

PROCUREMENT GUIDANCE NOTE 06/10 PROCUREMENT OF CONSTRUCTION WORKS AND SERVICES

BASED ON CENTRAL PROCUREMENT DIRECTORATE (CPD) PROCUREMENT GUIDANCE NOTE 06/10 WITH HEALTH ESTATES INVESTMENT GROUP (HEIG) AMENDMENTS – APRIL 2011

GENERAL

The Department of Health, Social Services and Public Safety Bodies who must comply with Northern Ireland Public Procurement Policy are listed below:

- Health and Social Care Trusts
- Health and Social Care Board (HSCB)
- NI Fire and Rescue Service
- HSC Public Health Agency
- HSC Patient and Client Council (PCC)
- HSC Business Services Organisation
- Regulation and Quality Improvement Authority
- NI Practice and Education Council (NIPEC)
- NI Medical and Dental Training Association
- Blood Transfusion Agency
- Guardian Ad Litem Agency
- NI Social Care Council (NISCC)

IMPORTANT ISSUES

1. The attached guidance is being issued to notify all Department of Health, Social Services and Public Safety Bodies of Northern Ireland Public Procurement Policy and to ensure, where possible, that there is consistent application of the policy across the public sector.
2. The attached guidance is a compendium of high level construction procurement policy. Further detailed information and the rationale for the development of a particular policy have not been restated as other guidance is available which supports this policy framework.

3. With regard to Section 2.5 Sustainable Procurement in Construction, HEIG has produced a 'Sustainable Development Design Brief' to help practitioners achieve their sustainability objectives. The Brief can be accessed by using the links below:

http://www.dhsspsni.gov.uk/hea_sustainable_development_design_brief_part_1_07_mar_2008.pdf

http://www.dhsspsni.gov.uk/hea_sustainable_development_design_brief_part_2_07_mar_2008.pdf

4. The organisational structure for any HSC or NIFRS capital construction project should be as contained in the 'NHS Capital Investment Manual – Project Organisation Booklet'. This is based broadly on the roles and responsibilities outlined in the Achieving Excellence in Construction Procurement Guide entitled 'Project organisation – roles and responsibilities' except that the term "Project Director" is used in lieu of "Project Sponsor".

The Project Director is generally nominated by the HSC Body or the NIFRS.

The Project Manager is the person responsible for managing the procurement of the project. The prime responsibility of the Project Manager is to ensure that the Department's agreed systems and procedures are adhered to and that the members of the design team and the contractor comply with the requirements of their respective Contracts with the Client. For clarity, the role of Project Manager as outlined in the 'NHS Capital Investment Manual' is normally carried out by a HEIG Project Manager on contracts above the appropriate DHSSPS delegated limit. An HSC body or NIFRS member of staff will normally fulfil the role of Project Manager on contracts below the appropriate DHSSPS delegated limit. The Project Manager role as defined in the GC/Works Suite of Contracts (with DHSSPSNI Amendments) is carried out by the member of the design team identified as the Lead Consultant (see Section A1.2).

5. HEIG has produced standard templates for Project Execution Plans for major and minor works that should be used, as appropriate, on all Health & Social Care and Public Safety sector projects (see Section A1.4).
6. As an alternative to NEC3 HEIG recommends the GC/Works Suite of Contracts (with DHSSPSNI Amendments) as the preferred contracts for the procurement of construction works. However, HEIG is continually reviewing its preferred publicly funded procurement methodology (Performance Related Partnering) in order to reflect changes in EU Procurement law, case law and best practice guidance, and in this regard will consider alternative forms of contract where appropriate (see Section A2).

PROCUREMENT GUIDANCE NOTE 06/10

PROCUREMENT

OF

CONSTRUCTION WORKS AND SERVICES

Date Issued **19/11/2010**

PROCUREMENT GUIDANCE NOTES

Northern Ireland Public Procurement Policy was approved by the Executive in 2002. In approving the policy the Executive took the decision that legislation was not necessary to ensure that Departments, their Agencies, non-Departmental Public Bodies and Public Corporations complied with the policy. Instead it considered that compliance could be achieved by means of administrative action.

These Procurement Guidance Notes are the administrative means by which the Northern Ireland Public Sector is advised of procurement policy and best practice developments. They are developed by Central Procurement Directorate (CPD), in consultation with the Centres of Procurement Expertise (CoPEs), and are subject to the approval of the Procurement Board.

Once endorsed by the Procurement Board, they are issued to Departments for implementation and copied to CoPEs. CPD is responsible for disseminating advice and guidance to the NI public sector on public procurement policies and for monitoring implementation. Procurement Guidance Notes are also published on CPD's website.

The following Procurement Guidance Note was approved by the Procurement Board on 11th November 2010 for use by those bodies covered by Northern Ireland Public Procurement Policy.

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1 Introduction

Since the review of NI Public Procurement Policy in 2002 and the introduction of the '*Achieving Excellence in Construction*' initiative there have been a wide range of policy developments relating to the procurement of construction works and services.

Typically these policies have been developed by Central Procurement Directorate (CPD) and the Centres of Procurement Expertise (CoPEs) through various task groups. Many have also been endorsed by CIFNI and the Procurement Board.

The need for the consistent application of procurement policy across the public sector has been highlighted by the CIFNI Procurement Task Group and most recently through the DFP Committee's Inquiry into Public Procurement.

As new policies emerge, the list of requirements continues to grow. A number of the policies have resulted in the publication of guidance documents, but for others the policy is set out in agreements recorded in the minutes of meetings.

This Guidance Note on the '*Procurement of Construction Works and Services*' is aimed at providing Departments and CoPEs with best practice guidance which will help ensure that best value for money construction projects are delivered.

The '*Policy Framework for Construction Procurement*' has been refreshed and integrated within this Guidance Note to provide a reference to the key aspects of procurement policy specifically relating to construction works and services.

