

# RIBA



Royal Institute  
of British Architects

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# **RIBA Consultation: Introducing Smart PFI**

# Introducing Smart PFI

## Introduction to Smart PFI

The Private Finance Initiative (PFI) is likely to remain a key mechanism through which major public infrastructure will be delivered over the next 10-20 years. The Government is in the early stages of a significant investment in developing new and renewing existing school facilities, and in the latter stages of redeveloping healthcare facilities nationwide.

There are few doubts that PFI, a form of Public Private Partnership (PPP) has been highly successful in bringing private finance into the construction of social infrastructure. However, in an increasingly mature and sophisticated PFI market, there remain concerns that need to be addressed – e.g. the overall design quality of PFI buildings, and the speed and cost of bidding for PFI contracts. The RIBA believes lasting and significant improvements can be brought about within the current system by addressing these issues and moving towards a system of “Smart PFI”.

## Design quality

It is the mission of the RIBA to promote excellence in building design. In the Public Sector, to fail to deliver design quality is to waste the taxpayers’ money. With a vast and unprecedented investment in our schools and health care now underway, the UK deserves to expect high levels of design quality, whether delivered by PFI or more traditional procurement mechanisms. PFI has delivered some excellent projects, yet this is not found in every case, and too often the excellence we seek in our public buildings and facilities has not been borne through to delivery. Standard PFI structures at present are not conducive to good design. In the early stages, inexperienced clients are too often faced with trying to conduct a design dialogue with three design teams embedded in bidding consortia, each managed by the contractor component of the consortium.

The RIBA believes that if we do not change these processes and procedures we will be wasting a unique opportunity to achieve lasting value for money through excellence in the design and construction of facilities that benefit us all.

## Speed and cost of bidding

The very high cost of the bidding process not only represents a waste of resources that could be invested in buildings and services but is acting as a barrier to entry into the PFI market for all but a small number of major players. This has led to a reduction of competition in the sector, with many specialist, niche and innovative organisations now turning away from PFI projects, unable to bear the often enormous cost of bidding for contracts.

In addition, as bids have become ever more complex, the time required to undertake the bidding process is now excessively lengthy, with subsequent delays to project delivery.

## Bidding for PFI

The most recent study conducted by the Major Contractors Group has shown that average bid costs on hospital projects has risen from £7.7million in 2003 to £11.5million this year.

## Smart PFI: a consultation

We need Smart PFI that delivers the Governments goals, including good design standards and quick competitive bidding. The problems affecting PFI

projects are now quite well understood, with a great deal of consensus forming that some revisions to PFI processes are needed.

With this consultation, the RIBA, following discussions with many leading stakeholders, are putting into the public domain suggestions for possible ways in which the present PFI system may be moved towards Smart PFI. We would welcome comments

The consultation is in two parts. Firstly, a paper setting out **2 possible alternative procurement processes**, with a number of variants, designed to raise the overall quality of design in PFI, and to tackle the twin problems of speed and cost relating to the bidding process.

The second is **a proposal to introduce a PFI Charter**. This would outline a set of principles that any PFI project should adhere to. Those adopting the charter will make the fulfilment of these principles a condition of working on a PFI project.

This consultation forms only the beginnings of our work on PFI and a jumping off point for an ongoing campaign to improve the design and delivery of PFI projects.

The RIBA, working with its partners, will continue to address the issues holding back truly successful PFI, issues such as:

- building the understanding needed to base future design choices on clear evidence from previous comparable projects
- repositioning the end user to the very centre of the design and delivery of PFI projects
- questioning the relevance of a public sector comparator that fails to compare like with like
- the need to look again at how we measure value for money over the lifetime of a building

We need your help to flesh out these and identify other problem areas and begin to identify lasting solutions.

### **Next steps**

During the consultation period the RIBA will be holding a number of workshops to discuss the proposals contained in the Smart PFI consultation, and to explore other areas where further thinking is needed to bring about Smart PFI.

A position paper will follow the consultation, with clear and concise recommendations to Government, industry stakeholders and professionals. A conference is planned for Spring 2006.

### **Responding to his consultation**

To respond to the consultation and join in the Smart PFI debate, visit our website [www.riba.org](http://www.riba.org), or contact Ewan Willars, Head of Policy, at [ewan.willars@inst.riba.org](mailto:ewan.willars@inst.riba.org) or by calling 020 7307 3741. The consultation period ends **Friday 23 December**.

