



**WILLMOTT DIXON**



## **THE FRONT END COST OF BUILDING SCHOOLS FOR THE FUTURE**

### **Introduction**

Willmott Dixon Ltd is part of the Willmott Dixon Group, one of the UK's largest privately-owned construction, housing, property care and investment companies.

This is one of a series of papers which Willmott Dixon is launching in 2009 on issues facing the construction industry. Recently the Building Schools for the Future programme has come under scrutiny for its overall scale of delivery. The programme has also come under intense political pressure as the Government has pledged to bring forward the renewal of primary and secondary schools as part of its strategy to kick-start the economy.

Willmott Dixon spoke to a number of people involved in the BSF process and their feedback allows this paper to consider in more detail the BSF procurement process, especially for larger projects often procured through the PFI, and attempts to address some of the key issues.

### **Willmott Dixon and the BSF programme**

Within the BSF programme Willmott Dixon has a strong reputation, particularly under the National Academies Framework. Within the last 12 months, it's secured major schemes like Middlesbrough BSF, Waingels College in Wokingham, Skinners Academy in the London Borough of Hackney, Hope Academy in St Helens and St Anne's Academy in Middleton.

The company is also a key part of the Trillium Consortium carrying out the £600m BSF programme for Kent County Council.

Building Schools for the Future is an ambitious programme. The government's aim with the initiative is to rebuild or refurbish all England's 3,500 secondary schools, including elements of the government's academies programme. It is intended to create modern classroom environments equipped with state-of-the-art information and communication technologies (ICT) transforming the learning experience and raising pupil attainment. The initiative was launched in 2003 with the expectation that the programme would begin in 2005 and be carried out over just 15 years. Funding for the programme was initially set at £45 billion.

The government's target was to open the first transformational school in mid-2006, with 100 schools open by the end of 2007 and 200 open by the end of 2008. As is well known, initial progress on the initiative has been slower than anticipated and delivery has fallen short of the government's targets. By December 2008 only 42 schools were actually delivered. In order to bring all schools into the programme by 2020, the number of schools in procurement and construction at any one time will need to double in the next three years.

Much has been written about the workings of the programme. PricewaterhouseCoopers has to date produced two evaluation papers for the Department for Children, Schools and Families (DCSF), the National Audit Office published its report this February, and the Select Committee for education published the findings of its investigations in 2007. The Select Committee report ended with a number of questions, including the key one to unlock more schemes: "Is the planning and procurement process working effectively, and if not, how does it need to be changed?"

## **Background to BSF**

Effective procurement is key to the successful delivery of any project and ineffective processes result in wasted time and above all cost. Sir Michael Latham, Sir John Egan and others have produced important guidance on best practice in construction procurement, and their lessons have been widely promoted and practised by the industry.

However, five years after BSF's launch, there are concerns among participants in BSF at the inefficiencies in the procurement process, despite the lessons of Latham, Egan et al. BSF's procurement inefficiencies are resulting in waste in time and money. This paper

highlights some of the areas of concern, and includes a number of recommendations.

## **Concerns**

### **Bid cost**

It was reported that Skanska invested £5 million in its ultimately unsuccessful bid for the Kent BSF programme in December 2007. This was mainly due to the high number of sample schemes imposed by the Authority and since then delivery body, Partnerships for Schools (PfS) has worked to reduce the amount of samples schools and input required for a BSF bid. PfS says that the average investment is now £1 million. But some contenders are still investing far in excess of that average. It is believed that one bidder for the Birmingham BSF has forecast to spend almost £10M at financial close

Middle-tier contractors say that they cannot afford to bid for BSF projects because they cannot afford to lose. Larger companies are also voicing concerns at bid costs. A spokesman for major player Mouchel was quoted by Building magazine in December 2008 saying: "In view of BSF's lengthy and costly procurement model, and the fact that we did not proceed beyond the last two in Southwark, we are now reviewing our approach to this market."

These concerns are ultimately being reflected in the numbers now entering BSF contests. The first wave of BSF contracts had longlists of around 10 contractors; now the number of bidders has halved with some BSF projects attracting as few as two bidders.

#### **Recommendation 1**

Tenderers that are far off the pace could be eliminated from the contest earlier, to save wasted effort and investment. This would benefit the client by giving them more time in which to develop ideas with serious contenders.

#### **Recommendation 2**

PfS has sought to lessen the financial burden on bidders by reducing the amount of sample schools and design work required. This could be further reduced.

