Project Objectives | | | | |
|---|---|---|---|---|---|---|---|
| **Serial No.** | **Parameter** | **Objectives** | **Traditional** | **Design and Build (including maintain and Operation options)** | **Construction Management** | **Management Contracting** | **Design and Manage** |
| 1. | Timing | Early completion | No | Yes | Yes | Yes | Yes |
| 2. | Cost | Price certainty before construction start. | Yes | Yes | No | No | No |
| 3. | Quality | Relatively high, but not prestigious, standard | Yes | Yes | Yes | Yes | Yes |
| 4. | Variations | Avoid prohibitive costs of changes. | Yes | No | Yes | Yes | Yes |
| 5. | Complexity | | No | No | Yes | Yes | Yes |
| 6. | Responsibility | Minimum contractual links preferred. | No | Yes | No | No | Yes |
| 7. | Professional Responsibility | | Yes | Yes | No | No | No |
| 8. | Risk Avoidance | Desire to transfer complete risk | No | Yes | No | No | No |
| 9. | Damage Recovery | Ability to recover costs directly from the Contractor | Yes | Yes | No | Yes | Yes |
| 10. | Buildability | Contactor input to economic construction on behalf of Employer. | No | Limited or Yes if early enough in design | Yes | Yes | Yes |

# 10.Contract Strategies – Weighted Evaluation (Example)

| Contract Strategy Options – EXAMPLE Weighted Evaluation | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Project title: [Insert Project Name]** | | | | | | | | | | | | |
| **Contract Strategy:** | | | **Traditional** | | **Design and Build (Incl. Maintain & Operate Options)** | | **Construction Management** | | **Management Contracting** | | **Design and Manage** | |
| **Evaluation Criteria** (Appropriate to Project) | | Criteria Weight % | Score | Weighted Score | Score | Weighted Score | Score | Weighted Score | Score | Weighted Score | Score | Weighted Score |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) | (m) |
| 1. | **Time**: The project is to be completed within a fixed time. | 5 | 4 | 20 | 10 | 50 | 8 | 40 | 8 | 40 | 8 | 40 |
| 2. | **Price Certainty**: Certainty of price is required before construction commences. | 5 | 8 | 40 | 10 | 50 | 2 | 10 | 2 | 10 | 2 | 10 |
| 3. | **Cost of Changes**: Cost of changes must be reasonable (fair method of valuation required). | 3 | 7 | 21 | 5 | 15 | 8 | 24 | 8 | 24 | 8 | 24 |
| 4. | **Performance (Quality)**: The specification for the project is of a relatively high, but not prestigious, standard. | 4 | 8 | 32 | 7 | 28 | 8 | 32 | 8 | 32 | 9 | 36 |
| 5. | **Complexity**: The building design is to be non-complex. | 2 | 8 | 16 | 7 | 14 | 8 | 16 | 8 | 16 | 8 | 16 |
| 6. | **Responsibility**: Minimum contractual links. | 4 | 4 | 16 | 10 | 40 | 4 | 16 | 4 | 16 | 4 | 16 |

| Contract Strategy Options – EXAMPLE Weighted Evaluation | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Project title: [Insert Project Name]** | | | | | | | | | | | | |
| **Contract Strategy:** | | | **Traditional** | | **Design and Build (Incl. Maintain & Operate Options)** | | **Construction Management** | | **Management Contracting** | | **Design and Manage** | |
| **Evaluation Criteria** (Appropriate to Project) | | Criteria Weight % | Score | Weighted Score | Score | Weighted Score | Score | Weighted Score | Score | Weighted Score | Score | Weighted Score |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) | (m) |
| 7. | **Variations**: Flexibility to accommodate changes. | 3 | 5 | 15 | 4 | 12 | 9 | 27 | 9 | 27 | 9 | 27 |
| 8. | **Risk Avoidance**: Pass maximum, but controllable, risks to contractor. | 4 | 5 | 20 | 9 | 36 | 4 | 16 | 5 | 20 | 7 | 28 |
| 9. | **Buildability**: Contractor involvement in design required. | 3 | 2 | 6 | 4 | 12 | 10 | 30 | 10 | 30 | 9 | 27 |
| **Total Scores:** | | | | **186** | | **257** | | **211** | | **215** | | **224** |

## 11.Procurement Governance and Control

The States of Jersey have their own specific legislative / client specific control of procurement requiring tenders to be produced for projects with a specific high project value, therefore the Future Hospital Project will need to be tendered.

Whilst the States of Jersey are not subject to EU procurement rules they may consider that following EU guidance would be accepted as best practice, but understanding of the implications should be elaborated in the outline procurement workshop, as Jersey has separate procurement regulations.

Dependent upon the selected contract strategy the open or restricted approaches of EU procurement could be followed. It is likely as the project can be well defined that the restricted approach would be available or competitive dialogue could be undertaken if multiple aspects of the project goals are to be included in the procurement (i.e. not just construction of the Future hospital) or if other the procurement strategy includes some form of enduring relationship (i.e. Construct / Design / Maintain).

The approval method of the procurement route should be agreed as it will have significant impact on the process at this stage we might assume that it will be signed off by the Project board, FHPOG and COM.


The nature of the agreement should be bound into the governance approach, whether the contract will be fixed price or relationship based, even over the course the design and construction elements of the project the contract will need to endure for a significant period and therefore recognition of the changes that may occur during that time should be bound into the agreement.

The use of PESTEL analysis; consideration of the Strength's Opportunities Weaknesses and Threats from a Political, Economic, Social, Technological, Environmental and Legal perspective; during the outline procurement workshop will allow the weight and definition of these elements and provide support to the decision to follow EU guidance or treat the JFH as a commercial tender; also considering the impacts of the States of Jersey procurement guidelines and the specific nature of the project itself.

# 12. Choice of Public Procurement Procedure - Decision Tool

Q1: Is the Contracting Authority certain that only one supplier can meet the requirement for technical reasons, artistic reasons (e.g. a sculpture) or reasons connected with protecting exclusive rights (e.g. patent protection)?

*This can only be used in very rare circumstances. In most cases, it will not be possible to know with certainty that there is only one supplier. You should ensure that the requirement is set objectively based on outputs, and not by reference to a supplier tool. "Technical" reasons as used here is very narrow.*

**YES** → A: **Negotiated procedure without Notice** (Regulation 32)

*This can only be used in very limited circumstances and taking legal advice on its use is strongly recommended. A note justifying its use must be retained for use in the Regulation 84 report.*

**NO**

Q2: Is the requirement extremely urgent and unforeseeable?

*This can only be used in very rare circumstances where strictly necessary (e.g. for reasons of extreme emergency. The requirement must be unforeseeable and the urgency must not have arisen as a result of the Contracting Authority's actions or delay. It must be essential that the procurement is concluded in less than the time frame for Restricted, Open or* Competitive procedure with negotiation procedures.

**YES** → A: **Negotiated procedure without Notice** (Regulation 32)

**NO**

Q3: Does the Contracting Authority need to "pre-qualify" bidders?

*Is the Contracting Authority happy to receive a bid from anyone or do you need to know about the financial standing and technical and/or professional capability of the suppliers before you would accept a bid from them?*

**NO** → A: **Open procedure** (Regulation 27)

**YES**

Q4: Can the Contracting Authority full define the requirements now?

*Will you be able to prepare an Invitation to Tender that will allow bidders to prepare a fully priced and binding offer in response?*

**YES** → A: **Restricted procedure** (Regulation 28)

**NO**

Q5: Is the Contracting in one of the situations listed in Regulation 26(4)?

- *It is not possible to adapt readily available solutions; or*
- *The requirement includes design/innovative solutions; or*
- *The contract cannot be awarded without prior negotiation due to its complexity or legal/risk profile; or*
- *It is not possible to define the technical specification with precision; or*
- *An Open or Restricted procedure has already been run but only irregular or unacceptable tenders were received.*

**NO** → A: Consider working up the requirement such that the Restricted procedure is possible, perhaps using some pre-procurement market engagement (in accordance with Regulations 40 and 41)

**YES** → A: **Competitive Dialogue** (Regulation 30) **or Competitive procedure with negotiation** (Regulation 29)

*This assumes that both Open and Restricted Procedures are not suitable for the procurement. A note justifying the use of the Competitive Dialogue or Competitive with negotiation procedure must be retained in the Regulation 84 report. Note that the Competitive with negotiation procedure **does not** include the ability to negotiate with the preferred bidder following submission of final tenders. The Competitive Dialogue procedure **does** permit this, provided the safeguards in Regulation 30(20) are observed. It is possible, by indication in the OJEU Notice, to reserve the right **not** to negotiate in the Competitive with negotiation procedure.*

*Sub-central Contracting Authorities have the flexibility to shorten the prescribed timescales for the Competitive with negotiation procedure by agreement with bidders (Regulation 29(7)). This option is **not** available for Competitive Dialogue.*

## 13. Tendering Strategy

The choice of tender approach will be dictated partially by the selection of the procurement and contract strategy but generally each route selected will still allow either single stage, two stage or negotiated.

The initial limited soft market testing has indicated that a tendering solution with a lower barrier to entry (e.g. two stage) would achieve a better response from the market. The advantages and disadvantages of two stage tendering is reviewed in in section 16. At this stage following initial contractor feedback and support for early contractor involvement the current project programme is based upon a two stage selection process. This does not preclude other solutions being adopted.

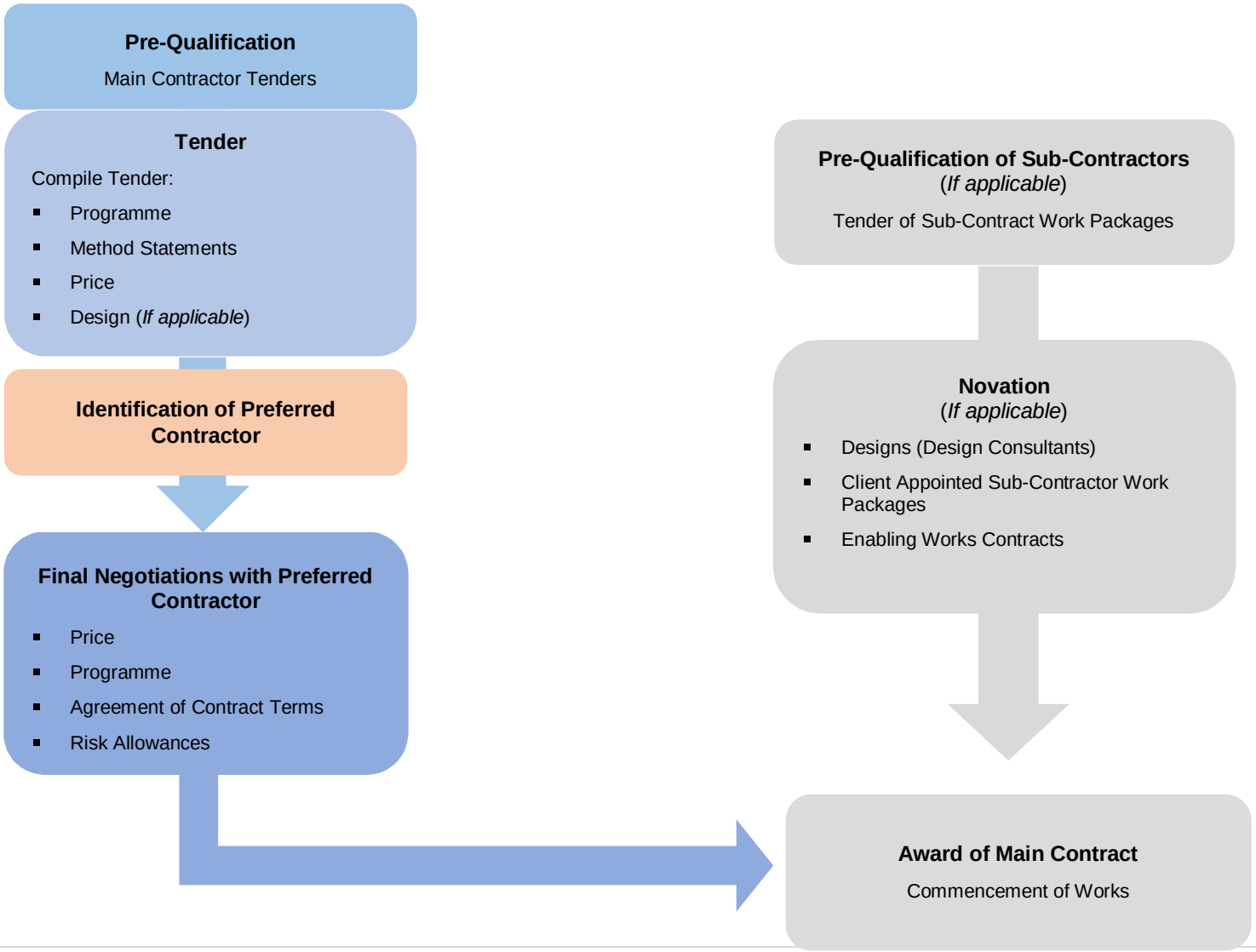
Any route of procurement will require some form of pre-qualification, this will prevent both aversion of the market (by the level of competition and risk being too great at the initial stages) and prolongation of the assessment phase (should a great number of contractors respond)

The number of contractors selected following prequalification would need definition and it is regarded that within the European market there are perhaps only 10 to 15 contractors at most that could undertake the complexity and scale of works required to conclude the Future Hospital Project for the States of Jersey and without careful consideration of the procurement process many of these may not be interested in bidding.

