

# Full Business Case



<b>Project Name</b>	<b>Medium Schemes Framework 3 - Procurement</b>
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## 1. Management Summary

<b>Introduction</b>	<p>MHA is now in its tenth year one of the MHA original objectives was to develop an effective procurement option for the delivery of Medium Schemes. The first framework MSF1 adopted a collaborative, cost based approach using the NEC3 form of contract. The MHA developed MSF1 with the support of the Regional Improvement and Efficiency Partnership, now working together with other similar regional construction frameworks the current MSF2 framework closely follows the most recent National Construction Category Strategy for Local Government - Effective Construction Frameworks January 2016 (see appendix A).</p> <p>Following the decision (MHA Executive Board Sept 16) to extend the current contract MSF2 to June 2018, colleagues from across the existing MSF2 framework community have been invited to a series of three workshops to contribute to the development of this business plan. These workshops reviewed other local, regional and national frameworks and produced a SWOT analysis of the existing MSF2 framework. The workshops also began work on a risk register and pipeline of projects for MSF3. Presentations have also been made to the Civil Engineering Contractors Association and the West Midlands Highway Alliance which invited contributions to be made.</p>
<b>Scope</b>	<p>The scope of both previous frameworks has been defined as being for the execution of highway, civil and municipal engineering. Typical schemes may involve, but not exclusively, highway improvements, highway maintenance, highway infrastructure works (including bridges, subways, culverts and retaining walls), public realm works (town centre enhancements), drainage improvements, canal works and other infrastructure works such as waste management facilities. Whilst no minimum figure exists the intention was to provide an effective procurement option for medium schemes, to deliver high value complex highway projects, most MHA member authorities have developed other procurement routes for smaller projects typically up to £1 million. MSF1 had a maximum project value of £12million which was increased to £25million for MSF2.</p> <p>MSF1 delivered over £200 million of works and MSF2 is anticipated to exceed this figure, currently 16 authorities have used MSF2. (see appendix B for further details) With the proposed closer working between MHA and MSIG there maybe a number of authorities consider using MSF3 for a first time.</p> <p>The current framework cannot be extended beyond June 2018 so if a replacement framework is to be provided the MSF3 procurement process (see appendix C) will need to be completed within 15 months.</p>
<b>Aims and Objectives</b>	<p>At the beginning of MSF2 the Framework Community Board FWCB reviewed the aims and objectives of the framework, these are now included within the MHA Business Plan. The primary aim of MSF3 will remain the efficient delivery of highway improvement projects, supported by the existing successful approach to</p> <ul style="list-style-type: none"> <li>• Collaboration – high levels of participation in the regular Framework Community Board</li> <li>• Early Contractor Involvement – contractors being selected typically six to twelve months before the start of construction sometimes more</li> <li>• Investment in skills – every project has an Employment and Skills Plan in place</li> <li>• Performance management – two monthly reporting of performance shows high levels of client satisfaction including a number of regional awards.</li> </ul>
<b>Preferred Option</b>	<p>Whilst other available regional and national frameworks have been considered the three workshops have established a need to replace the existing framework (option 2 below). Initial work has shown that there is a pipeline of projects over the period 2018 to 2022 similar to that delivered through the existing framework. Given that MSF2 has made good progress towards meeting its aims and objectives, it has been suggested that MSF3 should take a similar approach to the contract strategy. The opportunity for continuous improvement should be taken to make minor modifications as agreed. Further work to define the detailed procurement strategy and structure will commence immediately upon receipt of approval to proceed with this option.</p>
<b>Rationale</b>	<p>MSF1 and MSF2 have shown a steady increase in the amount of savings achieved by the investment in the development of the frameworks.</p> <p>Savings in time and money have been made, by removing the need for each authority to separately conduct EU compliant procurement procedures. These savings have been increased by the volume of work now being put through the framework such that fees for the use of the framework were reduced at the beginning of MSF2. It is proposed that further savings can be made by simplifying the MSF3 procurement processes.</p> <p>The development of early contractor involvement through the frameworks has led to very significant client savings now being reported by the majority of projects delivered through MSF2. It is proposed that measures to further develop this approach should be included in MSF3.</p>

