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</table>
Procurement Strategy

Introduction

1. This strategy deals specifically with the procurement and logistics of the construction, equipping and services requirements for the 3Ts Redevelopment project. The Trust is working in partnership with the PSCP (Principal Supply Chain Partner) under the Department of Health’s ProCure 21 national framework for contract management. The Trust appointed Turner & Townsend PLC as their Cost Consultant (CC) and Quantity Surveyor (QS) through an existing and compliant government services framework. Turner & Townsend has been actively involved in producing the Procurement Strategy for the 3Ts project, with input from the PSCP, Laing O’Rourke.

2. The Trust will be procuring both the construction works of the project and the complete equipping package for the building through separate processes. This section:
   • sets out how each element will be delivered and the process that will be followed;
   • examines the preferred method of contract the Trust selected at Outline Business Case (OBC) stage to deliver the building, including all infrastructures, plant and fixed items, and the process followed to procure the method of construction;
   • deals with the equipping element of the 3Ts project, including a compliant method of procurement and the due diligence and governance behind the process.

Procurement Vehicle

3. The construction service for the 3Ts building will be procured through the ProCure21 framework, which was detailed clearly in the Trust’s OBC submission and is the Department of Health’s recommended method of construction procurement for publicly funded construction projects (newbuild and refurbishment). This is compliant with the Public Contracts Regulations 2006 (PCR 2006). The framework uses the NEC (New Engineering Contract) suite of terms and conditions of contract, and the Trust is confident that this method of procurement continues to offer better value for money than:
   • traditional lowest-bid European tender published in the Official Journal of the European Union. This is a legal requirement that allows greater competition for public contracts within the member states, and there are various routes that can be followed such as a Negotiated, Restricted or a Competitive Dialogue. (Process, Timelines and details included below);
   • LIFT (Local Improvement Finance Trust), which is used predominately within primary and community care to improve patient care facilities and experience;
   • PFI (Private Finance Initiative). This is a procurement method that uses private sector capacity and public resources to deliver public sector infrastructure and/or services according to a specification defined by the public sector. It is a sub-set of a broader procurement approach termed Public Private Partnership (PPP).

4. As detailed in the Trust’s OBC, a ProCure 21 Framework-compliant process was undertaken and Laing O’Rourke was selected as the PSCP.

5. The NHS ProCure 21 partnering programme builds on best practice in the private sector and is seen as providing value for money to the NHS in the following ways:-
   • Establishes long-term relations with the PSCPs based on best value, and an established protocol sets out the rules of the relationship.
   • Ensures an integrated design and construct service with single point of responsibility.
   • Enables retention of teams to work on successive projects through Framework Agreements. (It is recognised by key suppliers that preferred status is dependent upon continuously improving their performance and reducing capital and whole life costs).
   • There is a commitment to joint technology and process improvement.
• A strategy is in place to make supply chain management happen, including resources are allocated to supply chain management training.
• It promotes a constant focus on client requirements. A performance measurement system is in place, and a track record of projects shows measurable results.
• Formalised process for design to optimise functionality and minimise cost.
• Supplier overheads and margins are identified, agreed and protected – provided the projects are properly managed and delivered within the agreed target costs and timescales.
• Target costs and incentives set to impose high pressure to improve.
• Transparency and detailed understanding of costs. Extensive use of formal, documented value analysis. Documented best practice procedures.
• Planning for construction starts in detail design.
• Suppliers involved in the schedule development.

6. The ProCure 21 process involves bringing the whole of the construction team together at the beginning of the process. This secures two significant advantages to the Trust over other contract forms. It delivers:
• a Guaranteed Maximum Price (although this is fixed for the first two years of construction, and thereafter an agreed formula for identifying works package inflation applies);
• a Guaranteed Delivery Date.

Due Diligence
7. The Trust followed a robust and compliant due diligence process to select its PSCP from the ProCure 21 framework, commencing the required mini competition in 2008:-

• Following the Trust’s open day for prospective ProCure 21 PSCPs on 29th January 2008, all eight PSCPs on the national NHS ProCure 21 framework agreement were invited to submit Expressions of Interest (EOI) for the 3Ts programme. A high-level information pack was issued to all of the ProCure 21 PSCPs on 28th February 2008, with a closing date of 7th April 2008;
• Expressions of interest were received from HBG, IHP, Laing O’Rourke and Medicinq-Osbourne, who were all chosen to provide cost bids for the project. The competition was run using the selection criteria below.

<table>
<thead>
<tr>
<th>Shortlisting Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Experience of similar size construction programmes on confined sites within a fully functioning hospital setting in terms of clinical activity, newbuild and refurbishment, construction phasing, decant and capital cost.</td>
</tr>
<tr>
<td>2</td>
<td>Examples of innovation, sustainability, energy efficiency and environmental improvements incorporated into schemes.</td>
</tr>
<tr>
<td>3</td>
<td>Details of Principal Supply Chain Partners</td>
</tr>
<tr>
<td>4</td>
<td>Details of current commitments and confirmation of available capacity to meet the needs of this programme.</td>
</tr>
<tr>
<td>5</td>
<td>Details of head office location and local office input responsible for this programme.</td>
</tr>
<tr>
<td>6</td>
<td>Programme management arrangements.</td>
</tr>
<tr>
<td>7</td>
<td>Reporting arrangements for supply team costs up to completion of the Outline Business Case.</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
</tr>
</tbody>
</table>
8. The total weighted scores (out of 100) agreed by the panel were:

<table>
<thead>
<tr>
<th>ProCure 21 PSCP</th>
<th>Weighted Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laing O’Rourke</td>
<td>75</td>
</tr>
<tr>
<td>HBG Construction</td>
<td>71</td>
</tr>
<tr>
<td>Integrated Health Projects</td>
<td>61</td>
</tr>
<tr>
<td>Medicining-Osbourne</td>
<td>42</td>
</tr>
</tbody>
</table>

9. Medicining-Osbourne was eliminated at this stage due to its lack of experience on projects of this scale. The final stage of the competition between the remaining three suppliers used the selection criteria set out below.

<table>
<thead>
<tr>
<th>Qualitative Criteria</th>
<th>Weighted Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Proposed team structure and project management arrangements (attendance of key team members at the interview is highly desirable).</td>
<td>15</td>
</tr>
<tr>
<td>2. Experience of similar projects.</td>
<td>15</td>
</tr>
<tr>
<td>3. Evidence of added value the team will bring to the 3Ts project.</td>
<td>10</td>
</tr>
<tr>
<td>4. Office locations from which the project will be resourced.</td>
<td>5</td>
</tr>
<tr>
<td>5. Conflicting Supply Chain commitments and how they will be managed.</td>
<td>10</td>
</tr>
<tr>
<td>6. Outline timetable to deliver a consultation draft OBC by November 2008 (assuming appointment mid June 2008).</td>
<td>10</td>
</tr>
<tr>
<td>7. Project risks and how they will be managed.</td>
<td>15</td>
</tr>
<tr>
<td>8. Opportunities for innovation, energy efficiency and environmental improvements and how you would apply them to the 3Ts project.</td>
<td>15</td>
</tr>
<tr>
<td>9. Summary of PSCP activities within the first six weeks.</td>
<td>3</td>
</tr>
<tr>
<td>10. Key information required from the Trust within the first three weeks.</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
</tr>
</tbody>
</table>

