



Procurement & Contract Selection.

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Procurement process

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Executive Summary 2

Procurement Route 3

Design and Build (D&B).....4

Proposed Tendering Strategy 4

Refrances.....5

Executive Summary

This report outlines the procurement and tendering strategy for the proposed Centre of Excellence in Swansea SA1. Given the constraints of external funding, the need for absolute cost certainty, the recommended procurement route is Design and Build (D&B). To mitigate the inherent risks of a single-stage D&B approach in current market conditions, a Two-Stage Selective Tendering process is advised.

Procurement Route

Selecting the correct procurement route requires balancing the "Iron Triangle", of time, cost, and quality against the specific risk profile of the SA1 site and the external funders. The Traditional procurement route offers maximum control over design and quality, alongside competitive pricing on a fully finalized design RICS (2024). However, it results in a slower overall program, and crucially, the client retains the design-to-construction interface risk. This route is considered low suitability because a developer stepping up to a larger project scale may lack the internal resources to manage a large design team and absorb these interface risks RICS (2024).

Alternatively, Management Contracting allows for an extremely fast start on site and is highly flexible if design changes are required during construction RICS (2024). The major drawback is that there is no cost certainty until the final work package is procured, which presents a high financial risk. This makes it completely unsuitable for a project relying on external funders who will inevitably require a fixed, guaranteed budget upfront RICS (2024).

Design and Build, conversely, provides a single point of responsibility and a fixed lump-sum cost, effectively transferring design liability from the client to the contractor. While the client may lose some control over minor design details once the contract is signed, and variations can be costly, this route remains highly suitable. It provides the exact cost certainty required by funders and protects the developer from unfamiliar project risks by simplifying the management structure RICS (2024).

Procurement Route (RICS, 2024)	Key Advantages	Key Disadvantages	Project Suitability
Traditional	Maximum client control over design and quality, competitive pricing on a fully finalized design.	With a slower overall program, the client retains the design-to-construction interface risk.	Low. The client lacks the internal resources to manage a large design team and absorb interface risks.
Management Contracting	Extremely fast start on site and highly flexible if design changes are required during construction.	No cost certainty until the final work package is procured with high financial risk for the client.	Very Low. Unacceptable to external funders who require a fixed budget upfront.
Design & Build (D&B)	Single point of responsibility provides a fixed lump sum cost that transfers design liability to the contractor.	Client loses control over minor design details once the contract is signed, variations are costly.	High. Provides the cost of certainty required by funders and protects the client from unfamiliar project risks.

Design and Build (D&B)

When using the design and build route, the contractor will normally take risks for the designing and building of the project, and in return the contractor will get a fixed lump sum. This will give the contractor an incentive to complete the project within the timeframe and within budget. Based on the project brief, Design and Build is the most commercially viable route for this development.

The primary justification is the absolute need for cost certainty to satisfy external funding. Design and Build will provide a lump-sum contract sum, offering financial security before construction commences. Additionally, because this project is larger than previous endeavors, transferring the interface risk between the design and construction phases to a single main contractor is highly advantageous RICS (2024).

To further safeguard the aspect of the facility under a Design and Build contract, the strategy of design team novation is highly recommended. The developer should initially appoint a

high-quality architectural and engineering team to develop the concept and detailed design up to RIBA Stage 3 or 4. Once the main contractor is appointed, this original design team is novated, meaning their contract is legally transferred to the main contractor. By legally embedding the high baseline quality, spatial needs, and strict finish specifications into the Employer's Requirements before the tender is issued, the developer legally locks the contractor into delivering the premium standard required, restricting their ability to value-engineer away the building's core quality. (Ashworth, Perera and Hogg, 2013).

A well-known risk of standard Design and Build is that contractors may compromise quality to maximize their own margins. Because the brief specifically dictates the construction of a "Centre of Excellence," it is imperative to mitigate this risk. The client must develop robust, highly detailed Employer's Requirements prior to tender. This ensures high baseline quality, spatial needs, and finish specifications (Joint Contracts Tribunal, 2024).

Finally, the geographical context of Swansea SA1 presents inherent site-specific challenges. As a historic dockland and heavy industrial regeneration area, the site carries a high probability of complex ground conditions, including potential soil contamination or buried sub-structures. Under standard Traditional contracts, unforeseen ground conditions often result in significant financial claims against the client. While complete risk transfer is subject to negotiation, utilizing a Design and Build framework allows the developer to pass a significant portion of this site-specific geotechnical risk onto the contractor, further insulating the external funding budget from catastrophic unforeseen groundworks costs (Joint Contracts Tribunal, 2024).

Proposed Tendering Strategy

To procure the main contractor for this Design and Build project, an Open Tendering process must be strictly avoided. Open tendering, where any contractor is permitted to submit a bid, frequently results in a 'race to the bottom' regarding price. In this highly competitive scenario, contractors often underprice the works to win the contract, planning to recover their profit margins later through adversarial claims and aggressive variations (Hackett and Statham, 2016). For a high-profile "Centre of Excellence," this approach is exceptionally dangerous, as it inevitably leads to a degradation of material quality and workmanship. Furthermore, reviewing a high volume of potentially unqualified open bids places an unnecessary administrative burden on a developer already navigating a larger project scale than they are accustomed to.

Instead, a Two-Stage Selective Tendering strategy is heavily recommended as the most robust method for securing a high-quality contractor while protecting the external funding

budget. The process begins with a stringent Pre-Qualification Questionnaire (PQQ) to create a selective shortlist of four to five highly capable contractors. This selection should be based on demonstrable past performance, financial stability, and specific experience delivering educational or technical training facilities (RICS, 2015). Given the geographical context of Swansea SA1, it is also highly advisable to select contractors with proven expertise in navigating complex dockland environments, specifically concerning deep piling, high water tables, and potential industrial ground contamination.

During the first stage of the tender, this shortlist of contractors is not asked to price the entire building, as the design will not yet be fully complete. Instead, they competitively bid on their preliminaries, site overheads, profit margins, and design fees (Morledge and Smith, 2013). They are also assessed qualitatively on their proposed methodology, site management team, and approach to health and safety. The winning contractor from this first stage is then appointed under a Pre-Construction Services Agreement (PCSA). This initiates a period of Early Contractor Involvement (ECI), which is the most critical advantage of the two-stage process (Morledge and Smith, 2013).

During the PCSA period, the preferred contractor works collaboratively with the client's initial design team. The contractor provides essential advice on 'buildability', supply chain availability, and value engineering, ensuring that the developing design remains strictly aligned with the external funding limits (Joint Contracts Tribunal, 2024). Crucially for the SA1 site, this period allows the contractor to undertake detailed site investigations and intrusive ground surveys before committing to a final price, thereby removing the costly risk of 'unforeseen ground conditions' from the final equation.

The second stage of the tender occurs once the design is finalized, and the site's risks are fully understood. The main contractor competitively tenders the individual work packages (such as steelwork, mechanical and electrical systems, and cladding) to their specialist supply chain on an 'open-book' basis. The client and their cost consultants review these subcontractor costs transparently. Once all packages are priced, the costs are aggregated with the contractor's initially agreed overheads and profit to form the final lump-sum contract sum (Hackett and Statham, 2016). Provided this final figure sits comfortably within the external funding parameters, the formal Design and Build contract is executed, and construction begins with maximum cost certainty and minimized risk.

Refrances

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