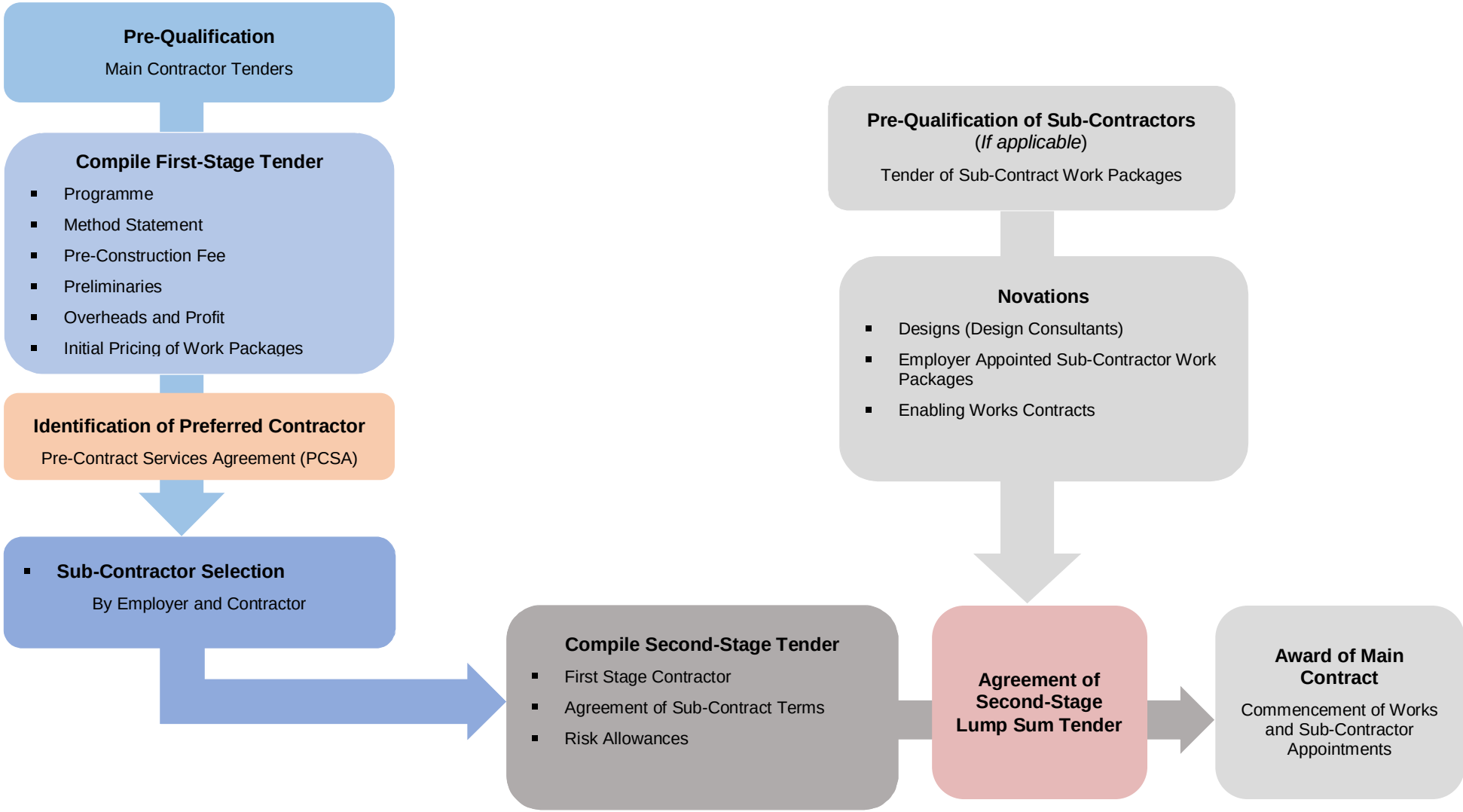
The minimum contracting organisations required to create an appropriate competitive environment must be considered, this must also be weighed against the barrier of entry and the risk of contractors pulling out leaving limited competition in subsequent phases.

Flow charts indicating the nominal pathways of single & two stage tendering and the key risks and benefits follow:

## 14. Single Stage Tendering Process Map



## 15. Two Stage Tendering Process Map



## 16. Single Vs Two Stage Tendering – Advantages and Disadvantages

| Single Stage Tendering | | | Two Stage Tendering | |
|---|---|---|---|---|
| | **Advantages** | **Disadvantages** | **Advantages** | **Disadvantages** |
| 1. | Cost certainty: Provides the Client with an early contractual commitment on price.<br>The discipline of a Single-Stage tender should prevent the Project Delivery Team from proceeding to construction without a complete design.<br>Clients and Funders value the agreed Contract Sum as it gives greater security to an application for loans or grants. | The firm price is only as good as the design information on which it is based. | High level of interest from Contractors arising from low cost, low risk tendering process. | Lack of price certainty until the end of the second stage. |
| 2. | Risk allocation: The Client and the Contractor have a clear statement of risk allocation in the Contract.<br>Avoidance of cost escalation during second-stage tendering. | Changes introduced by the Client or Design Team will undermine the certainty achieved with a lump-sum tender. | Early appointment of the Contractor, potentially bringing forward the completion date of the Project. | Provides the Client with the temptation to go to the market with incomplete information, potentially resulting in an unenforceable First-Stage tender. |
| 3. | Competitive pricing: The full scope of work is priced in competition with other Bidders. | The Contractor's offer of risk transfer may have little value if its assessment of costs, programme or working method is incorrect. | Competitive First-Stage through Contractors pricing of Preliminaries, Profit and Overheads. | Can be used to mask the inadequacy of design development on a Project. |
| 4. | Cost of tendering: When available, Pricing Documents provided by the Client (Employer) simplify the bidding process. | Second-Stage tendering helps the contractor to understand the design. The use of provisional items as a substitute for a complete design can give the | Promotes a specific focus during the later stages of design on issues of buildability and economic construction. | Additional cost of pre-construction fee. |

| Single Stage Tendering | | | Two Stage Tendering | |
|---|---|---|---|---|
| | **Advantages** | **Disadvantages** | **Advantages** | **Disadvantages** |
| | | Contractor a "Second-Stage" pricing opportunity. | | |
| 5. | Collaborative working: A complete, well-documented design provides a clear demarcation of design and construction responsibilities. | Competitive pressure may encourage tenderers to take risks in their pricing.<br>The Contractor's bids are based on logistics options prescribed in the tender documentation and may not represent the best value solution. | Second-Stage tender should be based on more complete information and a better understanding of the scope of works, so the final account should be closer to the Contract Sum. | Costs of Second-Stage tenders tend to be higher because of negotiation premiums and the inclusion of additional risk transfer allowances. The Second-Stage tender could also provide the opportunity to talk up prices. |
| 6. | Client influence over the selection of Specialists: Keeping the Client at arm's length over the selection of the Contractor's Team helps to clarify the allocation of risk in the Contract. | Single-Stage bids are more resource-intensive and Contractors have a lower chance of winning a job (relative to the cost to them of tendering). | Opportunity to obtain Contractor buy-in to the Client's viability model through agreement not to exceed costs at the end of Stage-One. | Use of Two-Stage tendering does not eliminate many sources of scope change or alter the contractual provisions for dealing with change – as a result, these risks are not eliminated. |
| 7. | Overall speed of Project: Timescales are known and there should be less opportunity for extended negotiation during the tender period than with a Two-Stage approach. | Single-Stage traditional procurement offers limited scope for a team to develop a shared objective or for a Contractor to contribute to design development. | Ability to continue the development of the design during the Second-Stage in conjunction with the Main Contractor and Specialist Subcontractors (with the benefit of his resources, expertise and collaborative working). | Contractors are potentially able to use the Second-Stage tender to refine their position for post-contract negotiations based upon their improved knowledge of the design. |
| 8. | | Competitive tendering and lump-sum Contracts can lead to adversarial behaviour related to the effects of changes to the agreed scope of work. | Improved quality and efficiency of design (Contractor involvement in design development). | Not to exceed cost and completion date are not binding prior to the finalisation of the Contract. |

| Single Stage Tendering | | | Two Stage Tendering | |
|---|---|---|---|---|
| | **Advantages** | **Disadvantages** | **Advantages** | **Disadvantages** |
| 9. | | The Client has a limited opportunity to influence the selection of Specialist Contractors. | Improved identification of Project risks within a timescale where action can be undertaken. | Potential to undermine the scope of agreed First-Stage deliverables if design development results in scope changes. |
| 10. | | Sequential design and construction removes opportunities for acceleration of the overall programme. | | |
| 11. | | Clarification of Contractor's Proposals related to Contractor-Designed work may take an extended period of time. | | |
| 12. | | Receipt of tenders above budget could delay the Project as re-design and re-pricing must be completed before the Contract Sum is agreed. No work can commence before the Contract Sum is agreed. | | |
| 13. | | Contractors will most likely be unwilling to tender for Single Stage Design and Build Contracts in a good economic climate. They are only likely to tender during an economic downturn or where they are needing work. | | |

## 17. Next Steps

Following the procurement workshop the following next steps should be undertaken in accordance with the Deliverable B306 work breakdown

| Activity | Range | Outcome | Date |
|---|---|---|---|
| **Organise and lead on delivering a workshop for the ICA team to facilitate the development of the Outline Procurement Strategy** | **Hold a team-wide data review workshop and record the information to be used as the basis for the project.** | **Input and Buy-in to the strategic direction of the procurement process from whole ICA and hospital team and broader on island stakeholders** | **21/09/16** |
| **Undertake soft market testing interviews with both European and Island based main contractors** | **To test assumptions within the outcome of the procurement workshop and elaborate on the Outline procurement Strategy (Discuss initially with contractors that have shown interest)** | **Market considered input into the strategy, detailed planning for undertaking *Deliverable 7*** | **06/10/16** |
| **Issue report to CA for Outline Procurement Strategy** | | **Gain PDD buy-in and approval to proposed report having incorporated outcome of workshop** | **08/10/16** |
| **Programme consideration** | **Review programme implications** | **Progress & Coordination** | **08/10/16** |
| **Present Outline Procurement Strategy to Project Board and FHPOG (potentially COM dependant on dates)** | **Plan for report to be issued to September Project Board (programme risk – October Project Board) and onward approval by FHPOG/COM** | **Approved Outline Procurement Report and approval to commence Deliverable 7: Detailed Procurement Strategy** | **07/11/16** |

## 18.Longer term milestones

| Activity | Milestone Date |
|---|---|
| Procurement workshop held | 21st September 2016 |
| Procurement strategy finalised for approval | 30th September 2016 |
| Procurement approach approved | 28th October 2016 |
| Conclude Assurance Review | 28th October 2016 |
| Approval of Detailed Procurement Strategy | 23rd December 2016 |
| Complete Stage 1 Tender Document | 22nd February 2017 |
| Stage 1 Tenders Returned | 21st April 2017 |
| Contractor Appointed | 21st June 2017 |
| Early Contractor Involvement Phase ends & Stage 2 cost agreed | 3rd October 2018 |
| Contractor Starts on Site | 4th October 2018 |
| | |

# Appendix C – Notes from Soft Market Testing

**JFH - Soft Market Testing (this is a commercially sensitive document)**

Below is a summary of potential bidding contractor feedback, for the main hospital project, in the form of informal engagement to gauge interest and demonstrate market engagement.

Only new information has been recorded as opposed to replication of the same information across market testing.

All contractors listed, will be issued with a link to the Pin Notice at release, to further receive the opportunity to tender, even if initial interest wasn't forthcoming.