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	<p>Finally the gain share mechanism has driven the use of value engineering throughout the construction phase. The regular performance reporting has ensured that the quality of the works and the service delivered remains satisfactory whilst further shared savings have been reported.</p> <p>The cost of procuring MSF3 has been estimated to be £150,000. This together with the ongoing cost of managing the framework, including support for the FWCB and contract training, etc. will continue to be fully recovered through a charge levied for the use of the framework. The total investment in the medium schemes frameworks since 2009 is estimated to be £800,000. With reported savings of over £26million to date, representing a rate of return on investment in the order of approx. 35.</p>
<b>Recommendations</b>	<p>The MHA Executive Board is asked to approve option 2 (see below) the procurement of a Medium Schemes Framework MSF3, to commence June 2018.</p> <p>Also to make available the necessary resources for the procurement process. And provide support for the development of a project pipeline including identifying a number of projects for construction in 2018/19 to be used as model projects in the procurement of MSF3.</p>

## 2. Options Appraisal

<b>Option 1</b>				
<b>Option 1 (Baseline/Do nothing)</b>	<p>The existing MSF2 framework will no longer be available after the June 2018. The MHA Executive Board may choose not to procure a replacement framework.</p> <p>Alternative National and Regional frameworks are available for use by local authorities for the procurement of medium schemes. There are also a number of local frameworks available for the delivery of projects up to the current OJEU value (approx. £4million).</p> <p>National</p> <ul style="list-style-type: none"> <li>• SCAPE National Infrastructure Framework (sole provider)</li> <li>• Highways England Collaborative Delivery Framework</li> </ul> <p>Regional (these all include various size lots and different forms of contract)</p> <ul style="list-style-type: none"> <li>• Yor Civils</li> <li>• Southern Construction Framework</li> <li>• Eastern Highway Alliance</li> </ul> <p>Clearly individual Highway Authorities still have the option to procure a project through a traditional standalone procurement process.</p>			
<b>Option 1 Assumptions Dependencies and Interfaces</b>				
<b>Option 1 Financial Summary</b>	<p>Whilst there would not be any procurement costs with this option there would be fees payable when using any of the above frameworks. These fees would be set by others to recover their procurement and management fees.</p>			
<b>Option 1 Top 5 Risks</b>	<b>Risk</b>	<b>Mitigation</b>	<b>Current Risk Score</b>	<b>Financial Impact</b>
	Reduction in collaborative working between authorities			
	Loss of the opportunity for Local Highway Authorities to collectively influence the market in the Midlands region			
	Lesser focus on local community benefits of the framework			