# Background to PFI

PFI was developed in the 1990s by the Government as a new vehicle to deliver major capital projects, as part of a broader programme of engaging the private sector in the delivery of public services. This innovation was set in the context of a history of repeated difficulties in capital contracts run and managed by public sector clients in the traditional way. This failure has been well documented and was evidenced mainly by significant cost and time overruns.

## The Government's objectives

The Government's objectives in developing PFI are often held to be (in no prioritised order):

- To access private sector management expertise and capital
- To move from project delivery to service delivery
- To transfer project and service delivery risk to the private sector
- To take capital cost off the Public Sector Borrowing Requirement to help contain inflation and comply with IMF guidelines (this point is contested by the Treasury)
- To bid projects on whole life costings with the intention of forcing cost in use and sustainability into the outcome
- To minimise the public sector management required to deliver projects
- To group projects in bundles to reduce the ratio of public client management to delivered projects
- To provide value for money via increased private sector competition

## The PFI solution

The standard PFI solution developed was based round a Design, Build, Finance and Operate (DBFO) contract for which consortia would bid. This was a bold move, developing a new UK industry to design, build and run public facilities from prisons to schools and hospitals. There was no private sector model to follow, although similar mechanisms had been previously used elsewhere, particularly in the US. Initially it was envisaged that 'Operate' would soon include the operation of the service delivery. However, with few exceptions, such as some prison projects, the operational element of DBFO have been restricted to the operation of the building as infrastructure – ie maintaining its availability for use for services continued to be delivered by the public sector.

## Successes and failures

The standard PFI model has largely been successful in delivering most of the objectives set out above. New facilities have been delivered in increasing volume and cost and time overruns have been reduced, if not eliminated.

	<b>PFI (Treasury 2003)</b>	<b>PFI (NAO 2001)</b>	<b>Non-PFI (NAO 2001)</b>
Delivering on time	88%	76%	30%
Delivering to budget	79%	79%	27%

*Quantifying quality, David Eaton (University of Salford) / RICS 2005*

However, the 2003 Audit Commission report on PFI in schools pointed to shortcomings in early school PFI projects in design, flexibility, environmental standards and ease of maintenance, identifying a "Quality Gap".

# The Barriers to Design Quality

## User client input

It is accepted by all informed opinion that user client involvement in the iterative process of brief finalisation and early design conceptualisation is essential for successful projects. This enables both the client and the designer to understand better the functional, spatial and environmental needs of the client within the context and constraints of the siting options available. The more specialist the services to be provided by the client, the greater the levels of client information and involvement required.

It is in this early, close relationship between client and design team that significant design development and innovation occurs.

Under current guidance, user clients have been encouraged to limit their briefing to an 'output only' specification. The essential intensive dialogue between client and designers in the subsequent early design development is compromised because of the logistics of the client having to provide this input simultaneously to several competing consortia and their design teams. There is a clear need for a mechanism that will allow the client to transmit a more comprehensive understanding of design requirements to the consortia and to reinforce the design quality objectives of the real client.

## Resourcing the early design stages

During the competitive phases of the PFI process design teams are working with a significant exposure to risk, as their remuneration is linked to the success of their bid. Combined with the relatively short period allowed for research and design (as little as six weeks), and limited access to users this creates conditions which are far from conducive to innovations likely to improve operational effectiveness and efficiency in the delivery of the core services.

## Testing the brief

The validity of a complex user brief is often not fully tested until the early design phase of a project. If the need for significant revision is revealed this can cause difficulty in the bidding phase and 'rebriefs' delayed until the preferred bidder stage causing extensive costly abortive work. A number of PFI projects have clearly gone to the market before an adequately tested combination of brief and service delivery objectives was in place. This has resulted in a rebriefing process at the preferred bidder stage. The PFI bidding process is no way of carrying out appraisal and strategic briefing.

## Time and cost of the bidding process

The most frequently heard complaints about the PFI process are in relation to the extended process and the very significant costs borne by both bidders and public sector clients. In many cases significant elements of these costs arise from the fact that each of the consortia is involved in replicating the production of information, which could more easily and more accurately be produced and provided by the client body. Much of the additional and cost-consuming time is generated through incomplete understanding on the part of consortia of the client's detailed requirements and the resultant need for many and often fundamental changes to the design proposals in order to satisfy them.