We have engaged with the following 17 contractors:

1. BAM
2. Sir Robert McAlpine
3. SISK
4. Multiplex
5. Interserve
6. Skanska
7. Balfour Beatty
8. Carillion
9. Laing O'Rourke
10. Galliford Try
11. Willmott Dixon
12. Vinci
13. Bouygues
14. ISG
15. Kier
16. Mace Construction
17. Midas

| No. | Bidder | Meeting Date | Y/ N / M | Feedback |
|---|---|---|---|---|
| 1 | BAM | 11th April meeting | Y | **Query.** Two stage procurement process - BAM confirmed wouldn't be interested in single stage.<br><br>**Query.** What does working with a partner mean in respect of key packages? Is there a need for transparent supply chain and to only use approved supply chain partners; Design and M&E. At Expression of Interest does the M&E partner need to be declared? (Supply chain visibility)<br><br>**Query.** When would an M&E incumbent need to provide Actual Cost and Fixed Staff rates?<br><br>**Query.** You need to make the scheme attractive to contractors given the isolation. Response; Pain/Gain – suitable phasing (making the project workable). Aftercare opportunities and potential for further extension.<br><br>**Query.** What is the requirement for Added Value and using local supply chain and specialists<br><br>**Query.** GMP principle agreed - work with Gleeds to ensure deliverable (NEC A vs C)<br><br>**Query.** Impact of Public Sector programme on JFH - on Island strategic plan for economy Jersey development Company - waterfront works (Castle Quay 2 + Andium). **Response.** General work-stream - new secondary school; circa 40m over a similar timeframe to the, Dan De La Cour will divulge.<br><br>Capacity of local resource a risk - 2 quarry's on Island. Packages will need on Island and Off-Island option for delivery.<br><br>**Query.** There is a risk for over paying for Reserve materials.<br>**Response.** Detail within procurement strategy to inform debate and decision making.<br><br>**Query**. Risk - limited resource for a period on Island or Off Island.<br><br>Risk. Low barriers to entry - percentage of using local trades, Jersey pound spent in Jersey - linked to on Island programme and capacity of local resources to set a |

| | | | | |
|---|---|---|---|---|
| | | | | tangible percentage of on Island resource. This would form part of a charter to provide something tangible.<br><br>**Query.** Demonstrate best value through evidencing in the market place for ON vs OFF Island solution how this compared in cost to an on Island solution. **Response.** Two solutions required to evidencing values. The on Island option would always need a percentage of OFF Island.<br><br>**Query.** Westaway RISK - programme linkage;<br>Concern contractor side on the Critical path linkages for demolition and completion of Westaway alterations/new build.<br>**Response. Response.** Flexibility needed within the PCSA to enable variation to enable works to be procured i.e. Westaway.<br><br>**Risk**. Brexit impact on inflation/import tax - likelihood of linking trade between Jersey and France could decrease in respect of supply chain and import tariffs.<br><br>**Query.** Need for storage facility onsite so SoJ to free up layup space near the Quay and a Bonded Warehouse for circa 1 month supply of materials to avoid any weather impact. **Response.** To be reviewed with SoJ.<br><br>**Risk.** Stoppages – is there a cost and time allowance with programme. **Respons**e. Agree with Tom and Mark how this works under contract. Allowing float for this specifically to ensure the delivery date is realistic. This may also be prudent for Westaway as an approach.<br><br>Query. Remove demolition off critical path through Phasing (breakdown sequence) if feasible - to isolate any delays from impacting on final delivery - review the cost implications of run on. **Response. Under contract - allowing for prelims Tom to review.**<br><br>**Risk.** Compulsory purchase risk - commitment from reserves. **Response.** Follow up on this query re. due process requirements and include within programme.<br><br>**Query.** Is the PCSA cost fixed? **Response.** Yes – further detail to be provided.<br><br>**Query.** Clinical sign off strategy - change in Clinical leads how this is managed and governed. **Response.** GMS to manage with the Client directly.<br><br>**Query.** Novation in relation to PI and issues this raises? **Response.** Legal review via GMS. |

| | | | | |
|---|---|---|---|---|
| | | | | **Proposal.** Hassell to stay with the project for the life of the project, Arup scope of services to be levelled back so that detailed design would be undertaken by contractor - if we proceed with BAM. **Response.** The principle is accepted.<br><br>**Query.** Ultimate Bond Guarantee – is this required and what does it look like? **Response.** Shepherd & Wedderburn to respond to this for GMS.<br><br>**Query.** Damages - not yet discussed. **Response.** A legal review via Nigel Aubrey will be undertaken to liaise with<br><br>Shepherd & Wedderburn, ahead of meeting with Dan De La Cour 20th April. Damages needs to be realistic and quantifiable. To stand up under test; operations offsite for late delivery - private patient income loss etc. This is likely to be low given the hospital will continue to run whilst the JFH construction progresses.<br><br>**Query.** Insurance policy – shared insurances is new in the market (UK policy), is this being proposed as it could be positive for adjacent buildings? **Response.** GMS to review with Legal.<br><br>**Query.** Watching brief - Clerk of Works service/Technical Supervisor/independent commissioning. **Response.** GMS to review who will undertake this role and what powers/duties will it hold?<br><br>**Query.** Equipment Procurement Strategy - specialist;<br>Is there an equipment package procurement programme i.e. CT Scanner/MRI's? Individual Turnkey packages in association - suggest a tender question on this.<br>**Response.** Via MJM.<br><br>**Statement.** Aftercare - 2 year period is accepted with an aspiration for 5yrs +<br><br>**Statement.** Low Barrier to Entry; 4-6 contractors in respect of contractor incentive to tender. More than 6 would be unattractive given required investment.<br><br>**Query.** Jersey Evening Post - sub contract employee license; there is a time and cost of 1k attached to this per person. Off Island labour (700 staff at peak on Island).<br>Who will bare this cost and could this be reduced?<br>**Response.** GMS to review options with SoJ.<br><br>**Query.** PQQ 4 weeks; BIM model sharing for PQQ and ITT requested. **Response.** A confidentiality non-disclosure agreements required to set this up – should the model be |

-

| | | | | |
|---|---|---|---|---|
| | | | | at a suitable stage for release (Shepherd & Wedderburn to define wording in parallel to Hassell agreement).<br>ITT 6-8 week duration.<br><br>**Query.** JV Bidder; Equal qualifications in respect of consortiums for submissions within PQQ to reflect any Joint Venture.<br><br>**Request.** Page restriction to be sensible for PQQ as circa 4 principle questions.<br><br>**Query.** Who moderates the tenders i.e. Design Team, SoJ Procurement etc. **Response.** Dan De La Cour to define Client side input or review capacity of the scoring matrix. Presentation to also be scored in parallel to the tender submission.<br><br>**Query.** Suggest formation of a Partnering Charter to promote the NEC collaborative culture. Mutual Trust and Cooperation. **Response.** This will be included in the strategy as X12. |
| 2 | Sir Robert McAlpine | 12th April meeting | Y | **Confirmation.** Two stage confirmed as agreed by SRM and NEC 3 is favoured over JCT.<br><br>**Query.** Programme, contractor on board September 2017 to align with comp. of Stage 3 (**Mid-market test output; now stage 2 to reflect need for contractor buildability and package market testing benefits towards target cost setting.**)<br><br>**Query.** Tender - Pin notice date - define within programme;<br>PIN and PQQ dual release - May (4 weeks)<br>ITT - June (6-8 weeks)<br><br>**GMS.** No interview required for PQQ - capability statements and competence evidencing will be required alongside levels of direct management as the bidders proposal (via an organogram).<br><br>**GMS.** Interview/presentation will be part of ITT<br><br>**Risk.** Space for prefab - Cameron's advised they would struggle to deliver locally. This would need to be near at La Collette. Layup area potential confirmed as which is 1km from the Hospital - and or re-purpose existing facilities for project use. Birthing point - review with ports authority for goods in capacity |

| | | | | |
|---|---|---|---|---|
| | | | | **Benefit.** Opportunity for local upskilling. Number of staff req. to construct. Enabling labour onto Island as a principle. Jersey pound investment - training schools/academy's etc. - this would be illustrated as part of tender.<br><br>**Query.** BIM level of maturity queried and link into fabrication offsite but on island and just in time delivery to avoid storing onsite. Controlled demo measures and phasing/air handling/traffic management.<br><br>**Risk.** Adding value during stage 3 might increase cost, for higher initial capital investment due to a more eloquent solution which provides long term maintenance savings.<br><br>**Statement.** Review has indicated concerns with regard overall meterage being sufficient and a shortage of plant area - this was based on the information freely available.<br>**Response.** Hassell to view with Arup.<br><br>**GMS.** It was confirmed that no final decision made on steel vs conc. - contractor to outline proposals. Contractor in liaison with design team during RIBA Stage 3 to agree proposal.<br><br>**Query.** What does the right collaborative environment mean to you; Having the team in one place - where? Critical mass is in Cardiff. GMS advised balance between co-locations vs clinical 8no. Leads, with float for reporting.<br><br>**Confirmation.** Soft landings champion - Dave Pitman of Arup and also one will be appointed Client side. Methodologies to be agreed with Client.<br><br>**Risk.** Two Stage Tender - Trying to fix too early (within RIBA Stage 3) might give false cost certainty. **Response.** GMS to review programme allowance for PCSA. Deliverables within PCSA will be measured on value of output not time.<br><br>**Statement.** Reality check to M&E design would be incorporated to avoid supply chain dependence re-design.<br>Response. This would be undertaken within RIBA Stage 3 by the contractors incumbent M&S SubC.<br><br>**Query.** Enabling works status. **Response.** Enabling works<br>- ITT's under review for consultant app. via Gleeds as lead<br>- there is a sequence and there will be overlap in regard site investigation/severing services etc. |

| | | | | |
|---|---|---|---|---|
| | | | | **Query.** Are temporary power arrangements are required? TBC<br><br>**Query.** User group queries - is there support and structure to enable sign off particularly between stages 3 and 4? **Response.** GMS leading. |
| 3 | SISK | 24th April meeting | Y | **Confirmation.** Currency will be pounds sterling. States of Jersey do not have VAT – commercial advice to underpin tier 3 and 4 suppliers VAT position.<br><br>**Statement.** Partnering on Island will be sought. An on Island Partner is crucial - however no links currently exist. Local supply chain 3 day event to meet the on Island potential partners would be undertaken.<br><br>**Confirmation.** Jersey pound benefits are crucial in parallel to reducing the long term on Island skills shortage.<br><br>**Query.** On Island programme. GDP on Island compared to JFH scale of project. **Response.** This is due for release shortly to GMS, to distil the level of likely saturation running in parallel with JFH delivery.<br><br>**Statement.** Bidder comfortable with defining the Hassell programme for RIBA Stage 3.<br><br>**Query.** M&E design post novation. **Response.** Arup's role post novation could form a watching brief from RIBA Stage 4 commencement based on a performance specification by Arup.<br><br>**Query.** Hassell delivery ability. **Response.** Hassell to be reviewed in regard performance and delivery, toward intended novation.<br><br>**Query.** PCSA deliverables. **Response.** There will be options within the PSCA contract to provide options for demolitions etc. to enable critical path activity completion in advance of main contract. This should be attractive in terms of mitigating cost risk on commencement.<br><br>**Risk.** Possible risk around expectations for naming M&E SubC due to exclusivity concerns and package pricing refusal. Opportunity - opt for M&E SubC's at second stage tender - this allows for analysis of SubC by Client/GMS to ensure the partner is agreed by all and not dictated by main contractor.<br><br>**Query.** Will 4Projects be used for package returns - or is there an option for Gleeds Space as part of PCSA deliverables? **Response.** Contractor to propose for consideration. |
| 4 | Multiplex | 8th May meeting | Y | |

| | | | | |
|---|---|---|---|---|
| | | scheduled | | |
| 5 | Interserve | 26th April telecom | Y | **Query.** Island location factor percentage. **Response.** 24%.<br><br>**Statement.** Previous on Island experience Jersey Harbour Project.<br><br>**Statement.** GMS advised that a robust cost plan exists which has been tested by an independent advisor for SoJ. This should provide contractor assurance in that the project has a realistic budget and the proposal is deliverable.<br><br>**Risk.** There is a project risk in resource and ability to facilitate fabrication to mitigate local dependence and creating a balance for delivery (logistical plan to mitigate).<br><br>Shared inflation risk approach to incentivise - is a potential<br><br>**Query.** Soft Landings methodology. **Response.** Soft landing methodology TBC.<br><br>Aftercare - experienced on mainland and is an area of innovation and the aspiration contractor side toward a 5yr duration, over and above the Defects Period. |
| 6 | Skanska | Email issued 27/04/17 | N | Declined to tender. |
| 7 | Balfour Beatty | Email issued 24/04/17 | Y | Confirmed by email June 2017. |
| 8 | Carillion | N/A | N | Confirmed no by email 27/04/17. |
| 9 | Laing O'Rourke | N/A | N | Confirmed no by email 26/04/17. |
| 10 | Galliford Try | N/A | M | Confirmed no by email 25/04/17. |
| 11 | Willmott Dixon | N/A | N | Confirmed no by email 13/04/17. |
| 12 | Vinci | N/A | N | Confirmed no by email March 17 |
| 13 | Bouygues | N/A | N | Confirmed no by email March 17 |
| 14 | ISG | N/A | N | Confirmed no by email March 17 |
| 15 | Kier | N/A | N | Confirmed no by email March 17 |

| | | | | |
|---|---|---|---|---|
| 16 | Mace Construction | N/A | N | Confirmed no by email March 17 |
| 17 | Midas | N/A | N | Confirmed no by email March 17 |
| 18 | Robertson Group | N/A | N | Verbal conversation June 2017 |
| 19 | Grahams | N/A | Y | Verbal conversation June 2017 |

| | |
|---|---|
| Yes | 8 |
| No | 10 |
| Maybe | 1 |
| Awaiting | 0 |
| **Total** | **19** |