10. The total weighted scores (out of 100) agreed by the panel were:

<table>
<thead>
<tr>
<th>ProCure 21 PSCP</th>
<th>Weighted Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laing O’Rourke</td>
<td>89</td>
</tr>
<tr>
<td>HBG Construction</td>
<td>84</td>
</tr>
<tr>
<td>Integrated Health Projects</td>
<td>46</td>
</tr>
</tbody>
</table>

11. Following the extensive evaluation, Laing O’Rourke (LoR) was selected and appointed. In accordance with good procurement practice, the unsuccessful bidders were notified and debriefed, and the necessary Alcatel 10 day standstill period was applied. The Trust received no challenges from the unsuccessful bidders and facilitated a full and detailed debrief.
Programme

12. Programme:

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOC approved by SE Coast SHA</td>
<td>Complete July 2008</td>
</tr>
<tr>
<td>OBC to Trust Board for approval</td>
<td>Complete 30 June 2009</td>
</tr>
<tr>
<td>Submit OBC to NHS SE Coast for approval</td>
<td>Complete July 2009</td>
</tr>
<tr>
<td>OGC Gateway 1 assessment</td>
<td>Complete August 2009</td>
</tr>
<tr>
<td>OBC approval period</td>
<td>Complete July – October 2009</td>
</tr>
<tr>
<td>OBC approved by NHS South East Coast</td>
<td>Complete November 2009</td>
</tr>
<tr>
<td>Submission of OBC to DH</td>
<td>Complete November 2009</td>
</tr>
<tr>
<td>Refreshed OBC to NHS South East Coast and DH</td>
<td>Complete May 2011</td>
</tr>
<tr>
<td>Refreshed OBC approved by South East Coast SHA and resubmitted to DH</td>
<td>Complete July 2011</td>
</tr>
<tr>
<td>Application for Full Planning Consent submitted to Brighton &amp; Hove City Council</td>
<td>September 2011</td>
</tr>
<tr>
<td>Full Planning Consent granted by Brighton &amp; Hove City Council (subject to completion of Section 106 legal agreement)</td>
<td>Complete January 2012</td>
</tr>
<tr>
<td>Full Planning Consent released by Brighton &amp; Hove City Council</td>
<td>Complete Mar 2012</td>
</tr>
<tr>
<td>Refreshed OBC re-approved by NHS South of England</td>
<td>Complete March 2012</td>
</tr>
<tr>
<td>Statutory planning submission for decant temporary buildings</td>
<td>Complete January 2013</td>
</tr>
<tr>
<td>OBC passed to DH</td>
<td>Complete March 2012</td>
</tr>
<tr>
<td>OBC passed to HMT</td>
<td>Complete July 2012</td>
</tr>
<tr>
<td>OBC supplementary submission to TDA</td>
<td>Complete May 2013</td>
</tr>
<tr>
<td>OBC approval announced by DH and HMT</td>
<td>Complete May 2014</td>
</tr>
<tr>
<td>Decant construction works period (5 sites – phased completion)</td>
<td>September 2013–June 2016</td>
</tr>
<tr>
<td>Confirm target cost for main construction works</td>
<td>September 2014</td>
</tr>
<tr>
<td>Gateway Review</td>
<td>Gate 3 – November 2014</td>
</tr>
<tr>
<td>Agree GMP</td>
<td>July 2015</td>
</tr>
<tr>
<td>FBC approved</td>
<td>December 2015</td>
</tr>
<tr>
<td>Commence Stage 1</td>
<td>Winter 2015</td>
</tr>
<tr>
<td>Gateway Review</td>
<td>Gate 5 (Stage 1) – October 2020</td>
</tr>
<tr>
<td>Stage 1 Complete and Fully Operational</td>
<td>Spring 2020</td>
</tr>
<tr>
<td>Commence Stage 2 enabling works, demolitions and man build</td>
<td>Summer 2020</td>
</tr>
<tr>
<td>Gateway Review</td>
<td>Gate 4 (Stage 2) – July 2022</td>
</tr>
<tr>
<td>Complete Stage 2</td>
<td>Spring 2023</td>
</tr>
<tr>
<td>Stage 2 Fully Operational</td>
<td>Summer 2023</td>
</tr>
<tr>
<td>Gateway Review</td>
<td>Gate 5 (Stage 2) – October 2023</td>
</tr>
<tr>
<td>Gateway Review</td>
<td>Gate 0 (Final) – December 2023</td>
</tr>
<tr>
<td>Overall Development Complete and Operational</td>
<td>Summer 2024</td>
</tr>
</tbody>
</table>

13. Laing O’Rourke commenced work with the Trust on the development of the OBC in August 2008. The design was frozen at RIBA stage D+ in September 2011 and work is underway with the PSCP and its Design Team to develop the detailed design and final Guaranteed Maximum Price (GMP).

Sign-Off

14. The procurement route for the delivery of the 3Ts project was delivered via the ProCure21 National Framework (NEC2 new engineering and construction contract). This meets the requirements of the Government Construction Strategy 2011 and aligns with best practice in terms of utilising existing frameworks, leveraging the supply chain and driving best practice by engaging in long term relationships.
15. Although the Trust followed a robust due diligence process to select the PSCP from the framework in 2008, the Procure 21 framework was superseded by the ProCure 21+ framework in October 2010. Laing O’Rourke was no longer on the P21+ framework.

16. The Trust sought legal advice from Michelmores LLP to provide clarification around the continued use of LoR under the Procure 21 framework and the Trust’s commercial and legal position. Michelmores has provided written confirmation that it would be legally acceptable to proceed with the existing P21 framework, therefore continuing to Phase 4 beyond Stage E and GMP with LOR as the PSCP. (Legal advice is commercial in confidence and is not therefore appended).

Market Testing

17. The Trust and its advisors have worked with the PSCP to develop a process for market testing to meet the 80% requirement as specified by the Department of Health letter of approval for the OBC. The Trust, LOR and T&T are working in close collaboration to ensure that all market testing is undertaken in an open book manner, providing full visibility and utilising robust procedures and systems to demonstrate and deliver affordability and best value for money at all times. This is demonstrated in the T&T FBC Validation Report, which describes the market testing undertaken and the process applied to arrive at a robust capital cost to inform the FBC.

18. The decision on the extent of the use of Laing O’Rourke’s in-house companies (eg. Crown House Technologies and Expanded Limited) is still to be determined but the Trust will ensure a rigorous value for money approach is adhered to should the market testing philosophy include them as part of the process. Certain elements of the project have also been tendered independently, such as pre-cast concrete panels to validate the value for money assertion.

Value for Money

19. An important consideration within the ProCure21 delivery process is provision of best practice process and procurement approach dovetailed with a best value solution that encapsulates the latest thinking (incl. driving programme improvements, taking cognisance of energy in use, adopting a whole life cost approach, utilising construction innovation, reducing waste). As such, the following section describes the GMP process, the negotiation strategy for delivering a robust and value for money GMP and the procurement strategy that will be adopted by the preferred PSCP to successfully deliver market testing.

20. The approach and procurement strategy has been written with a key driver to obtain the best possible value for money (VfM) from the marketplace, ensuring compliance to an agreed and signed off design whilst recognising that best value is derived through a combination of the following criteria:

- Design Robustness
- Purchase and installation cost
- Build quality
- Lasting quality
- Ability to commission
- Ease and cost of maintenance
- Adaptability in future use
- Effect on delivery programme

The criteria above align with the Government Construction Strategy, May 2011.