To ensure that this Guidance Note fulfils it's objective as a concise compendium of construction procurement policy, only the key outputs as agreed by CPD, CoPEs and Construction Industry Forum for Northern Ireland (CIFNI¹) have been included. Further detailed information and the rationale for the development of a particular policy have not been restated as other guidance is available which supports this policy framework.

¹ CIFNI provides a strategically focused interface between representatives from Government and the construction industry, where both parties can consider matters of mutual interest.

2 Policy Framework for Construction Procurement

The *'Policy Framework for Construction Procurement'* sets out six key aspects of Northern Ireland Public Procurement Policy that are of particular significance to construction works and services. These requirements are set out below.

2.1 Northern Ireland Guide to Expenditure Appraisal and Evaluation

The *'Northern Ireland Guide to Expenditure Appraisal and Evaluation'* (NIGEAE) applies to all proposals that involve spending or saving public money or changes in the use of public resources. NIGEAE requires that all such proposals should be supported by evidence of suitable appraisal, approval, management and evaluation. There are no exceptions to this general requirement. Further detail on NIGEAE can be obtained from:

<http://www.dfpni.gov.uk/index/finance/eag.htm>

Section 10 of NIGEAE deals with the implementation, management and monitoring of proposals. Effective management of programmes and projects is essential. It is vital that Departments, their Agencies, non-Departmental Public Bodies and Public Corporations manage programmes and projects according to the latest best practice guidance. There are several strands to this guidance, including:

- The principles and procedures set out in the *'Achieving Excellence in Construction'* initiative guidance;
- The principles and procedures as set out in the OGC PRINCE (Projects In a Controlled Environment) documentation;
- The Gateway Review Process;
- Performance Measurement, Management and Monitoring; and
- Benefits Management and Realisation.

Some aspects of the above guidance are elaborated on within this and other Guidance Notes produced by CPD. Further details can also be obtained from CPD's Centre of Excellence for Delivery using the link below:-

<http://www.dfpni.gov.uk/successful-delivery>

2.2 Procurement through a Centre of Expertise

Northern Ireland Public Procurement Policy requires that all public procurement be undertaken through a Service Level Agreement with Central Procurement Directorate or through another Centre of Procurement Expertise.

A current list of bodies to which Northern Ireland Public Procurement Policy applies can be found at Annex A to the Northern Ireland Public Procurement Policy Document which can be accessed using the link below:

[NI Public Procurement Policy Document](#)

Departments, Agencies and NDPBs, providing grants to bodies that are not included in the above Annex should, in consultation with their CoPE, satisfy themselves that all procurements are being administered by the grant recipient, in compliance with relevant legislation and appropriate best practice.

The grant funder should, taking into account the level of funding, determine which aspects of public procurement policy should be made a condition of grant. Further details on the use of grant in procurement can be obtained from CPD's Guidance Note on the subject, which can be accessed using the link below:

[Procurement Guidance Note 01/07](#)

2.3 Gateway Review Process

The Gateway Review Process is a key assurance mechanism designed to provide an objective view of a programme or project's ability to deliver on time and to budget. It is not part of the programme or project management process. The Gateway Review Process is managed in NI by CPD via its Centre of Expertise (CoE) for Programme and Project Management (PPM).

All programmes and projects are required to have a Risk Potential Assessment (RPA) completed which enables predetermined areas of risk to be assessed. This categorises programmes and projects into areas of low, medium or high risk and determines whether they should be subject to a Gateway Review or to an internal peer review conducted in line with Gateway principles.

Departments and organisations may decide on a de minimis cut off point, below which an RPA may not be required. However, for those cases where Accounting Officers do not make a specific ruling, the de minimis limit to be applied will be £500k.

Medium and high risk programmes and projects should be subject to an external Gateway Review, which will also be mandatory for projects with a capital value of £20m or more. Reviews are based on well-proven techniques that lead to more effective delivery of benefits, together with more predicible costs and outcomes. Further guidance is available from CPD's website using the link below:

[Gateway Review](#)

All completed RPA forms should be sent to the Northern Ireland Gateway Coordinator (NIGC) within the CoE. Where a risk assessment designates a programme or project as medium or high risk, the CoE will review the assessment. If this risk level is confirmed, the CoE will make arrangements on behalf of the Senior Responsible Owner (SRO) for a Gateway Review, using an experienced and impartial review team. Where the programme or project is designated low risk an internal peer review should be undertaken, in line with Gateway principles by an independent team appointed by the Department (see CPD's [Procurement Guidance Note 01/09](#)).

2.4 Achieving Excellence in Construction

The '*Achieving Excellence in Construction*' initiative was endorsed by the Executive Committee of the Assembly.

The objective of the initiative is to make the public sector construction client a best practice client when procuring construction works and services. The initiative aims to improve the management techniques adopted by clients, measure key aspects of performance, develop an integrated culture within project teams and achieve maximum benefits from standardisation and new technologies.

Through the initiative, clients commit to maximise, by continuous improvement, the efficiency, effectiveness and value for money of their procurement of construction works. Key aspects include the use of partnering and the development of long-term relationships, the reduction of financial and decision-making approval chains, improved skills development and empowerment, the adoption of performance measurement indicators and the use of tools such as value and risk management and whole life costing.

Implementation of the '*Achieving Excellence in Construction*' initiative has delivered significant Value for Money (VfM) gains from construction procurement and Departments are therefore required to fully adopt its recommendations. To this end, Objective 3.1 of the Procurement Board Strategic Plan 2008-2011 requires Departments to achieve a score of 90% by 31 March 2011 as a measure of their maturity as best practice clients, when assessed against the National Audit Office Maturity Matrix.