## Appendix D – Risk Register

# DASHBOARD - Jersey Future Hospital

## RISK

## C

| Open | Closed | Approved | Pending | Rejected | Escalated Approved | Escalated Pending | Escalated Rejected |
|---|---|---|---|---|---|---|---|
| 88 | 71 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | |
|---|---|---|---|
| BLACK (16-25) | 4 | RED | 0 |
| RED (10-15) | 9 | RED/AMBER | 0 |
| AMBER (7 to 9) | 30 | AMBER/GREEN | 0 |
| GREEN (1 to 6) | 45 | GREEN | 0 |

| | | | |
|---|---|---|---|
| Check (open) | | 0 | 0 0 |

PROJECT NAME: JFH BLMS0418 PM: Sven Howkins DATE: 02/06/17

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | A69 | Acute Service | Technical | GMS | MP | SoJ | If current interim service plan for existing six theatres cannot meet modelled demand. | Change Request CR22 benefit intervention modelling.<br><br>Support SOJ to review capacity planning and scheduling of theatre use. | 3 | 5 | 15 | 3 | 3 | 4 | 1 |
| 2 | A70 | Acute Service | Economic | SoJ | RF | SoJ | Financial savings targets cannot be achieved or spend is not achieved resulting in impact on transitional funding and delay risk or cost to future hospital.<br><br>Inflation cost risk circa 4m/qtr. | Good HSSD achievement of financial savings. PSR process.<br><br>Coordinate design to ensure delivery of operational savings is possible. | 3 | 3 | 9 | 4 | 1 | 9 | 1 |
| 3 | A71 | Acute Service | Technical | SoJ | RG | SoJ | Fixed points on site (e.g. listed buildings, planning restrictions etc.) prevent service development appropriate for future needs. | Experienced Lead Advisor to ensure planning application is reflective of site constraints and planning expectations (through prior engagement) and a no surprises approach to submission. | 2 | 4 | 8 | 3 | 3 | 2 | 3 |
| 4 | A72 | Acute Service | Technical | SoJ | RF | SoJ | Site spatial constraints compromises place acceptably. High risk of unsustainable or unsafe operation. | General Site Configuration risk | 3 | 3 | 9 | 3 | 3 | 2 | 1 |
| 5 | A73 | Acute Service | Technical | SoJ | BP | SoJ | The site configuration impacts on the quality of the patient environment to be high and privacy and dignity to be achieved. | Competent patient flow and internal configuration planning with Clinical sign off is underway through Hassell. | 3 | 1 | 3 | 4 | 3 | 1 | 2 |
| 6 | A74 | Acute Service | Technical | GMS | MP | SoJ | Potential Travel Plan associated with Site does not mitigate impact of environmental impact of access, egress and transport between sites.<br><br>Travel Plan unable to mitgiate output of TA (Westaway/Key worker homes, Westmount, Catering and Hospital). | Arup to complete Transport Assessment and Travel Plan as a single owner.<br><br>Travel Plan Co-ordinator to be appointed by HSSD or Other app. | 3 | 3 | 9 | 4 | 2 | 5 | 1 |
| 7 | A75 | Acute Service | Technical | GMS | MP | SoJ | Site constraints prevent optimum separation of clinical, patient, visitor and logistical flows, where these cannot be separated temporally. | Integral to Hassell design, phasing, redline demise for planning and contractors Construction Mitigation Statement. | 4 | 2 | 8 | 4 | 1 | 8 | 4 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 8 | A76 | Acute Service | Technical | C | C | C | Risk to patient, staff, visitor and neighbour safety impact during construction arising from site restrictions.<br><br>Linked to A51. | General Site Configuration risk mitigation. | 4 | 3 | 12 | 4 | 3 | 4 | 1 |
| 9 | A77 | Acute Service | Political | SoJ | BP | SoJ | Non acceptance by staff or stakeholders of service changes required to achieve acute services strategy resulting in safety risk, cost or delay.<br><br>Possible Operational cost risk crossover. | Excellent clinical engagement and leadership. | 3 | 3 | 9 | 4 | 1 | 9 | 3 |
| 11 | A78 | Acute Service | Technical | GMS | MP | SoJ | Lack of appropriate evidence to support brief (i.e. benchmark data) resulting in delay or cost. | Excellent lead advisor | 3 | 2 | 6 | 3 | 3 | 2 | 3 |
| 12 | A79 | Acute Service | Political | SoJ | BP | SoJ | Care pathways (across both Hopsital and external pathways) insufficiently design across systems resulting in cost or delay.<br><br>Replaces A8. | EY report released end of April for demand of capacity modelling. Benefit Modelling and Acute Service Strategy implemented by MTFP investments. | 4 | 4 | 16 | 4 | 2 | 8 | 1 |
| 13 | A1 | Acute Service | Technical | GMS | MP | SoJ | Poor or insufficient current infrastructure integration, results in delay or cost or residual inefficiency. | Experienced Client Team and Lead Advisor<br><br>Coordinated Acute Service Plan development. | 4 | 4 | 16 | 5 | 3 | 7 | 1 |
| 14 | A2 | Acute Service | Technical | SoJ | BP | SoJ | Change in key modelling parameter (abortive design cost: patient flow design impact cost to meet revised model of care to suit model and population growth demand) causes change in brief.<br><br>Formerly B10. | Experienced HSSD Financial and Hospital Management Teams.<br><br>Regular review of changing parameters. Assurance reviews. | 4 | 4 | 16 | 4 | 3 | 5 | 1 |
| 15 | A3 | Acute Service | Economic | SoJ | BP | SoJ | Change to HSSD Brief causes delay or cost (any change results in a qtr slippage to account for inflation at 4m/qtr).<br><br>Formerly B5. | Project Director of Health Brief. Experienced HSSD Leadership.<br><br>Acute Service Planning Process. Service prioritisation exercise. | 4 | 5 | 20 | 4 | 3 | **7** | 1 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 16 | A4 | Acute Service | Economic | SoJ | RF | SoJ | Fixed capital investment results in long term revenue inefficiencies. | SOC and MTFP Relevant Revenue Costs.<br><br>ASP Financial Modelling, OBC and FBC,<br><br>Options appraisal to address vfm of alternatives. | 4 | 2 | 8 | 5 | 1 | 10 | 3 |
| 17 | A5 | Acute Service | Technical | SoJ | BP | SoJ | Difficulty in retaining existing or recruiting new staff during transitional period. | Experienced Hospital Management and Lead Advisor.<br><br>Acute Workforce Strategy and Planning implementation. | 4 | 5 | 20 | 4 | 3 | **7** | 1 |
| 18 | A6 | Acute Service | Economic | SoJ | BP | SoJ | Insufficient investment in resourcing workforce planning strategy.<br><br>Formerly B6. | HSSD Human Resource Team and Public Sector Reform Support.<br><br>Acute Workforce Training and Organisational Development Plan. | 5 | 2 | 10 | 4 | 2 | 5 | 1 |
| 19 | A7 | Acute Service | Social | | | SoJ | Preferred solution not acceptable to staff, results in project delay or failure and poor health outcomes.<br><br>Formerly B7. | Clinical engagement in brief development, ASP, Stakeholder Briefing, Communications Strategy implementation. | 4 | 4 | 16 | 4 | 2 | 8 | 2 |
| 21 | A9 | Acute Service | Social | | | SoJ | Time taken to obtain stakeholder support results in unaffordable design - project failure.<br><br>Linked to R 15 to avoid cost duplication. | Experienced HSS Team, Health Leadership. Clinical engagement.<br><br>Acute Services Strategy and Planning, Clinical Engagement, Experienced Advisor Appointment. | 5 | 3 | 15 | 4 | 2 | 8 | 2 |
| 22 | A10 | Acute Service | Social | | | SoJ | Wrong model of care results in poor long term health outcomes. | Experienced HSS Team, Clinical engagement, HASMAP.<br><br>Experienced adviser appointment, HSSH Scrutiny Panel and Programme Assurance reviews. | 5 | 2 | 10 | 4 | 3 | 3 | 2 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 23 | A11 | Acute Service | Economic | GMS | NA | SoJ | Chosen feasibility design fails to drive necessary operational savings and results in unaffordable revenue costs. | SOC, Use of NHS and HMT procurement methodology, MTFP 2 cost modelling and bids, Design Champion.<br><br>Experienced Advisor Appointment, OBC, FBC, ASP. | 4 | 2 | 8 | 4 | 2 | 4 | 2 |
| 24 | A12 | Acute Service | Govern. | SoJ | RF | SoJ | Programme extended due to unforeseen client requirement results in increased cost. | Fixed affordability envelope, SAS approach.<br><br>Experienced adviser appointment, Coordinated Acute Service Planning process, Control of scope creep by Board. | 2 | 4 | 8 | 4 | 2 | 4 | 3 |
| 25 | A13 | Acute Service | Govern. | SoJ | BP | SoJ | Clinical leadership does not drive necessary change In operation or culture resulting in wrong brief or failed implementation.<br><br>Formerly G3. | Experienced Hospital Management and Leadership.<br><br>Acute Service Planning, Financial Modelling and Acute Workforce Planning support. | 5 | 3 | 15 | 5 | 2 | 9 | 1 |
| 26 | A14 | Acute Service | Social | GMS | MP | SoJ | Site selection process challenged, results in delay and reduced general hospital capacity due to inflation.<br><br>Linked to R 15 to avoid cost duplication. | Strategic Outline Case site assessment. Stakeholder workshops.<br><br>Experienced Advisor Appointment, EIA, OBC and FBC. | 4 | 2 | 8 | 4 | 1 | 8 | 3 |
| 27 | A15 | Acute Service | Economic | SoJ | RF | SoJ | Insufficient investment in change process causes increased cost or delay.<br><br>Formerly G11. | Health transformation programme team and resources.<br><br>Acute Service, Equipment, ITC and Workforce Strategy required to set out change requirement. | 4 | 4 | 16 | 4 | 2 | 8 | 1 |
| 28 | A16 | Acute Service | Govern. | SoJ | RF | SoJ | Insufficient Client Team resource results in Project Delay or failure. | Experienced project team, Tri Department support, Advisor Contract requirements.<br><br>Secure agreement from accountable officers (Finance and HR Directors) that in house capacity and capability will be assured. Secure agreement that funding will be available to fund Technical Advisors to undertake the work. | 3 | 5 | 15 | 3 | 1 | 11 | 2 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 29 | A17 | Acute Service | Social | SoJ | BP | SoJ | Failure of transitional capacity initiatives in community and primary care results in increased pressure on planned capacity or under sizing of general hospital.<br><br>Wider flow impacts - GPSU etc. how patients are directed into care. | Experienced HSS Team, metrics for effectiveness developed.<br><br>Community, Mental Health and Sustainable Primary Care Strategies in development.<br><br>Although metrics exist, UK experience indicates proposed interventions are unlikely to have sufficient effect to address as hoped.<br><br>Out of hopsital team to provide assurance to board that | 4 | 5 | 20 | 3 | 1 | 15 | 1 |
| 30 | A18 | Acute Service | Economic | SoJ | BP | SoJ | Revenue implications of care mdoel: Unforeseen financial cost of preferred model of care working results in upward pressure on general hospital operating costs. | MTFP process has identified costs associated with demography and ICT.<br><br>ASP and financial modelling, OBC, FBC. | 3 | 2 | 6 | 3 | 3 | 2 | 1 |
| 31 | A19 | Acute Service | Govern. | SoJ | BP | SoJ | Clinical Stakeholders do not prioritise development of brief causing delay or cost.<br><br>Formerly G12.<br><br>Linked to R 15 to avoid cost duplication. | Experienced Hospital Management team and Lead Advisor.<br><br>Acute Service Planning Process. Service prioritisation exercise. | 4 | 3 | 12 | 4 | 3 | 4 | 1 |
| 32 | A20 | Acute Service | Technical | SoJ | RF | SoJ | Failure in general hospital facility or services prior to refurbishment / replacement results in delay or cost.<br><br>Recent leaks withi 1960's block confirm risk to healthcare continuity.<br><br>Backlog maintenance cost. Possible accellerated works by main contractor. | Liaison between JPH and HSSD engineering, facility management and maintenance.<br><br>Optimised phasing supported by experienced technical advisors.<br><br>Funding for watch and wait backlog maintenance items to be provided to de-risk. | 4 | 5 | 20 | 4 | 2 | 10 | 1 |
| 33 | A21 | Acute Service | Technical | SoJ | RF | SoJ | Future proofing: Installed Service, ICT or FF&E infrastructure has insufficient flexibility to meet foreseeable future requirements. | Quality and technical design: Experienced Client Team and Lead Advisor.<br><br>Service, ITC and FF&E Strategies. | 4 | 3 | 12 | 4 | 3 | 4 | 1 |
| 34 | A22 | Acute Service | Economic | SoJ | RF | SoJ | Changing funding strategy and delay in descision making impact of scheme redesign (abbortive design cost and loss of market interest/confidence) - reduction to project funding results in delay to implementation of phases.<br><br>This accounts for 2 qtrs cost risk delay for inflation. | POG Ministerial representation, senior and effective Project Board. Linked to Special Fund.<br><br>Budget based on 2015 and MTFP 2016. | 4 | 5 | 20 | 4 | 1 | 20 | 2 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 35 | A23 | Acute Service | Govern. | SoJ | BP | SoJ | Required services to deliver Health Transformation are not aligned.<br><br>Formerly G13. | Experienced HSSD Transformation programme team.<br><br>Transformation coordination process. | 4 | 2 | 8 | 4 | 2 | 4 | 1 |
| 36 | A24 | Acute Service | Economic | SoJ | BP | SoJ | HSSD brief - wrong facility specified - results in long term poor health outcomes | P.82/2012, Acute Service Strategy Principles.<br><br>Acute Services Strategy and Plan, Technical Advisor Visits. | 5 | 3 | 15 | 4 | 2 | 8 | 4 |
| 37 | A25 | Acute Service | Govern. | SoJ | RF | SoJ | Interdependency with other offsite project causes delay to completion or approval of Brief. ES projects impact ie. Westaway ES 07.<br><br>Formerly G14. | Experienced Project Board and Senior Supplier.<br><br>Watching brief and monitoring of related corporate and private initiatives. | 4 | 4 | 16 | 4 | 2 | 8 | 1 |
| 38 | A26 | Acute Service | Technical | SoJ | BP | SoJ | Failure to agree safe, sustainable, affordable distribution for Laboratory Services results in delay.<br><br>Formerly G8. | Experienced HSS Team, health Leadership, Clinical engagement.<br><br>Independent Review of Laboratory Services commissioned. | 3 | 2 | 6 | 4 | 4 | 2 | 1 |
| 39 | A27 | Acute Service | Technical | SoJ | BP | SoJ | Lack of interface between remote site systems causes long term safety or financial issue. | Experienced Client Team and Lead Advisor.<br><br>Coordinated Acute Service Plan development. | 4 | 3 | 12 | 5 | 2 | 8 | 1 |
| 43 | A31 | Acute Service | Economic | SoJ | BP | SoJ | HSSD brief unaffordable results in delay and poor health outcomes.<br><br>Brief target is for a 15% saving over healthcare planning guidance - SoJ derrogation. | Experienced HSS Team, health Leadership, Clinical engagement.<br><br>ASP and financial modelling, OBC, FBC. | 4 | 4 | 16 | 5 | 2 | 10 | 2 |
| 44 | A32 | Acute Service | Technical | SoJ | RF | SoJ | Unforeseen Delay to construction results in increase in waiting lists / poor health outcomes.<br><br>Formerly P4. | Project Management, Minimised Feasibility timings.<br><br>Experienced advisor appointment Transitional theatre and bed capacity projects (Operational Contingency). | 4 | 3 | 12 | 4 | 1 | 12 | 4 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 45 | A33 | Acute Service | Technical | GMS | SR | SoJ | Increased risk to patient, staff and visitor health during decant or development period.<br><br>Dependancy on ES projects delivery. | Experienced Hospital Management team and Lead Advisor.<br><br>Review and co-ordination of development plans. | 4 | 3 | 12 | 4 | 2 | 6 | 3 |
| 47 | A35 | Acute Service | Technical | SoJ | BP | SoJ | Absence of relevant benchmarking data in specific service areas.<br><br>Formerly P5. | Experienced Hospital Management and Lead Advisor.<br><br>Acute Service Planning Process. | 4 | 4 | 16 | 3 | 3 | 4 | 2 |
| 48 | A36 | Acute Service | Govern. | SoJ | BP | SoJ | Failure to implement investment in Workforce Strategy and plan in relation to general hospital.<br><br>Coordination issues between workforce strategy and hospital development have occurred and issue being addressed by client department leadership. Increased likelihood. Mis allocated formerly S5. | Workforce revenue modelling for NPV.<br><br>HSSD Human Resource Team and Public Sector Reform Support.<br><br>Workforce elements under Client Department review following delayed delivery.<br><br>Acute Workforce Training and Organisational Development Strategy Plan. | 4 | 5 | 20 | 4 | 2 | 10 | 1 |