21. With the delivery of the September/October 2014 market testing exercise utilising the comprehensive trade package procurement programme and adhering to the methodology as described within the Trust’s processes and procedures (appended), visibility and governance is monitored throughout each stage of the process.
22. During the design development process the PSCP has been, and will continue, working closely with the Trust to assist wherever appropriate to promote and progress any agreed alternatives, options or buildability opportunities that bring added value and benefits to the Trust. LOR enjoys strong managed relationships with key sub-contractors, suppliers and manufacturers representing all standard and specialist sectors. Where agreed with the Trust and Cost Advisor, LOR has engaged with members of its supply chain to develop design details and specifications prior to issuing invitations to tender to the market. This is done with the close involvement of Turner & Townsend to ensure that tender documentation fully reflects the Trust’s requirements in terms of functionality and quality (this is set out in the T&T Validation Report).

23. Within the PSCP’s group are a number of in-house specialist companies that can be introduced to the project to offer advice on the design, cost, buildability, programme and sequence of the project. All LOR in-house specialist companies competitively market test their sub-contracted work packages. Visibility of this process has been provided to the Trust and Cost Advisor (as identified within the process map appended).

24. The process will also involve detailed component cost breakdowns for every element of the works. The Trust’s Project Team and Cost Advisor are working collaboratively and openly/transparently to deliver best value and innovation to the 3Ts project.

Transparency
25. The PSCP has worked closely with the design team and the Trust team and Cost Advisor. At agreed stages within the tendering process LOR has provided the necessary information to assist the Trust and Cost Advisor to fully review, consider and provide as necessary any input – to ensure that every aspect of the package is audited and verified for technical compliance, affordability and best value for money (document appended). This approach has been adopted throughout the process to date (evidenced/illustrated in the T&T Validation Report).

26. During the market testing exercise the design information included in the tender package will allow the Trust’s Cost Adviser to obtain a price for the entire scheme. Pricing schedules and bills of quantities are being utilised, ensuring every tender returned is broken down into each phase of the project, and is capable of being let as such.

Competitive Tendering
27. The PSCP and design team will ensure that the procurement process is aligned to the particular demands of 3Ts project. Processes have been established to ensure that the most competitive tenders are obtained from carefully selected pre-qualified tenderers. Through innovative design solutions and competitive market testing of detailed work packages (using specialist sub-contractors within this market), the Trust Cost Adviser will be able to determine the benefits of applying downward pressure on the market to maximise the competitive tension that exists. The supply chain recognises that there is open and fair competition in operation, and for some packages T&T has been directly involved in the procurement.

Financial Context
28. The current market conditions offer challenges on driving down costs. Sub-contractors and suppliers remain keen to secure work. Having ensured tenders are robust and compliant, the tendering party will push for the best rates available. However, it should be noted that due the longevity of this project, the forecast of price fluctuation and cost certainty will be key when negotiating a robust GMP per package. Although the current market does present risk of sub-contractor and supplier insolvency, the PSCP will implement a series of evaluation and control measures to reduce or mitigate this. Detailed financial analysis and risk assessments for all key sub-contractors and suppliers will be undertaken, and continuous monitoring of each company, including an alert system based upon data obtained daily (this has already been tested on the decant projects currently underway). The Trust and T&T considers it prudent to
validate the financial stability of supply chain members as insolvency could affect later stages of the project.

Construction Inflation

29. The key issue for such a long construction period is the treatment of construction inflation outside the fixed terms period agreed at GMP. However this will be for two years only. The Trust is currently exploring with LOR a mechanism for reducing the risk to the Trust and ensuring value for money for the public purse overall. This will be implemented and mechanisms agreed with LOR and the relevant approving bodies in advance of contract signature.

30. Risk is also being managed by the analysis of works packages which currently sit outside the two year fixed price period, and taking due consideration of how materials and products can be purchased more intelligently. Some of this principle of bringing forward works packages into the fixed term period has already been undertaken as part of the exercise following the September LOR cost submission and has already resulted in some savings (as set out in the T&T Validation Report). The Trust is currently in discussion with LOR about the potential to extend the two-year fixed price period, which will need to be assessed on a value for money basis against current inflation projections.

Savings & Efficiencies

31. The PSCP is confident it can deliver savings without impacting quality and value of the finished project though use of an existing, well-established supply chain. Savings already associated with this approach are evidenced in the management of the capital cost to the current levels as set out in this FBC. Specifically, benefits through effective supply chain management can be driven in the following areas:

- **Efficient Construction**
  By employing efficient construction techniques, cost can be reduced, programme shortened and safety enhanced. In areas such as off-site modularisation, pre-fabrication and pre-commissioning of elements, for example, lattice slabs, smartwall internal partitions, modular plant, bathroom pods and pre cast beams and columns. The benefits to cost and programme can enhance value for money. These elements will remain under review to ensure that the right balance is struck between cost, risk and programme.

- **Value Management**
  As part of a wider approach to value management, the Trust and PSCP have been working collaboratively to engage manufacturers and sub-contractors for specialist input on alternative materials and processes – this proactive process enables better value alternatives without reduction in quality. This approach also realises the benefits of whole life costing (as described in the T&T Validation Report).

- Package workshops have been conducted to discuss capital and lifecycle savings. This approach also enables the supply chain to draw on the specialist knowledge of the wider project team to consider the range of innovative solutions.

- **Cost Plan Interrogation**
  As part of the Trust Cost Adviser’s role and for overall transparency, the respective commercial teams have been working closely to interrogate all allowances within the cost plan and investigate any areas of potential savings.

- **Elimination of Risk**
  Early involvement of the supply chain for key packages will improve understanding and engineer risk out of sub-contractor pricing. The Project Team has been working with the PSCP to identify and address the areas that require extra focus, eg. effective installation and commissioning of MEP services. Production of detailed tender documentation in line with the procurement programme
has been produced, providing clear direction on exact requirements, removing uncertainty and therefore reducing sub-contractor risk.

- **Currency Exchange**
  When finalising the supplier sourcing strategy, the Trust’s Cost Adviser has been examining whether currency exchange rates could provide additional benefit, eg. switching supply source for trades that are flexible on geographical supply based on prevailing economic circumstance and exchange rates at the time of contract signature.

- **Commercial Leverage**
  Strong commercial negotiation will provide significant value. Through utilisation of the supply chain, the Trust’s Cost Adviser has been ensuring that validation of accurate brief and costing is sufficiently rigorous to ensure the tender baseline is clear and the best competitive rates are achieved without risking unsustainable pricing. The Trust is looking to LOR to leverage its global presence to benefit from purchase of services and materials from across its global supply chain as appropriate.

**Risk Management**

32. **Risk Transfer Profile**
  Monitoring ownership of risk and mitigation among members of the Project Team is undertaken at every risk review meeting. Effective management and appropriate challenge of the risk profile supports reduction of overall cost to its lowest level and maximum benefits for the Trust.