Permanent Secretaries agreed to the appointment of an Achieving Excellence Champion for each significant spending line in the Investment Strategy for Northern Ireland (ISNI). The key roles of an Achieving Excellence Champion are to:

- represent the Department or Agency at CIFNI;
- take responsibility for ensuring the implementation of all aspects of construction procurement policy and the '*Achieving Excellence in Construction*' initiative; and
- ensure that construction procurement policy and the '*Achieving Excellence in Construction*' initiative are implemented at project level by the actions of Senior Responsible Owners.

2.5 Sustainable Procurement in Construction

Two cross-cutting key themes underpin the Executive's approach to delivering its priorities under the Programme for Government (PfG) 2008 - 2011:

- A shared and better future for all - equality, fairness, inclusion and the promotion of good relations; and
- Sustainability – building a sustainable future is a key requirement of economic, social and environmental policies and programmes.

The Executive's policy is that all public procurement should be based on Best Value for Money, having due regard to propriety and regularity. The definition of Best Value for Money - "the optimum combination of whole life cost and quality (fitness for purpose) to meet the customer's requirement" - allows for the inclusion of sustainability requirements within the procurement process.

The following three objectives, as set out in the PfG, have guided infrastructure investment, namely:-

- (a) Economic – investment in infrastructure to help grow a dynamic and innovative economy and help to deliver modern high quality and efficient public services;
- (b) Social – investment in infrastructure to help promote tolerance, inclusion, equality of opportunity and the desirability of good relations, promote regional balance in future development and tackle areas of social disadvantage; and
- (c) Environmental – investment in infrastructure to help protect and enhance the environment and natural resources.

These objectives are considered to be mutually reinforcing, thus helping to ensure that development is sustainable.

To support its priorities the Executive has developed a framework of 23 Public Service Agreements (PSAs). In particular PSA 11.4 sets out the requirement to support the wider public sector in taking account of sustainable development principles when procuring works, supplies and services.

A number of policy initiatives have been produced to help practitioners achieve their sustainability objectives and these are set out in detail in Annex 3 to this Guidance Note.

2.6 Policy on Architecture and the Built Environment

In June 2006 the Department of Culture, Arts and Leisure (DCAL) published its policy on '*Architecture and the Built Environment for Northern Ireland*'. The strategic aim of the policy is to promote the value and benefit of good design in buildings and public open spaces and to demonstrate the importance that Government attaches to the achievement of the highest standards of design in publicly funded buildings and spaces. The policy can be accessed from:

http://www.dcalni.gov.uk/index/architecture/published_document_with_illustrations.pdf

At the heart of the policy is a demand for a step change in the quality of design, construction and performance of publicly funded development, an objective which aligns closely with the '*Achieving Excellence in Construction*' initiative. Through advocacy, exemplar public sector projects and collaboration with key stakeholders, Government aims to challenge and inspire higher standards in the private sector.

Annexes to Policy Framework for Construction Procurement

To complement the '*Policy Framework for Construction Procurement*' there have been a wide range of policy developments relating to the procurement of construction works and services.

These policies, as set out in the annexes within this Guidance Note, are aimed at providing Departments, their Agencies, non-Departmental Public Bodies and Public Corporations with clear, best practice guidance that will help ensure that best value for money projects are delivered.

These annexes will also provide advice and guidance for procurement practitioners and support the delivery of best practice procurement in Northern Ireland.

A1 Achieving Excellence in Construction initiative

A1.1 Principles and best practice

The Office of Government Commerce (OGC) '*Achieving Excellence in Construction*' (AE) guidance sets out the principles for the management of construction projects. Departments, their Agencies, non-Departmental Public Bodies and Public Corporations should have in place procedures to control construction projects which, as a minimum, include these principles. Where a Department is at present applying more rigorous guidelines it should of course continue to do so.

The current suite of AE guidance documents, published by OGC, comprises:

- A Manager's Checklist
- Construction Projects Pocketbook
- AE Guide 1 Initiative Into Action
- AE Guide 2 Project Organisation
- AE Guide 3 Project Procurement Cycle
- AE Guide 4 Risk and Value Management
- AE Guide 5 The Integrated Project Team
- AE Guide 6 Procurement and Contract Strategies
- AE Guide 7 Whole Life Costing and Cost Management
- AE Guide 8 Improving Performance
- AE Guide 9 Design Quality
- AE Guide 10 Through Health and Safety
- AE Guide 11 Sustainability

These guides are available in full, together with relevant case studies, from OGC's website:

http://www.ogc.gov.uk/guidance_achieving_excellence_in_construction.asp

The OGC Guides represent best practice in modern construction procurement and adherence to the processes set out within the Guides is considered essential if improvement in performance against quality, cost and time targets is to be achieved.

This approach requires a move to fully integrated teams, early supply team involvement, incentivised payment mechanisms, continuous improvement processes and joint commitment to achieving best whole-life value.

The principles set out in the OGC guidance form part of a body of good project management practice. They are especially important in relation to major projects which involve considerable expenditure, but are relevant to projects of all sizes.

HEIG AMENDMENT

Page 12 A1.2 Roles

Delete Section A1.2; Replace with the following Section Text:

A1.2 Roles

The Organisational Structure for any HSC or NIFRS capital construction project will be as contained in the NHS Capital Investment Manual – Project Organisation Booklet. This is based broadly on the roles and responsibilities outlined in the Achieving Excellence in Construction Procurement Guide entitled Project organisation – roles and responsibilities except that the term “Project Director” is used in lieu of “Project Sponsor”.

Whereas the client roles (Investment Decision Maker, Project Owner and Project Director) can be undertaken by lay-persons with appropriate training, the Project Manager must have technical expertise in construction. The Project Manager is the person responsible for managing the procurement of the project. The prime responsibility of the Project Manager is to ensure that the Department’s agreed systems and procedures are adhered to and that the members of the design team and the contractor comply with the requirements of their respective Contracts with the Client. For clarity, the role of Project Manager as outlined in the ‘NHS Capital Investment Manual’ is normally carried out by a HEIG Project Manager on contracts above the appropriate DHSSPS delegated limit. An HSC body or NIFRS member of staff will normally fulfil the role of Project Manager on contracts below the appropriate DHSSPS delegated limit. The Project Manager role as defined in the GC/Works Suite of Contracts (with DHSSPSNI Amendments) is carried out by the member of the design team identified as the Lead Consultant.

