

Cost controls and monitoring of new build development through the council's corporate strategic construction partnerships

- 1.1 The council has been procuring Strategic Construction Partnerships since 2001, using the PPC2000 contract, which was developed following the Sir John Egan report of 1998 called 'Rethinking Construction'. This report recommended partnering as an alternative to the traditional, confrontational traditional tendering approach which often led to disputes, claims and artificially low tenders which were not sustainable.
- 1.2 The current 'Sustainable Futures Partnership' contract (the fourth since 2001) was procured in 2013 with a four year length and ends in January 2018. This partnership has completed four New Homes for Neighbourhoods schemes and is on site with three more. A new five year partnership has just been re-procured which will commence in September 2017 and will deliver many of the other new homes schemes in the pipeline. Both involve council in-house architects taking forward design after initial design stage.
- 1.3 The current Sustainable Futures Partnership employs Westridge Construction Limited whilst the new partnership has been let to Morgan Sindall. All partnerships are procured following a rigorous OJEU procurement process which includes submission of the contractors' overhead and profit (percentage) figure which is fixed for the duration of the contract. The partnership also includes the appointment of an external cost consultant/quantity surveyor who ensures value for money. This is achieved by benchmarking costs against previous project data and information from the Building Cost Information Service (BCIS) published by the Royal Institute of Chartered Surveyors (RICS).
- 1.4 The Design Team, including a designated council Estate Regeneration Project Manager, meet every four weeks during the scheme design phase and the cost consultant checks and provides construction cost estimates for the proposed scheme. Other development costs such as professional fees and s106 planning contributions are added to the estimated construction costs to arrive at a proposed scheme budget figure. The proposed development is then presented to Housing & New Homes Committee for approval and to Policy, Resources & Growth Committee for budget approval. After committee approval and planning consent have been obtained, all parties in the Design Team work together within the budget approved by Policy, Resources & Growth Committee to finalise the scheme design and set the Agreed Maximum Price for construction.
- 1.5 The partnerships work on an 'open book' basis so that all of the actual costs of materials, labour and specialist services are available to all parties, with profit levels for the contractor having already been agreed as part of the original procurement process. Mini-tender exercises are undertaken for individual components and sub contract packages where a minimum of three quotes are obtained. All costs are scrutinised and checked by the cost consultant who will ask for additional prices to be sought if the costs of particular items do not reflect value for money for the council. This transparency enables assurance that prices are fair and reflect local and national market conditions.

- 1.6 The quantity surveyor/cost consultant produces a Best Value review report to confirm that the project has achieved value for money. This document has to be signed off by the Head of Property & Design. It benchmarks the square metre (m2) rates against previous partnered and non-partnered schemes and also against national construction rates for housing using BCIS data.
- 1.7 The partnerships are set up so that they do not become a ‘cosy relationship’ and the success of individual projects is a requirement for further projects to be undertaken. This is measured by key performance indicators (KPIs), which are reviewed by the Core Groups overseeing the partnerships, to ensure that the performance of all team members is maintained. The Core Groups have the authority to change a sub-contract partner where they feel the performance is affecting the wider team. During a previous partnership the Core Group changed two sub contract partners for this reason.
- 1.8 All applications for payment are reviewed by the council’s cost consultants who will only ask the council to pay the contractor if they are satisfied that invoices are accurate and reflect the true costs to date. The cost consultants take a pro-active role in the projects by consistently checking and monitoring costs throughout the project life-cycle.
- 1.9 The partnerships have to prove that they meet value for money criteria, and the external cost consultants produce a value for money report for each scheme which benchmarks costs and rates not only against national criteria, but also against previous projects within the partnership.
- 1.10 The delivery process for the New Homes for Neighbourhoods programme is outlined in the table below.

New Homes for Neighbourhoods delivery process through the strategic construction partnerships