33. Through effective package procurement the Trust can achieve the following (detailed in the recent market testing exercise):
   - Reducing project risk (including on-site health and safety)
   - Reducing capital cost
   - Provide assistance in seeking reductions in on-going maintenance
   - Reducing system complexity
   - Reducing energy consumption
   - Reducing embodied carbon
   - Increasing project quality
   - Increasing component life cycle

34. To manage inflation risk at the point of sub-contract placement, the process set out above will be followed with the addition for fixed price beyond an identified base date (identified separately within the tender). From this information it is possible to:
   - Consider the potential benefit / risk of placing the sub-contract at a later date, closer to the start on site date should lead-in periods allow.
   - Consider placing the sub-contract on a fluctuating basis as per NEC2 (fluctuations method to be agreed between the PSCP, subcontractor and the Trust.

35. Sub-contractors will be invited to propose with their tender returns innovative methods for reducing the impact of risk pricing for inflation, for example:
   - Advance payments with security provided.
   - Early procurement of key resources at risk such as glass, un-fabricated steel/metal.
• Secured production slots in manufacturing processes.

37. Key baseline information required includes:-
• A detailed breakdown of the elemental costs, into their principal components within the budget.
• Programme information identifying the point in time and duration over which expenditure will be incurred.

38. An inflation modelling tool enables the CC/QS take use detailed baseline information, develop this dynamically as certainty of costs is established through the process, and apply to it the factors known and considered to impose inflationary pressure. This:
• establishes implications of anticipated cost pressures against the existing baseline;
• enables testing of likely outcomes of alterations to the programme activity, and;
• measure the likely outcome of changes to cost due to alterations to the design and specification of the project;
• identifies changes to the procurement and selection process of significant cost components;
• enables constructive challenge of the inflation forecasts and allowances being adopted by sub-contractors, suppliers and manufacturers.

39. Using the Insite/LOR inflation modelling tool, the Project Team will be able to effectively manage inflation risk and provide information to support a procurement strategy for all three phases that has detailed understanding of the risks involved. The model includes the following detail and facility:
• Package costs allowances, fully adjustable as cost certainty is refined.
• Start and finish dates for each package.
• Package programme profiling to replicate the cost expenditure profile of each package; for example, front end loaded where high initial outlays are anticipated.
• Package by package resource cost breakdowns to enable detailed consideration of inflationary pressures on key costs components – both within the package and aggregated across the project.
• Rapid calculation of the impacts on inflationary costs of changes arising from eg.
  - Changes to the design and specification that impact the principal resource costs.
  - Impact on overall inflation costs resulting from early or deferred procurement.
  - Programme changes to start and finish dates of the project and / or each package.

40. As the design and market test processes develops further, the model will be populated progressively with the outputs. Working towards the agreement of the contract sum, inflation risks will be captured within the package prime costs. As noted above, there is discussion underway to identify further works packages which may be suitable to bring forward into the fixed-term period or to extend the fixed-term period; this would need to demonstrate value for money.

Negotiation Strategy
41. The Trust, LOR and T&T are working together to ensure the GMP relies on a combination of elements:
• A robust, appropriate and fully signed off Trust brief.
• A well implemented design process that delivers quality design solutions with the Trusts full participation in terms of input and sign-off.
• A value management process to improve output, value & efficiency including assessment of the clinical model.
• A comprehensive risk management plan which will effectively allocate responsibility for ownership and management of all risks together with mitigation & management plans.
• A tried-and-tested procurement plan that identifies the commercial mechanisms for achieving a successful conclusion as well as the expected behaviours and collaborative approach.

42. The overarching objective is to develop and agree a well-articulated set of employer’s requirements, coupled with an incremental cost agreement process that concludes with a value for money GMP including appropriate risk transfer. This is already underway.
Procurement Process

43. A ProCure21 GMP price agreement based on emerging design and package procurement requires similar procurement and negotiation tactics as a traditional two stage D&B procurement exercise. The process will allow the early engagement of trade contractors for both design or construction activities and will reduce risk pricing within the packages and overall contract sum. This needs to be seen in the context of continuing competitive pressure, in order to achieve the approval requirement that 80% of the works cost must be competitively tendered.

44. However, there are risks:
   - Once appointed the contractor may exploit the process to increase the GMP to mitigate the risk of overspending by inflating project costs.
   - The contractor may exploit a negotiating position by adding risk premiums at the end of the GMP process.
   - Advantages can all be lost if team and contractor fail to engage properly, especially around the employer’s requirements.
   - Competition in trade contract procurement can be reduced particularly if the appointed main contractor has a number of subsidiaries, which often deters other subcontractors/trade contractors from bidding for fear of preferential treatment going to the main contractor’s in-house subsidiaries.

45. In order to maximise the benefits and minimise the risks during the GMP agreement process, the design team needs to deploy a management service that drives the contractor to deliver the ‘best buy’ in the marketplace. During this process the Trust’s approach will be to work collaboratively with the PSCP and its design team to achieve best commercial buy from the marketplace incorporating buildability input from both the PSCP and trade contractors and at the same time seek to minimise the risk to Health & Safety, programme and cost growth during the construction period.

46. The Trust and its cost adviser are working to control the subcontract tender process by ensuring that:
   - Subcontract tender lists are approved by Trust team.
   - The main contractor’s procurement strategy for each package is approved by the Trust team.
   - PTE (Pre tender exercise) and tender package reviews are undertaken by the CC/QS before issuing to the market.
   - Tender packages will need to be returned to an agreed office with formal witnessed tender opening.

47. A structured approach to the agreement of package prices is essential, with a strict policy of compliance. A tender event schedule can form the backbone of this process and an example is appended. Again, this has been integrated into the agreed Package Procurement Strategy.

48. The Trust has challenged the PSCP to ensure that each trade package is auditable via regularly updated package control sheets circulated to the project team containing details of package scope, budget, prelims, VE opportunities, risk and scope gaps/overlaps. The package control sheets then form the basis of a series of mini tender reports for sign-off and inclusion in the GMP agreement. This process is detailed in the T&T FBC Validation Report.

49. The pricing of perceived risk and scope gaps is a key issue. The Trust’s approach is to manage this on a package by package basis and define individual risks and work with the PSCP to mitigate risks. By tackling this on an incremental basis, the need to negotiate an overall risk allowance with the PSCP is avoided or reduced. Key to this process is the early development of a package cost plan in order to accurately compare the package returns to the base cost plan.

50. An imperative part of the P21 GMP agreement process is to provide a competitive commercial position in comparison to P21+. Whilst the framework does not allow for alteration of the BRD rates, commercial
PSCP adjustments can be included within the GMP to reflect the outcome of market conditions. Due consideration and agreement of the following needs to be integrated into the process:

- Review and comparison of BRD rates under P21 and P21+
- The overall direct fee allowance compared both the P21+ and market norms
- The impact of the composite rates applied to subcontractor packages with
- Further application of the PSCP direct fee.
- Review of the recent P21 BRD rate uplift

51. A strategy was set out in advance of GMP to ensure all parties agreed how inflation was to be treated once construction commences. The GMP was agreed in advance of the commencement of the works on site in order to provide the Trust with most effective benefit of the two year fixed period and to examine other commercial opportunities with LOR to manage this risk. As noted above, the Trust is currently discussing with LOR the extension of fixed-term period – so long a value for money can be demonstrated and risk-transfer to LOR.