Page 12 A1.4 Project Execution Plan

Delete Section A1.4; Replace with the following Section Text:

A1.4 Project Execution Plan

The Project Execution Plan is the key management document governing the project strategy, organisation, control procedures, responsibilities, and, where appropriate, the relationship between the Project Director and the Project Manager. It is a formal statement of the user needs, the project brief and the strategy agreed with the Project Manager for their attainment. The scope of the plan will depend upon the size and nature of the project. It is a live management document, regularly updated, to be used by all parties both as a means of communication and as a control and performance measurement tool. Fuller guidance on the Project Execution Plan is given in AE Guide No. 3.

The Project Director and Project Manager should ensure that a Project Execution Plan is agreed. The Project Director and Project Manager must be satisfied that the Project Execution Plan represents a viable and realistic plan for implementing the project and achieving its objectives.

HEIG has produced standard templates for Project Execution Plans for major and minor works that should be used, as appropriate, on all Health & Social Care and Public Safety sector projects.

Departments should exercise their judgement in applying appropriate control measures to projects of different size and scope.

A1.2 Roles

~~A key principle of AE is the establishment of roles. The documented project management procedures used by Departments, their Agencies, non-Departmental Public Bodies and Public Corporations must identify the client roles of Investment Decision Maker, Project Owner (or Senior Responsible Owner) and Project Sponsor. The procedures must also draw a clear distinction between the client roles and the provider roles. The latter roles are that of the Project Manager, the design team and the works contractors.~~

~~Whereas the client roles can be undertaken by lay persons with appropriate training, the Project Manager must have technical expertise in construction. The Project Manager is the person appointed by the Project Sponsor to be responsible for managing the project on a day-to-day basis. He or she must ensure that the Department's agreed systems and procedures are adhered to and that the contractor complies with the requirements of the contract. The Project Manager reports progress to the Project Sponsor at agreed intervals.~~

A1.3 Project Planning and Control

Proper attention must be paid to planning and controlling the project at all stages. OGC AE Guide No 3 includes a general framework for construction procurement, describing all the main stages in a project's development. This should be adapted to suit the needs of the specific project.

The importance of project definition, estimating, and risk management should be recognised at project initiation stage. The Project Sponsor should ensure that there is a clear project brief which provides a comprehensive statement of the client's requirement for the project. This should be based on close consultation between the Project Sponsor, Senior Responsible Owner, users and stakeholders.

Thorough project planning prior to formal approval is one of the most important factors in achieving better control and performance. Project delivery depends on a comprehensive specification, careful assessment of cost and time requirements and the development of a robust Project Execution Plan.

A1.4 Project Execution Plan

~~The Project Execution Plan is the key management document governing the project strategy, organisation, control procedures, responsibilities, and, where appropriate, the relationship between the project sponsor and the project manager. It is a formal statement of the user needs, the project brief and the strategy agreed with the project manager for their attainment. The scope of the plan will depend upon the size and nature of the project. It is a live management document, regularly updated, to be used by all parties both as a means of communication and as a control and performance measurement tool. Fuller guidance on the Project Execution Plan is given in AE Guide No. 3.~~

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Page 13 A1.8 Procurement and Contract Strategies

Delete Section A1.8; Replace with the following Section Text:

A1.8 Procurement and Contract Strategies

In October 2005, the Procurement Board agreed that Departments would implement the recommendations of '*Achieving Excellence in Construction – Procurement Guide 06 – Procurement and Contract Strategies*'. In particular, all Government Construction Clients will develop procurement and contract strategies aligned to the preferred integrated procurement routes (PFI, Prime Contracting or Design & Build). Traditional procurement routes will only be used if they demonstrably add value in comparison to the three recommended routes.

HEIG's preferred integrated procurement route for use on publicly funded major projects is 'Performance Related Partnering'. The 'Performance Related Partnering: Project Managers Guide' can be accessed using the link below:

http://www.dhsspsni.gov.uk/performance_related_partnering_manual-2.pdf

~~The Project Sponsor should ensure that a Project Execution Plan is agreed. The Project Sponsor must be satisfied that the Project Execution Plan represents a viable and realistic plan for implementing the project and achieving its objectives.~~

A1.5 Risk and value management

Risk and value management should be carried out throughout a project lifecycle, with early involvement of the entire integrated project team to minimise/manage risks. The principles and techniques of value management should be applied during the process of developing a project with the aim of providing the required quality at optimum whole-life cost. There must be adequate time and effort early on to analyse the risks and to develop a risk management plan governing how they are to be managed and funded. The risks should be managed actively throughout the life of the project in accordance with the risk management plan; the plan should deal with all risks, whether retained by the client or allocated to others in the integrated project team.

A1.6 Cost Management

It is essential that capital projects should be managed on time and within budget. OGC AE Guide No. 7 contains appropriate guidance on budget estimation and cost management, including allowance for risks and whole life costs. Applying these guidelines should help alert Departments to potential cost overruns in sufficient time to take appropriate remedial action. When monitoring project management performance, sponsoring Departments should pay particular attention to the management of risks that could give rise to time and cost overruns.

A1.7 Project Reports

The project manager should issue regular reports to the project sponsor regarding the current status of the project, key issues and problems requiring resolution and the steps being taken to resolve them. The Project Sponsor should normally forward copies or report summaries to the Senior Responsible Owner for information and will formally draw the Senior Responsible Owner's attention to any matters of serious concern to the department.