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<b>Option 2</b>				
<b>Option 2 (Procure MSF3)</b>	<p>There was wide agreement at the three business case workshops that the existing MSF2 arrangements offer a safe and dependable, no delay, no surprise, good value, customer focussed collaborative framework. That MSF2 is regarded as a leading framework in the local authority highway sector. It was agreed that MSF3 could be further improved by incorporating the following proposals,</p> <p><b>Safety</b></p> <ul style="list-style-type: none"> <li>• Ensure that CSCS cards are held by all local highway authority staff working on framework projects</li> </ul> <p><b>Dependable</b></p> <ul style="list-style-type: none"> <li>• Simplify contractor selection process</li> <li>• Abandon the Lot1/ Lot 2 split</li> </ul> <p><b>No delay, No surprise,</b></p> <ul style="list-style-type: none"> <li>• Make further improvements to early contractor involvement including an option for making payments to the contractor during the ECI period.</li> </ul> <p><b>Good value</b></p> <ul style="list-style-type: none"> <li>• Use shovel ready projects to develop prices for model schemes</li> <li>• Increase the use of the local supply chain to achieve additional value when possible</li> </ul> <p><b>Customer focussed</b></p> <ul style="list-style-type: none"> <li>• Use the Social Value Act to quantify community benefits</li> </ul> <p><b>Collaboration</b></p> <ul style="list-style-type: none"> <li>• Improve information sharing within projects, consider the increased use of BIM</li> <li>• Make provision for design and build with associated risk transfer</li> <li>• Increase the use of back to back contracts in appropriate circumstances</li> <li>• Audit the provisions of the fair payment charter and link to performance measures</li> </ul> <p>The workshops agreed there is a need to further consider proposals which did not reach a consensus at the final workshop,</p> <ul style="list-style-type: none"> <li>• The format and purpose of the tender quality submission and how it relates to both the selection questionnaire (PQQ) and the performance toolkit</li> <li>• Improvements to the secondary selection procedure to include simplification of the direct call off</li> <li>• Making better use of the harmonised specification potentially by focussing on a reduced number of items.</li> <li>• Increasing the scope of the Framework by offering NEC option A.</li> </ul>			
<b>Option 2 Assumptions Dependencies and Interfaces</b>	<p>That MHA member authorities are able to identify appropriate resources to support the MSF3 procurement process</p> <p>That funding becomes available for the pipeline of projects identified for delivery in the period 2018/22</p> <p>That the number of authorities choosing to use the framework continues to increase as we achieve closer working with the wider Midlands Service Improvement Group</p>			
<b>Option 2 Financial Summary</b>	<p>Estimated cost of MSF3 procurement £150,000</p> <p>Ongoing management costs of MSF3 £250,000</p>			
<b>Option 2 Top 5 Risks</b>				<b>Financial Impact</b>
	Market competition at framework tender period	Monitor market, make framework attractive to industry	HxH	
	Target Price uncertainty	Improved risk management	HxH	
	Uncertainty over future funding	Improved sharing of information	HxM	
	Lack of pipeline visibility	Improved sharing of information	HxL	

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	<i>Local/regional elections</i>	<i>Increased member awareness</i>	<i>MxM</i>	
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### 3. Implementation Strategy for the Preferred Option

Key Stakeholders	Who are they?		Why do they have an interest in the project?		What level of influence will they have on the success of the project? (H,M,L)				
	<i>Regular Users of the existing framework</i>		<i>Need to replace the existing procurement route when MSF2 expires in June 2018</i>		<i>High</i>				
	<i>Infrequent or future users of the proposed framework</i>		<i>May see MSF3 as a useful procurement option for future projects</i>		<i>Low</i>				
	<i>Contractors?</i>		<i>Provides turnover and allows for best practice to be developed with Local Highway Authorities</i>		<i>High</i>				
Implementation Approach	<ul style="list-style-type: none"> <li><i>See Appendix C</i></li> </ul>								
Resource Plan for Preferred Option	Resource Type	Post Title	Resource Requirement (Effort)	Resource Requirement (Duration)			Cost		Comments
				Start	End	Total	Grade	£	
	<i>Steering Group</i>		<i>Bi monthly meetings</i>	<i>April 17</i>	<i>May 18</i>			<i>Nil</i>	<i>All costings to be developed</i>
	<i>Selection Group</i>		<i>monthly meetings</i>	<i>April 17</i>	<i>Jan 18</i>			<i>30k</i>	
	<i>Technical/contract Group</i>		<i>monthly meetings</i>	<i>April 17</i>	<i>Jan 18</i>			<i>30k</i>	
	<i>Procurement Advice</i>		<i>As required</i>	<i>April 17</i>	<i>May 18</i>			<i>20k</i>	
	<i>Legal Advice Freeths</i>		<i>As required</i>	<i>April 17</i>	<i>May 18</i>			<i>10k</i>	
	<i>Assessors</i>		<i>12 man weeks</i>	<i>Oct 17</i>	<i>Feb18</i>			<i>15k</i>	
<i>Validation</i>		<i>12 man weeks</i>	<i>Mar 17</i>	<i>May 18</i>			<i>15k</i>		

Completed by:

Date:

Reviewed and Approved by SRO:

Date:

Reviewed and Approved by TU Business Partner:

Date:

Reviewed and Approved by Finance Office Business Partner:

Date:

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