52. A key consideration in the agreement of the GMP and compilation of the contract is clarity of the packages and value against these packages included within the fixed price and those outside the fixed price. A package Activity Schedule with cash flow has been provided as part of the contract and will apply the agreed P21 inflation calculation against the residual package costs. It is important to note that orders can be placed for large value early packages on a fixed price basis, which will include elements such as the helipad, CHP, substructure and frame. The material prices which will be of most concern will be concrete, rebar, glass, metals and oil; in relation to package procurement the highest risks will be associated with external cladding and mechanical, electrical and public health. The Trust will consider minimising material price risk with early purchase of materials for certain elements; the use of BIM (Business Information Modelling) will provide more certainty on design with identified clash detection providing assurance on the solution and confidence for early purchase if this is commercially desirable.

53. Preliminaries are an essential part of the GMP negotiation strategy. Naturally these are aligned to the programme for delivery but a number of other factors need to be considered to ensure these deliver value for money. There needs to be provision of a fully priced preliminaries book to validate the BRD rates, resource allocation, site set up, logistics and delivery strategy. The preliminaries will need to offer an efficient delivery whilst meeting statutory compliance. There needs to be clear explanation and consideration of interfaces with the Trust (including estates team) and the existing hospital. Importantly, there needs to be full alignment with delivery of other schemes on the site both to allow for interfaces with other contractors and also to provide efficiencies of the PSCP’s own staff where their own programmes of work overlap.

**BIM (Business Information Modelling)**

54. BIM has now become a recognised public sector requirement and benefits will need to be realised at the point of agreement of the GMP. These will include programme efficiencies (including preliminaries savings), enhanced coordination and early clash detection, reduction in subcontractor risk and reduction in waste. Due to the complexity of hospital buildings, the Trust and Cost Adviser consider that the added benefits of BIM, particularly around services clash detection and co-ordination, should realise higher benefits than other types of buildings.

55. No UK published data exists providing tangible commercial benefits linked to BIM and the advised areas of saving. To crystallise the added value of BIM, the Trust and Cost Adviser have been monitoring the outputs of other projects, with contact with a BIM expert at the University of Salford, the Director of Manchester Library (a project that recently used BIM) and the Crick Institute (a live Laing O’Rourke project currently using BIM). These sources will provide information from the UK, USA and Scandinavia. LOR will then quantify the added value and commercial benefits of BIM, enabling an open discussion on translation into GMP. (This has already been undertaken at an earlier stage in the process, but will be revisited to
ensure the benefits of BIM are realised as they become more embedded in the design and contract market).

56. The Trust will also consider benefits in relation to some of the NEC3 and P21+ contract changes and potential for inclusion of these as ‘Z’ clauses – defined as additional clauses added to the NEC contract that allow the Trust to transfer additional risk to the contractor, eg. gain share only applied to innovation, reinvestment of gain share, assignment of rights without contractors consent (particularly important in the context of Foundation Status application), a more robust Compensation Event procedure and changes to provisions around partial possession.

57. The Trust and T&T are discussing with LOR a robust solution for Liquidated and Ascertained Damages (LADs): a sectional completion approach is in place for the decant workstreams, with critical path elements attracting a higher LAD to reflect the main scheme delay cost as well as income loss. For non-critical path elements, the Trust is sympathetic to adopting a low value LAD for a short period to reduce risk transfer, which would provide a better commercial offer from the PSCP and better value for money. The three stages of the main scheme will adopt the same strategy. Intrinsically within the P21 framework contract there is a break clause, so the Trust can include all three stages of delivery within the Phase 4 contract with a GMP strategy for subsequent stages clearly identified. This strategy will enable the development of an agreed GMP for each stage prior to delivery of works on site.

58. The ProCure21+ framework includes a number of improvements from the experiences of ProCure21; these will be adopted as part of the overall negotiation strategy. While there is a need to legally adhere to the BRD (Bid Return Document) rates and the framework biannual adjustments (as advised by the Department of Health), commercial adjustments will also need to be considered. Discussions in this regard, particularly with reference to percentage Director’s adjustment and preliminary cost reduction, are underway; once there is a GMP offer on which to base these discussions due consideration of these can be given.

59. The composition of the margins provided by the supply chain and PSCP also need to be considered and agreed, particularly in relation to the MEP package and where subsidiary companies are used. The preferred approach is to discuss with the PSCP the use of a single OHP margin in lieu of adding a further PSCP margin onto the MEP subcontract margin and the rationalisation of preliminaries across the scheme.

60. Finally, there is a need to be cognisant of the packages tendered so far in advance of their activities happening on site, eg. finishing trades. The policy of retendering items nearer to the date of commencement of these works will be applied. However the Trust position is that a lump sum price for the full scope of works with the PSCP taking the pricing risk for any scope not already bought in the market during the build-up of the GMP will be put in place.

Sub-Contracting Procedure

61. A key tool in the process will be an agreed subcontracting procedure embedded in the PSCP’s Phase 3 and 4 contracts via a Z Clause. The Cost Consultant has experience of drafting these on major projects and will bring this experience to bear. The checklist below describes the key issues that are to be addressed in the procedure:

- Collaborative prequalification of sub-contractors.
- A commitment that all subcontract packages be procured on a fully competitive and open book basis with an agreed packaging strategy.
- Detailed financial checks on proposed subcontractors.
- Agreement on any requirements for bonds, warranties or guarantees to be incorporated within the sub contracts to make sure that their requirement is for the Trust’s benefit and avoids unnecessary duplication, or gaps.
• Detailed investigation of subcontractors’ attitude to the provision of warranties, performance bonds, PCGs (parent company guarantees) and compliance with any back to back main contract provisions.
• An agreed pricing approach with an emphasis on detailed pricing structures.
• No deviation from the strategy without prior approval from the Trust.
• All sub contract packages to be competitively tendered to a minimum of three tenderers, unless expressly approved by the Trust.
• All sub contract package tender documentation to be reviewed by the professional team prior to issue.
• Package risk assessment to be undertaken prior to tender with mitigation plan to remove risk before award.
• An agreed set of sub contract terms and conditions that are complimentary to the main contract terms and conditions.
• Tenders for each subcontract package to be returned to the Trust’s cost consultant.
• The removal of subcontract tender qualifications undertaken by the main contractor on an open book basis with the Trust’s team.
• Exceptionally, an allowance for the inclusion in a subcontract price may be agreed for any identified residual risk or scope gap, if it cannot be reasonably resolved through post tender negotiations.
• All subcontract tenders to be submitted on a lump sum basis with separately identified allowance for inflation, if appropriate.
• A subsidiary organisation of the PSCP may only be a prospective sub contractor if the Trust consents.

62. On major projects where a PSCP has trade contract subsidiaries, there is a potential for these companies to be considered. The concept of ‘self delivery’ is attractive to the PSCP due to the increase in turnover, the ability to demonstrate this capability and the opportunity to drive internal efficiencies. Tangible added value needs to be provided in these circumstances.

63. In a subcontract competitive environment, the inclusion of the main contractor’s subsidiary can have a detrimental impact on the wider marketplace. Where there is an agreed inclusion of a subsidiary, T&T has been involved in managing the tender process.

64. There may be occasion to buy-in specialist advice or expertise early in the design process to provide information on areas such as innovative solutions, buildability advice or efficient coordinated solutions. Should this be required, there needs to be demonstration of added value and a return on investment for the Trust.