~~A1.8 Procurement and Contract Strategies~~

~~In October 2005, the Procurement Board agreed that Departments would implement the recommendations of 'Achieving Excellence in Construction – Procurement Guide 06 – Procurement and Contract Strategies'. In particular, all Government Construction Clients will develop procurement and contract strategies aligned to the preferred integrated procurement routes (PFI, Prime Contracting or Design & Build). Traditional procurement routes will only be used if they demonstrably add value in comparison to the three recommended routes.~~

HEIG AMENDMENT

Page 14 Paragraph A2

Delete Paragraph A2; Replace with following Paragraph:

A2 GC/Works Suite of Contracts

As an alternative to NEC3 HEIG recommends the use the GC/Works Suite of Contracts for procurement of construction works which comprises clear and simple documents that are straightforward and easily understood, and can be used for a wide variety of types of work.

The use of the GC/Works Suite of Contracts in lieu of NEC3 has been approved by the HEIG Head of Procurement and it continues to facilitate the successful delivery of health & social services and public safety projects.

The following are some of the key aspects of this success when used in conjunction with 'Performance Related Partnering':

- The adoption of the desired cultural transition that encourages a creative environment with pro-active and collaborative relationships;
- The stimulation of good management of the relationships between all the parties;
- The provision of project focused outcomes;
- Greater certainty with regard to the achievement of Clients' objectives (quality, performance, cost and timescales);
- The involvement of collaborative working across the entire supply chain with an integrated approach to designing and construction projects; and
- The incorporation of mechanisms to achieve incentivisation.

~~A2 — NEC3 form of contract~~

~~In May 2006 the Procurement Board agreed that NEC3 should be adopted as the preferred form of contract for construction works and services undertaken by Departments, their Agencies, non-Departmental Public Bodies and Public Corporations.~~

~~NEC3 is a modern suite of contracts that facilitates the implementation of sound project management principles and practices as well as defining legal relationships. Key to the successful use of NEC3 is users adopting the desired cultural transition. The main aspect of this transition is moving away from a reactive and hindsight-based decision-making and management approach to one that is foresight based, encouraging a creative environment with pro-active and collaborative relationships.~~

~~NEC3 is the result of feedback from the industry on many years of successful use of NEC contracts including guidance notes and flowcharts. NEC3 is endorsed by the Office of Government Commerce for use on all public sector construction projects.~~

~~NEC3 is a family of standard contracts, each of which has these characteristics:~~

- ~~▪ Its use stimulates good management of the relationship between the two parties to the contract and, hence, of the work included in the contract;~~
- ~~▪ It can be used in a wide variety of commercial situations, for a wide variety of types of work and in any location; and~~
- ~~▪ It is a clear and simple document using language and a structure which are straightforward and easily understood.~~

~~NEC3 is an integrated set of contract documents that are designed to provide clients and their suppliers with project focused outcomes. The intention is that use of NEC3 will lead more frequently to achievement of clients objectives for all projects in terms of their quality, performance, cost and timescales. It should also be possible to set more rigorous targets for these objectives with greater confidence in achieving them.~~

~~NEC3 is drafted on a relational contracting basis that embodies efficient management processes. Collaborative working across the entire supply chain optimises the likely project outcomes when compared with a typically fragmented and non-integrated approach to designing and constructing projects. NEC3 gives the tools to the users to draw out their skills to apply to the environment they are working in.~~

~~‘Option C’ is the preferred NEC3 option, particularly for larger projects. This option provides:~~

- ~~▪ A mechanism to provide the Economic Operator with incentives; and~~
- ~~▪ Transparency for prompt payment within the Economic Operator’s supply chain.~~

~~Forms of contract, other than NEC3, will only be used for construction works or services if they demonstrably add value in comparison to NEC3 and only following approval of the Head of CoPE.~~

A3 Promoting equality and sustainable development by sustainable procurement in construction.

A number of policy initiatives have been produced to help practitioners achieve their sustainability objectives. Six of these initiatives are particularly relevant to construction procurement and are described below.

A3.1 Equality of Opportunity and Sustainable Development in Public Sector Procurement

Under the auspices of the Procurement Board, Central Procurement Directorate (CPD) and the Equality Commission for Northern Ireland (ECNI) have published guidance, aimed at policy makers and procurement professionals, on how to integrate equality and sustainable development considerations into the procurement process, while meeting the existing statutory duties in relation to equality of opportunity and sustainable development. The guidance, which was launched on 29 May 2008, applies to all public sector procurement, including Public Private Partnership or Private Finance Initiative projects.

The main guidance, supported by a summary document, gives an overview of the main points for consideration and is accompanied by a Dear Accounting Officer letter [DAO (DFP) 05/08] which advises recipients that the guidance should be taken into account when preparing business cases. The guidance can be accessed from CPD's website using the link below:

[Equality of Opportunity and Sustainability Guidance](#)

It is for individual Departments to determine how best to apply this guidance in order to support the Executive's approach in delivering its priorities under the Programme for Government (PfG).

A3.2 Sustainable Procurement Action Plan

The Northern Ireland Sustainable Development Strategy, "*First Steps Towards Sustainability*", launched in May 2006, set a number of challenging objectives, one of which is to make the Northern Ireland Public Sector a UK regional leader in sustainable procurement. One of the key targets underpinning this objective is the development of a Northern Ireland Sustainable Procurement Action Plan (SPAP). The SPAP is available from CPD's website using the following link:

[NI Sustainable Procurement Action plan](#)

CPD took the lead in developing this plan for the Northern Ireland Public Sector. The Procurement Board gave its support to the SPAP in July 2008. The SPAP, which has been the subject of detailed consultation with Departments, creates an 'overarching' set of actions that can provide a clear direction for public sector procurement practitioners in CoPEs. The SPAP acknowledges that the successful delivery of sustainable procurement will fall to individual CoPEs. Consequently each CoPE has developed an individual action plan.