| 49 | A37 | Acute Service | Political | SoJ | RF | SoJ | Project delivery is insufficiently aligned with Public Sector Reform process. | Experienced HSSD Transformation programme team.<br><br>Co-ordination meetings with Public Sector Reform leaders. | 4 | 3 | 12 | 4 | 3 | 4 | 1 |
| 53 | A41 | Acute Service | Political | SoJ | BP | SoJ | Unresolved clinical conflict and absence of resolution mechanism leads to increased time or cost.<br><br>Sign off strategy.<br><br>Linked to R 15 to avoid cost duplication. | Experienced Hospital Management and Leadership.<br><br>Clinical Leadership and Decision Making process. | 4 | 5 | 20 | 4 | 3 | **7** | 1 |
| 54 | A42 | Acute Service | Technical | SoJ | BP | SoJ | Insufficient investment in transition planning means acute services cannot be maintained to required standards. | Experienced HSSD Transformation programme team.<br><br>Transformation coordination and service prioritisation process. | 4 | 4 | 16 | 4 | 2 | 8 | 1 |
| 56 | A44 | Acute Service | Legal | SoJ | BP | SoJ | JGH facilities in transitional period fall below levels acceptable to meet Royal College and other accreditation standards. | Experienced operational team and professional leads to foresee these risk before they materialise.<br><br>Form Transitional Capital Plan. | 5 | 3 | 15 | 4 | 2 | 8 | 1 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 57 | A45 | Acute Service | Economic | SoJ | RF | SoJ | Interdependency between relocation work elements causes delay to completion of health brief and related change in scope.<br><br>Linked to R 15 to avoid cost duplication. | Experienced Acute Service team, relocation works lead and project advisors.<br><br>Ensure timely and effective engagement of client in brief development. | 4 | 3 | 12 | 4 | 2 | 6 | 1 |
| 62 | A50 | Acute Service | Technical | SoJ | BP | SoJ | Appropriate Private Patients capacity is not incorprated in brief.<br><br>Formerly S14. | EY Project to assess PP business opportunty in FH.<br><br>Experienced EY PP advisors and internal HSSD PP managers. | 3 | 3 | 9 | 3 | 3 | 2 | 1 |
| 63 | A51 | Acute Service | Technical | GMS | MP | C | Failure to maintain or protect existing general hospital adequately during development period.<br><br>Formerly S15.<br><br>Relates to works insurance under contractor. | Identified revenue stream in Budget 2015. Experienced JPH and HSSD maintenance teams.<br><br>Coordination protocol for revenue and capital investment. Experienced technical advisor. | 3 | 3 | 9 | 4 | 1 | 9 | 1 |
| 74 | A62 | Acute Service | Technical | SoJ | BP | SoJ | Clarity required for relocation of existing equipment impacts on time, quality or cost. | Strategic equipment group to be established in April, to define requirements for Hospital and Westaway.<br><br>For main hospital assume 100% new clinical equipment. | 3 | 3 | 9 | 3 | 1 | 7 | 1 |
| 77 | A65 | Acute Service | Political | SoJ | BP | SoJ | Risk that appointed facilitator causes uncertainty or undermines existing confidence amongst political or key stakeholder representatives in the engagement process resulting in delay. | Stakeholder engagement strategy is in place apporved by project board for implementation. BP. | 3 | 3 | 9 | 4 | 4 | 2 | 1 |
| 78 | A66 | Acute Service | Technical | C | C | C | Snagging / defects damage credibility of project. | Soft landings risk.<br><br>Develop robust on site workmanship and management plan, agree sign-off and testing regime, write commissioning management plan, and include required performance for post-handover period as part of contract. Engage end user (FM/Clinical) leads throughout the process. | 3 | 3 | 9 | 4 | 4 | 2 | 1 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 80 | A68 | Business Case | Economic | SoJ | RF | SoJ | Crash to Bond equity market impacts on funding source causing delay or cost. | Treasurer limited the exposure through robust funding strategy. | 4 | 2 | 8 | 4 | 1 | 8 | 2 |
| 83 | B3 | Business Case | Economic | SoJ | RF | SoJ | Jersey factor results in unaffordable construction cost and reduced general hospital capacity. | Use of NHS procurement methodology, Outline Procurement Strategy | 4 | 3 | 12 | 4 | 2 | 6 | 4 |
| 84 | B4 | Business Case | Economic | GMS | TB | C | Pre-feasibility estimate assumptions over optimistic (above optimism bias). | Experienced Technical, Legal, Financial and Procurement Advisors required for pre-feasibility.<br><br>Receipt of CR25 has indicated that some elements i.e. Granite block refurbishment may not be affordable within the project indicative budget but sufficient contingency exists to address known briefing issues otherwise. Reduced likelihood proposed. | 5 | 3 | 15 | 4 | 3 | 5 | 3 |
| 85 | B5 | Business Case | Economic | SoJ | RF | SoJ | Insufficient funding from Strategic Reserve prioritised to afford Future Hospital solution and phasing.<br><br>Alternative to Bond funding - link to 10m | Experienced Treasury Team.<br><br>Affordability analysis as part of OBC (Deliverable 8) completing Dec 2017.<br><br>Likelihood has reduced for ability to part fund the proposed bond structure. Post October 2016 Board addition of "prioritised" as Treasurer believes sufficient funding available. Formerly B9. | 5 | 3 | 15 | 5 | 1 | 19 | 1 |
| 87 | G1 | Governance | Political | SoJ | RF | SoJ | Electorial /political executive or scrutiny changes cause change to brief or rebriefing requirement.<br><br>Formerly A43.<br><br>Link to 8m risk | Experienced Project Board and support of the current Health Minister and Infrastructure Minister prior to purdah.<br><br>Ministerial and Council of Minister briefings.<br><br>Investment in July and OBC in Dec. | 4 | 5 | 20 | 4 | 1 | 20 | 1 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 89 | G3 | Governance | Political | GMS | MP | GMS | Competing priorities of key members of the Integrated Project Team.<br><br>Formerly A39. | Experienced Project Board and Advisory Team, Gateway Assurance Reviews and Progress Meetings. | 4 | 4 | 16 | 5 | 3 | 7 | 1 |
| 90 | G4 | Governance | Govern. | GMS | MP | GMS | Project team inexperienced in new general hospital facility construction results in delay or poor value. | Client Team brings together available experience.<br><br>Experienced adviser appointment, IPT gap analysis . | 3 | 5 | 15 | 3 | 3 | 4 | 4 |
| 93 | G7 | Governance | Environmental | SoJ | RF | SoJ | Partial BREEAM implementation causes long term operational or lifecycle cost.<br><br>Revenue implication. Targetting Excellent but this may be at cost. | Proposal for BREEAM during design phase and compliance from Lead Advisor.<br><br>Cost plan includes for BREEAM Excellent in terms of Capital Investment but Revenue consequence needs to be understood. | 4 | 3 | 12 | 5 | 3 | 5 | 2 |
| 94 | G9 | Governance | Govern. | GMS | MP | GMS | Reputational Risk - Loss of key personnel within Delivery Team causes delay, quality issue or cost, and lack of continuity. | Recruitment policy, good team spirit and flexible project team.<br><br>Experienced advisors appointment. Robust contract appointments. | 3 | 3 | 9 | 3 | 1 | **7** | 2 |
| 96 | G15 | Governance | Legal | SoJ | BP | SoJ | Unforeseen change to acute service as a result of Regulation of Care Law implementation.<br><br>This might result in abortive costs for redesign and programme delay/inflation impact and prelims if post contract. | Experienced Hospital Management and Leadership.<br><br>Transformation coordination and service prioritisation process. | 4 | 2 | 8 | 4 | 3 | 3 | 2 |
| 97 | G16 | Governance | Technical | GMS | MP | SoJ | Insufficient programme time to produce a robust brief.<br><br>Link to R 15 to avoid cost duplication. | Experienced Project Supply Team and Lead Advisor.<br><br>Acute Service Coordination Meetings. Delivery Team meetings. Progress Review Meetings. | 4 | 4 | 16 | 4 | 3 | 5 | 2 |
| 104 | S2 | Site Dev. | Technical | GMS | MP | SoJ | Planning application delay causes time or cost issue.<br><br>Formerly A2.<br><br>Linked back to 8m inflation impact Risk. | Regular communication with Planning Officers. Avoid public appeals on public inquiry by providing comprehensive information.<br>The assumption for main hospital is Planning Inspector will control timescale and planning advised timescale is assumed. Risk for relocation works should be similar to other JPH projects.<br><br>Support of TTSD in EIA process. Experienced Technical (planning) advisor appointment. | 4 | 3 | 12 | 5 | 2 | 8 | 2 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 105 | S3 | Site Dev. | Technical | SoJ | RF | SoJ | Additional requirements stipulated by Planning Condition or Reserved matter add cost or time or affect safety or sustainability.<br><br>Formerly A6. | Regular communication with Planning Officers. Planning Inquiry anticipated which will review conditions. Lead Advisor on Planning and Infrastructure in post.<br><br>Support of TTSD in EIA process. Experienced Technical (planning) advisor appointment. | 3 | 4 | 12 | 3 | 1 | 9 | 1 |
| 99 | S46 | Site Dev. | Technical | GMS | MP | SoJ | Outcome of surveys triggers the requirement for additonal design and therefore increased cost or delay. | Lead advisory feasibility and specialist studies undertaken. Active clinical engagement.<br><br>Early advice to be obtained from surveyors and incorporsated into design. | 3 | 2 | 6 | 2 | 4 | 1 | 2 |
| 100 | S47 | Site Dev. | Economic | GMS | MP | SoJ | On-Island Supply Chain lack the ability, resources or capacity to undertake the relocations projects to programme causing delay or cost. | Relocation works procurement strategy allows off island partenrships. Main hospital procurement strategy will limit on island role to appropriate level.<br><br>Soft market testing to be undertaken and early engagement underway. | 4 | 4 | 16 | 4 | 1 | 16 | 1 |
| 102 | S49 | Site Dev. | Technical | GMS | MP | SoJ | Quality - Design / quality incorrectly specified and does not meet whole life requirements resulting in cost or delay. | Excellent lead advisor to ensure the correct products are specified to reflect the client requirements. | 4 | 3 | 12 | 3 | 3 | 3 | 1 |
| 106 | S4 | Site Dev. | Economic | GMS | MP | SoJ | High out-turn cost of initial relocation and enabling works results in compromise to later phases.<br><br>Formerly A7. | Effective Project Board and Project Team<br><br>Experienced technical advisor appointment.<br><br>Implement strong Change Management process to ensure that the individually apportioned contingency allowances per ES project aren't exceeded. | 5 | 4 | 20 | 5 | 3 | 8 | 1 |
| 114 | S13 | Site Dev. | Legal | GMS | MP | C | Supply chain - Failure to obtain appropriate securities or warranties for refurbishment works | Experienced Project Board and Procurement Advisor.<br><br>Experienced technical advisor and contractor familiar with refurbishment of acute hospitals. | 4 | 4 | 16 | 3 | 3 | 4 | 1 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 116 | S15 | Site Dev. | Technical | GMS | MP | SoJ | Poor coordination, design and construction or BIM approach leads to conflicts, quality issues, cost or delay.<br><br>Formerly A35. | Experienced technical advisor appointment (JFH and HSSD).<br><br>Pier review and timely client sign off. | 4 | 3 | 12 | 4 | 3 | 4 | 1 |
| 119 | S18 | Site Dev. | Social | GMS | MP | C | Disturbance during construction results in poor health outcomes - medium term | HSSD / JPH Experience of hospital refurbishment, Dual Site Strategy, Phasing.<br><br>Patient Safety Case, Permit to Work System. | 4 | 4 | 16 | 4 | 2 | 8 | 3 |
| 121 | S20 | Site Dev. | Technical | GMS | MP | C | Logistics and Transport Mitigation Plan - Buildability, temporary works results in delay, additional cost or service disruption.<br><br>Formerly G14. | Experienced Client Team and Lead and Property Advisors.<br><br>Operational Plan required during decant and construction phase.<br><br>Buildability assessments and early contractor involvement - to be detailed within Procurement Delivery Plan.<br><br>Property acquisition strategy. | 5 | 4 | 20 | 4 | 2 | 10 | 1 |
| 128 | S27 | Site Dev. | Legal | GMS | MP | SoJ | Change in Construction Legislation adds to cost, delay or quality issue | MOG. CMB and other internal communications re law changes in Jersey.<br><br>Regular risk reviews and experienced ICA team including local practitioners. | 4 | 2 | 8 | 2 | 3 | 1 | 3 |
| 130 | S29 | Site Dev. | Technical | SoJ | GLS | SoJ | Failure to maintain / create access amenity during transitional or construction period causes complaint or disruption to service delivery. | Experienced Client Team and Lead Advisor, Clinical Engagement.<br><br>Construction Management and Access Plans, Stakeholder Consultation. | 4 | 3 | 12 | 4 | 3 | 4 | 2 |
| 133 | S37 | Site Dev. | Govern. | GMS | MP | SoJ | Advisor resource or mobilisation insufficient to meet programme resulting in delay or cost.<br><br>Formerly S37. | Experienced SRO, Senior Supplier and Delivery team.<br><br>Require mobilisation plan within CR26 development. | 3 | 4 | 12 | 3 | 2 | 5 | 4 |
| 134 | S38 | Site Dev. | Technical | SoJ | RF | SoJ | Revenue implication - Energy supply arrangement results in long term energy inefficiency.<br><br>60 yr design life. | Experienced on-island and lead advisory energy team. | 4 | 3 | 12 | 4 | 2 | 6 | 4 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 136 | S40 | Site Dev. | Technical | SoJ | JR | SoJ | Infrastructure Services Capacity is insufficient or future development compromises capacity. | Development Control Plan in production.<br><br>Reviewing at each stage with relevant authorities. Arup have proposed design loads.<br><br>Currently only briefed load requirements are captured. Any needs within the DCP would be captured under a new Change Request ie. for a Health Campus. | 4 | 3 | 12 | 4 | 1 | 12 | 1 |
| 137 | S41 | Site Dev. | Technical | SoJ | JR | SoJ | Complications due to restrictions of a town centre location. | Further analysis during RIBA Stage 2 design in particular for deliverables, set down areas and phasing of the works. | 3 | 4 | 12 | 4 | 2 | 6 | 1 |
| 138 | S42 | Site Dev. | Technical | GMS | MP | C | Deliveries disrupted due to shipping and bad weather (Force Majeure) | Pre-order materiliase - storage and on island storeage (Bonded). | 3 | 3 | 9 | 4 | 2 | 5 | 1 |
| 139 | S43 | Site Dev. | Technical | GMS | MP | C | Lack of contractor parking. | Transport strategy and procurement process. Lack of sufficient contractor lay down or operational area.<br><br>Mitigation to be developed at detailed design stage. | 2 | 3 | 6 | 3 | 2 | 2 | 3 |
| 141 | S48 | Site Dev. | Environmental | GMS | MP | SoJ | Client and Neighbours Stop Work - Complaints from neighbours/ adjacent departments causes; noise/vibration. | Mitigation to be developed at concept design stage to alleviate noisy operations, where possible, near to site boundary/ sensitive departments.<br><br>Stop Works procedure to be setup. | 2 | 4 | 8 | 4 | 2 | 4 | 3 |
| 142 | P 1 | Supplier Procurement | Economic | GMS | MP | SoJ | Specification of Products - One-off supply chain procurement results in poor value. | Experienced adviser appointment, market engagement, contract strategy.<br><br>Limit restrictions around products ie. "Similar or approved". | 3 | 2 | 6 | 4 | 1 | 6 | 1 |
| 147 | P 6 | Supplier Procurement | Technical | GMS | MP | SoJ | Inconsistency, error or poor quality of tender documentation results in poor value for money.<br><br>Formerly S31. | Experienced Project Board and Procurement Advisor.<br><br>Quality assured procurement process by ICA team. | 4 | 1 | 4 | 3 | 4 | 1 | 2 |

