

Small projects – make them count!

OGC Case Study

Framework agreement delivering savings and improving programming for Somerset County Council

Somerset County Council has a large number of temporary classrooms, dating from the 1960s, and distributed over 270 schools. Many of these classrooms are reaching the end of their life expectancy and will need to be demolished. Somerset County Council has had to respond to this with a large-scale demolition programme, phase one of which began in 1998. Now, part way through phase two of the programme, the council has achieved significant time and cost savings by developing a bespoke framework agreement with two local contractors. The objectives of this way of working were clear: to build long-term relationships and, as such, save significant time and costs, while delivering a high quality project.

Achievements and benefits

The winning contractors and the council have been operating under the system for more than a year and this is working well for both. It is currently anticipated that the system will result in:

- 2005/6 about 20 demolitions
- 2006/7 about 40 demolitions
- 2007/8 about 40 demolitions.

The long term working relationships cemented at the beginning of 2005 between the council and contractors are now showing significant achievements and benefits for both the council and the contractors:

- When individually tendered, market and project costs were different for each project, to varying degrees. Under the new framework, costs became more consistent. **Benefits:** Provides certainty and predictability for the council
- A partnering approach combined with skills contractors have learnt on projects have reduced total project cost and prime costs. **Benefits:** Over an initial three-year programme, it is hoped a 15 per cent cost reduction will be achieved. Current analysis, of a relatively small sample of projects delivered under the framework agreement, has shown average project costs fall from £7,810 to £5,830, representing a 25 per cent reduction in cost

- Emphasis was placed on better communications with the contractors. **Benefits:** An additional project can now be carried out during a two-week school holiday
- An element of trust between council and contractors has played a pivotal role in the framework. **Benefits:** Provided the catalyst for better, longer lasting relationships. The contractors are learning valuable skills, which can be re-used in the future
- As most demolitions take place during school holidays, contractors know the programme of works upfront. **Benefits:** Better planning, which has helped to stabilise costs
- The new framework means contractors are equipped with project-by-project knowledge and are able to take on the technical officer's duties. **Benefits:** For a project costing around £8,000 savings of £500 have been achieved in technical and associated administration costs. This equates to 6.25 per cent per project and contributes to the current reduction of 25 per cent in project costs
- The council is now able to plan a programme of works well in advance. **Benefits:** This year 100 per cent of projects have been delivered within budget
- The framework means no tendering costs for the contractors. **Benefits:** Work is guaranteed and tendering risks are alleviated.



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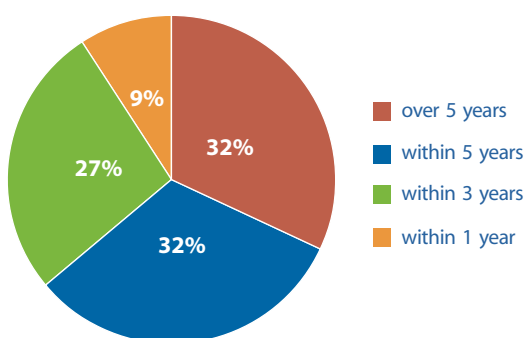
Introduction

A partnering approach on larger projects is tried and tested and has already delivered significant achievements. For example, a major construction partnership in Birmingham delivered 92 per cent of projects without defect and 98 per cent on time (see OGC's Birmingham Construction Partnership Decent Homes case study). As a smaller council, Somerset was keen to deliver similar savings on smaller scale projects.

Historically, like many other local authorities across the UK, Somerset County Council generally tendered its project work individually, which was time consuming and costly. In line with the principles of Egan's Rethinking Construction and OGC's Achieving Excellence in Construction, the council has adopted a new method of procurement that is now helping to deliver a large programme of demolition works across schools in the county.

These large-scale demolition works were mainly triggered by a policy dating back to the 1970s. Responding to increases in pupil numbers across Somerset, the council provided more than 600 temporary classrooms, distributed over 270 schools. Some 30 years later, many of these classrooms are reaching the end of their life expectancy. A council survey revealed that at least 68 per cent of the remaining buildings may (subject to ongoing inspection and monitoring) need to be taken out of service before 2009.