A3.3 Sustainability Action Plan - Achieving Sustainability in Construction Procurement

In 2003 a 'Sustainability Action Plan' was developed by Government Construction Clients. The plan set objectives and targets against key themes including:

- a requirement to use 'whole life cost' assessment as part of the technical appraisal for decision to build new or refurbish/re-use existing assets;
- measures to reduce waste during construction and in operation;
- targets for energy and water consumption for new projects that meet at least current best practice for construction type;
- the protection of habitat and species taking due account of the need to preserve and enhance biodiversity;
- the need to evaluate competence, resources and commitment of designers and contractors in relation to health and safety; and
- achieving an 'excellent' BREEAM/CEEQUAL or equivalent environmental assessment rating for all new projects and at least a 'very good' rating for refurbishment projects.

The 'Sustainability Action Plan' is available from CPD's website using the following link:

[Construction Sustainability Action Plan](#)

A3.4 Sustainable Construction Group Guidance

A Sustainable Construction Group was set up in December 2004 to issue guidance to Project Sponsors and Project Managers in relation to sustainable construction. Central Procurement Directorate chairs the group and membership includes representation from the CoPEs.

The work of the group is guided by the '*Policy Framework for Construction Procurement*'. The Group has issued advice and guidance on a range of sustainability issues. The aim is to provide examples of good practice and sources of useful information that will promote consistency across the public sector and assist with measuring performance.

The documents produced by the Sustainable Construction Group are available from CPD's website using the following link:

[Sustainable Construction Group Guidance](#)

A3.5 CIFNI Sustainability Requirements for Construction Works Contracts

Through CIFNI the Government Construction Clients and the construction industry, as represented by the Construction Industry Group for Northern Ireland

(CIGNI), have jointly explored how sustainability issues could be incorporated into construction works contracts.

A CIFNI Sustainability Task Group developed proposals to promote the economic, social and environmental pillars of sustainable development through sustainable procurement in construction. These proposals can be accessed using the following link:

[CIFNI Requirements for Sustainable Construction Procurement](#)

The CoPEs agreed that the CIFNI proposals should be incorporated, as far as practicable, into all new construction contracts from 31 December 2008. It is also proposed that in areas of social and economic disadvantage, Government Construction Clients may wish to introduce requirements that are more demanding.

Instead of requiring contractors to submit proposals on sustainability as part of the procurement process, the Task Group concluded that the most effective way of delivering sustainable objectives would be for Government to set out its requirements within the NEC3 Contract Works Information. The CIFNI proposals should not therefore be used as award criteria to be assessed as part of the procurement process.

CPD has advised all CoPEs to monitor and record progress against these proposals. The on going monitoring and evaluation of the implementation of the proposals will offer Government clients, and the construction industry, the opportunity to assess their effectiveness.

The CIFNI Sustainability Task Group has been reconvened to identify key areas where further detailed work is required to refine the current measures in light of experience to date and the changing economic environment. The revised proposals were discussed at CIFNI in October 2010 and it is anticipated that these proposals will be introduced from 1 January 2011.

It is expected that the new measures will include work placement opportunities for the unemployed, a requirement that a proportion of the workforce is made up of apprentices and the introduction of year-out opportunities for students taking construction related courses at Colleges of Further and Higher Education and Universities.

A3.6 BREEAM / CEEQUAL

One of the key drivers of sustainable development is environmental assessments. Targets for the Building Research Establishment Environmental Assessment Method (BREEAM), the Civil Engineering Environmental Quality Assessment (CEEQUAL) or equivalent have been set within the '*Sustainability Action Plan*' and are also included within the CIFNI Sustainability Task Group proposals.

A target of BREEAM / CEEQUAL 'excellent' or equivalent environmental assessment rating for all new projects and at least a 'very good' rating for refurbishment projects has been set for all projects valued at £1 million or more.

Compliance with these targets is generally considered to represent best value for money. Departments, their Agencies and NDPBs will be expected to comply with these targets unless it can be clearly demonstrated that, because of unique site constraints or the scope of the work, the targets have been confirmed as unachievable or are in conflict with the obligation to achieve best value for money.

The overriding principle should be the achievement of best value for money for the entire project, based on whole life costs. To demonstrate this, the business case should consider as wide a range of options as possible to achieve the required BREEAM / CEEQUAL targets. The costs and benefits of achieving the targets should be fully considered and taken account of at the earliest stages in the project procurement lifecycle. It is at this early stage that the most cost effective measures can be taken to achieve the targets and these should be reflected in the Strategic Outline Case, the Outline Business Case and the Full Business Case.

Where BREEAM / CEEQUAL targets are achievable, before a business case can be approved by DFP Supply, Departments will be required to demonstrate that the most cost effective options for achieving the required rating have been utilised and that the qualitative benefits have been clearly demonstrated as part of the economic appraisal process.

Further information on BREEAM and CEEQUAL is available from the following websites:

<http://www.breeam.org>

<http://www.ceequal.com>

A4 CIFNI Procurement Task Group Report

A CIFNI Procurement Task Group was established to develop practical principles to be applied to future construction procurement by all bodies governed by Northern Ireland Public Procurement Policy.

The Task Group Report was finalised on 30 April 2009 and was presented to the Procurement Board on 7 May 2009. The Report included 7 principles to be applied to future Government construction procurement and some 25 associated actions.

A number of CIFNI Working Groups were established to agree specific proposals in response to the identified actions. CPD, the CoPEs and the Construction Industry Group worked in partnership to deliver on these objectives by December 2009.

At the CIFNI meeting held on 17 February 2010 an Addendum to the Task Group Report was agreed. This Addendum sets out in detail the commitments agreed in response to each of the actions identified in the Task Group Report.

The CoPEs agreed that the actions set out in the Addendum should be applied to construction procurement activity undertaken by Departments, their Agencies and NDPBs which commenced after 1 March 2010.