| Number | Identifier | Service/Type | PESTLE Category | Organisation | Owner | Risk Owner | Risk Description | Mitigation | Impact | Likelihood | **Inherent Risk Score** | Risk Significance | Management Effectiveness | Residual Risk Score (0=closed) | Quartile |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 149 | P10 | Supplier Procurement | Economic | GMS | MP | SoJ | Inflation Risk - Overheating construction market causes unaffordable project and delay.<br><br>Formerly A36. | Experienced Legal,Technical and Cost advice for pre-feasibility.<br><br>Experienced local partner to avoid delay through employing additional resource. | 5 | 3 | 15 | 5 | 2 | 9 | 2 |
| 150 | P11 | Supplier Procurement | Technical | GMS | MP | SoJ | Market Appetite fails to maintain supplier interest resulting in poor competition and increased cost or delay.<br><br>Formerly A25. | Experienced Project Board and Procurement Advisor for market engagement strategy.<br><br>Management effectiveness is reasonable given procurement approach proposed and experience of advisor team. Increased effectiveness proposed.<br><br>Soft Market Testing. | 4 | 4 | 16 | 4 | 2 | 8 | 1 |
| 158 | S48 | Site Dev. | Technical | GMS | MP | SoJ | Access between Patriot St MSCP and JFH. strategy from bridge links between car park and the main Hospital. | 1 bridge costed - potentially 3 in total required. Arup complete vertical tranportation strategy. | 3 | 4 | 12 | 3 | 2 | 5 | |

Risk totals LAST ADDITION: 158

| Consequences | | | | | | | OPPORTUNITY |
|---|---|---|---|---|---|---|---|
| RISK | | Financial | Quality / Scope | | | Time | Resource |
| Score | Impact | Resources / Cost / Budget / Benefits | Reputation | Continuity | Regulatory | Time | Resources / Cost / Budget / Benefits |
| 5 | Catastrophic | Greater than £10 million | National media attention | Complete disruption of the service | Breakdown in relationship with regulator affecting funding | 12 + weeks | Greater than £10 million |
| 4 | Major | £1 million to £10 million | National press attention | Widespread problems in business operation | Breach of regulation or legislation with severe costs/ fines | 6 - 12 weeks | £1 million to £10 million |
| 3 | Moderate | £100,000 to £1 Million | Local press attention | Significant problems in specific areas of service delivery | Breach of legislation or code resulting in fine or rebuke by Court or Regulator | 4 - 5 weeks | £100,000 to £1 Million |
| 2 | Minor | £10,000 to £100,000 | Internal matter | Minor problems in specific areas of service delivery | Minor Breach of legislation or code resulting in no compensation or loss | 2 - 3 weeks | £10,000 to £100,000 |
| 1 | Insignificant | Less than £10,000 | Individual grievances | Minor departmental and/or systems problems | Breach of legislation or code resulting in no compensation or loss | 0 - 1 week | Less than £10,000 |

| Likelihood | | | | |
|---|---|---|---|---|
| Almost certain | Likely | Moderate | Unlikely | Rare |
| 5 | 4 | 3 | 2 | 1 |
| Over 80% likely to happen or has happened on a regular basis over the last 12 months | 61 - 80% likely to happen or has happened at least once or twice in the last 12 months | 41 - 60% likely to happen or has happened once or twice in the last 24 months | 21 - 40% likely to happen or has happened once or twice in the last 5 years | Up to 20% likely to happen or hasn't happened over last 5 years |

| Inherent and Residual Risk Score | | | |
|---|---|---|---|
| Note: The Inherent Risk Score (in this workbook) is calculated by multiplying the Probability Score (out of 5) by the Highest Impact Score (out of 5). The | | | |
| Acceptable Risks | | | |
| Note: Any risk with a score or 7 or lower which falls into the Green Threshold is deemed to be an acceptable risk with minimal impact on the business | | | |
| Overall risk score | | | |
| Amber Risk Threshold: | 8 | Red Risk Threshold: | 10 |
| Note: All risks below the Amber threshold are classified as Green. If a risk score is equal to or greater than the threshold entered, a risk will be classified as | | | |

Initial Scoring

| Impact | Quartile | 2 | 1 | | | Quartile |
|---|---|---|---|---|---|---|
| 5 | 5 | 10 | 15 | 20 | 25 | 1 |
| 4 | 4 | 8 | 12 | 16 | 20 | |
| 3 | 3 | 6 | 9 | 12 | 15 | 3 |
| 2 | 2 | 4 | 6 | 8 | 10 | |
| 1 | 1 | 2 | 3 | 4 | 5 | |
| Likelihood | 1 | 2 | 3 | 4 | 5 | |
| | Quartile | 4 | 3 | | | |

| Risk Scores | Reporting | Monitoring |
|---|---|---|
| 16 to 25 | Report to Political Oversight Group. | Monitor at Project Board |
| 10 to 15 | Report to Project Board. | Monitor at Client Project Team. |
| 7 to 9 | Report to Client Project Team. | Monitor within Integrated Project Team |
| 1 to 6 | Report to Integrated Project Team. | Monitor within Project Service Area |

gleeds

Future Hospital
New hospital services for a healthier Jersey

| Define Risk Threat Action Types (Prince2) by: | Act to : | Define risks(MSP) by: | Owned by |
|---|---|---|---|
| Acceptance | Accept the risk may occur (positive or negative) | Strategic Risks | Political Oversight Group |
| Contingency action | Put a contingency in place to mitigate the impact if the risk happens | Programme Risks | Health Transformation Programme |
| Prevention | Prevent the risk occurring | Operational Risks | HSSD and JPH Departments |
| Reduction | Reduce the risk (adverse) | Project Risks | Future Hospital Project |
| Transference | Transfer an (adverse) risk | Not to be confused with: | |
| Define Risk Opportunity Types MSP by: | Act to : | Risk allowances | Construction project contingency management technique for costing uncertain construction events and allocating contingency against it. |
| Realise | Identify and seize an opportunity (e.g. early completion) | Risk allocation | Contract management technique to allocate the |
| Enhancement | Improve an identified opportunity (e.g. reducing floorspace) | | |
| Exploitation | Identify and change the (Project) to realise new benefits (e.g. changing contract strategy to minimise costs) | | |

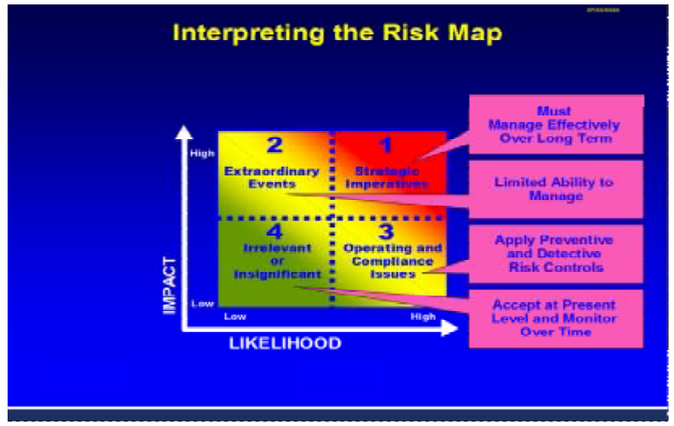
| Risk Significance | |
|---|---|
| Scored 1 - 4 | |
| 1 | Negligible |
| 2 | Limited |
| 3 | Sizeable |
| 4 | Significant |

| Management Effectiveness | |
|---|---|
| Scored 1 - 4 | Existing and planned Mitigations will have |
| 1 | Negligible impact |
| 2 | Limited but not sizeable impact |
| 3 | Sizeable but not significant impact |
| 4 | Significant impact |
| on the risk likelihood and or consequence. | |

**Risk (MSP) is**
effect on achievement of objectives.

**Opportunity (MSP) is**
An uncertain event that could have a favourable impact on objectives or benefits

**Issue (MSP) is:**
Events that have happenned, were not planned, are currently affecting the (Project) in some way and need to be actively dealt with and resolved. Risks,



