Finance Committee
Scottish Futures Trust/ NPD Programme
Submission from BAM Construction Ltd

Introduction
This paper is in response to the invitation by the Scottish Parliament Finance Committee calling for evidence in support or otherwise of the performance by the Scottish Futures Trust (SFT) in meeting the aspirations of its mission statement which states is to improve the efficiency and effectiveness of infrastructure investment and use in Scotland by working collaboratively with public bodies and industry, leading to better value for money and improved public services. More specifically this response addresses their performance in the following fields;

- The SFT’s role in securing additional investment
- The SFT’s role in securing better value for money and improved public services
- The SFT’s role in fostering innovation to improve outcomes
- The SFT’s role in encouraging collaboration to improve efficiency
- The SFT’s efficacy in securing better outcomes including job creation, training and apprenticeships, environmental sustainability, broader community benefits and digital connectivity
- Any other comments you might have on the SFT’s work towards achieving its key aims

The views given are on behalf of BAM Construction Ltd and relate to experience of working with or under SFT guidance in open market conditions, through the Hub Territory Framework and NPD programme forms of procurement.

Observations & Opinion

Securing Additional Investment
We are strong supporters of construction frameworks as a vehicle for delivering public sector projects. The principles behind the Hub model of procurement are well founded and there is evidence across all 5 territories that this is a beneficial model for the delivery of public infrastructure. This route of procurement has provided over £1.85bn of construction projects since its inception in 2010 and the strategy of bringing 60% private sector support funding has underpinned the ability to provide this much needed volume of work to the construction industry during what has been the most difficult recession this country has faced for a generation.

The SFT had to develop a model that was commercially attractive to the private sector so that they could engage them into a long term programme of investment.
This has been done and at the same time has been delivered with commercially competitive terms from the marketplace. It has been a solution that, in macro terms, has worked for all parties involved.

At first hand we’ve also seen the benefits arising from the innovative and flexible approach from SFT over their own funding structure which has secured additional investment in projects from the Local Authorities. The ability for the participant Authorities to re-route their 30% capital contributions from the DBFM projects on the condition that these are channelled into capital funded projects has delivered additional projects to the market at a time when the industry was desperate for new work. Without this pragmatic approach to funding structures, projects would still be on the drawing board rather than on site.

**Securing better value for money and improved public services**

The SFT pathfinder schools, which were tendered in 2011 and delivered in 2013, together with the exemplar Primary School model [Lairdsland] have provided a solid platform for cost efficient procurement whilst still delivery excellent, sector leading facilities.

BAM’s experience of the reference designs has generally been in the High School programme where we have the following observations:

1. The reference ‘Super block’ design which BAM adopted and then developed for the SFT Pathfinder Schools has been used to great success for other schools. It may not be the exact design used but will generally be a variation of this model to suit the site conditions and requirements of the participating Authority. Fife, West Dunbartonshire and City of Edinburgh are just some of the Councils looking at using this data.

2. To optimise value for money procurement, SFT worked with East Central hub Territory to develop a ‘Vanilla School’ template as a foundation for project feasibility and development of future schools schemes. BAM collaborated with the work group to provide benchmark data for both the SFT Pathfinder ‘Super block’ model and also a design which used a street block with education wings. SFT sought for this to have information on design, specification, programme and cost, which could then be used as a development guide for Authorities on future schemes.

3. As these exemplar models are replicated / improved / developed, the lessons learned should be shared with all the participating parties [Hubcos, Local Authorities, Contractors and Designers] so that the most economic model can be used where possible. After 4 years in circulation there should be an optimum design and specification, which delivers best value in terms of build quality, cost and programme. SFT would be best placed to facilitate the sharing of this information and knowledge.
Public / End User feedback – The positive feedback on the new facilities being provided has been resounding. Dunfermline High School now has the best attainment figures in the region, which the Head Teacher attributes to the new building. Glenwood Health Centre, which was delivered as part of the East Central Hub Framework, is using 50% less fuel but the floor area is actually 45% larger than the existing centre. CO2 emissions are also down by 50%.

We are aware that some Participants within Hub frameworks are concerned over the ‘closed’ nature of some of the Hub supply chains where Participants have a very limited choice of contractors and that this could be damaging the Hub procurement model. We feel that this is something SFT need to react to to ensure that Hub remains a successful and first choice procurement route or all of the good could be lost in a return of direct procurement.

