

Laing O'Rourke Construction South

Our Ref: Brighton 3Ts Market Testing

2nd July 2014

Mr. Duane Passman
3Ts Programme Director
Brighton & Sussex University Hospitals NHS Trust
Royal Sussex County Hospital,
Sussex House,
1 Abbey Road,
Brighton,
BN2 1ES

Dear Duane,

Brighton 3Ts Programme – Approval of Business Case

Further to recent discussions, and your specific query in regard to the assurance requested by the Department of Health in their letter of Approval of the Outline Business Case for the 3Ts Programme, we are pleased to provide the following assurances in regard to competitive tendering and Value for Money.

As you will be aware, Laing O'Rourke, Crown House Technologies and our Design Consultants competitively tendered to secure their engagement under the ProCure21 Framework, and we therefore consider the design fees, Laing O'Rourkes Fee and Crown House's Fee to be included as Competitively Tendered.

With regard to the remaining Construction Costs, we have followed an agreed Procurement Strategy (Brighton 3Ts Procurement Strategy Report OBC Refresh October 2011(Revision 4 February 2012)), which set out the process and stated:

“LOR will work collaboratively with the Client and their representatives to ensure that all market testing is undertaken in an open book manner, providing full visibility and utilising robust procedures and systems which will demonstrate and deliver affordability and best value for money to the Client at all times. This visibility will extend into our in-house companies Crown House Technologies and Expanded Limited. ”

During the design and planning process for the project, the Project Team took advantage of early engagement with Specialist Subcontractors, including Expanded Structures and Crown House Technologies to liaise with the design team and ensure optimum design and construction solutions could be implemented.

Where these specialists are part of the Laing O'Rourke Group, it was agreed that the 'Open Book' strategy would be extended into these packages, providing full visibility of their cost build-ups from a first principles arrangement, with their subcontracted elements being tendered and evidenced, and the items constructed by their own directly employed workforce would have actual cost evidence for Labour, together with Open Book Tendering of the Materials and Equipment Elements. These were then to be validated by the Trust's own Cost Consultants.



As you will recall, we have already carried out rigorous Open Book Market Testing with the current design that has been carried out and validated by the Trust's Cost Consultants, Turner and Townsend.

This resulted in the following proportions of the project:

COMPETITIVE TENDERING %		Nett Cost	%	%
Competitive Tender	Market Tested	142,384,056	50.04%	
	Single Source	96,061,050	33.76%	83.80%
Cost Plan		46,100,500	16.20%	16.20%
TOTAL NETT COST		284,545,605	100.00%	100.00%

We are therefore pleased to confirm our commitment to continue the Procurement in line with the agreed Strategy to provide a minimum of 80% competitive pricing.

Yours sincerely,

Steve Lloyd
Bid Leader