A number of the key actions in the Addendum are summarised below, and the CIFNI Task Group Report and its Addendum, can be accessed in full from the link below:

[CIFNI Procurement Task Group Report & Addendum](#)

A4.1 Selection of contractors and consultants for low value contracts

In accordance with the Procurement Control Limits (PCLs) set out in CPD's '[Procurement Guidance Note 03/10](#)', contracts with a value of less than £30,000 need not be publicly advertised, but the optimum number of valid tenders must be received to ensure that the transaction cost of procurement procedures is efficient, whilst maintaining a sufficient level of supplier sourcing to achieve value for money through competition.

CIFNI agreed that for very small projects (works value <£30k and services value <£5k), the suppliers to be invited to tender should be selected using the Constructionline database.

Constructionline is a national database of suppliers pre-assessed for work within the public sector. Further details on Constructionline are available from the following website:-

<http://www.constructionline.co.uk>

The CoPE shall use Constructionline to generate a long list based on the following criteria:-

- Work category;
- Work sub-category;
- Category Value (minimum required for contract);
- Maximum Category Value (could be used to focus selection on smaller firms where appropriate);
- Health and safety management system certified by a third party (works contracts only); and
- Registration with trade bodies/professional bodies.

The CoPE will then use the Constructionline database to randomly select a short list of suppliers to be invited to tender in accordance with the PCLs. Further details on this process are set out in the separate Procurement Guidance Note 04/10 on Selection and Pre-Qualification.

A4.2 Prequalification

One of the most significant outputs from the Procurement Task Group is the development of a template Pre-Qualification Questionnaire (PQQ) for works contracts. This PQQ is intended to be used for projects above and below the EU threshold, with the volume and detail being adjusted in a proportionate manner.

Government Construction Clients will pre-qualify contractors, and their supply chains, as applicable, for works procurements which commenced after 1 March 2010 using a PQQ based, as far as practicable, on the template PQQ.

A standard template PQQ for construction services is currently being developed in conjunction with the CoPEs and the Professional College of the Construction Industry Group for NI. It is anticipated that this template will be agreed by CIFNI by the end of December 2010.

A4.3 Supply Chains

The CIFNI Procurement Task Group recognised that enterprises of all sizes have the opportunity to benefit from participation in government contracts either as a main contractor or as part of the supply chain. Accordingly, the '*Code of Practice for Government Construction Clients and their Supply Chains*' has been extended to include a 'Fair Payment Charter' to be signed by the client, contractors and subcontractors. The Charter can be accessed from CPD's website using the link below:

[Code of Practice for Government Construction Clients and their Supply Chain](#)

In addition, main contractors will be required to provide a report to the Project Manager on payments made to supply chain members at each project meeting. Project Managers should also carry out periodic checks with subcontractors on the payment performance of the main contractor.

A4.4 Constructionline registration

From the 1 March 2010, contractors and consultants who are not registered with Constructionline will be able to apply for above and below EU threshold projects, but they will be required to submit their accounts and other financial information as part of the prequalification process. Registration with Constructionline will, however, streamline the process and it is anticipated that firms not currently registered may wish to become registered in order to avoid duplication and simplify the submission of future PQQs.

A4.5 Financial standing

A contractor's Constructionline Category Value (notation for a particular category of work) must be at least equal to the annual projected spend under the contract. This will be assessed on a pass/fail basis. (eg a £20m project of 24 months duration would require a Category Value of £10m, but a £500k project to be completed within 6 months would still only require a Category Value of £500k).

In the case of a consortium, the combined Constructionline Category Value of the consortium members must be at least equal to the annual project spend under the contract and no member of the consortium shall have a Category Value of less than 40% of the annual project spend. (e.g. a £20m project over 24 months would require a Category Value of £10m. A firm with a Category Value of £4m or more could form part of a consortium).

A consultant's Constructionline Category Value must be at least equal to the annual projected fee spend under the contract. This will be assessed on a pass/fail basis (eg a commission with a fee of £1m over 24 months would require a fee Category Value of £500k, but a commission with a fee of £100k to be completed within 6 months would still only require a Category Value of £100k).

In the case of a consortium, the combined Constructionline Category Value of the consortium members must be at least equal to the annual fee spend under the contract and no member of the consortium shall have a Category Value of less than 40% of the annual fee spend.

A5 Health and Safety - Buildsafe-NI

Government clients should create an environment through all stages of the project that delivers excellence in health and safety performance. There are good business and ethical reasons to do so both during the construction process and afterwards during operational use by their employees or members of the public.

The Buildsafe-NI initiative was launched in April 2003 as a five year initiative under the auspices of the Construction Industry Forum for Northern Ireland (CIFNI). The initiative was taken forward by a steering group comprising representatives from the Government Construction Clients Group (GCCG), the Construction Industry Training Board (CITB), the Construction Industry Group (CIGNI), the trade unions (UCATT), and the Health and Safety Executive for Northern Ireland (HSENI).

In supporting the initiative, the Government Construction Clients used the procurement process to promote the importance of improving health and safety performance in Northern Ireland.

There continues to be a broad commitment by all the stakeholders to improve health and safety in the construction industry. It was therefore agreed that the public and private sectors would develop and embed separate action plans and work in partnership to improve health and safety under the existing CIFNI structural arrangements.

Since the introduction of the initiative a number of changes have occurred within public sector procurement, including:

- The introduction of the Construction (Design and Management) Regulations (NI) 2007; and
- The Procurement Task Group Report and the development of a standard process for the assessment of contractors' Health and Safety competency.

In taking the Buildsafe-NI initiative forward, GCCG has developed a new Buildsafe-NI Action Plan 2010. This action plan takes cognisance of the above changes and will further enhance performance improvements in the following areas:

- Evaluation of supply chain health and safety capability;
- Certification of health and safety management systems;
- Training; and
- Monitoring and Reporting.