This protracted process has several consequences:

- It's expensive and the abortive costs (c.£500million pa across the sector is a conservative estimate), as part of a company's overall operational profitability, are inevitably rolled into the cost of the losing consortia's next bid. Indeed, the winning consortium has undoubtedly

factored the cost of their previous losing bids into their current successful one. In the end the public pays the cost of the inefficiency of the system.

- The high cost and risks entailed in bidding exclude many capable small and medium sized contractors and thus reduce the competitiveness of the system.
- It's a winner take all system and the participating consortia have already been reduced to a few major players, further frustrating competition and innovation in the market.
- Parallel teams working up detailed designs require a considerable amount of professional time. This is unnecessarily wasteful and particularly unwelcome at a time when skills shortages in the UK are being highlighted against the background of, for example, the Sustainable Communities challenge. This could result in an aggravated skills and capacity gap amongst the professions.
- More expert clients are able to achieve shortlists with the best designers who then compete with each other while other bids for less experienced clients proceed with lower overall quality of designs.

### **Degradation of design quality after Financial Close**

Part of the traditional PFI process is essentially a design and build form of procurement. In this the design team, including the architect, works for the lead contractor involved in the bid. The bid process, sometimes involving the reduction of the bidders to the last two in a Best and Final Offer (BAFO) stage, results in the selection of a preferred bidder with whom the design, specification and cost is finally negotiated as a component of the entire DBFO package tied down at Financial Close

It is normal for a contractor to seek to maximise profit by expending as little cost as possible in complying with the contracted requirements. A frequently observed phenomenon in completed PFI schemes and those under construction is the tendency by design and build contractors to seek to minimise construction costs by the omission, where possible, of design features, reductions in areas/volumes and adoption of lower quality specifications for finishes and services within the building. Even if the client team is vigilant in tying down details at Financial Close, the quality of the completed building can vary greatly from that implied in the presentations to the user client. The design team employed by the consortium is naturally excluded from undertaking the role of ensuring the compliance of the finished building with the standards set out in the contract documentation. This role falls to other consultants such as the Client Project Manager who may not have the detailed knowledge or resource to push for quality.

### **The negative effect on design quality**

While every effort has been made to develop systems to allow the design teams to consult with the public sector client while developing their designs, inevitably this is tortuous when multiple teams are bidding. In addition, the architect's client is their consortium, not the user client, and the design must be developed to meet their criteria. Despite good intentions all round, the consortium's agenda may not be aligned with the user client's. Too often the design team may be asked to design, for example, to lowest cost or to facilitate the easiest build process. In other words addressing the supplier's issues not the users' issues.

### **Client Design Advisors**

On 6 October 2005 the RIBA launched a register of Client Design Advisors – architects and other construction professionals accredited by the Institute who will guide clients through the process of commissioning buildings. The register meets the increasing demand for such advisors from client groups and government agencies such as the NHS, CABE and English Heritage, and aims to ensure that the highest quality of architecture and design is achieved - to the long-term benefit of society and the environment.

An RIBA Client Design Advisor will be an experienced and specifically accredited RIBA Chartered Architect or other professional who sits alongside the client team to advise on matters of briefing, design, delivery and usage, encompassing the whole process of creating, procuring and using a built facility.

An RIBA Client Design Advisor possesses the following core skills and experience:

- The ability to champion and assess design quality
- Client and stakeholder leadership and facilitation
- Business case making and project initiation
- Brief writing, output specification and contract documentation
- Project budget, value and risk management
- The ability to select and commission project teams
- Knowledge of strategic and feasibility studies and appraisals
- Procurement and construction management including partnering
- Knowledge of planning procedures
- Knowledge of funding and development processes
- Programme preparation and evaluation
- Post completion services

The skills and information available and experience of the public sector client are vital ingredients. Specifications based on firm evidence, e.g. specific learning or healing outcomes will result in better buildings more fit for their purpose.

The design spark that results in an excellent piece of architecture that works well in functional terms both now and in the future, usually happens when clients, who know their business and needs form an intimate, close and creative relationship with an expert design team, led by their architect.

There have been several attempts to address the shortcomings in PFI designs. Exemplar designs for schools were drawn up for others to follow. This has not been seen as a great success. Design mentors and champions have been appointed to advise clients in evaluating the consortia's designs. "Gateway processes", which may be the most effective method, have been put forward whereby design quality is judged before the financial bid is considered. These devices while welcome in themselves do not address the systemic difficulties under current PFI processes. They are no substitute for getting good designers working directly with clients to research and satisfy their requirements.