65. In certain circumstances, the market landscape will not provide a viable competitive tender action – due to the subsidiary’s demonstrable high capability, the market’s attitude to its inclusion, or the scale and complexity of the project. In these circumstances there is an opportunity for a negotiated appointment of a subsidiary company. The Cost Advisors have previously successfully negotiated ‘better than market’ terms through negotiations with LOR from its Teesside office: LOR worked with its supply chain to both adopt the P21+ agreement on margins and also through comparison to recent tenders demonstrated the rates were an improvement from market norms. T&T has also undertaken a similar exercise with LOR at the Francis Crick Institute.

66. Importantly, early engagement of the supply chain with subsidiary companies can also stimulate innovation and realise value for money to the Trust. For example, at Barking & Dagenham BSF (Sydney Russell School), with the offsite manufacture of precast twin wall facade panels (complete with offsite installed windows) and lattice concrete floor planks, the construction of the 7,500m² building was completed in 12 weeks – achieving an onsite installation programme saving of 30% compared to traditional build. The interface with service modules such as cast in suspension hangers and fixings was identified using Crown House and Expanded at the design and coordination stage and then later incorporated during
manufacture. This eliminated the need to diamond drill at height on site and saved preliminary expense and drilling costs. At Oxford Brookes University project, as a result of the early involvement of Expanded and Crown House, plastic conduit was included in the precast slab design to avoid first fix MDE work saving time and preliminary cost for on-site fixing and duplication of work is casting and channelling. The same approach is being taken on the 3Ts project.

67. Open book tendering for the majority of the subcontract works can still be achieved, supplemented by sector benchmarking. Trust leverage can deliver reduced mark-ups for profit and overheads; internal efficiencies can be identified and shared; risk profiles between the package and the main contract can be significantly reduced or removed entirely on the basis that they share the same parent company.

Gateway Reviews

68. During the design and procurement process leading up to the GMP, the Trust project management team, including CC/QS, is already undertaking Gateway reviews that formally assess a series of KPIs relating to the PSCP’s behaviour and performance. The measures will provide a mechanism to maintain a level of management and commercial tension and will include:

- Progress against an agreed cost certainty profile.
- Progressive reduction of project risk allowances.
- Quality of contractor’s buildability input and effective value engineering.
- Quality of facilitated subcontractor input.
- Demonstrable commercial collaboration for the Employer’s benefit.
- Behaviours around the clarification of design and commercial issues on a package basis.
- Overall management and delivery.
- Transparency and quality of the subcontractor procurement process.

69. The 3Ts building will be handed over to the Trust on practical completion (PC), ensuring the Government Soft Landings (GSL) Policy (September 2012 guidelines) is embedded into the handover process and to comply with recommendations from The Government Construction Strategy (May 2011). The GSL identified the need to improve the value offered by public sector construction and within this; soft landings was identified as a way to improve performance of buildings and to meet the requirements of those that use them.

70. The PSCP, Design Teams and supply chain partners will:

- Provide a building that meets the end users’ needs and required operational outcomes through the extensive clinical engagement put in place to review the design, and this is subject to regular review by the Trust team, T&T and LOR.
- Enable end user involvement at early stages and throughout project.
- Enable early challenge of design decisions that may impact ongoing maintenance and cost of operations.
- The majority of asset expenditure is during the lifecycle of the asset rather than the capital expenditure, which ensures impact on operational costs is considered early. This is managed through the employment of T&T Lifecycle expertise to identify the cost:benefit of different approaches.
- Provide fully populated asset data from COBie (The Construction Operations Building information exchange) to CAFM (Computerised Asset and Facility Management), reducing the cost of data input to FM Systems – this will only be absolutely apparent at the end of the process, however.
- Ensure that full training, commissioning and handover are provided at early stage, reducing the cost of protracted handover and enabling building to reach earlier optimal performance – this will be planned for the most appropriate time in the construction process.
- Provide clear measurements for building performance that are monitored up to three years post-completion with a mechanism for remedy from contractors/designers where expected performance is not met.
**Equipping**

71. The procurement of goods and services is a key process and work package within the 3Ts project. The purpose of this section is to provide a clear and defined procurement strategy that specifies the objectives and highlights policies relating to the management, efficiency and effectiveness of the equipping process.

72. This strategy will sit alongside the overarching Procurement Strategy and code approved by the Trust Board in February 2013 and complies with the Trust’s Standing Financial Instructions (SFIs). The Procurement Lead will ensure no commercial benefit and opportunity is lost or diluted in relation to:
   - Total Acquisition cost, ie. total cost of ownership, alongside the initial capital outlay.
   - Leverage for future maintenance contracts, ie. focus on whole life costing (WLC).
   - Training and development of staff is included in all negotiation and reflected in the WLC.
   - Leverage for revenue and planned replacement goods, consumable items and associated services (WLC).

73. Due regard will be placed on the ‘Five Rights of Purchasing’:

<table>
<thead>
<tr>
<th>Right Price</th>
<th>All goods and services are negotiated to deliver best value whilst placing emphasis on the total acquisition cost and whole life costing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right Time</td>
<td>All items are delivered on time and in accordance to the PSCP master programme of works, ensuring a lean Just In Time delivery strategy</td>
</tr>
<tr>
<td>Right Place</td>
<td>All goods and services are delivered to an agreed and approved location</td>
</tr>
<tr>
<td>Right Quality</td>
<td>A due diligence process is followed to ensure the designated level of equipment sign off is followed and audited, equipment selected is fit for purpose and meets all Clinical and Non-Clinical regulations</td>
</tr>
<tr>
<td>Right Quantity</td>
<td>All goods are ordered in accordance to the quantified BOQ (bill of quantity) on the trusts ratified MES (master equipping schedule)</td>
</tr>
</tbody>
</table>

**The Equipping Process**

74. The Procurement team will work closely with the 3Ts Change Consultants to ensure all aspects of the equipping process meet the project brief, delivering specialist procurement guidance during the RIBA 1:50 design stage D & E, highlighting any co-dependencies of equipment relating to the building infrastructure and encouraging a lesson learned and value engineering approach to this process.

75. The Activity Database software (ADB) compiled by BDP International Architects post detailed design stage will be provided to the Procurement Lead (Excel spreadsheet format). This information will be checked and ratified to form the basis of the MES (Master Equipping Schedule), which will then provide the basis of the main procurement tool for the 3Ts project.

76. The equipment on the ADB database will be separated into four procurement groups as defined below, and will clarify who has delegated authority for the procurement of each group:

**Group 1**

Items procured and installed by the Trust’s PSCP. These items will have M&E (mechanical and electrical) dependencies and will be costed within the GMP. This equipment will require installation to the infrastructure of the building, although the Trust will provide input to the specification where:
- Equipment requires specialist engagement with clinical stakeholders, eg. theatre lights, pendants, radiology equipment.
- Equipment is already used within the Trust. This will demonstrate best value through lifecycle costing, contract management through commercial supplier relationships, management of patient care risk in relation to training and familiarisation of systems, eg. medical gases, nurse call systems.
All generic Group 1 items will be specified and procured by the PSCP on a best value for money basis to meet the current HTM/HBN (Healthcare Technical Memorandum/Healthcare Building Notes) standards, eg. heating, plumbing, general lighting, joinery.