It is envisaged that the GCCG action plan will be complementary to the private sector action plan. The new action plan was discussed at CIFNI in October 2010 and it is anticipated that revised proposals will be introduced from 1 January 2011.

Further information on Buildsafe–NI is available from CPD's website using the link below:

[Buildsafe-NI Initiative](#)

A6 Key Performance Indicators

A6.1 GCCG Headline KPIs

The '*Achieving Excellence in Construction*' initiative requires Departments to demonstrate year on year improvement in their construction procurement processes by use of Key Performance Indicators (KPIs).

The Government Construction Clients Group (GCCG) agreed that ten headline KPIs should be adopted as follows:-

- Seven of the Construction Best Practice Programme (CBPP)² Economic KPIs without amendment;
- One KPI on safety with amendments; and
- Two additional KPIs to measure environmental performance.

The 10 KPIs adopted by GCCG are available at:

[GCCG Ten Headline KPIs](#)

A6.2 Application of KPIs

As a minimum, the ten headline GCCG KPIs must be calculated and recorded for all construction projects with a value of £1M or more (including projects completed as part of Term Contracts).

CoPEs may wish to set a lower de minimus limit for internal monitoring & reporting. For example, the 'Northern Ireland Guide to Expenditure Appraisal and Evaluation' (NIGEAE) requires all projects of £500k and above to be subject to proper monitoring and control measures including Post Project Evaluations (PPEs).

A6.3 Procedure for collecting data and reporting

As a project progresses along the procurement life-cycle, the Project Manager should collect and arrange for entry of key data into the official KPI data collection database.

This database will calculate the KPIs and benchmark the scores against the latest Constructing Excellence national benchmarking data (published annually). The database also facilitates benchmark reporting at branch, business unit, CoPE and Northern Ireland levels.

² Now known as Constructing Excellence (CE)

Design Quality

A6.4 Introduction

Good design is a key objective of the '*Achieving Excellence in Construction*' initiative and is a prerequisite for securing best value for money. In recognising that good design must be supported and encouraged, the Procurement Board agreed in October 2004 that Departments should adopt a best practice approach to design quality.

The OGC AE Guide 09 explains the characteristics of good design and how design quality can be raised through the procurement process. It sets out the importance of Design Reviews in the management of the design process and recommends the use of Design Quality Indicators (DQIs) as a tool to assess design quality at key stages in the project procurement lifecycle. The guide can be accessed using the link below:

[OGC AE Guide 09 - Design Quality](#)

A6.5 Benefits of Design Quality

Design quality can be summarised as the combination of:

- functionality – how useful the facility is in achieving its purpose;
- impact – how well the facility creates a sense of place; and
- build quality – the performance of the completed facility.

Design quality is about more than style or appearance. Design quality is also required to incorporate the key requirements of the business and stakeholders and address whole-life value, health and safety, sustainability and environmental impact.

There is increasing evidence to demonstrate that good design provides a host of benefits, for example:

- the best-designed schools are considered to encourage children to learn;
- the best-designed hospitals are considered to help patients recover their spirits and their health; and
- well-designed public realms can help bring communities together.

Good design of construction projects can and should:

- respect and enhance the location, the environment and the community;
- add value and reduce whole-life costs;
- create flexible, durable, sustainable and ecologically sound development;
- minimise waste of materials and energy in construction and use;
- provide functional, efficient, adaptable spaces for home, work and recreation;

- be attractive and healthy for users and the public;
- use space, materials and resources with imagination and efficiency; and
- produce buildings and infrastructure projects which are safer to construct and easier to clean and maintain.

Early investment within the project lifecycle in design quality can help deliver these benefits.

The cost of design development is usually small in relation to the whole-life cost of publicly procured projects. Yet it is through the design process that the largest impact can be made on these costs.

The '*Achieving Excellence in Construction*' initiative recognises that, irrespective of the procurement route, it is essential that good design quality is achieved. A key advantage of the transfer of design responsibility to the contractor is early involvement of the construction team in the project, allowing issues such as construction techniques, programming, buildability and risk management to be more fully addressed at the design stage, when key decisions are made. This increases the likelihood of successful delivery of the project and value for money.

A6.6 Exemplar Design Process

The adoption of the '*Achieving Excellence in Construction*' initiative has delivered better design quality in public buildings and infrastructure projects. The use of an Exemplar Design process is entirely consistent with the initiative and it has the potential to further enhance the procurement of construction projects.

While there is no agreed standard or definition for an Exemplar Design process, a number of Centres of Procurement Expertise (CoPEs) have developed bespoke design quality processes which support the preferred procurement routes.

Most processes do, however, have the common objective of understanding design aspirations and involve commissioning exemplar design work in advance of the main tender process. The degree of design development can vary significantly depending on, for example, project complexity and the need to conform to design or operational standards.

Exemplar Designs can address the functionality and impact strands of design quality, however, the Exemplar Design should not be developed to such an extent that the contractor has little or no scope to influence the buildability issues, such as the appropriate construction techniques, sequencing of the work and the use of off-site fabrication. In recognition of this, it is common for exemplar designs for building projects to be taken to RIBA Stage D³ prior to going to the market.

The key objective is to define the client's requirements sufficiently so that there are no misunderstandings as to design intent and required quality standards, both during the tender stage and after the construction contract is awarded. However, the client's statement of requirements should not seek to stifle innovation or

³ RIBA defines 'Stage D' as the development of a concept design to include structural and building services systems, updated outline specifications and cost plan.

unnecessarily inhibit bidders from submitting their own proposals, if they so wish, as variant bids.

The Procurement Board endorsed the integration of an Exemplar Design process into the procurement and contract strategies for major construction projects. Exemplar Designs have the potential to assist the communication of client and stakeholder values, requirements and aspirations and ultimately to improve the impact, performance and value of buildings and infrastructure projects that have a vital role to play in delivering high standards of public services in NI.