### **Conclusion**

We need a "Smart PFI" which delivers the Governments goals, including consistently good standards of design and quick competitive bidding. This paper seeks to address these issues through presenting a number of alternative models, to inspire thought, stimulate discussion and to move the debate towards a better form of PFI.

# Consultation Part 1: Introducing Smart PFI

## MODEL 1 The Exemplar Model

The Exemplar Model provides a mechanism which the RIBA believes can help resolve many of the above problem areas and result in a significantly improved design solution whilst simultaneously reducing both the cost and time required to complete the PFI bidding process.

The fundamental difference between this model and the current process is that in the Exemplar Model the public sector client takes responsibility for the development of the establishment of need, strategic planning, quality objectives, concept design and determination of affordability.

### Step 1

The public sector client appoints a design team, chosen through a competitive design interview process for their creative skills and understanding of the client's area of expertise. The selection process requires each of up to 6 short-listed multi-disciplinary design teams to present a preliminary design concept that responds to the preliminary client brief in return for a fixed fee to offset their costs. The teams are assessed on their design skills, creativity, innovation and approach to functionality, deliverability and efficiency, as demonstrated by their design concept and track record. The successful team is then appointed to work in close collaboration with client representatives in developing an intimate knowledge of the client's strategic and operational needs and in setting an appropriate vision for the project supported by research and visits to class-leading facilities. They are required to produce:

- a well researched and comprehensive design brief
- site analyses and selection
- a concept design/sketch scheme for the project, achieving full user-client sign-off on content, layout and quality
- a full performance specification identifying all aspects impacting on the quality of the required project
- a costing for the project based on the actual design solution and taking account of site specific costs
- a further client sign-off to confirm the affordability of the project
- outline planning approval

This information contributes to the finalisation of the Outline Business Case and ensures that the Public Sector Comparator is based on a fully developed concept design reflecting the user client's real need rather than on a theoretical model. It is important to note that, in the 'standard case', the exemplar design does not develop construction information as to 'how' the building is constructed as this is a risk fully transferred to the private sector. Rather it conveys 'what' the client requires in terms of content, form, quality and

performance specification. The consortia employ their own design team to produce the detailed design.

By exception, the scope of the exemplar may be varied to be simple or more complex depending on the needs of the building type.

All the activities of Step 1 will be carefully managed through a project 'execution plan' with a detailed programme and scheduled deliverables.

### **Step 2**

This information, including the signed-off sketch scheme, is brought together as a client's requirement document for inclusion in the Invitation to Negotiate (ITN). The consortia is challenged to use their innovation in competing as to how they could most efficiently deliver the required design solution in terms of building methodologies, value engineering, lean construction, facilities management, financing etc. without reducing the quality of the exemplar design required. As part of this they are invited to identify any areas of the design where they feel improvements could be made or any opportunities for additional income generation offered by the site.

### **Step 3**

The exemplar sketch design, as opposed to the exemplar design team, is then novated to the preferred bidder. A separate design team, within the preferred bidder's consortium, is responsible for the detailed construction design. The design team that prepared the exemplar for the public sector client is retained by them as Employer's Agents to ensure that the design as developed and subsequently executed by the preferred bidder maintains the quality standards required by the client.

This model more accurately reflects the actual risk allocation in those PFI projects where responsibility for delivering core services e.g. health and education, remains in the public sector. Once a public sector client accepts a design layout and set quality and space standards, then irrespective of whether it is or is not efficient and effective in the delivery of the core services, the public sector client is required to continue paying for the facility. The private sector consortium is only responsible for the delivery of any specified support services and for ensuring that the facility remains dry, warm and structurally and decoratively sound, which issues are mostly determined by detail design rather than conceptual design.

The above model is a development of a process currently being used by the DHSSPS in Northern Ireland.