**Group 2**
Items procured and received by the Trust for installation by the PSCP. These items will require mounting or installation and will accommodate Trust standard consumables, eg. hand towel dispenser, glove dispenser, display boards, brackets for patient bedside entertainment, items requiring connection to the infrastructure (eg. dishwashers, water dispensers).

**Group 3 and 4**
Items procured, transferred and installed by the Trust during the commissioning period. This includes equipment that requires third party or specialist installation. The Trust will be solely responsible for the procurement, transfer and installation of these items without input from the PSCP.

77. The Procurement Lead will ensure that all items on these schedules are quantified and in the correct ADB group; any changes or amendments will be identified and shared with the PSCP through the correct project management structure. Changes will be collated and logged to avoid errors such as duplication. The PSCP will transfer the room data sheets as an Excel spreadsheet and this information will be ratified and used to manage the end user sign off process. (See Appendix).

**Governance and Compliance**

78. The 3Ts Programme Board (and associated governance structure) will identify key stakeholders to be delegated authority to sign off all new equipment specification and work with the Procurement team to identify assets listed on the MES. The process will identify:
   - Equipment that will be fit to transfer during the commissioning and handover process. Consideration will need to be given to the impact of service delivery down time if key equipment transfers require any degree of recommissioning, offset against the cost of procuring a new item and reutilising the existing asset elsewhere in the Trust.
   - Items may be procured through the equipping budget prior to the commissioning period if it is necessary for service delivery, although these items will be transferred when the service moves to its new location.
   - The Procurement Team will collate and identify all new items to be procured for 3Ts, packaging them into procurement categories.

**Sign-off Process**

79. The Procurement Team will facilitate user group meetings to ensure familiarisation for each speciality, using the room data sheets and 1:50 loaded floor plans. These discussions will identify key transfer packages and address innovations and emergent markets that may deliver benefits to both staff and patients and address patient flows in relation to equipment and the Trust’s support services.

80. During this process, product selection catalogues will be provided to facilitate end users’ sign off for both clinical and non-clinical equipment. Generic items for the whole scheme will be grouped and signed off by the 3Ts planning team with involvement from key stakeholders, eg. Chief Nurse, Infection Control, Estates & Facilities and Support Services. These services will be made aware of the sign off process and their involvement within this process. (See Appendix).

81. The Procurement Lead will engage with the design team to provide solutions for the interior design (ID) package and ensure specifications meet the correct fire and safety, infection control, DDA, ‘dementia friendly’ regulations etc. Maintenance, repair cost and operational costs (MRO) of all capital equipment will be identified to the end users during the sign off meetings and the life cycle costs of all capital equipment will be reported to the 3Ts Finance Lead, who will ensure the revenue cost for all grouped
items (including Group 1 items) are factored into the scheme and identified as cost pressures to the budget holder post warranty periods.

82. The Procurement Lead will ensure the correct procurement methods are followed according to the Trust’s Procurement Strategy and code alongside the Trust SFI guidelines.

**Resource Identification & Management**

83. The Procurement Lead will recruit a team of senior procurement professionals to assist in the procurement sign off and delivery process. Their task will include:

- The facilitation of all end user sign off meetings, as detailed above.
- The compilation of department specific equipment catalogues.
- The facilitation and co-ordination of equipment selection and soft market testing.
- Workshops to accommodate stakeholder sign off, especially in relation to the Interior Design strategy.
- Arrange long term trials and evaluation within operational areas to ensure equipment selected is fit for purpose, robust and able to meet stakeholder expectations.
- Promotion of early supplier involvement (ESI) to encourage product innovation and deliver best value with a view to developing strong partnership between the Trust and its key supply chain partners.
- Run all procurement exercises through high value European tendering, collaborative frameworks, standard tenders and quotations, in line with the Trust’s Procurement Strategy and Code. (Appended).
- Evaluate and ratify all tender returns and follow a robust procurement process that can be effectively audited and demonstrate best value for money for the 3Ts project.
- Work effectively with end users and suppliers to agree commissioning, installation and a programme of training requirements.
- Ensure a whole life or total acquisition cost of equipment is clearly defined alongside the capital procurement cost, including all Group 1 infrastructure items post first-year warranty.

84. The Procurement Team will ensure that deliveries are co-ordinated, checked and positioned during the commissioning period and all shortages, faults and damages reported and managed appropriately. All invoices will be checked, ratified and authorised for payment within the agreed timeframe.

85. The Procurement Team will ensure the equipping of the 3Ts project is delivered efficiently and effectively, on time, on budget, with appropriate compliance and governance procedures in place.
### Project Plan Overview

<table>
<thead>
<tr>
<th>ID</th>
<th>Task Mode</th>
<th>Task Name</th>
<th>Duration</th>
<th>Start</th>
<th>Finish</th>
<th>Predecessors</th>
<th>Resource Names</th>
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<td>2</td>
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<td>MAIN SCHEME CONSTRUCTION</td>
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<td>4</td>
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<td>60 days</td>
<td>Thu 25/01/18</td>
<td>Wed 18/04/11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>activating</td>
<td>Plant removal</td>
<td>84 days</td>
<td>Thu 25/01/18</td>
<td>Wed 23/05/11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>activating</td>
<td>RSCH DC decommissioning complete</td>
<td>0 days</td>
<td>Thu 31/05/18</td>
<td>Thu 17/18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>activating</td>
<td>DC Relocation complete</td>
<td>0 days</td>
<td>Fri 21/06/18</td>
<td>Fri 01/06/18</td>
<td>18</td>
<td></td>
</tr>
</tbody>
</table>
A detailed and amended project plan will be produced when the BOQ and data sheets are made available through the remobilisation of the design, the project plan will identify:

- When key Group 1 decisions need to be made.
- Identify when all Group 2 items need to be delivered to LOR for installation.
- Identify all Group 3 items with infrastructure dependencies, eg. power, data, telecoms.
- Identify any items that require third party installation on LOR site.
- Highlight any pieces of equipment that require specialist commissioning.
- Identify the volume of resource required to install and commission Group 3 items.

This process will enable the Procurement Team to produce an accurate, costed equipment schedule, factoring in:

- Equipment fit for transfers;
- Equipment pre-purchased through the Trust capital replacement programme;
- Items no longer required due to changes in clinical practice;
- Items required due to changes in clinical practice and departments operational policies;
- Whole-life costing and revenue consequences for capital equipment;
- The work to date is appended in the summary report on equipment.

These will be identified and reported during the design and verification stages of the 3Ts project. All amendments and changes will follow a robust end user/stakeholder sign off process. All budget information will be fed back to the 3Ts Management Accountant team, in addition to procurement cash flow forecasts and projections.

All equipment will be procured by the 3Ts Procurement Team. In line with the Trust’s Procurement Strategy and Code, governance and compliance will be followed and reported through Procurement Gateways.