#### **Recommendation 3**

PfS are undertaking a review of the documentation and process of bidding. It is hoped that standard bid documentation is adapted so it can be used for contract.

## **Bid information**

The BSF bid process is extremely detailed and demanding, for both the client and bidders. Bidders have a duty to respond in full to the client's requirements, but they can only do so if the client provides information in a full and timely fashion.

Authorities are currently failing to provide all the essential information needed by bidders. Often site-specific information is not forthcoming or difficult to obtain. Where clients are obliged to provide surveys of existing buildings all too frequently these are not readily available.

When essential information is not provided, there can be significant delays and added costs, as legal advisors have to submit requests for the information that is lacking.

### **Recommendation 4**

The Authority needs to be fully prepared before they go to the market. They should collect and collate all the information required.

### **Recommendation 5**

PfS should sign off the package of information for bidders prior to coming to market.

## **The consortium approach**

A BSF consortium comprises a large number of players, including ICT specialists, facilities management specialists, educationalists and bankers. A consortium bidding for the Birmingham BSF, for example, had 50 players, with individual member companies each having their own legal representation. The size of the consortium makes it unwieldy, slow to make decisions, a poor communicator, and costly to operate, particularly in legal fees. As one contractor commented: "When you have huge teams, they are divorced from the development structure."

Of necessity consortia have to make key decisions without involvement of the client. The approach does not promote the culture of openness and integrated thinking advocated by Sir Michael Latham, Sir John Egan and other proponents of best practice. This approach is the antithesis of the close teamwork by small teams advocated by Sir Michael Latham and shown to deliver high success end results for clients.

#### **Recommendation 6**

If greater speed and efficiency are to be achieved in procurement, BSF needs slimmer team structures.

#### **Length of procurement process**

It is commonplace for procurement of a large BSF project to take approximately two years. Procurement of a smaller project generally takes a year. Even allowing for the learning process at the start of the BSF programme, the length of time taken to procure schools is clearly unacceptable.

Poor provision of information by the client delays the process. The consortium approach makes for slower decision making and the quantity of consortium members to be consulted makes the final 'closing out' stages of the procurement particularly stressful. Documentation is complex and as close out approaches wording may have to be written and re-written. In this context it is all too easy for legal costs to spiral.

#### **Recommendation 7**

The legal processes of BSF should be streamlined.

#### **Recommendation 8**

The Academies framework has a simple pre-qualification within a 12-20 week timeframe. This is far more time-efficient. Some BSF projects could also use this framework rather than the longer and more complex system adopted.

#### **Design**

Good design is rightly fundamental to the government's aspiration to transform learning through BSF. However, design should be well procured, and the present procurement emphasis on substantial upfront design work does not represent good value for money for the client.

Skanska's reported £5 million spend to bid for the Kent BSF included seven sample school designs and included preliminary work on a further 3 designs. One bidder for the Birmingham BSF has spent more than £1 million on design, which represents half of its bid cost. Design input into the bid has been reduced, but remains significant.

Under the Academies framework, architects appointed to work on a feasibility study are not permitted to follow through and bid for the subsequent project. The design produced in the six-month feasibility study by the initial architect is inevitably heavily revised by the project architect and this has to be carried out in a brief 12 week design and pricing period. One architect commented: "You could argue that the money being spent on the ideas and concepts at the early stage is being squandered as the project architect re-draws substantial elements."

#### **Recommendation 9**

Feasibility studies should be produced realistically and thoroughly, so that duplication of effort by different architects is eliminated.

#### **Recommendation 10**

Standard designs are available but are little used. Basic design principles would provide a useful starting point for projects. More industry sharing of this 'best practice' of good common design principle should be encouraged.

### **Conclusion**

BSF faces many challenges in delivering on its objectives, particularly as the economic climate has changed dramatically since its inception. PFI schemes have become more difficult to get off the ground, the National Audit Office report has said that more money is needed to deliver the BSF programme, and there are political imperatives to increase the pace of delivery.

To free up the process, Willmott Dixon believes it is essential that the inefficiencies in the BSF procurement process are tackled. As one contributor to this paper said: "What's at issue is not the construction industry's profit margins. If processes are inefficient, they are robbing the community at large of good results because when time and money runs out, it is quality that goes as value engineering starts. What is at stake here is the quality of our schools - more money on them and less being wasted on procurement inefficiencies."

### **Contacts**

For further information on any aspect of this paper please contact Andy Geldard, Head of Communications for Willmott Dixon Group, on 01462 448415.