## **THE EXEMPLAR MODEL**

### **Advantages**

- Creates a close relationship between the user-client and the initial design team which will engender innovation and design quality
- Places a greater focus on improving the resourcing of the vital early design stages
- the user-client, with responsibility for the strategic delivery of core services, retains control of the strategic planning, concept design and quality issues leading to better design quality solutions

- the public sector client has a proper understanding of cost and affordability issues prior to engaging with the private sector
- the user-client has signed-off the exemplar design as fully meeting the need thus removing uncertainty from the private sector and the need for prolonged negotiations after preferred bidder
- it obviates the need for the production of multiple, hugely costly and abortive design schemes by the industry which in turn drive up the cost to the public purse in subsequent bids
- bid costs and times should be significantly reduced as the private sector consortia are required to develop not to recreate a concept design
- reduced bid costs and times and pre-tender confirmation of affordability should encourage new entrants to the market bringing with them greater competition
- the private sector continues to take full responsibility for the funding, detailed design, construction, maintenance and availability of the facility

### **Disadvantages**

- Divorcing the design team from the consortia at the early stages is contrary to conventional integrated supply chain thinking
- The models introduce different patterns of risk and risk control to those currently understood within the PFI market and would require readjustment of participants' risk profiles, and increased management, control and discipline by the user-client within the initial stages

## **MODEL 2**

### **Single Design Model via quality based selection**

(variants A and B)

In this model a Preferred Bidder is selected without preparing and costing a design. This requires the application of rigorous and detailed criteria for Quality Based Selection (as opposed to competitive tendering).

The model has two variants.

**Variant A:** Bidders do not bring designers (or at least architects) as part of the supply chain and the preferred bidder and client jointly select a design team and negotiate a contract.

**Variant B:** Bidders include a full design team in the supply chain but the selection process as regards design is based on the quality and evidence of quality of the team rather than on a design for the project.

#### **Step 1**

##### **Preparatory stage** (both variants)

As with any PFI, the process will start with the preparation of a Strategic Business Case followed by an Outline Business Case (OBC). As part of the latter a Public Sector Comparator is required and for this to be robust a well considered Reference Scheme is essential. The design work involved in this scheme represents RIBA stages A and B and will include drawings (not just plans but also elevational and massing studies) at up to 1:200. Aspects to be considered must include: alternative locational and site strategies; town and country planning, transport, parking and environmental issues; urban design, massing and public realm matters; and a thorough examination of service delivery models and operational strategies now and in the anticipated future. In short, good practice for any client in the preparation stage of any project.

#### **Step 2**

##### **PQQ Stage**

##### **Variant A**

In this model the PQQ processes (Prequalification Questionnaire) will run as at present except that there will be a greater emphasis on the bidders approach to design quality and design management and that the bidders will not be invited to put forward their designers as part of their supply chain. Long Listing, Interview and Short Listing is carried out on the following existing criteria plus Design Quality and Management Capability.

- Financial
- Legal & Commercial
- Partnering
- Technical and Deliverability
- Facilities Management
- Workforce / Employment

Thus, in addition to what is currently tested at the current PQQ/PITN (Preliminary Invitation to Negotiate) stages is supplemented by an assessment of the bidders' capability in terms of managing the design process and extracting maximum value from it.

### **Variant B**

In this model the PQQ processes will run as at present except with a greater emphasis on the whole bid team's capacity to deliver design quality, the designers' track record in doing so, the SPV's commitment to design quality and its capacity for good design management. Long Listing, Interview and Short Listing will be carried out as above with the addition of scrutiny of the quality and capability of the design team

*In both models the PQQ stage will result in the selection of 3 bidders for the PITN phase (Preliminary Invitation to Negotiate).*

### **Step 3**

#### **PITN Stage**

The models start to diverge considerably from current practice in the weight put on the PITN phase.

#### **Variant A**

Currently the PITN is used as part of the process to select the 3 bidders for ITN. In the proposed model only 3 bidders will go forward to the PITN stage which will be expanded to enable them to be tested further in regard to the criteria listed earlier. The Reference Scheme will be used where appropriate as the basis on which proposals under these headings may be put forward. Clearly this requires a well considered reference scheme to be in place as part of the Client Side preparation prior to going to the market.

A key issue to solve in this model is the nature of evaluation of the financial offer as regards the future build costs of the project. The issue is not so much interest rates and development finance, which can be evaluated separately from build cost; but preliminaries, profits, overhead and rates where appropriate. The model anticipates an open book approach in later stages with on costs already fixed.

At the conclusion of the PITN stage a Preferred Bidder is selected. It is important to note that there is no guarantee that the contract will be awarded to the Preferred Bidder. Just as at present, that will depend on the bidder's performance in the run up to contract award. One of the two unsuccessful bidders could be asked to step in of negotiations do not go well.