**Procurement Governance**

The following table sets out the tendering requirements and governance route applied to every procurement exercise within the corresponding value bands.
<table>
<thead>
<tr>
<th>Group</th>
<th>Whole contract Value</th>
<th>Governance Authority</th>
<th>Tender/Quote</th>
<th>Requirements</th>
<th>Minimum timescale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>£1 – £9,999</td>
<td>AR under delegated  authority of the Band 9 or above director, at Peer Group Review</td>
<td>At least One Written Quote</td>
<td>Select Contractor from an approved source</td>
<td>0-3 months</td>
</tr>
<tr>
<td></td>
<td>£10,000 – £29,999</td>
<td></td>
<td>At least Two Written Quotes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>£30,000 – £49,999</td>
<td></td>
<td>At least Three Written Quotes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>£50,000 up to EU Threshold or £150,000, whichever is the lowest for all categories of expenditure</td>
<td>Band 9 or above director on recommendation of AR at Peer Group Review</td>
<td>You must be able to evidence that you have sought to obtain at least 3 tenders.</td>
<td>Place tender on e-portal</td>
<td>3-6 months</td>
</tr>
<tr>
<td>3</td>
<td>Above EU Threshold or in excess of £150,000, whichever is the lowest, for all categories. £1.5M (up to £300,000 for consultancy agreements)</td>
<td>Executive Director on recommendation of Gate Review Panel</td>
<td>You must be able to evidence that you have sought to obtain at least 4 tenders EU requirements. (The number of tenders may change depending on which procurement route is selected).</td>
<td>Advertise on Trust Website and Supply2Gov Website Advertise in OJEU. *</td>
<td>12-18 months</td>
</tr>
<tr>
<td></td>
<td>£1.5M and Over (or over £300,000 for consultancy agreement)</td>
<td>The Board via Executive Director on recommendation of Gate Review Panel</td>
<td>At least 4 tenders EU requirements. (The number of tenders may change depending on what route is selected</td>
<td>Advertise on Trust Website and Supply2Gov Website. Advertise in</td>
<td>12-18 months</td>
</tr>
<tr>
<td>Group</td>
<td>Whole contract Value Brand</td>
<td>Governance Authority</td>
<td>Tender/Quote</td>
<td>Requirements</td>
<td>Minimum timescale</td>
</tr>
<tr>
<td>-------</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Board on advice of Executive Director, or CPO in accordance with the definition in the SFI’s</td>
<td>Procurement route appropriate to value *</td>
<td>OJEU.</td>
<td></td>
</tr>
</tbody>
</table>

* If the advertising routes described are unlikely to generate enough interest and there is a specific budget allocation, advertising in an industry publication may be considered.
European Regulations for Open, Restricted and Negotiated Procedures

91. The charts below show the minimum time frames for each EU procurement route to market and the various options available for the equipping and works contracts. European tendering is a legal requirement for awarding public sector contracts and the Trust SFIs require compliance and governance to the Trusts Procurement Strategy and Code (2013).
92. The Competitive Dialogue process allows for ‘fine tuning’ of tenders, provided this does not distort the competitive process. The presumption is therefore that any changes will be minimal and not amount to negotiation. While this process is not formally allowed in a standard Restricted Procedure, it almost always happens and this can therefore be considered similar to ‘normal’ post-tender clarifications.

93. This method of procurement is only recommended if there is no clear specification and the output is unclear (e.g. IT software projects), and construction tenders where the technical complexity of the build makes a clear specification for the required output difficult and a greater dialogue with bidders is essential. Competitive Dialogue is therefore only to be used for ‘particularly complex contracts’ and the presumption is against its use. Cabinet Office rules require Accounting Officers to sign off the use of Competitive Dialogue following a process of market engagement (see appended document).
**Equality, Diversity, Due Regard and Social Value 3Ts project**

**94.** Public authorities spend £236 billion each year on buying goods, works or services from other organisations across every sector. This purchasing power can be used as a way to advance equality and, where appropriate, achieve wider social benefits, such as creating training or employment opportunities.

**95.** The Procurement Team will work with its contractual supply chain and the 3Ts PSCP to establish that they and their 2nd and 3rd tier supply chain partners have effective policies in place that comply with The Equality Act 2010 and Public Services (Social Value) Act 2012. This will include encouraging healthy diversity within the Supply Chain, with a view to reflecting the local community’s demographics and addressing the needs of the wider community. (See appended document).

**96.** The Procurement Team will promote the inclusion of local suppliers and SMEs (Small & Medium Sized Enterprises) within its supply chain and encourage participation in the 3Ts redevelopment; this will provide both economic and social benefit, such as employment, training and development, particularly to disadvantaged communities within the local area. The Trust will endeavour to make some allowances for SMEs, which may only have very basic policies in place since their size may restricts their ability to implement complex training and development programmes. (See appended document).

**97.** The Trust’s Equality & Social Care Strategy describes the Trust’s processes for complying with the Equality Act 2010 and Public Services (Social Value) Act 2012. Major capital developments such as 3Ts present unique opportunities to leverage these benefits. Equality outcomes are often seen to overlap with community benefits and are part of the social and economic elements of sustainable procurement.

**98.** The Procurement Team will ensure it include the questions identified below within a questionnaire to be completed by all participating suppliers and bidders of Trust tenders and quotations. These criteria may potentially be scored and evaluated during the Pre-Qualification stage and those who do not demonstrate compliance rejected from the Tender process. (See appended document).

**99.** The Procurement Team will continually monitor both new and existing contracts to ensure strategic suppliers are compliant with legislation, and where possible suggest advice and training be given from the Trust’s Equality, Diversity & Human Rights team.

**100.** When buying and selecting goods and services through the compliant process, the Procurement Team will ensure the goods and services meet the needs of the Trust’s different and diverse users. Selection exhibitions and workshops will endeavour to capture special needs and requirements through this process.

**101.** The Procurement Team, when selecting its supply chain through competitive tendering, quotations and framework contracts, will give due consideration to legislations whilst ensuring that commercial benefit is not reduced or lost through the process.

**102.** LOR has agreed to undertake the employment and training of local apprentices as part of both the Decant and main scheme redevelopments. This will benefit the community by boosting the local economy and easing the region’s unemployment and skills-gap issues. The Royal Sussex County Hospital is located within close proximity of the Whitehawk Estate; this is one of the country’s most deprived areas (bottom 5%). Unemployment in this area is very high, with approximately 41% of the population in receipt of benefits.

**103.** The 3Ts programme will consider engaging with local SMEs as part of leasing retail space, and to ensure that all retailers offer healthy food options for visitors, staff and patients. Although obesity is not classified as a protected characteristic, as the healthcare provider the Trust wishes to encourage healthy choices avoid the inclusion of fast-food retailers. This is in line with the Government’s Procurement Pledge, which aims to improve standards of food provided in the public sector.
104. A recent article in *Supply Management*, the Head of Sustainable Public Procurement at DEFRA said, ‘Hospitals are major procurers in their local areas and have the potential to shape the way our food is grown, supplied and prepared. This can be done in a way that ensures good stewardship of our agricultural land and natural resources, respect for animal welfare, avoidance of waste and obtaining wider economic and social value such as jobs and training. All this is important to the health and wellbeing of patients and staff.’
Summary

<table>
<thead>
<tr>
<th>Summary Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Commercial Case of the FBC document details the delivery of the procurement and logistics of the Construction, Equipping and Services requirements to fully equip the 3Ts (Teaching, Trauma and Tertiary care) redevelopment project. It clearly details the Trusts chosen method of procurement, ProCure 21 to select its Principle Supply Chain Partner (PSCP) and the process followed to select the service.</td>
</tr>
<tr>
<td>2. The Trust has produced its construction Procurement Strategy in partnership with Turner &amp; Townsend PLC (its Independent Cost Consultant and Quantity Surveyors) and Laing O’Rourke (PSCP).</td>
</tr>
</tbody>
</table>