## Appendix E – How to intelligently set the Contractor's share percentages and share ranges – a paper by Jon Broome

# How to intelligently set the Contractor’s share percentages and share ranges...

Sep 14, 2013

Posted by: Jon Broome

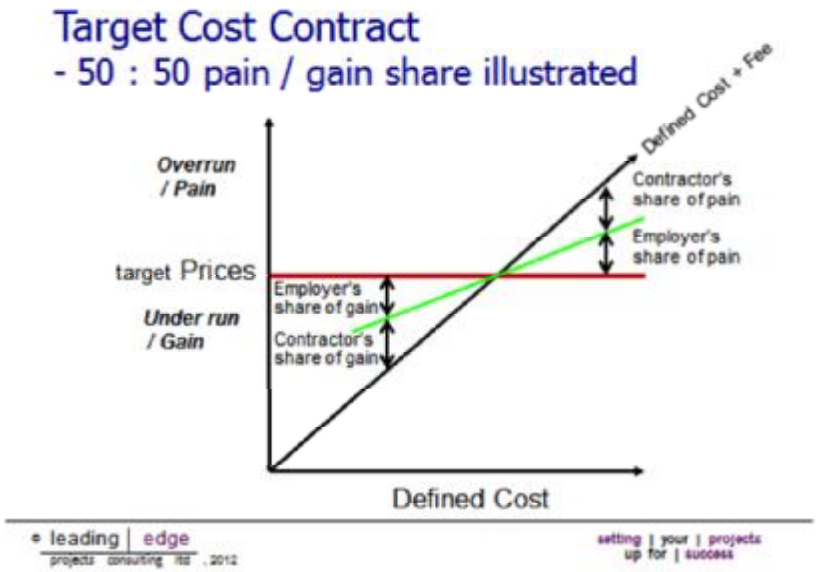
**Filed under**: NEC3

At the April 2012 NEC User's Group conference, the chair (Steve Rowsell) suggested that a good area for research would be on the setting of pain / gain share profiles under target cost contracts. I stuck up my hand and said that it had already been done by yours truly as part of my post-doctoral research between 1998 and 2000.

This article gives the conclusion of that research as an aid to practitioners when thinking about setting the share percentages and share ranges under the target cost options of the NEC3 family. This article assumes that the target cost option has been selected for the right reasons which, at a high level, are when:

- There is risk, whether threat or opportunity, with the target Prices which both parties can contribute to the management of. If only the Contractor that can significantly contribute, then a priced based option should probably be used; and / or
- There is a high likelihood of a significant volume of compensation events i.e. risk outside the target Prices, and the Employer wants transparency of cost in order to be able manage and assess them quickly. If the amount of change is expected to be very high, then the contract should probably be let as a cost reimbursable contract.

**A diagram illustrating a 50 : 50 pain / gain share is given below:**

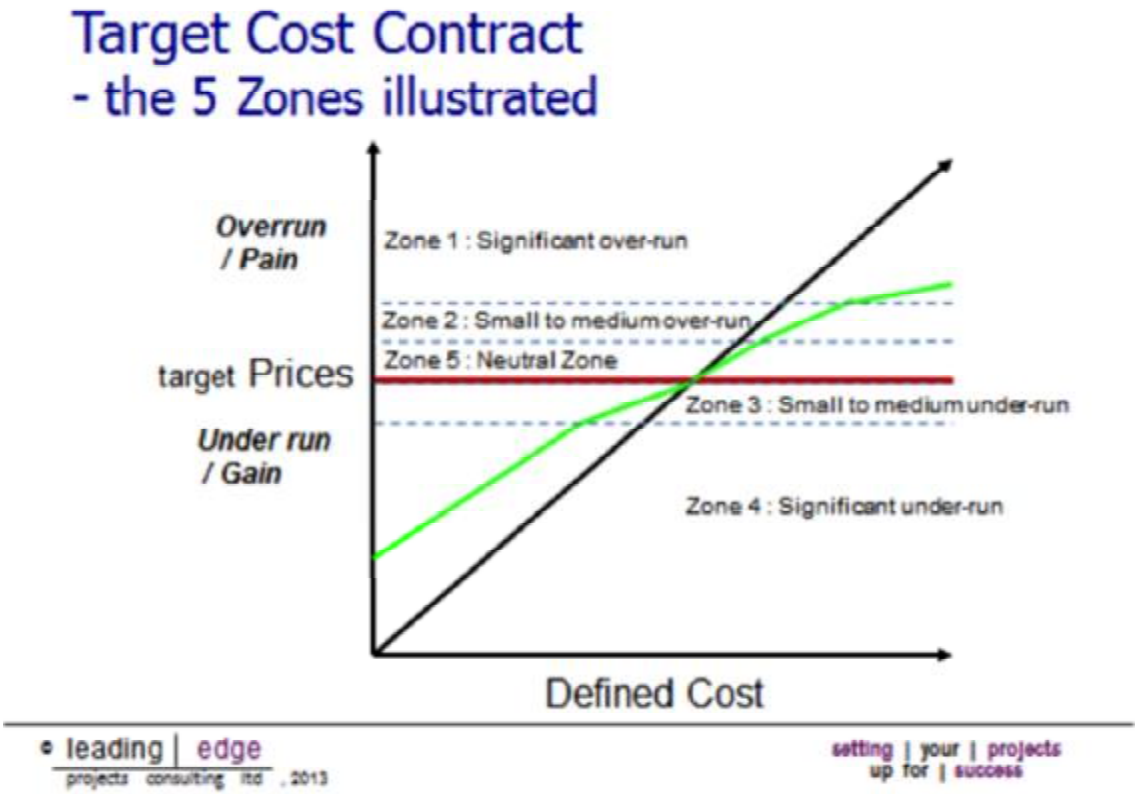



**In this diagram 50 : 50 pain / gain:**

- the Defined Cost + Fee that the Contractor would be paid during the contract is the black diagonally rising line;
- the target Prices is the red horizontal line. During the contract this would only be adjusted due to compensation events; and
- the pain / gain line is the green line (in this diagram approximately a 50 : 50 share).
- to work out what the Employer would ultimately pay for any Defined Cost, you would go up from the horizontal axis of Defined Cost until you reach the green line and then go along horizontally.

**The 5-Zone Model**

Having chosen a target cost contract for the right reasons, let us divide the share ranges into five zones. These are illustrated in the diagram below which has the same colour coding as the previous diagram.




**Zone 1**: A significant over run of the target Prices which neither party could have reasonable predicted. In this Zone, the key question is who can best bear the over run and hence take the majority of the over run. For instance, a large employer, who has money coming in year on year will have much deeper pockets than a relatively small contractor making relatively small profit on what for them is a large contract. If too much risk is put on the Contractor then, instead of collaborating to reduce cost, he may well fight and squeal to transfer costs to the Employer through compensation events and cut corners on other aspects of the job. In all likelihood, this would be to the detriment of the Employer's other objectives, such as quality, public relations etc.. Ultimately, they may become insolvent in which case all the risk will revert back to the Employer. Note that the Employer does not have to take all of the over-run and may wish to keep some motivation on the Contractor to perform by setting the Contractor's share percentage at say 20%.

At the other end of the scale, you may have a relatively large Contractor (for whom the contract is a small one) and a relatively small Employer (for whom the contract is a large one). Here, the situation is reversed and it may be advisable to cap the over-run i.e. set it at 100% to the Contractor.

**Zone 2:** A small to medium over run which is within the contemplation of the parties. Given that risk within the target Prices is generally within the Contractor's predominant (but not necessarily exclusive) influence, it suggests that generally the Contractor should take the lion shares of any small to medium over-run e.g. 50%+. The less this is the case, the more the initial pain share should err towards a cost reimbursable contract with the Employer taking a greater percentage of over-run.

As an example of Zones 1 and 2, on the Channel Tunnel Rail Link the Employer had deleted the physical conditions compensation event on large civils contracts, but instead took 75% of any over-run up to 120% (Zone 2) of the target Prices and 90% thereafter (Zone 1). I.e. the contractors' shares were 25% and 10%.

**Zone 3:** A small to medium under run which is within the contemplation of the parties. The mirror image of the Zone 2 is that generally the Contractor takes the lion share of any small to medium savings compared with the target Prices and which are within the contemplation of the parties. Again, the less it is the case that the risks are within the Contractor's control, the more initial gain share should err towards a cost reimbursable contract with the Employer taking a greater percentage of the savings.

**Zone 4:** Significant savings which are beyond the reasonable contemplation of both parties. This is a point which applies to all four of the above Zones: the share of any savings or over run for each party should ideally be big enough to motivate both Parties to carry on working together to minimise costs.

In one framework, the employer was consulting with the pre-qualified contractors on the draft contract terms, including the share profile, and it was to be an early contractor involvement process whereby the final target was negotiated. They were proposing that contractors took all of the share of any over-run, half of the first 5% of any saving and beyond that, all savings would go to the employers. As it was being tendered recently in times of austerity, the contractors were likely to tender low fee percentages / have low margins to ensure they got on the framework. Thinking through the consequences of this from a contractor's perspective:

- They would seek to add in (from an employer's perspective) excessive risk prior to agreeing the target to protect the downside.
- They would have no motivation to seek legitimate savings beyond the 5%
- When business picks up in a couple of year's time, the employer's projects will become unattractive causing them either not to bid or to put the 'C' team on it having got a nice risk contingency in the target.

However, as with any zone, there is no point in the Employer paying any more than what is sufficient to motivate the Contractor to carry on striving for savings. My gut feel is that less than a 20% share of any savings in Zone 4 would not motivate a typical contractor to seek out more savings.

**Zone 5:** A neutral zone around the target for when the parties cannot agree. This neutral zone has been used in negotiated or open book pricing arrangements when the parties could not quite close out the difference to agree the target. The 'zone' spans the difference in their estimates which could be over how much risk should be included

in the target. In this zone, the Contractor's share lies somewhere between zero percent and the negative value of his fee percentage.

Let us illustrate the latter by saying that the Contractor's fee percentage is 10% and he thinks that the target should be one million and fifty thousand pounds, but the Employer thinks it should be one million pounds. The target Prices are set at one million with the Contractor's share of the first five percent of the over-run set at the 10% fee percentage. Consequently, in this zone, any additional Contractor's fee is recovered through the pain mechanism. As a result, the Contractor's margin is not eroded until he is exceeding his own estimate of one million and fifty thousand. Equally, the Contractor makes no additional margin until they have beaten the Employer's lower estimate of what the contract should cost i.e. one million. In fact, under this arrangement most contractors have some motivation to save costs in this zone in order to increase their profit on turnover which is how many are evaluated. This is not the case if the Contractor's share is set at zero percent in this zone.

**When does each Zone start and finish?**

- If we assume that Zone 5 is not used, which will normally be the case, then the interface between Zones 2 and 3 will be the target Prices.
- Research in America, on cost plus incentive fee arrangements as they are known there, found that where savings were made, the largest proportion were in the 0 to 5% range, then dipped and rose up to spike at 10%, before tailing away fast.
- Where savings of more than 10% were made, the view was that the target was initially set too high. This fits with my personal consultancy experience and suggests that the Zone 3 and 4 interface should be somewhere between 5 and 10%, but it will depend on the risk included with the target and the potential for jointly managing the threat out and opportunity in.
- The interface between Zone 1 and 2 has to be looked at from potential contractor's perspective in terms when will they start to incur enough pain to significantly affect

o the attractiveness of the contract at bid and hence the risk premium they put within the target and

o Their behaviours during the contract.

Both of these are dependent on the pain allocated to them in Zone 2 i.e. for the same project and participants, the higher the pain in Zone 2, the lower the value of the Zone 1 / 2 interface when the Contractor would be feeling the same pain. And this in turn might affect the share of pain allocated to the Contractor in Zone 1.

**Conclusion**

The development of any effective incentive arrangement – and target cost contracts are no different – is an iterative process and has to consider the perspective of the other party you are trying to incentivise. Otherwise they may well be incentivised to do things you do not want!

The limits on this model are that it does not consider the interaction between the target cost pain / gain share mechanism and other incentive mechanisms, such as time

based damages. Nevertheless, feedback from my contract strategy seminars shows that this is a useful model for developing pain / gain share arrangements.

Further reading

A fuller explanation of this model, with more examples to illustrate it, can either be found in:

- Broome J C and Perry J G, How practitioners set share fractions in target cost contracts, International Journal of Project Management, Vol. 20, No. 1, January 2002, or
- Chapter 8 of Broome J C, Procurement Paths for Partnering: A Practical Guide, Thomas Telford Ltd, 2002. (also available as an E-book and on a per chapter basis at www.icevirtuallibrary.com).

Lastly, an article which covers uses of multiple incentive mechanisms under NEC3 to stimulate improved contractor performance in line with employer objectives was published in Issue 50, April 2010 of this Newsletter and titled 'Incentivisation under NEC3'.

About the author : Dr Jon Broome is managing consultant of leading edge projects consulting ltd and chair of the Association for Project Management's Contract & Procurement SIG. He would like to thank those who commented on draft version of this article.