#### **Variant B**

In this model the procedure will be similar except that the design team will also be tested. Further details will need to be decided upon, but for example the teams could be asked to comment on the reference scheme, make concept design responses and produce evidence of the quality of their processes, eg for consultation with users. The nature of this element of the selection will be similar to the Competitive Interview methodology as regularly overseen by the RIBA Competitions Office.

*At the end of PITN a single consortium will be selected as Preferred Bidder with one of the other two on standby as Reserve Bidder in case the PB fails to deliver satisfactorily (to stated criteria) in the ITN stage.*

### **Design Team Selection - Variant A only**

The OJEU notice and PQQ in respect of this will already have been put in-train by the client. The Preferred Bidder and Client jointly undertake the selection process again on a Quality Based selection system. This may include submission of initial responses comparable to what happens in a well-organised competitive interview process. The teams will be issued with the reference scheme as part of the information set. An issue to consider is whether the bidders may be asked to come to the table (at PQQ stage) with their selected engineers with the DTS stage being concerned only with Architecture, Urban Design and Landscaping, or whether the entire design team is selected at this stage.

### **Step 4**

#### **ITN to Financial Close**

In variant A the selected design team will become part of the bidder's supply chain and the now complete bid team will proceed to develop the design.

In Variant B the design team will already be in place at the end of the PITN stage and the Preferred Bidder will proceed with the ITN stage as present except that it will not be in competition with others.

A single design will then be developed with appropriate consultation with the user groups and other stakeholders, and to an agreed and increasingly refined cost plan. The client retains the right to turn to the Reserve Bidder if deemed necessary.

Following due diligence checks the project then proceeds to contract.

The key differences in Model 2 variants A and B are that the former opens out the selection of designers to those not already operating in the PFI, whereas the latter preserves the ideal of integrated supply chains.

## **THE SINGLE DESIGN MODEL via QUALITY BASED SELECTION**

### **Advantages**

- Minimising cost and waste in the bid process
- One team, concentrating with the clients and stakeholders on producing the best within the available resource envelope
- Good engagement with users
- Promotion of a collaborative, partnering ethos
- Lower risk to bidders during concept design stages means that design team input is less compromised by severe restrictions on fees
- Lower barriers of entry to 'new blood' (except possibly in variant B)
- This route could be used as a follow-on to the Exemplar Model to form an ongoing partnership

### **Disadvantages**

- Preferred bidder selected without fully costed proposals to hold it to account in subsequent stages
- Contrary to current competitive practice
- Variant A may be seen as contrary to the ideal of long term integrated supply chains

# Consultation Part 2: Introducing a PFI Charter

As part of the ongoing campaign to introduce Smart PFI, the RIBA is also seeking views on the suggested introduction of a PFI Charter.

The Charter will set out a set of principles that any PFI project must adhere to. Those adopting the charter will make the fulfilment of these principles a condition of working on a project. RIBA members themselves should then refuse to work on any PFI project that does not satisfy the principles.

The charter should be jointly agreed by the Professional Institutions, and if possible, bidders' and contractors' organisations.

## **Possible Charter headings:**

- **Adequate preparation by the client before going to the market: including option appraisals, thorough testing of alternative site and service delivery strategies, discussions with relevant local and national agencies**
- **A well developed Public Sector Comparator including Reference Scheme**
- **PFI clearly having been proved to be better value for money as compared with the PSC**
- **Adequate time built into the process for preparation of the bidders' designs, with proper engagement with the clients and users**
- **A clear intent to pursue good design as evidenced by the selection criteria, the use of Design Quality Indicators, and the presence of a design champion**
- **Commitment to and emphasis on whole life value**
- **The adoption of best practice in terms of client side expertise including Project Management and Client Design advice**
- **Full involvement of Facilities Management from the early design stages**
- **Adequate recompense for work carried out during bid stages in order to reduce barriers to entry**

# Appendix 1: Typical Current PQQ and PITN Criteria (BSF)

## PQQ

1. General Information
2. Financial details (a-f) accounts, claims etc
2. Financial details (g & h) – raising finance
3. Contractual matters
4. Quality, IT, Health & Safety, Environmental Protection, Employees
5. Experience/technical capacity (form 1 case studies)
6. Experience/technical capacity/ Partnering
7. Statement of good standing

