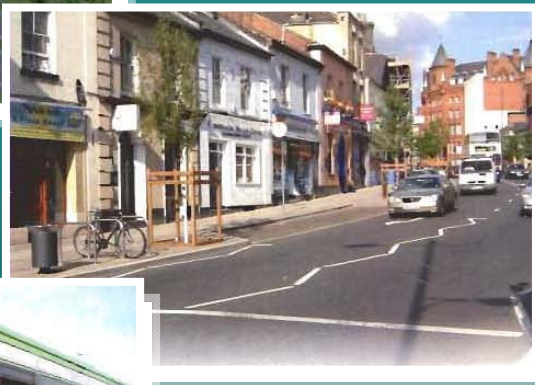


Major Scheme Business Case Norwich Northern Distributor Route

Commercial Case



Major Scheme Business Case

Norwich Northern Distributor Route

Commercial Case

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5 Commercial Case

5.1 Preferred procurement route

In January 2008 Norfolk County Council Cabinet approved the procurement of the NDR with the use of Early Contractor Involvement. In line with current good practice a two-stage contract award is planned. Stage 1 will cover the winning contractor's involvement until Target Cost setting; after all statutory processes are complete. Stage 2 will cover construction.

The milestones of the procurement timetable are:

Invite Expressions of Interest	February 2008
Invite tenders from short listed contractors	July 2008
Tenders returned	October 2008
Decide preferred contractor	December 2008
DfT Approval of PE MSBC	January 2009
Award of Contract (Stage 1)	January 2009
Start of Site Clearance (Stage 2a)	August 2010
DfT Approval of Final MSBC	February 2011
Start of Main Construction (Stage 2b)	February 2011

5.2 Contract type

Norfolk CC intends to procure this scheme through an Early Contractor Involvement (ECI) and Construct contract. The benefits generally from an ECI approach are:

- Scope for innovation and value engineering from an early stage
- Open risk management process
- Better forward planning of resource requirements
- Better continuity and retention of staff
- Improved consideration of buildability
- Improved health and safety planning

- Potential for shorter construction periods
- Early identification and mitigation of impacts during construction
- Minimise tender costs
- Shorten procurement period
- Robust cost forecasting, budget control and programme management.

5.3 Risk share

The procurement concept has been developed on the basis of the tenet that Risk is placed with the party best placed to manage or mitigate that risk or manage the consequences should a risk transpire.

The contractor will be asked to produce a priced risk register and decisions will be made on the risk share mechanism between the contractor and the County Council to ensure that the proposed allocation provides value for money to the council.

The design risk will be retained by the County Council in principle. The only design risk the contractor will carry is that of his own specialist suppliers or other minor elements of design carried out in support of main client design teams.

The delivery and programme risk will substantially rest with the contractor. However the following are examples of areas of risk that the County Council will need to take a view on as part of the review of the priced risk register during the process of target setting:

Unforeseen ground conditions
Exceptional Weather
Flooding
Cost Inflation
Vandalism/ Theft
Protestors (delay)
Environmental (delay)
Archaeology
Surveys (adequacy/ suitability)
Etc

There will be a pain-gain share mechanism negotiated and agreed with the contractor and used to provide incentive for value engineering and robust cost and programme management.

5.4 Contract monitoring

To monitor the contractor's programme, costs and delivery the council will be setting up an integrated contract administration team. The team will include the contractor's and client's representatives and will meet regularly during the course of the contract.

5.5 Council's experience

The County Council has successfully procured and delivered many projects featuring ECI and target cost contracts. The County Council's Planning and Transportation Department have employed the New Engineering Contract Engineering and Construction Contract (NEC ECC) form of contract since 1999 across a wide range of scale and complexity of schemes, namely:

Broome Ellingham Bypass
Bridges Packages 1 & 2
Bridges Framework Contract
Stow Bridge Reconstruction
B1108 Improvement (tender only)
Nar Ouse Regeneration Scheme
Cringleford Cluster Scheme
Guist Bridge
Costessey Landfill Capping
St. Peters Street Refurbishment
Marine Parade Great Yarmouth Phases 1, 2 & 3
St. Georges Parkway
King's Lynn Household Waste Recycling Centre
King's Lynn Central Park

All of the above schemes have been developed and tendered by the County Council using Option C Target Cost contract as proposed for the NDR. On all these schemes the County Council staff have performed the role of Project Manager under the contract. Contract administration has also been carried out by the County Council supported by Mott MacDonald. A Delivery Team and Contract Administration team approach has been developed and used successfully on the major schemes and this approach will again be adopted for the NDR.

The document entitled Partnership Approach to Delivery of Projects illustrates the approach adopted which is well tried and tested. Bespoke contract administration forms / trackers have been developed and provides a high level of control of cost and a clear focus on forecast outturn.

The tender documents for the NDR were issued on the 16 July 2008 and these have been developed based around the experience gained on the above projects.

Based on the above the County Council are confident that they have appropriate expertise and experience to tender and manage the NDR contract.

5.6 Soft Market Testing

A soft market testing exercise has been carried out in accordance with the guidance given in the County Council's procurement guide. Meetings have been held with five leading national Civil Engineering Contractors to discuss the following:

- Given the previous conceptual Early Contractor Involvement (ECI) by May Gurney, what information the Contractors would require to ensure that they were satisfied that the tendering process was fair and open.
- The level of interest from Contractors and their ability to resource the delivery of the project at a time of competing pressures from other major national projects eg the Olympic Complex, Crossrail.
- The proposed form of contract and the Contractors' views on the proportions of quality/price considerations in the assessment of tenders.
- Extent of information to be supplied by the Contractors.
- The length of the tendering period.
- Pre-tender meetings with the Contractors.

The summary of responses is provided in 0

The outcome of the discussions informed the following decisions relating to the procurement process:

- Bidders have been supplied with all of the information that has been accessible to May Gurney. Bidders will have one month to assimilate the information prior to the start of the formal tendering period.
- The contract will be prepared, as set out above, with an Early Contractor Involvement stage and subsequent Construction stage.
- The tender will be assessed on both quality and price and it is recommended that this ratio should be 60% quality and 40% price.
- An independent commentator will be engaged to form part of the panel assessing the tenders.
- The tender period will be 12 weeks.
- If bidders request them, one-to-one meetings will be held with individual tenderers during the early part of the tendering period to assist with points of clarification/information.

A Procurement Board has also been created and is chaired by an Elected Member. Its role is to oversee the procurement of a contractor through the two stage tendering exercise.

The Board meets monthly or as required at key stages in the initial procurement process. It will advise the Sponsor's Board on the procurement process and will cease to exist once a preferred contractor is appointed. Membership of the Board includes the Project Director and Project Manager, cross-party Member representation, a legal expert and a procurement expert, as well as the independent commentator.

Schedule of Appendices to Section 5

5.A Soft Market Testing