■ Categorized life expectancy of all temporary classrooms



In the light of these findings, the council recognised the need to act quickly and efficiently to ensure that the temporary accommodation was demolished, at low cost, while ensuring minimum disruption to the



schools. A two-phase programme of works was developed. Phase One began in 1998 and included the surveying of 150 school buildings. This has resulted in a £12 million investment programme for replacement and the removal of 660 surplus spaces. Phase Two will result in the demolition of 100 temporary classrooms and the provision of about 50 new temporary classrooms, between 2005 and 2008.

Principles and objectives

The council made the issues of cost, quality and time the cornerstone to the programme of works. The overall objectives were:

- To improve the educational environment for Somerset schools
- To deliver efficiency across the county.

Programme specific objectives were:

- To reduce the time taken by in-house technical staff
- To deliver a programme of works on time
- To ensure minimum disruption to schools
- To tailor the project to a partnering ethos and in so doing, use county-based contractors.

Major issues

In Phase One of the project, the council dealt with the demolition of temporary buildings by tendering each project individually. This route was disproportionate to the project cost, and provisional sums provided for unexpected works were often insufficient. Using a different contractor on each individual project also meant knowledge and skills were not shared or transferred from project to project.



Despite being relatively straightforward in delivery, each project took up a large amount of a technical officer's time. This was disproportionate to the fee charged, which was calculated as a percentage of the overall project value.

The live school environment also presented a challenge. The council had to ensure that a programme of works was in place and the contractors knew the programme well in advance. Most of the work needed to be done during school holidays.

Successful initiatives

The council needed to deliver a large programme of demolition works in the most cost-effective way, without compromising quality. The team began to look at the benefits of new procurement routes and the partnering approach.

Partnership working

Fragmented relationships were causing significant difficulties with delivery and costs of projects. Somerset County Council consulted other authorities and local contractors before shortlisting and selecting two contractors on a 60 per cent quality, 40 per cent cost basis.

A framework agreement was set up with the winning contractors, F & B in East Somerset, and Abacus in West Somerset. This enabled long-term, trusting relationships to be established.

The council and contractors work collaboratively to ensure there is an advanced programme of works, and most of the demolition can occur during the school holidays, allowing for minimum disruption to staff and pupils.

Sharing resource

Prior to the Council's framework agreement projects were individually tendered. Technical officers had to work long hours, which were disproportionate to a project's value.

The new framework agreement has equipped the contractors with project-by-project knowledge and they are able to take on the technical officer's duties, allowing for significant time efficiencies of 6.25 per cent (as highlighted previously).

Trusted supply chain

Service disconnection is no longer carried out under a traditional tender, but through a trusted supply chain that the two framework contractors have established. By using the same team on each job, costs and timings are reduced as 'lessons learnt' are carried through from one job to another. Current analysis has shown that projects delivered under the framework agreement cost 25 per cent less than when procured through competitive tender.





Regular reviewing of progress and procedures

Council and contractors review achievements regularly, to ensure efficient and effective working. More in-depth annual reviews are also held and serve as a basis for setting future objectives.

Extra works/percentage profit agreement

Good time-keeping is essential when working in a school environment. Asking the contractors to submit quotes and setting up a separate contract for additional work is costly and time-consuming. Somerset Council agreed with F & B and Abacus that they would receive an additional percentage of profits, under their existing framework agreement, for any extra work. Thereby avoiding cost and time overruns.

Lessons learnt

- This project has shown the council that partnering can work for smaller projects and they are now introducing several new partnering arrangements, based on the principles of the demolition framework.
- Long-term trusting relationships are essential to the success of a project, allowing for forward planning and on-time delivery. This is particularly important in a live environment.
- Building a trusted supply chain means information is shared, not retained. As a result, cost savings of at least 15 per cent may be achievable.

Contacts...

How does your project measure up?

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Any feedback on this case study?

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