## PITN

<b>1. Partnership</b>
a. why your organisation is suited to deliver this particular BSF Project;
b. the cultural fit between your organisation and each of the stakeholders in this Project;
c. how you can assist XXXX Council in fulfilling both the local and national objectives of the Building Schools for the Future programme, and deliver a local vision that truly transforms learning in secondary education; and
d. your understanding of the vision for transforming secondary education in Solihull and how you can assist in the development of the fulfilment of the objectives set out in the SBC.
<b>2.1 Deliverability: Please set out your approach to delivering the services, including:</b>
a. how you will resource and deliver the services required for this Project;
b. how you will ensure that the knowledge, skills and experience of your core team are retained in the project team throughout the procurement and construction phases;
c. how you intend to manage and integrate the supply chain throughout the project and what partnering principles you have used on previous similar projects that have worked well and you intend to adopt for the Solihull project; and
d. please outline how you will work with stakeholders and the local community in your approach to the co-ordination of the Project.
<b>3.1 Please set out your approach to the design and development of the facilities likely to fall within the scope of the Project, including:</b>
a. details of how you would set about ensuring that you are able to deliver high-quality, affordable designs that meet stakeholder aspirations within the stated funding envelope in the MOI;
b. how you propose to address the issue of phasing and management of construction to ensure that the new facilities are delivered as efficiently and effectively as possible;
c. how you would avoid curriculum/school time disruption during the development and construction processes;
d. how will you ensure that health and safety and security issues are managed during the development and construction;
e. how do you propose that innovative design techniques and materials will be assessed and employed? How do you propose to utilise DfES guidance such as 'Classrooms of the Future' and examples from the Exemplar Designs process;
f. what building design and operational issues need to be addressed to ensure maximum flexibility and adaptability of all the buildings in this Project, and also to ensure that maximum benefit and ease of use for the next 25 years is achieved for all stakeholders;
g. how you would work with XXXX to help meet its environmental obligations over the life of the contract;
h. how you propose to produce innovative design techniques incorporating ICT, also

indicating how you propose to manage the interface with the ICT contractor during the design and construction process;
i. would the Bidder consider offering vocational training in construction for pupils of the schools, and if this was the case, how would the Bidder envisage such a service being delivered?
<b>4 Facilities Management</b> (maximum 3 sides of A4). Please set out your approach to service delivery, including
a. a brief description of what you believe are the key issues in terms of providing FM Services in a school environment;
b. your approach to the provision of long term operation and maintenance services across the Campuses, including details of the particular challenges that you believe this will pose on this Project; and
c. details of your proposals for establishing and maintaining a positive and co-operative working relationship with the schools;
d. with regard to ICT services, this managed service contract is to be procured separately. What are your views on structuring this element of the Project in terms of management of the interface between ICT and Facilities Management in particular?
<b>5 Financial Issues</b> (maximum of 5 sides)
5.1 Please provide a preliminary indication of the funding structure for your project vehicle and how the project will be financed? Please identify any investors and funders with whom you are in discussions and the extent of any commitment made by investors to date.
5.2 In the context of your approach to funding outlined at the PQQ stage, please explain how you propose to involve funders and their respective advisers during the various stages of the procurement and how the continuing value for money of your funding package will be ensured during the life of the Project.
5.3 Please identify the key commercial issues that may impact on the pricing of this Project. Please outline how you think these could be addressed without adversely affecting the interests of the public sector stakeholders and the affordability of the project to the Authority.
5.4. Please give details of any proposals for flexible use of the School buildings and site, including third party income and associated costs. If a surplus is anticipated, how this would be distributed.
<b>Legal and Commercial Issues</b>
6.1. From your perspective, please identify the major challenges for procuring separate PFI/Design & Build and ICT Contracts. Please outline how you think these challenges can be addressed without adversely affecting the interests of the public sector stakeholders.
6.2. Please provide a statement confirming your ability to meet the ethical criteria normally set out by the Roman Catholic Diocese.
<b>Workforce Issues</b> (maximum 1 page of A4).
XXXXX Council has given a commitment to its workforce both as to their involvement in a PPP/PFI process, and application of ODPM guidance on transferring staff to secure improved TUPE provisions. What is your experience of staff transfer and how would you ensure a smooth transition, whilst maintaining goodwill and positive relationships with staff and their representatives?

# Appendix 2: OGC PFI Guidance

## 14 stage guide to PFI procurement

1) **Establish business need:** It is vitally important that the project is used to address pressing business needs. If the status quo - with incremental rather than substantial change - appears a reasonable option, both public and private commitment to completion of the project, regardless of procurement route, is likely to be limited.