Fostering Innovation to improve outcomes
• The ‘Vanilla Schools’ models developed with East Central Hub previously noted have been shared with the 4 other territories and are a good example of knowledge sharing. We have however suggested that this should be followed up with creation of a national work group / forum rather than having any future innovation restricted to the silo of each territory or project. Monies currently set aside for feasibility studies for future developments could perhaps also be used to fund such a working group or forum to look at innovation?
• SFT have facilitated the free movement of benchmark cost data amongst hub territories and Local Authorities which has led to quicker evaluation of design options and decision making, which is good news for the industry in general. Project teams aren’t faced with constant reinvention of data as they can rely on the shared information as a foundation for their own cost assessments.
• A drawback of the benchmark cost data is that it can be misused by parties. In the current market it can quickly become outdated due to inflation or other market forces. There is also on occasion, insufficient information in respect of project abnormals or the constituent parts of the cost elements to allow these to be used with any real accuracy. A standardisation of cost modelling may perhaps be beneficial and provide all parties with better data.

Encouraging collaboration to improve efficiency
• SFT will regularly reach out to the private sector or any relevant party to seek counsel on new products, services or construction methods and tools. We’ve been invited to provide advice on the use and implementation of BIM on projects as well as optimum design solutions in terms of cost and programme for schools. This ongoing dialogue and interaction with the private sector will only strengthen relationships and enhance the quality of the final product.
• The pathfinder schools project was in our view a good opportunity to realise the benefits of true collaboration. This worked in the initial design stages,
where you could visibly see decisions being taken by each Authority [Midlothian & East Renfrewshire] that were influenced by the experience or views of the other party. They would also openly discuss their own policies, strategies and protocols with each other and the rest of the team, so that these could be challenged with a view to discovering an improved way of delivering them.

- **Common design options led to tangible savings in design costs as we could share out premiums for parcels of the design between the 2 schools.** This also saved time in procurement and got us to site quicker. These projects were awarded to BAM in June 2011 where our design was at RIBA Stage C and we were on site in August at Eastwood and October at Lasswade with construction information. The combined project approach working at its best in this situation.

- **In the hub frameworks we’re seeing more and more bundling of projects which are across more than one Authority.** As shown in the pathfinder schools, this can work and lead to efficiencies, however SFT may look to retain a role of some form that allows them to monitor design development. As each project design matures they will drift away from the common concept design and this is where we have the risk of inefficiency creeping in and project cost creep. An impartial overseer might be able to enforce more commonality and knowledge sharing throughout the design and construction.

**Securing better outcomes**
The recently issued Community Benefits Toolkit for Construction demonstrates how SFT have listened, collaborated, taken on board appropriate innovation and led a positive change in the approach to community engagement by the Scottish Construction Industry.

- It empowers the Local Authorities to develop Community Benefit criteria on their projects that suits their own regional needs and aspirations.
- It removes the generic targets previously used that often stipulated unrealistic requirements or conversely didn’t challenge the supply chain sufficiently. Now Local Authorities can focus in on certain elements and provide KPIs that suit their agenda and are achievable.
- It provides a platform for collaboration with the Authority and Contractor so that the community can get the most out of the project.
- The overall plan is more transparent to all and easier to understand and achieve.

Prior to the toolkit, the good work done in creating jobs, training and apprenticeships cannot go un-noticed. In the hub Frameworks, the delivery teams are constantly challenged to improve but we’ve seen the focus shift to a broader spectrum of activities. Whereas before the emphasis was on head counts of new jobs and
apprentices, we’re allocating resources to ensure training and development of people is also pursued. SME engagement now includes mentoring and capacity building where we look to support them in different ways to just awarding contracts.

Any other comments

- **The cost of procurement in NPD** – The NPD premise of projects based on significantly developed reference designs, streamlined procurement through Competitive Dialogues and therefore lower bid costs for the private sector under NPD have never materialised. NPD projects have had extended procurement periods, exceptionally high bid costs (into the millions) and low chances of success with 3 bidders taken to BAFO. The waste involved in discarding a fully developed design at the end of the process has to be questioned. In our view this is not a sustainable model of work winning for any private sector business and we have little appetite for bidding future NPD projects under the current model.

- **Management of Participants** – The Stage 1 & 2 process of Hub is targeted to be a 40 week duration at its longest so that projects can get to site quicker and maximise the benefits of this collaborative form of procurement. Each project can have its challenges outwith their control such as planning or other 3rd party influences, but we have seen bottlenecking occur due to participant authorities not fully appreciating the scope of key stage reviews and other approval gateways. This should come with experience of the process, but it may be that a focus on preparing the participants in advance and making them aware of what exactly is required may streamline the timescale being taken to get through these stages. The prolongation of some of these periods causes significant problems for construction businesses.

- **Design team cashflow management** – In hub projects we’ve seen SFT listen and be accepting of positive changes to the original framework tenets. Whereas before fees would be paid at defined stages [Stage 1, Stage 2, Financial Close, etc], we are now responding to the conditions of each project and if appropriate design fees are being paid more regularly to support these consultants and ensure best service for the projects. This is a good example of continuous improvement, although the proposal to discount fee levels to secure interim payments should be discouraged.

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