# Appendix F – Agenda for Procurement Workshop held on 5th May 2017


# JERSEY FUTURE HOSPITAL AGENDA- DETAILED PROCUREMENT STRATEGY

April 2017

## 1.0 Contract Scope

1.1 What relationship do we require with the contractor beyond the construction stage?

- 24 months or 36 months Defects Period?
- The ability to be able to use the Stage 1 contractor to deliver works contracts during the second-stage
- Aftercare – the contractor's responsibility extends beyond defects correction and includes maintenance of the new hospital
- Consideration for when the existing maintenance team will take on the responsibility for maintaining the new hospital

1.2 Are we agreed that some key items of specialist equipment will be procured by the appointed contractor?

- Consider risks and benefits of free-issuing equipment

1.3 We assume there will be a requirement for a Performance Bond and Parent Company Guarantee

## 2.0 Design Responsibility

2.1. Are we in agreement that the existing design team i.e. Hassell and Arup will be novated?

- There will be a requirement for Shepherd Wedderburn to produce a novation agreement that will transfer all design liability (including previous work carried out directly for the States of Jersey
- There will be a requirement for collateral warranties to be put in place for all parties who have a design responsibility; Shepherd Wedderburn to produce these warranties

2.2 Are we in agreement that the service ‘gap’ created following the novation of the design team will be filled by Technical Advisors appointed through GMS?

## 3.0 Pre-Selection Procedure

Pre-Qualification Questionnaire

3.1 How much of the supply chain will we ask the tendering contractors to declare at the PQQ stage?

3.2 As this project will not be advertised through OJEU, what portal(s) will the PIN and PQQ be issued through?

3.3 Currently 5 contractors have advised that they will be responding to the PQQ

3.4 Are we in agreement that four questions requiring the appropriate level of detail for the tenderers to demonstrate competence and track record of delivering a hospital of this value and delivering a high value, complex building in a remote location is sufficient?

## 3.0 Pre-Selection Procedure (Continued)

First-Stage Tender (Continued)

3.5 Do we agree that the second-stage sub-contract tenders should have a requirement for an on-island contractor to be included for each package?

3.6 Where are the team going to be based during the second stage? This will need to be written into the first-stage tender

3.7 What is our approach for managing programme delay during the second stage?

3.8 What level of local contractor involvement with delivering the works should be stipulated within the first-stage tender?

3.9 Do we agree with a 60% Quality and 40% Price evaluation of the tenders?

The Quality elements being 40% for the response to 6 questions and 20% for interview. The Price elements being 10% Preliminaries, 20% Overheads and Profit and 10% Pre-Construction Services

## 3.0 Pre-Selection Procedure (Continued)

First-Stage Tender (Continued)

3.10 Are we in agreement that the first-stage tender should include a requirement for the main contractor to team up with their preferred M&E subcontractor for the delivery of the Pre-Construction Services?

3.11 Are we in agreement that one of the deliverables of the Pre-Construction Services Agreement is the production of trade package Bills of Quantities?

3.12 Do we agree that a Price:Quality scoring ratio will be applied to the sub-contract tenders? Ratio to vary depending on the package being procured?

3.13 Do we agree that all sub-contract tenders should be issued through the SoJ's procurement portal to maintain transparency of the sub-contract tender process?

3.14 What is the SoJ's position on charging 'the JFH project' for Pre- fabrication space, port use, bonded warehouses, site compound, construction accommodation and work permits?

## 4.0 Pre-Selection Procedure (Continued)

Contract Conditions

4.1 Are we in agreement that the NEC Engineering and Construction Contract is implemented?

4.2 Are we clear on the risk allocation difference between a fixed price and target cost contract?

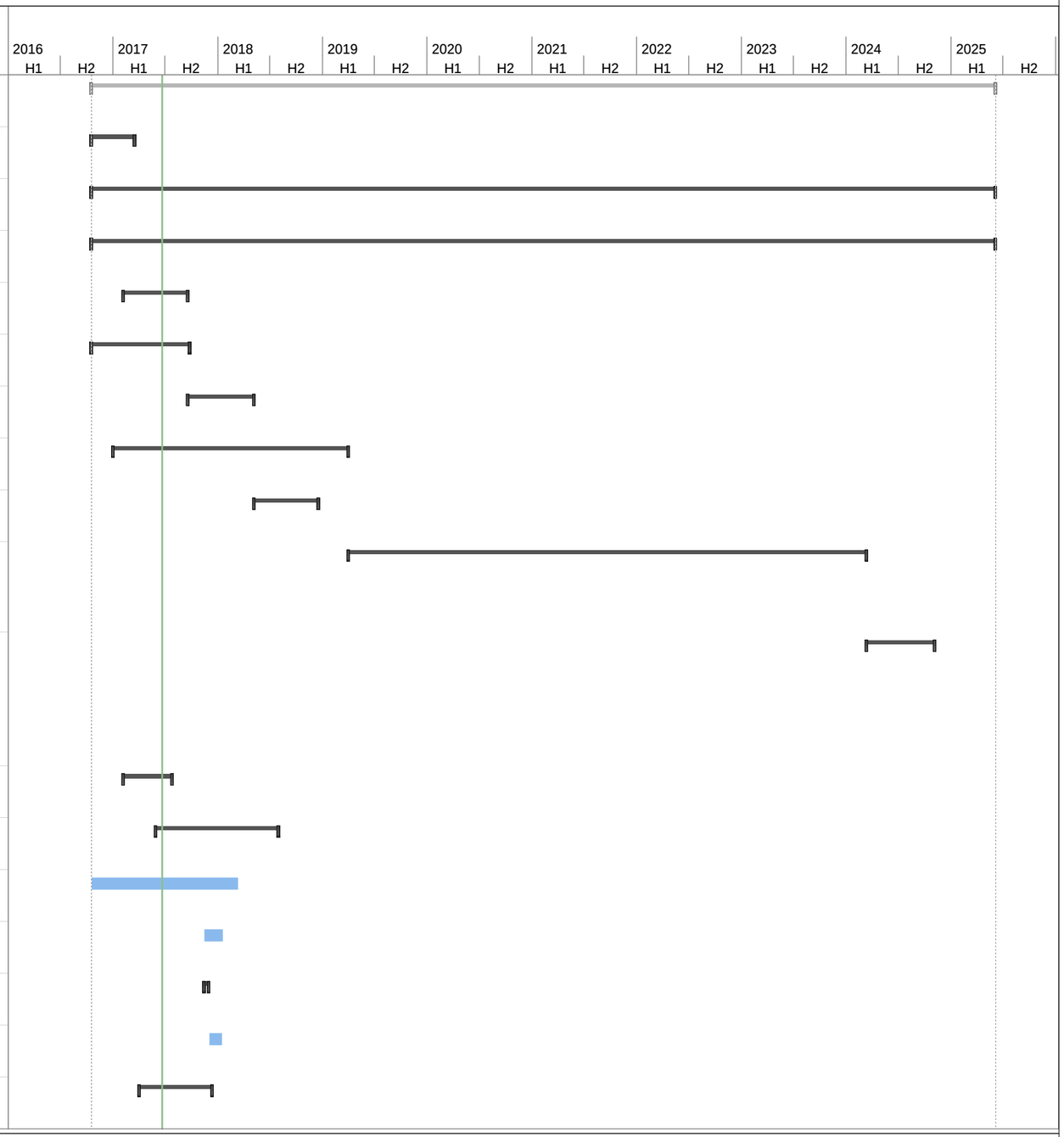
- Fixed price
  - More risks allocated to the contractor
  - Agreement of contractor's risk sum likely to be problematic
  - Contractor not incentivised to make savings through innovation
- Target Cost
  - Equitable distribution of risks
  - Contractor incentivised to make savings through innovation
  - A cap on SOJ's risk sharing can be implemented by means of agreeing a Guaranteed Maximum Price

4.3 Amendments to contract (Z clauses to be considered)

# Appendix G – Gantt Chart Programme

gleeds MANAGEMENT SERVICES

| ID | Task Name | % Comple | Duration | Start |
|---|---|---|---|---|
| 0 | RIBA Stage Programme | 23% | 450.8 wks? | Mon 17/10/16 |
| 1 | 1 CR022 Process with Repeatable rooms | 100% | 22 wks | Mon 17/10/16 |
| 87 | 2 Main Scheme Design | 23% | 450.8 wks? | Mon 17/10/16 |
| 88 | 2.1 RIBA Stage 1 - Prepare / Brief (D3) | 61% | 450.8 wks | Mon 17/10/16 |
| 418 | 2.2 RIBA Stage 2 - Concept Design (D19) | 50% | 32 wks | Tue 07/02/17 |
| 424 | 2.3 Works Information - SI & GI | 0% | 49.4 wks? | Mon 17/10/16 |
| 438 | 2.4 RIBA Stage 3 - Detailed Design (D20) | 0% | 33 wks | Tue 19/09/17 |
| 445 | 2.5 Overview ES 01-10 v1.2 | 16% | 117.4 wks? | Mon 02/01/17 |
| 942 | 2.6 RIBA Stage 4 - Production Information (D23) | 0% | 32.2 wks | Tue 08/05/18 |
| 947 | 2.7 RIBA Stage 5 - Main Scheme Appointment & Mobilization D18 | 0% | 258 wks | Wed 03/04/19 |
| 970 | 2.8 Granite Block Refurbishment (potential independent on Island Contract via RS) Potential ES 11 as part of 466m cost envelope. | 0% | 34 wks | Wed 13/03/24 |
| 976 | 3 Draft OBC - Outline Investment Decision | 35% | 24.4 wks | Tue 07/02/17 |
| 980 | 4 Outline Business Case (OBC) (D8) | 2% | 61.2 wks | Tue 30/05/17 |
| 991 | 5 Design Management (D22) | 0% | 365 days | Mon 17/10/16 |
| 992 | 6 Assurance Review Investment Decision (D16) | 0% | 9 wks | Wed 15/11/17 |
| 993 | 7 Investment Decision (D17) | 0% | 2.6 wks | Wed 15/11/17 |
| 996 | 8 Appointment and Mobilization of Contractors (D18) | 0% | 6 wks | Mon 04/12/17 |
| 997 | 9 RISK Workshops Quarterly | 25% | 36.4 wks | Tue 04/04/17 |




Project: JFH RIBA Programme
Date: Thu 22/06/17

Task
Split
Milestone
Summary
Project Summary
Inactive Task
Inactive Milestone
Inactive Summary
Manual Task
Duration-only
Manual Summary Rollup
Manual Summary
Start-only
Finish-only
External Tasks
External Milestone
Deadline
Progress
Manual Progress

## Appendix H – ITT Themes and Questions

Qualitative questions: The contractors will respond to the following four themes and associated provisional questions:

1. **Health and Safety**
   a. Risk Profile - Demonstrate your understanding of the Project Health and Safety Risk Profile and set out your strategy for managing these risks.
   b. Construction Phase Plan - Provide evidence of a compliant Construction Phase Plan for a similar type and size of project.

2. **Island Interface**
   a. Local Supply Chain – how would you ensure appropriate levels of engagement within the marketplace?
   b. Social Values/Community Benefits – set out your proposal to training and upskilling members of the local community to leave a positive legacy to the SoJ economy. Your answer will become a contractual undertaking.

3. **Pre-Construction Services Agreement Management**
   a. Subcontractor Selection - Demonstrate how your methodology for scoring sub-contract tenders within the PCSA period has been successfully delivered on previous projects and what lessons learned would you take from this for JFH?
   b. Knowledge Transfer – how will you ensure the transfer of knowledge from the PCSA Team into the Main Contract Delivery Team and the transfer of knowledge between key members of staff in the event of change?
   c. Health-Check – Describe the process that your company would adopt and the resources you would deploy to check the health status of the project at the outset of the PCSA period.
   d. Buildability/Risk Mitigation – Buildability, risk mitigation and innovation are often cited as reasons to implement a two-stage tendering strategy through early contractor involvement. Describe the methodology that your company has implemented to ensure that all opportunities in respect of buildability and innovation are explored to ensure your client received the best possible advice.
   e. PCSA Deliverables - Provide a detailed pre-construction stage programme that meets the needs of the NEC Professional Services Contract stipulating the sequence of design to meet the requirements of your sub-contract procurement approach to which the design team will be expected to adhere, ahead of Target Cost agreement/Contract Signing.

**4. Construction Stage**

a. Quality – From delivering projects of a similar size, scale and complexity to that set out in the Works Information, describe how you ensure that quality is embedded into the delivery of the works. Your answer should describe how you would interface with the NEC appointed Supervisor.

b. Construction Programme – Provide a detailed construction stage programme that meets the needs of the NEC 3 Engineering and Construction Contract (Activity Schedule not required) and reflects the risks associated with the delivery of JFH.

Within the ITT, it is recommended that a scoring ratio of 60% Quality: 40% Price is adopted in assessing the first-stage tenders.

It is proposed that the 40% of the marks available for the Price element will be allocated as 10% for Preliminaries, 25% for Overheads and Profit and 5% for Pre-Construction Services. The 60% of the marks available for the Quality element will be allocated as 40% for the written response to the questions and 20% for the interview. Interviews will only be conducted with those tendering contractors who have scored sufficient marks within their written responses to be in a position to win the tender prior to the interview.

Finally, it is proposed that the bidders are provided with access to the GMS-led team and the SoJ team during the tender period for Stage 1 tenders. This would be an opportunity for the tenderers to raise questions and meet our team and for us to meet theirs. It is suggested that each tenderer is allocated a half-day slot for this purpose, which is envisaged will take place in either Bristol or Cardiff.