2) **Appraise the options:** This involves identifying and assessing realistic alternative ways of achieving the business needs. The potential scope of the project needs to be understood and, in particular, viewed within the context of what services need to be procured. Relevant budget constraints (affordability) should always be borne in mind.

3) **Outline business case:** Where PFI is the most suitable method of procurement (as highlighted in Chapter 3 - see favourable conditions), an outline business case needs to be prepared, establishing that the project is affordable under the PFI approach. This includes the development of a "Reference Project" (or scheme profile) which provides a fully costed combination of capital investment, operations, maintenance and ancillary services, including a quantification of key risks. Some market sounding may be appropriate at this stage. For significant projects, the Treasury Taskforce will also become involved at this stage.

4) **Creating the project team:** With the output specification and the outline business case in place (and Taskforce approval where appropriate), the formal procurement process can be set in motion. The first step is to form the procurement team. It is important that the negotiation skills and PFI competence of the team are able to match the professional skills anticipated of the bidding consortia. It may be appropriate to seek external skills and experience from competent advisers.

5) **Publication of OJEU notice:** The formal invitation of expressions of interest from the private sector begins with the publication of a contract notice in the Official Journal of the European Community (OJEU). The advertisement should explicitly mention PFI and include sufficient explanation of the project to attract any relevant supplier. The Negotiated Procedure with a "call for competition" is normally appropriate, providing flexibility for the client. Parties then expressing an interest in the project should be provided with a more detailed "Information Memorandum" setting out the project scope, specification, funding and selection criteria.

6) **Deciding tactics:** By the time of issuing the Information Memorandum, the public sector procurement team should have formed a view on tactics; in particular, the selection process. A key decision is whether or not to eventually select a Preferred Bidder. If a Preferred Bidder is to be chosen, as is the case in most PFI contracts, it is generally good practice to do this only after obtaining priced bids which have been informed by a full discussion of commercial terms and a written declaration by the bidder of those terms which are acceptable and those which he still seeks to negotiate. However, because of the onerous nature (in time, resource and money) of working up a full bid, the final tender list should  
( by Stage 8) be limited to 3-4 candidates.

7) **Prequalification of bidders:** The list of respondents to the OJEU notice

needs to be reduced to a long list (or immediate short list if the project is straightforward). Tests such as general technical competence, experience or financial strength should be applied.

8) **Shortlisting:** Whereas prequalification is a test of general competence, selection for the final shortlist must be on the grounds of specific project competence. To select the tenderers, it is legitimate to request, in some technical detail, the approach bidders would take to the project, including their appetite for risk, financing and indicative price. Confidentiality of bidders' proposals is paramount.

9) **Revisit and refine the original appraisal:** Before the detailed bids are formally requested through the Invitation to Negotiate (ITN) stage, the original appraisal of the project needs to be re-visited. Drawing on knowledge gained during the procurement process to date, it is likely that some refinement of the output specification, business case and reference project (PSC) will be needed.

10) **Invitation to Negotiate:** The ITN should be specific as to:

- the services required, in output terms;
- the constraints on the scope of the project;
- proposed contractual terms (length, payment method);
- the evaluation criteria for bids;
- the scope for variant bids

This stage may be quite lengthy for complex projects - perhaps three to four months. There is a lot of material for bidders to absorb and then respond to in a formal bid.

11) **Negotiation with bidders:** Parallel discussions are now required with each bidder, initially to clarify each proposal and assess whether they meet the output requirements. Further negotiations should be aimed at pinning down the commercial terms of the contract, and ensuring that the contracted outputs will be delivered. By making the best use of competition the draft contract should be agreed as much as possible while there is more than one bidder. At the end of this stage, each bidder may be asked to submit a "best and final offer" (BAFO), on the basis of the clarified bids.

12) **Selection of Preferred Bidder and Negotiation to Financial Close:** From the BAFOs received, the Preferred Bidder can then be chosen. Again, the PFI proposition should be tested against the key risk transfer, value for money and affordability criteria. The final negotiations should be taken up with fixing the final detail of the transaction and satisfying the reasonable requirements of the project funders. To maintain discipline, the second-placed bidder should be requested to keep an offer on the table.

13) **Award Contract:** When the contract is signed, a contract award notice is placed in the OJEU.

14) **Contract Management:** The management of the contract is a distinct process which follows on from the process of procurement. While some degree of continuity is important, new processes will be needed. The structure of the contract will have defined the basis for the new, long term operational and managerial relationship between public sector client and PFI service provider.